



# **ZIMBABWE REVENUE AUTHORITY 2017 ANNUAL REPORT**

**We are here to serve...**

## ABOUT US

### OUR VISION

To be a beacon of excellence in the provision of fiscal services and facilitation of trade and travel.

### OUR MISSION STATEMENT

Our mission is to promote economic development through efficient revenue generation and trade facilitation. This is achieved by:

- Developing competent and motivated staff;
- Using environmentally sustainable processes; and
- Engaging with the global community in a socially responsible way.

### OUR MANDATE

The Zimbabwe Revenue Authority derives its mandate from the Revenue Authority Act (Chapter 23:11) and other subsidiary legislation. Its mandate is to:

- Collect revenue;
- Facilitate trade and travel;
- Advise Government on fiscal and economic matters;
- Protect civil society.

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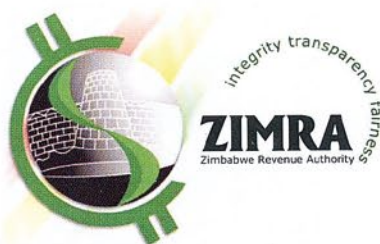
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# LIST OF ABBREVIATIONS

ACG	Acting Commissioner General
AfDB	African Development Bank
AIDS	Acquired Immune Deficiency Syndrome
ASYCUDA	Automated Systems for Customs Data
ATAF	African Tax Administration Forum
ATM	Automated Teller Machine
BSC	Balanced Scorecard
CGT	Capital Gains Tax
CGWT	Capital Gains Withholding Tax
COMESA	Common Market for Eastern and Southern Africa
DFIR	Dividends, Fees, Interest and Remittances
DGC	Disciplinary and Grievances Committee
GDP	Gross Domestic Product
IAS	International Accounting Standards
ICT	Information Communication Technology
IMF	International Monetary Fund
IODZ	Institute of Directors Zimbabwe
IRBM	Integrated Results Based Management
ISO	International Standards Organisation
LAN	Local Area Network
MM	Modigliani–Miller
MPO	Modernisation Projects Office
MOFED	Ministry of Finance and Economic Development
NEC	National Employment Council
ODA	Official Development Assistance
OSBP	One Stop Border Post
PAYE	Pay As You Earn
PPPs	Public Private Partnerships
PRINCE2	Projects In Controlled Environment
QMS	Quality Management System
RBZ	Reserve Bank of Zimbabwe
RIB	Removal In Bond
SADC	Southern African Development Community
SAP	Systems Application and Product
TIP	Temporary Import Permit
VAT	Value Added Tax
WAN	Wide Area Network
WCO	World Customs Organisation
WTO	World Trade Organisation
ZCBTA	Zimbabwe Cross Border Traders' Association
ZIMASSET	Zimbabwe Agenda for Sustainable Socio-economic Transformation
ZIMRA	Zimbabwe Revenue Authority
ZIMSTAT	Zimbabwe National Statistics Agency
ZINARA	Zimbabwe National Roads Administration
ZRA	Zambia Revenue Authority



# ZIMRA QUALITY POLICY



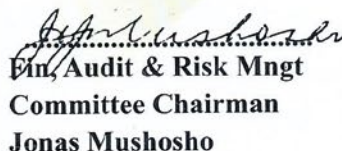
## ZIMBABWE REVENUE AUTHORITY QUALITY POLICY

The Zimbabwe Revenue Authority (ZIMRA) derives its mandate from the Revenue Authority Act [Chapter 23:11] and other subsidiary legislation. Its mandate is to collect revenue, facilitate trade and travel, advise Government on fiscal and economic matters and protect civil society.

ZIMRA is committed to providing quality service to its stakeholders and customers through:-

- ★ Implementing the Quality Policy in line with ZIMRA's vision, values and strategic commitments;
- ★ Upholding ethical business practices and strict customer confidentiality by complying with all applicable legal and regulatory requirements;
- ★ Setting quality objectives and achieving them through continually improving services and key business processes within the framework of the ZWS ISO 9001:2008 Quality Management System;
- ★ Periodically reviewing the performance of the Quality Management System, the Quality Policy and objective to ensure their continued applicability, effectiveness and suitability;
- ★ Allocating suitable and adequate resources for the effective operation of the business processes and activities;
- ★ Fully enhancing employees' competences by providing appropriate skills development and training;
- ★ Fully utilising employees' talent and dedication in achieving strategic goals and recognising employee achievement;
- ★ Empowering and motivating all employees;
- ★ Maintaining a good corporate image; and
- ★ Communicating to and ensuring the Quality policy is understood by all employees.

  
Board Chairman  
Stenford Moyo

  
Fin, Audit & Risk Mngt  
Committee Chairman  
Jonas Mushosho

  
Commissioner General  
Gershem T. Pasi

Date: 01 February 2014

Version: No. 1

Issue: No. 1

# BOARD CHAIR'S FOREWORD



*Mrs W. Bonyongwe, ZIMRA Board Chairperson*

## INTRODUCTION

### GENERAL ECONOMIC ENVIRONMENT

It is with a sense of accomplishment that I present, on behalf of the Zimbabwe Revenue Authority (ZIMRA) Board, the Annual Report of ZIMRA for the year ended 31 December 2017.

The year 2017 remained challenging for industry and individuals due to shortages of cash and foreign currency. However, despite this, the economy remained resilient, registering an estimated real growth rate of 3.7% in 2017 from 0.7% in 2016. The favourable growth was underpinned by positive growth outcomes from the agriculture, mining, electricity generation, tourism and communication sectors. The manufacturing sector, nevertheless, remained subdued. Furthermore, the level of business confidence and optimism within the business sector improved during the year (CZI Business Confidence Index, 4<sup>th</sup> Quarter, 2017).

The country's overall balance of payments situation remained under pressure despite exports rising by 18% during the year. International remittances, and foreign direct investment flows declined by 11%, and 31.37% respectively during the period under review. On the contrary, imports remained high due to increased demand for raw materials and equipment by the productive sectors, as well as for conspicuous consumption. As a result, the country experienced foreign currency shortages. The shortages were exacerbated by the continuing low confidence in the banking sector which led to flight of cash from the banks and an increase in informal monetary transactions and significant externalization of foreign currency. Confidence drives the banking business and therefore, restoring financial sector confidence remains key to effective financial intermediation that is important for sustainable economic development. Financial deepening is a necessary condition for economic development and growth.

Inflation growth was minus 0.9% in December 2016, and averaged 0.9% in 2017. However, the resurgence of the parallel exchange market and the consequent multi pricing structure leading a sustained increase in the general price level particularly in the last quarter of 2017 and are driving inflation growth rapidly. Consequently, Inflation growth closed 2017 at 3.5%, a rise of about six fold compared to December 2016. The liquidity and foreign exchange challenges will continue to exert inflationary pressures on the economy. The other major cause of inflation is the unsustainable and rising budget deficit whose financing is being done through the issuance of Treasury Bills and Reserve Bank overdraft has contributed to distortions facing the country.

Despite the aforesaid economic challenges in 2017, ZIMRA performed reasonably well on the back of various initiatives introduced during the year.

### Revenue Performance

Gross annual collections were **US\$3.978 billion** and this saw the Authority surpass the target of **US\$3.4 billion** by **17%**, and previous year collections by **14.9%**. Net revenue collections for the year 2017 improved by **14.32%** from the 2016 collections. The performance can be attributed to:

- Revenue enhancement measures;
- A firm stance against corruption; and
- Automation, which improved compliance by taxpayers.

The Authority continued to enhance its systems in order to curb revenue leakages and contribute towards the Ease-of-Doing Business reforms and providing uninterrupted and seamless service to Taxpayers. The Electronic Cargo Tracking System (ECTS) was launched in May 2017 in order to address transit fraud that continued to threaten domestic industry. I am happy to report that results from the ECTS have been encouraging.

## CORPORATE GOVERNANCE AND COMPLIANCE

### Board Constitution and Composition

The Authority has a duly constituted ten-member Board of Directors appointed by the Minister of Finance and Economic Development in line with the Revenue Authority Act. Nine of the Board Members are non-executive while the executive member is the Commissioner General. The Chairperson of the Board is a non-executive member. The Board is diverse in terms of gender and the skills mix. There are four female and six male members. The skills mix of the ZIMRA Board consists of members in the fields of accounting, business management, governance, law, town planning, statistics, taxation and economics, among other key areas of specialisation. Due to the reality that Revenue collection is driven by Information Communication Technology (ICT), it is critical to have an ICT expert on the ZIMRA Board.

### Statement of compliance

The Board complied with provisions of the relevant legislative frameworks as briefly demonstrated below:

- The Authority fully complied with the Provisions of Section 23 of the Revenue Authority Act with regards to the submission of reports to the Minister of Finance and Economic Development on its operations, undertakings and activities;
- ZIMRA's accounts and systems were audited by the Office of the Auditor General in accordance with the provisions of the Revenue Authority Act, Public Finance Management Act [Chapter 22:19] and the Audit and Exchequer Act [Chapter 22:03];
- Several Internal Audit assignments were conducted during the year to strengthen internal control systems and processes, in line with statutory provisions; and
- Collective Bargaining Negotiations were held during the year in accordance with the Provisions of the Labour Act [Chapter 28:01].

### Disclosure and Transparency

The Authority prepares published Annual Reports, which are distributed as printed copies, published in the local media and posted on the ZIMRA website and intranet. The Board Chairperson also publishes Quarterly Revenue Performance and Monthly Revenue Outturn Reports in order to ensure full disclosure and transparency of the Authority's operations.

### Corporate Governance Assessment

As part of our desire to enhance Governance practices, the Board engaged the Institute of Directors Zimbabwe (IODZ) to conduct a Corporate Governance assessment during the year. The results indicated that ZIMRA fared well in the quality of its Corporate Governance practices.

I am happy to report that the Authority has since started implementing the recommendations by IODZ as shown in Table 1.



**Table 1: Implementation status of the IODZ recommendations**

Recommendation		Status
1	Code of Ethics	Drafting commenced. The Code of Ethics will be presented for approval by the Board of Directors in 2018
2	Code of Conduct	Developed and aligned the Code of Conduct with Public Entities Bill. The Board Code of Conduct fully complies with the National Code on Corporate Governance and approval is awaiting enactment of Public Entities Bill.
3	Annual General Meeting	To be held by 13 July 2018
4	Perception Survey	To be held by 30 June 2018
5	Annual Report	Key elements of the ZIMRA Code of Ethics will be included in the 2018 Annual Report. Important excerpts of the Report will be posted on the ZIMRA website to enhance disclosure and transparency

### Forensic Audits

Forensic audits done in 2016 showed risks that required urgent redress. In response, the Board strengthened the governance structures and risk management systems. Further, the Board instituted pragmatic measures to address issues raised by the external Forensic Auditors as shown in Table 2.

**Table 2: Addressing forensic audit findings**

Risk Area		Risk Issue	Strategic Response
1	Technology Risk	ASYCUDA System Application Control weaknesses	Reduced: - Embarked on AYSCUDA upgrade to Version 4.3.2 - Revised ICT Security Policy and Acceptable Use Policy. - Improved Internal Controls and Operating Procedures
		ICT systems security and governance weakness	
		SAP system mismanagement	
2	Fraud and Employee Malfeasance Risk	Management overrides of internal controls	Reduced: - Legal and Disciplinary action including dismissals taken and publicised. - Risk profiled Clearing Agencies and instituted recovery measures - Improved Internal Controls and Operating Procedures
		Abuse of funds and financial indiscipline	
		Management of Executive payroll and benefits	
		Falsified declarations on imports	
		Weaknesses in procurement of goods and services	

## Systems Health Check

Over and above the interventions mentioned above, the Board sanctioned a Systems Health Check and Revenue Assurance audit to assess the integrity and effectiveness of the ICT systems and controls.

## Corruption

The Board took a zero tolerance to corruption stance, and it has introduced various anti-corruption initiatives to address the challenge. To this end, measures such as the launch of the toll-free hotlines, asset declarations and life-style audits for staff members were introduced. Furthermore, the Internal Audit, Electronic Cargo Tracking and Loss Control functions were enhanced during the year resulting in:

- Structural changes including regrading some of the critical positions;
- Refocusing of the divisional mandates; and
- Recruiting additional critical skills.

The Authority continues to strengthen its strategic divisions by continuously recruiting the right people especially in the Loss Control Division.

## AUTOMATION

Technology is driving processes and businesses across the globe. It is in line with this global development that ZIMRA has continued to embrace technology. The Authority embraced E-Government, enhanced its Electronic Cargo Tracking System, Tax Management System and ASYCUDA during the period under review.

Table 3 succinctly details the major aspects of the Authority's Automation drive as at 31 December 2017.

**Table 3: Update on Automation as at 31 December 2017**

Automation Aspect		Remarks
1	Electronic Cargo Tracking	Achieved real time transit cargo tracking up to the point of exit, with a total of 6,137 trucks sealed.
		Legislative provisions in Statutory Instrument (SI) 113 of 15 September 2017 stipulated Fines on ECTS violations.
		Has acted as deterrence to potential perpetrators of transit fraud. 57 cases of geo-fence violations and seal tampering were dealt with and \$262,230 collected in fines, while four fuel tankers were seized. The funds collected will be used to finance procurement of additional seals.

		Excise duty collected on fuels increased by 4.7% to \$531,406,353 from \$507,217,614 last year.
		The Board introduced further initiatives to extend ECTS to Removals in Bond and direct imports so as to decongest the borders.
2	Tax Management System	2,792 Business Partners were registered for fiscalisation while 7,986 clients were interfaced during the year.
		Made it administratively easier for the taxpayers to comply with the Tax Laws.
		Efficient recording systems, less paper work and reduced cost of compliance for clients.
		Efficiency in business control and management for traders.
		Efficient collection systems and reduction in the cost of collection for the Authority.
		Shorter audit periods for ZIMRA and minimised tax fraud.
3	ASYCUDA World	Disaster recovery was successful after the system breakdown in December 2017. Implemented a strategy of setting up two interconnected backup servers with one of them offsite.
		Stronger stakeholder partnership co-operation established with UNCTAD
		System upgrade embarked on

### Electronic Cargo Tracking

The ZIMRA Electronic Cargo Tracking System (ECTS) has been rated a success by the equipment suppliers. It is noteworthy that the system greatly assisted in ensuring transit cargo compliance and addressing transit fraud that remains a major challenge for landlocked countries.

### Tax Management System

The Tax Management System greatly assisted in promoting voluntary compliance.

### ASYCUDA System

The Authority experienced some challenges with the ASYCUDA system that inconvenienced clients and the travelling public during the year. The Board has since acquired three top of the range servers, enhanced the Disaster Recovery process, and started upgrading the ASYCUDA system from Version 4.2.0 to the latest available version 4.3.2 from UNCTAD. The Authority remains committed to providing excellent service to its stakeholders in line with its motto “we are here to serve.”

## Systems and Processes

In 2013, ZIMRA embarked on ISO 9001:2008 Quality Management System (QMS) implementation process. The Standards Association of Zimbabwe (SAZ) has since audited all ZIMRA Stations. The findings were encouraging and hopefully the Authority will be certified in 2018.

## SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Sustainable businesses are underpinned by three basic pillars namely, economic, environmental and social sustainability. The Authority will continue to closely monitor its performance in terms of the said pillars. Economic sustainability is a measure of the extent to which the Authority is able to collect revenues that will sustain Government operations. The drive towards automation is partly aimed at promoting environmental sustainability. Further, the social footprint is visible in some of the Authority's Social Responsibility programmes including the Charity Fund that supported the following less privileged communities in 2017:

1. Alpha Cottages Masvingo
2. Bumhudzo Old People's Home Chitungwiza
3. Chengetanai Old People's Home Hurungwe
4. Daisy Dube Children's Home Chipinge
5. Entembeni Bulawayo
6. Enhandweni Orphanage Bulawayo
7. Ida Wekwako Old Peoples Home Marondera
8. Jairos Jiri Children's Home Rusape, Southerton Harare and Zvishavane
9. Manhinga Children's Home
10. Mazowe Old People's Home
11. Mother of Good Hope Orphanage Hwange
12. Mother of Peace Mutoko
13. Mucheke Old People's Home Masvingo
14. Rugare Old People's Home Kwekwe
15. Zororayi Old People's Home Mutare

## EXECUTIVE MANAGEMENT CHANGES

The former Commissioner General Mr. G. T. Pasi resigned from the post of Commissioner General with effect from 22 May 2017. In order to stabilise operations and provide leadership to the Authority, the Board appointed Mr H Kuzvinzwa to act as Commissioner General in 2017.

The Board would like to thank Mr. Pasi for his hard work and commitment in building and growing ZIMRA since its inception in 2001. The Board also wishes to extend its gratitude to Mr H Kuzvinzwa, for leading the Authority during the transition period.

Given the departure of some of the Executive and Senior Management, the Board made the following appointments:



- Ms. Faith Mazani as the Commissioner General with effect from 1 February 2018;
- Mr. Charles Jaure as the Commissioner Investigations with effect from 1 June 2017
- Mrs. Betty Chimbera as Deputy Director Human Resources and Human Capital Development with effect from 12 June 2017.
- Ms. Everjoy Maniwa as Deputy Director Finance, Corporate Planning and Administration with effect from 1 June 2017.
- Ms. Ropafadzai Majaja as Board Secretary, Corporate Communications and International Affairs effective 1 December 2017.
- Mr. Shami Moyo as Director ICT with effect from 1 January 2018;
- Mr. Tapiwa Manyika as Chief Loss Control Manager with effect from 1 January 2018

## OUTLOOK

The Authority commends the Government policy thrust focusing on restoring market confidence, eradicating corruption, attracting investment, international re-engagement and stimulating production across all economic sectors. The policy direction remains positive. Effective execution of the Government policies will greatly assist in broadening the country's tax base and enhance the revenue generation potential in the future.

The strategies introduced by ZIMRA during the year including the ASYCUDA System upgrade, enhanced internal control and risk management system, recruitment of substantive members of staff, reorganisation of the Authority as well as investment in new ICT hardware are expected to yield favourable results in the outlook.

## GRATITUDE

I remain sincerely grateful to the Minister of Finance and Economic Development, Hon. P. A. Chinamasa (MP), the Permanent Secretary, Mr. W. L. Manungo, Ministry of Finance and Economic Development officials and the entire Government of Zimbabwe for their unwavering support to ZIMRA.

I would also want to thank the following Strategic and Cooperating Partners for their continued support:

- African Development Bank (AfDB) for procurement of cluster servers and Electronic Cargo Tracking seals as well as supporting the Authority's Human Capital Development programmes;
- Reserve Bank of Zimbabwe (RBZ);
- Border Control Agencies
  - Department of Immigration,
  - Zimbabwe National Army, including Army Intelligence,
  - Zimbabwe Republic Police,
  - President's Department,
  - Vehicle Inspectorate Department (VID),

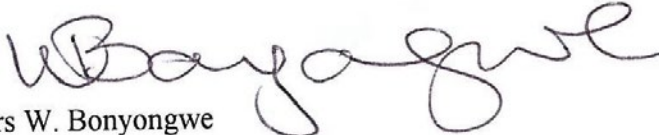
- Ministry of Health,
  - Ministry of Agriculture,
  - Department Of Veterinary Services,
  - Environmental Management Authority,
  - Minerals Marketing Cooperation of Zimbabwe.
- Regional Revenue Authorities and Associations.

Special mention also goes to my fellow Board members for their dedication to the Authority's business. I would like to convey my gratitude to the Acting Commissioner General Mr. H. Kuzvinzwa, Management and Staff for their dedication to work during the year.

I would also want to applaud Taxpayers for their valuable contributions. This greatly enhanced the Government's ability to provide public goods and services for the betterment of Zimbabwe.

To all other members of the public, I would want to thank you for your feedback and intelligence, particularly in the fight against corruption. The Authority greatly appreciates your continued support in this area.

Thank you.



Mrs W. Bonyongwe  
ZIMRA Board Chairman

# ACTING COMMISSIONER GENERAL'S MESSAGE

## VALUES

At ZIMRA, we constantly review our systems and processes to achieve measurable gains in efficiency within an innovative approach.

To deliver quality service, ZIMRA's organisational relationships, business processes and conduct are based on the following set of values:

- I – Integrity
- T – Transparency
- F – Fairness

## HIGHLIGHTS FOR THE YEAR

### Revenue Performance

Most revenue heads, except Individual Tax, Carbon Tax and Dividends, Fees, Interest and Remittances (DFIR) consistently performed positively during the year. Gross annual and net revenue collections were **US\$3.978 billion** and **US\$3.713 billion** respectively against a target of US\$3.4 billion. Net collections grew by **US\$0.465 billion** compared with 2016 collections of **US\$3.248 billion**.

### Compliance

The level of compliance remained low. There are many economic players who are operating without registering for tax purposes with the Revenue Authority. In 2018, ZIMRA will be sharing the databases with relevant stakeholders, pursuing one of the goals of ZIMRA to bring in all those who are outside the net and evaders to contribute to the fiscus. There is continuous staff training to identify the evaders. Meanwhile, the Authority is urging Zimbabweans to embrace the culture of voluntary tax compliance to enable Government to deliver services and develop infrastructure.

### Operational Efficiency

#### Systems and Processes

ZIMRA made progress towards its preparation for ISO Certification. This is an important development that will greatly assist in standardising the Authority's processes. It is anticipated that Certification will be achieved by the second half of 2018. The Standards Association of Zimbabwe (SAZ)'s stage 2 audit was underway at the time of writing this report.

## Human Resources

Human Resources are key to the Authority's ability to execute its mandate. Thus, continuous engagement with staff, staff motivation, development, retention, health and wellness are priority areas for the Authority. I will briefly comment on these issues starting with Employment Engagement.

### Employee Engagement

Cordial employee relations are essential for the effective delivery of the ZIMRA mandate. Management continued to engage employees through Works Council Meetings and also conduct Employee Satisfaction Surveys in order to promote and sustain good industrial relations. Works Council Meetings were held at station, regional and national levels. Further, two Employee Satisfaction Surveys were conducted during the year. We have noted the following outcomes from these engagements:

- Employee Satisfaction Index stood at 53% in 2017 compared to 53.5% in 2016;
- Managerial employee satisfaction index improved from 64.9% in 2016 to 72.8% in the second half of 2017; and
- Participation of both managerial and non-managerial employees in the survey increased in 2017.

### Staff Housing Loan Facility

The Authority has a Staff Housing Loan Facility with Commercial Banks and Building Societies. The facility is aimed at assisting staff to buy own houses. Access to the loans during the review period is as shown in Table 4.

**Table 4: Access to Staff Housing Loans**

Level	2017		2016 Actual	% Change
	Target	Actual		
Managerial	160	137	145	-5.5
Non-managerial	355	184	161	+14.56
<b>Total</b>	<b>515</b>	<b>321</b>	<b>306</b>	<b>+4.9</b>

A total of 62.3% of the 2017 target for staff housing was achieved during the year. The current year's achievement represents a growth of 4.9% on the 2016 figures. Management will continue to explore sustainable and innovative funding models for staff housing.

## Employee Wellness

The Authority is fully aware of the importance and benefits of maintaining a healthy workforce. In this regard, the following policies and activities were rolled out during the year:

- The Board approved Employee Wellness and HIV/AIDS Policies;
- Health and Safety Workshops were conducted which included; Inter Revenue Games, Wellness Programmes, Fire Drills, Family Planning, Retirement Planning, World AIDS Day commemorations, Stress Management, Annual Health and Safety Galas; and
- Efforts to promote a healthy and safe working environment focusing on:
  - Managing the testing and re-assignment of Thermoluminescent (TLD) badges;
  - Obtaining readings from the TLD badges which indicated that risk exposure to radiation was low;
  - Engaging the Radiation Protection Authority of Zimbabwe (RPAZ) who confirmed the safety of the (TLD) badges used by the Authority; and
  - Conducting Industrial Relations as well as health and safety audits which revealed that the working environment was generally good.

## ZIMRA Charity Trust

The ZIMRA Charity Trust was audited during the year by Internal Audit which made some recommendations on how to improve the governance of the Trust. I am pleased to advise that the Authority has since started implementing recommendations by Internal Audit.

Nine Trustees were appointed in accordance with the Provisions of the Deed of Trust and Donation. The appointment followed the expiration of the tenure of the Founding Trustees. However, the recommendation to wean off the Trust from ZIMRA is still to be implemented due to resource constraints.

## International Relations

The Authority engaged various international and regional organisations including World Customs Organisation (WCO), Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC), African Tax Administration Forum (ATAF), International Monetary Fund (IMF) and World Trade Organisation (WTO) among others during the year.

Regional Revenue Authorities and International Organisations visited ZIMRA for benchmarking exercises, study of the Tax Management System, exchange of information, MoUs and Double Taxation Agreements.

## Conclusion

Through novel and robust strategies to enhance revenue collections, ZIMRA will implement pragmatic measures in the year 2018 under the theme, “Total Citizen Involvement in Paying Taxes in full and on time”.

The Authority will continue to enhance its systems, internal processes and efficiencies for the benefit of the tax paying public and the people of Zimbabwe. We remain optimistic about the Authority’s role in 2018 following the solid ground that we laid in 2017 and the policy reforms currently being implemented by the Government of Zimbabwe.

I also wish to extend my sincere gratitude to the ZIMRA Board for its guidance and strategic leadership as well as Management and Staff for the continued hard work and team spirit.

Thank you and God bless you.

Yours faithfully



H Kuzvinzwa

Acting Commissioner General

# ZIMRA BOARD



**Mrs W. Bonyongwe**  
**Board Chairperson**



**Mr P. Toriro**  
**Board Vice Chairperson**



**Mrs B. S. Katiyo**  
**Board Member**



**Mrs N. M. Abu-Basutu**  
**Board member**



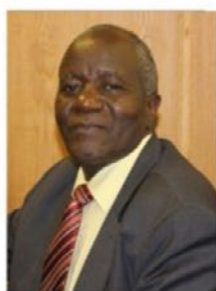
**Dr A. M. Chidakwa**  
**Board Member**



**Ms S. Njerere**  
**Board Member**



**Mr N. C. Madongorere**  
**Board Member**



**Mr H. Kuzvinzwa**  
**Acting Commissioner General**  
**and Board Member**



**Mr M. Nyoni**  
**Board Member**



**Mr W. L. Manungo**  
**Secretary for Finance and**  
**Board Member**



## 2017 MAIN STRATEGIC ACHIEVEMENTS

The main strategic achievements in 2017 are summarised in Tables 5 to 10.

**Table 5: Sufficient Resources**

Objective by 31 December 2017	Result	Comment
Generate additional financial resources from 5.78% to 8% of the approved recurrent budget to fund operations	5.79%	Raised additional resources of US\$6.24 million from interest income, commissions and AfDB.
Mobilise US\$9 million to fund CAPEX	\$3.972 million	Additional resources were raised from Clearance Fees
Fill up 95% of vacant posts	94.9%	Recruited 256 employees across the entire organisation
Improve rate of implementation of training courses from 70% to 90%	96%	72 out of 75 planned courses were offered during the year

**Table 6: Operational Efficiency**

Objective by 31 December 2017	Result	Comment
Improve employee satisfaction index from 53.5% to 80%	53%	Employee satisfaction surveys results averaged 53%.
Implement 100% of 2016 outstanding NEC issues	100%	All 11 outstanding NEC issues for 2016 were resolved.
Increase automated business processes from 91.7% to 95%	77.6%	Automated business processes closed as; Customs Systems 59%, Domestic Taxes 74%, ECTS 100%, E-Services 98% and Others 57%.
Increase client satisfaction index from 65.8 % to 80%	63.9%	Client Satisfaction survey conducted established issues affecting service quality as system challenges, staff attitude, corruption, operational inefficiency, high rates of duty and taxes.
Attain ISO 9001:2008 certification	80%	Significant progress was made during the year. Certification is expected in the second half of 2018.
Reduce cost of collection from 2.96% to 2.7%	2.61%	Cost of collection was 2.61%, based on Gross Collections of USD3.978 billion



**Table 7: Trade Facilitation**

Objective by 31 December 2017	Result	Comment
Implement 80% of the trade facilitation benchmarks	67%	Implemented 7 out of the 14 planned projects as follows: Single Window Project (80%), AEO (100%), ECTS (100%), Integration of ZIMRA ASYCUDA with RBZ CEPECS System & ZRA (14%) and EPA Market Access (100%)

**Table 8: Good Governance**

Objective by 31 December 2017	Result	Comment
Ensure 100% adherence to good Corporate Governance principles	76.5%	A Corporate Governance assessment conducted by IODZ identified 6 compliance gaps (Table 1) which are targeted to be closed by 31 December 2018. The Consultant indicated that generally, ZIMRA had made commendable strides towards embracing best practices in its Corporate Governance.
100% implementation of agreed internal and external audit recommendations	71.5%	Steady progress was made in implementing the audit recommendations
Reduce corruption perception index from 3.54 to 3	2.84	The launch of the toll-free hotlines and forensic audit on whistle-blower facility boosted public confidence in the organisation's commitment to fight corruption.
Reduce corruption from 1.66 % to 0% based on DGCs cases	0.33%	Initiatives which included the asset declarations and life-style audits for staff members were introduced towards zero tolerance to corruption

**Table 9: Supportive Legislation and Advice**

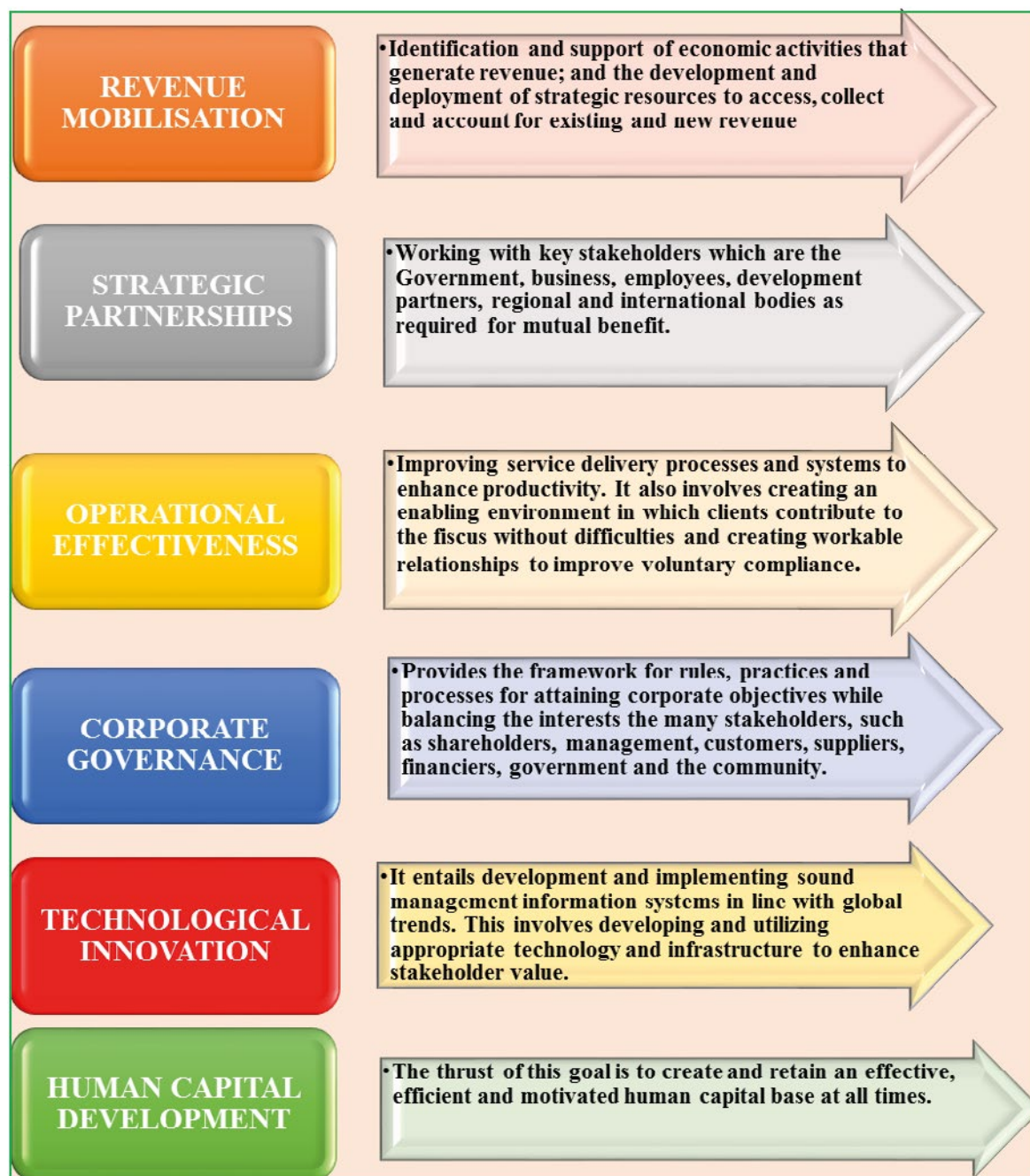
Objective by 31 December 2017	Result	Comment
Ensure 50% adoption of proposed legislative changes by 31 December 2017	68%	Out of the 28 submissions made, 19 proposals were adopted, 6 were deferred for further discussion and 3 rejected giving a 68% adoption rate against a target of 50%.

**Table 10: Revenue Generation**

Objective by 31 December 2017	Result	Comment
Achieve a revenue collection of 29% of the GDP in 2017.	27%	Gross annual collections were US\$ 3.978 billion translating to 27% of projected GDP US\$14.744 billion (2017 National Budget).
Collect 20% of the 2016 outstanding debt	13.4%	Recovered debt of US\$379.103million from an opening debt of US\$2.821 billion. Clients are failing to honour their debt payments due to the prevailing economic challenges. However, debt was recovered through placement of garnishee orders and set-offs.
Register 18,616 new clients	22,659	Registrations were enhanced by the implementation of the amnesty for small to medium enterprises as well as block management and street mapping initiatives that identified traders outside the system.

The Six Key Result Areas above are derived from the Authority’s strategic goals. However, below are the six major focus areas which are the key drivers of our vision and mission and this report therefore has been developed based on those six components.

The main focus areas are highlighted below



## 1. REVENUE MOBILISATION

### 1.1 Revenue Performance

Net collections for the year were **US\$3.713 billion** against annual revenue target of **US\$3.4 billion**. Refunds and revenue related expenses amounting to **US\$228.28 million** were effected during the review period compared to **US\$214.62 million** in 2016. Net revenue collections in 2017 improved by **14.32%** from the **US\$3.248 billion** collected last year. Table 11 below shows the distribution of refunds and revenue related expenses across the various Tax Heads as follows:

Table 11: Refunds distribution

TAX HEAD	REFUNDS	%
VALUE ADDED TAX	226,327,539.57	99.15%
RUMMAGE SALES	299,431.72	0.13%
CUSTOMS DUTY	339,277.68	0.15%
OTHER REFUNDS	1,309,713.58	0.57%
<b>TOTAL</b>	<b>228,275,962.55</b>	<b>100%</b>

A comparative analysis of the revenue performance in 2017 and 2016 is shown in Figure 1.

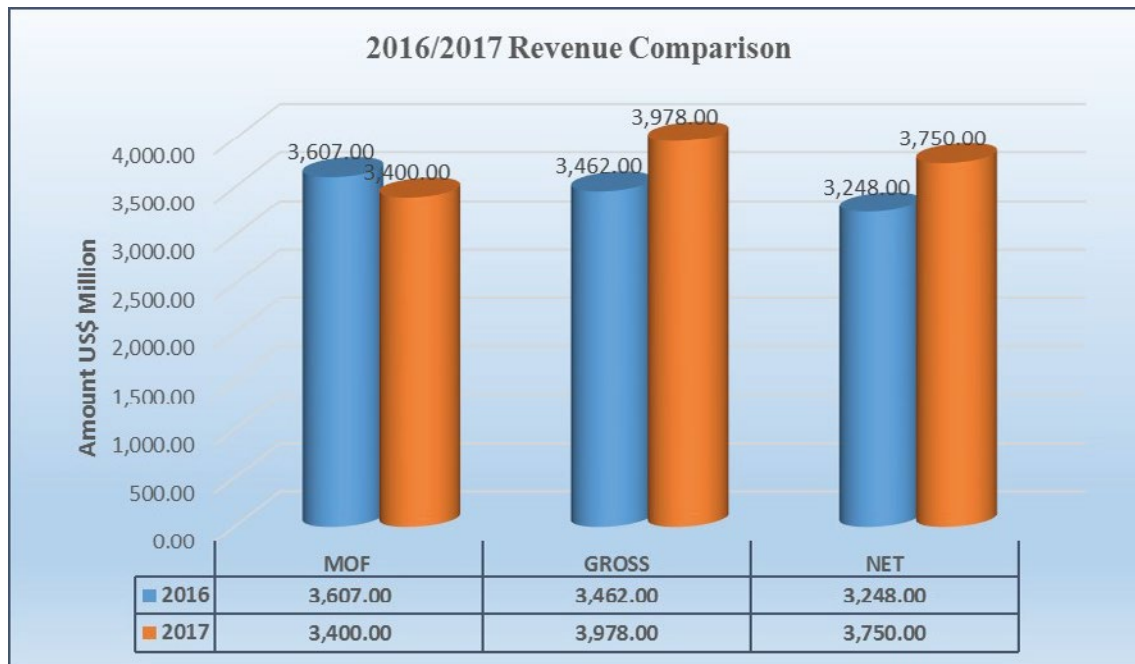


Figure 1: 2016 and 2017 Revenue contributions

Table 12 shows performance per revenue head for 2017

**Table 12: 2017 Collections vs Targets**

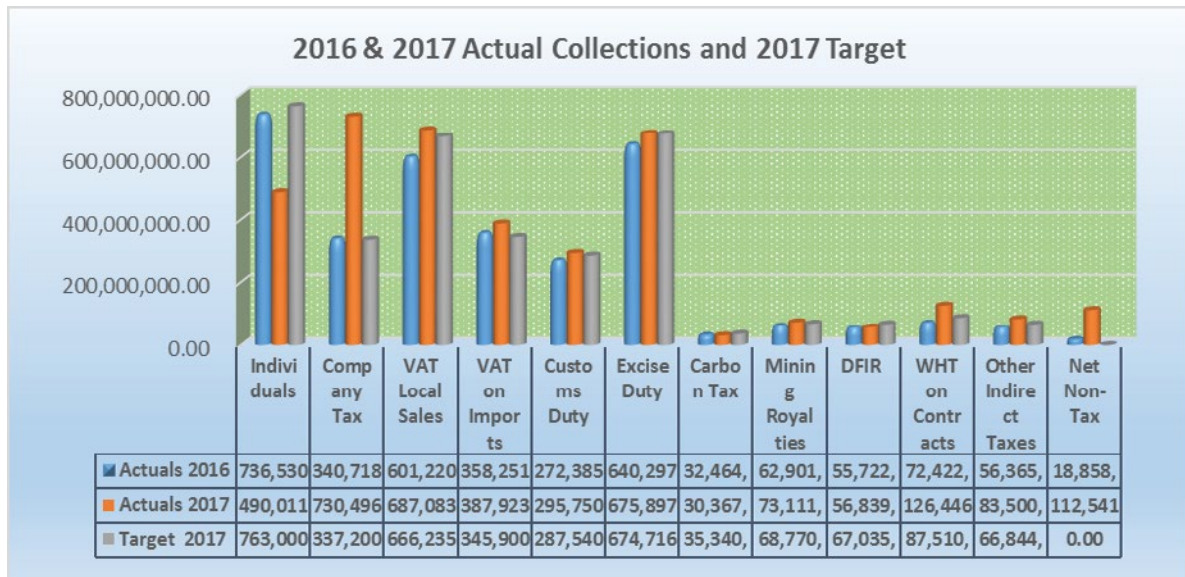
TAX HEAD	TARGET US\$	ACTUALS US\$	VARIANCE US\$	% VARIANCE
Individual Tax	763,000,000.00	490,011,929.78	(272,988,070.22)	-35.78%
Company Tax	337,200,000.00	730,496,981.71	393,296,981.71	116.64%
Net VAT on Local Sales	666,235,000.00	687,083,586.97	20,848,586.97	3.13%
VAT on Imports	345,900,000.00	387,923,332.91	42,023,332.91	12.15%
Net Customs Duty	287,540,000.00	295,750,282.21	8,210,282.21	2.86%
Excise Duty	674,716,000.00	675,897,301.43	1,181,301.43	0.18%
Carbon Tax	35,340,000.00	30,367,584.15	(4,972,415.85)	-14.07%
Mining Royalties	68,770,000.00	73,111,798.69	4,341,798.69	6.31%
DFIR ( <i>Dividend, Fees, Interest &amp; Remittances</i> )	67,035,000.01	56,839,438.51	(10,195,561.49)	-15.21%
WHT on Contracts	87,510,000.00	126,446,817.08	38,936,817.08	44.49%
Other Taxes:	66,844,000.00	83,500,611.78	16,656,611.78	24.92%
<i>CGT &amp; CGT WHT</i>	<i>29,000,000.00</i>	<i>30,317,613.77</i>	<i>1,317,613.77</i>	<i>4.54%</i>
<i>Tobacco Levy</i>	<i>10,904,000.00</i>	<i>13,707,986.44</i>	<i>2,803,986.44</i>	<i>25.72%</i>
<i>Other Indirect Taxes</i>	<i>26,940,000.00</i>	<i>39,475,011.57</i>	<i>12,535,011.57</i>	<i>46.53%</i>
Net Non-Tax Revenue		112,541,950.68	112,541,950.68	
<b>NET REVENUE</b>	<b>3,400,090,000.01</b>	<b>3,749,971,615.89</b>	<b>349,881,615.88</b>	<b>10.29 %</b>
<b>GROSS REVENUE</b>	<b>3,400,090,000.01</b>	<b>3,978,247,578.44</b>	<b>578,157,578.43</b>	<b>17.00 %</b>

The Authority surpassed the 2017 annual revenue targets for Company Tax, VAT on Local Sales, VAT on Imports, Customs Duty, Excise Duty, Mining Royalties, Withholding Tax on Contracts and Other Indirect Taxes. However, Carbon Tax and Dividend, Fees, Interest and Remittances (DFIR) under-performed their targets as shown in Table 12. The Individual Tax head was negatively affected by the operating environment characterised by business downsizing and staff retrenchments.



## Annual Net Revenue Collections

Figure 2 shows a comparison of revenue collections for 2016 and 2017.



*Figure 2: Annual Performance: 2016 Actual, 2017 Actual and 2017 Target*

The year 2017 has seen positive performance consistently for most revenue heads, except Individual Tax, Carbon Tax and DFIR. The implementation of revenue enhancement measures such as automation (IMS, cargo and baggage scanning, K9, fiscalisation and E-services), VAT refunds audits, risk based audits, intensified post clearance audits, bonded warehouse inspections, roadblocks, border patrols, lifestyle audits, increased staff supervision, recruitment and training to increase human capital capacity and the continues fight against corruption enabled steady inflows and reduced revenue leakages despite the negative factors in the operating environment.

### Quarterly Performance for 2016, 2017 and Quarterly Targets for 2017

Figure 3 shows a comparison between 2016/2017 quarterly and annual performance against 2017 targets set by the Ministry of Finance and Economic Development.

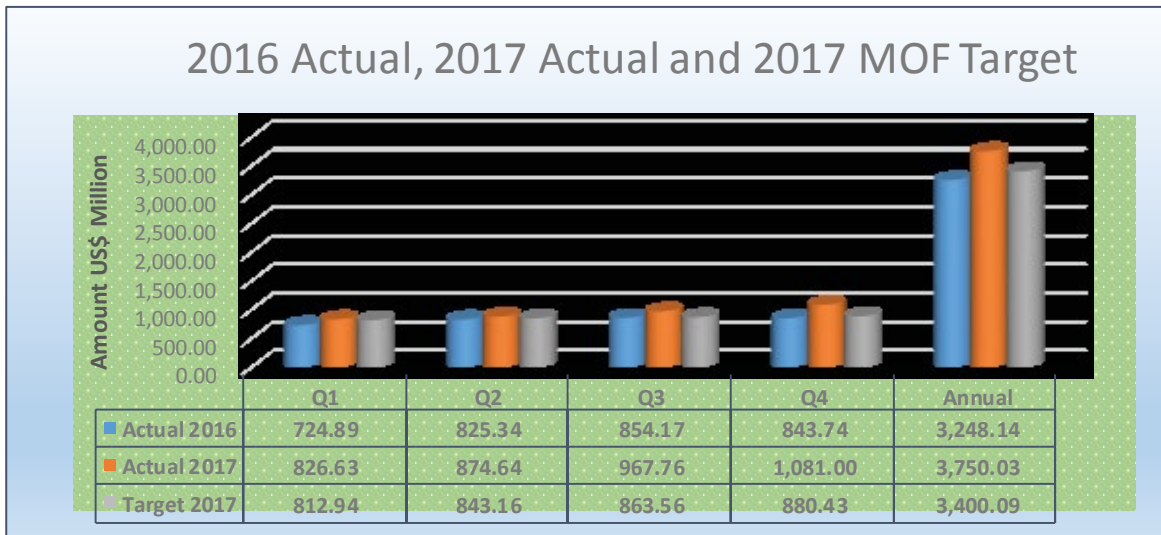


Figure 3: Quarterly performance: 2016 Actual, 2017 Actual and 2017 Target

The performance shows progressive increase in revenue inflows over the four quarters. The trend shows a consistent increase in revenue performance across all quarter of the two comparative years.

### Monthly Actual Collections and Variance for 2017 and 2016

Figure 4 shows a comparative presentation of the annual collections for 2017 and 2016 on a monthly basis.

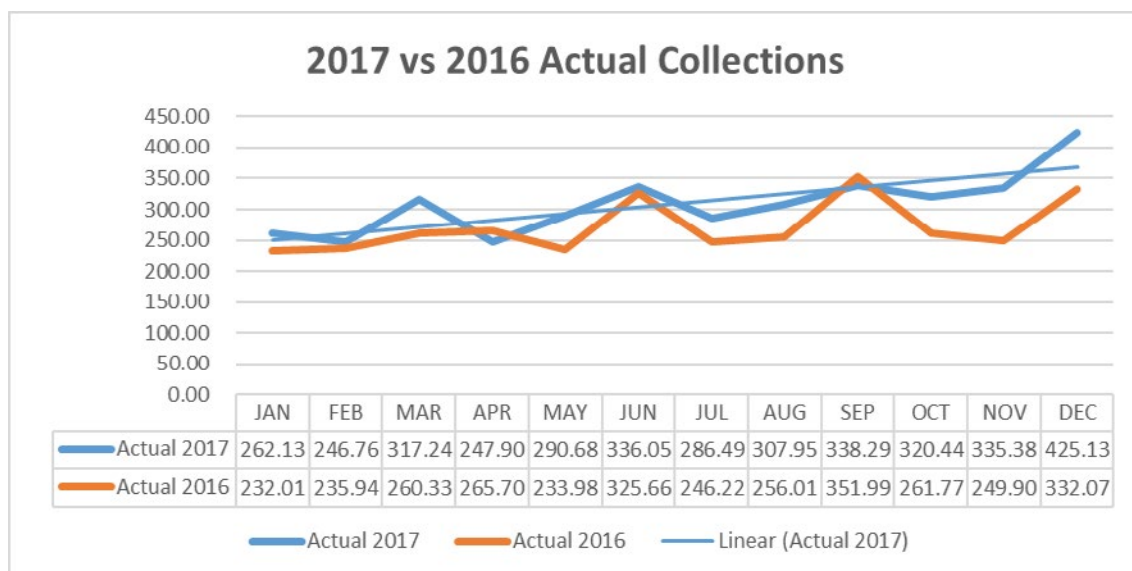


Figure 4: 2017 vs 2016 actual collections

Revenue collections for 2017 outperformed the 2016 levels, except for April 2017 and September 2017 where the revenue targets were missed by **6.7%** and **3.9%** respectively. The overall 2017 annual performance was, nevertheless, better than in 2016.

## Revenue Heads' Contribution

The rate of growth for each revenue head contributing to the overall revenue growth is displayed in Figure 5

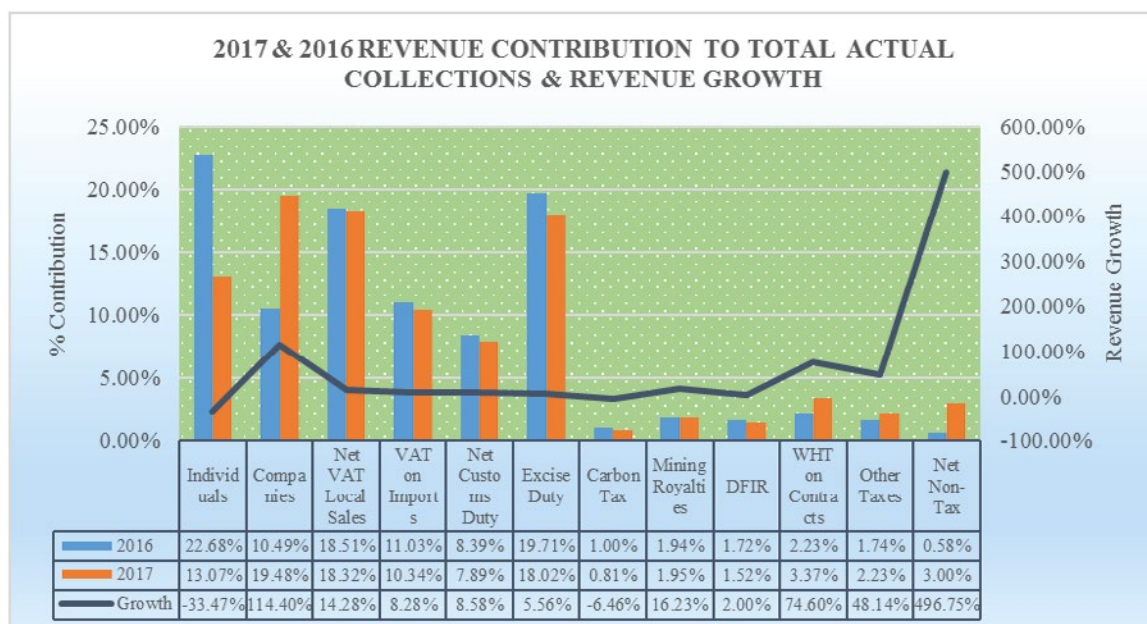


Figure 5: Revenue Heads' Contribution to Revenue Collections and Revenue Growth

Revenue collections grew in all the revenue heads during the year 2017, except for Individual Tax and Carbon Tax that declined by 33.5% and 6.5% respectively. Company Tax, Mining Royalties, Withholding Tax on Contracts and Other Taxes grew by 114.4%, 16.2%, 74.6% and 48.1% respectively during the year.

Revenue performance is analysed per individual tax heads as follows:

### Individual Tax

Individual tax revenue collections stood at **US\$490.01 million** representing **64.2%** of the targeted **US\$763 million**. However, collections fell by **33.5%** from the **US\$736.53 million** in 2016. The Pay as You Earn debt as at 31 December 2017 increased by **24.5%** to **US\$824.11 million** from **US\$662.16 million** in 2016. The increasing debt has been due to the failure by companies to consistently pay salaries and remit taxes even in those situations where they would have paid salaries. Salary cuts, retrenchments and irregular salary payments by some companies affected the performance of this revenue head during the year. However, non-compliance is mostly prevalent in the Small-to-Medium Enterprises' sector where it [*non-compliance*] has been assessed at 32% on VAT and 45% on PAYE.



### Corporate Income Tax (Company Tax)

Revenue collections from Company Tax, at **US\$730.5 million** surpassed target of **US\$337.2 million** and 2016 collections of **US\$340.72 million** by **116.6%** and **114.4%** respectively. The positive performance can be attributed to improved profitability by some companies especially in the financial services sector. Increased use of electronic transactions also enhanced inflows, with the added advantage of creating a traceable audit trail. However, Corporate Income Tax debt closed the year at **US\$1.462 billion** compared to **US\$751.49 million** in 2016 arising from the following:

- Increased risk-based audits that unearthed previously unpaid revenues/new debt; and
- Failure by taxpayers to execute the agreed payment plans.

### VAT on Local sales

Gross VAT on Local Sales collections for 2017 were **US\$913.41 million** against a target of **US\$666.24 million**, resulting in a positive variance of **37.1%**. VAT refunds for the year 2017 were **US\$226.33 million**, resulting in net collections of **US\$687.08 million**. Net revenue collections surpassed the target by **3.1%** and 2016 performance of **US\$601.22 million** by **14.3%**.

VAT refunds continue to negatively affect this revenue head. The refunds bill rose by **7%** to **US\$226.33** from **US\$211.6 million** in 2016. VAT on Local Sales debt reached **US\$1.297 billion** in 2017 from **US\$1.02 billion** in 2016. The introduction of 10% Value Added Withholding Tax effective 1<sup>st</sup> April 2017 led to a marked improvement in VAT collections.

The increased usage of plastic money enhanced revenue collections and compliance. The Tax Management System initiative, audits, investigations and debt recoveries employed by the Authority have had an appreciable impact on collections.

### VAT on Imports

Annual revenue collections, at **US\$387.92 million** surpassed the target of **US\$345.9 million** by **12.2%**. VAT on Imports grew by **8.3%** from the **US\$358.25 million** realised in 2016 to **US\$387.92 million** in 2017. This can be attributed to increased consumption of taxable goods and the reversal of Statutory Instrument (SI) 20 of 2017 which provided for the exemption of some goods. Increased imports also resulted from amendment to SI 64 of 2017 which removed the requirement for import licences for some specified goods.

### Customs Duty

Annual gross revenue collections amounted to **US\$296.09 million** against a target of **US\$287.54 million, resulting in a positive variance of 2.97%**. Refunds of **US\$339.28 million** resulted in net collections of **US\$295.75 million**. Thus, revenue grew by **8.58%** in 2017 compared to 2016 despite some foreign currency challenges in the country.

### Excise Duty

Revenue from Excise Duty, at **US\$675.9 million** outperformed the target of **US\$674.72 million** by **0.2%**. Excise Duty on fuel accounted for **78.62%** of total collections from Excise Duty while beer and airtime contributed **6.96%** and **8.09%**, respectively. The rest of the revenue was from Excise Duty on tobacco, wines and spirits, second-hand motor vehicles and electric lamps. The 2017 Excise Duty collections were **5.56%** above **US\$640.30 million** realised in 2016. This improved performance can be attributed to paraffin imports, which now attract duty and the Electronic Cargo Tracking System, which greatly reduced transit fraud. The beverages sector reported significant revenue declines in April 2017 citing the reduced consumption of excisable goods due to cash shortages, unsustainable costs of alternative payment platforms and heavy rains that affected market access and outdoor consumption activities.

### Withholding Tax on Contracts

Revenue collections for 2017 were **US\$126.45 million**, surpassing by **44.49%** the targeted **US\$87.51 million**. Revenue collections grew by **74.6%** from the **US\$72.42 million** achieved in 2016. This positive performance can be attributable to the mandatory requirement for Tax Clearance Certificates on all contracts for the level of informal and non-compliant business activity in the economy.

### Carbon Tax

Carbon Tax collections were **US\$30.37 million** against a target of **US\$35.34 million**, resulting in **85.93%** of the targeted revenue being realised. Revenue collections decreased by **6.46%** from the **US\$32.46 million** collected in 2016.

### Mining Royalties

Revenue collections were **US\$73.11 million** against a target of **US\$68.77 million**, translating to a positive variance of **6.31%**.

The performance of Mining Royalties is influenced by the movement in global prices of minerals, production levels of key minerals such as gold, platinum and diamonds, and level of sales of mineral products. The anticipated increase in mining sector investments following the review of the Indigenisation and Economic Empowerment Act is expected to have a positive impact on Mining Royalties.

### Dividends, Fees, Interest and Remittances

Collections, at **US\$56.84 million** missed the target of **US\$67.04 million** by **15.2%** during the review period. However, the 2017 collections were **2%** up on 2016 collections of **US\$55.72 million**. The subdued performance of the revenue head can be attributed to low investment levels in the economy.

### Other Taxes

This composite revenue head comprises Capital Gains Tax and Capital Gains Withholding Tax, Tobacco Levy and other Indirect Taxes (Stamp Duty, Banking Levy, Presumptive Tax and ATM Levy).

Revenue collections were **US\$83.50 million** against a target of **US\$66.84 million**, giving a variance of **24.92%**. In 2017, collections increased by **48.14%** from the 2016 collections of **US\$56.37 million**. Major contributors to this revenue head were Capital Gains Tax and Capital Gains Withholding Tax. The positive performance of the revenue head is attributed to an increase in gains from tobacco sales following a good growing and marketing season. Tobacco Levy surpassed its target by **25.72%**.

The property market remained subdued due to low mortgage funding while the securities market performance fell in the last quarter of the year.

Government reduced presumptive tax rates for informal traders in the 2017 National Budget.

The future performance of this collective cluster of revenue heads is dependent on availability of mortgage funding, investor confidence on the stock exchange market, a good agriculture season and increased compliance by informal traders under the Presumptive Tax regime.

### 2017 Debt Analysis

The debt level stood at **US\$3.956 billion** as at 31<sup>st</sup> of December 2017. The debt is made up of old debt and unpaid current assessments. A combination of increased tax audits and failure by taxpayers to meet their obligations has been responsible for the rising outstanding debt.

**Table 13: Debt by Category - Principal, Interest and Penalty**

Tax Head	Principal	Interest	Penalty	Total
Value Added Tax	846,744,657	236,155,904	280,647,106	1,363,547,667
PAYE	461,583,532	238,178,599	167,380,385	867,142,515
Income Tax	436,831,294	393,714,279	502,728,276	1,333,273,850
Other	165,606,816	44,046,964	105,274,720	314,928,500
Customs	77,460,507	0	0	77,460,507
Grand Total	1,988,226,805	912,095,747	1,056,030,487	3,956,353,039
% contribution	50.25%	23.05%	26.69%	100.00%

Table 13 shows that the principal constitutes 50.25% of the debt while penalty and interest account for 49.75%.

**Table 14: Debt by Sector**

Sector	Grand Total	% Contribution
Councils	232,281,337.50	6%
Parastatals	490,780,504.19	12%
Private Sector	3,155,830,690.31	80%
Customs	77,460,507.00	2%
Grand Total	3,956,353,039.00	100%

The Table 14 above shows that 80% of the debt pertains to Private Sector.

**Table 15: Debtors Ageing Analysis by Year**

Division	2014 & Prior	2015	2016	2017	Cumulative Debt
Domestic Taxes	1,704,425,201.54	479,683,024.91	777,058,217.29	917,726,088.51	3,878,892,532.25
Customs	29,493,999.11	13,832,743.01	15,868,111.70	18,265,652.93	77,460,506.75
Total Debt 2017	1,733,919,200.65	493,515,767.92	792,926,328.99	935,991,741.44	3,956,353,039.00

The table shows that 44% of the debt pertains to 2014 and prior years.

Current year debt stood at 24% as at 31 December 2017 and this can be attributed to assessments being raised and failure to pay by taxpayers.

The table below explains the main contributing factors to the high debt levels and mitigatory actions adopted.

**Table 16: Challenges and mitigatory factors**

Challenge	Mitigatory
Taxpayer inability to pay taxes due to liquidity challenges	Negotiating payment plans
Challenges related to the cash economy	Acceptance of electronic payments from clients
Customs clearing agents and sureties closing down	Monitoring the viability of operating agents and call up bonds on time
Smuggling of goods through the official crossing points and through porous borderlines	Roadblocks, patrols and anti-smuggling teams. Joint activities with other law enforcers
Shortage of seals for ECTS	Procurement of additional seals in progress
Low taxpayer compliance noted in non filing of returns, non-payment or late remittance of taxes and defaulting on payment plans	- Levying of interest and penalties and focused audits
Informal traders	Street mapping and block management as well as registration of identified traders
Non-Active Clients and duplicate BPs	Final audit and deregistration of closed business. Data base clean up.
Low uptake of fiscal devices	Intensive marketing and enforcement for non-fiscalised operators
Slow uptake of server to server	Identification of eligible clients, provision of interface solutions and connection
Connectivity and system challenges particularly in ASYCUDA	Manual processes and ICT resolutions. System monitoring.

## 1.2 EXPENDITURE ANALYSIS

The total recurrent expenditure of US\$103.92 million was managed within the operational budget of US\$107.84 million, which is a reduction from 2016 expenditure of US\$110.213 million.

### 1.2.1 Recurrent Expenditure Budget

Table 17 shows the 2017 expenditure in comparison with the expenditure for 2016.

Table 17: Composition of Recurrent Expenditure

DETAILS	2017 Cost (US\$ m)	2016 Cost (US\$ m)	2017 Contribution to Total Cost	2016 Contribution to Total Cost	% Change 2017/16
Depreciation	15.127	14.547	12.71%	12%	0.71%
Staff Cost	67.958	74.033	57.09%	59%	-1.91%
Consultancy and Legal	1.555	2.843	1.31%	2%	-0.69%
Motor vehicle expenses	2.695	2.578	2.26%	2%	0.26%
Office accommodation	1.768	2.118	1.49%	2%	-0.51%
Office and operational utilities	2.542	2.707	2.14%	2%	0.14%
Rentals and hire	2.995	2.35	2.52%	2%	0.52%
Repairs and maintenance	2.864	3.266	2.41%	3%	-0.59%
Security	5.825	2.533	4.89%	2%	2.89%
Subscriptions	4.446	4.523	3.73%	4%	-0.27%
Telephone & postages	1.414	1.414	1.19%	1%	0.19%
Uniforms	0.348	2.579	0.29%	2%	-1.71%
Travel and subsistence	4.804	5.29	4.04%	4%	0.04%
Other	4.706	4.057	3.95%	3%	0.95%
<b>TOTAL</b>	<b>119.047</b>	<b>124.76</b>	<b>100%</b>	<b>100%</b>	<b>0.00%</b>

The thrust in 2017 was on cost containment as well as cost reduction. Over the years, ZIMRA has been given additional functions some in line with Ease of Doing Business Reforms, which have the impact of increasing costs. Despite this, costs have in many areas slightly declined or remained largely unchanged. The implementation of cost containment strategies led to a reduction in the cost of collection.

The Pie Chart shows the composition and cost structure in 2017.

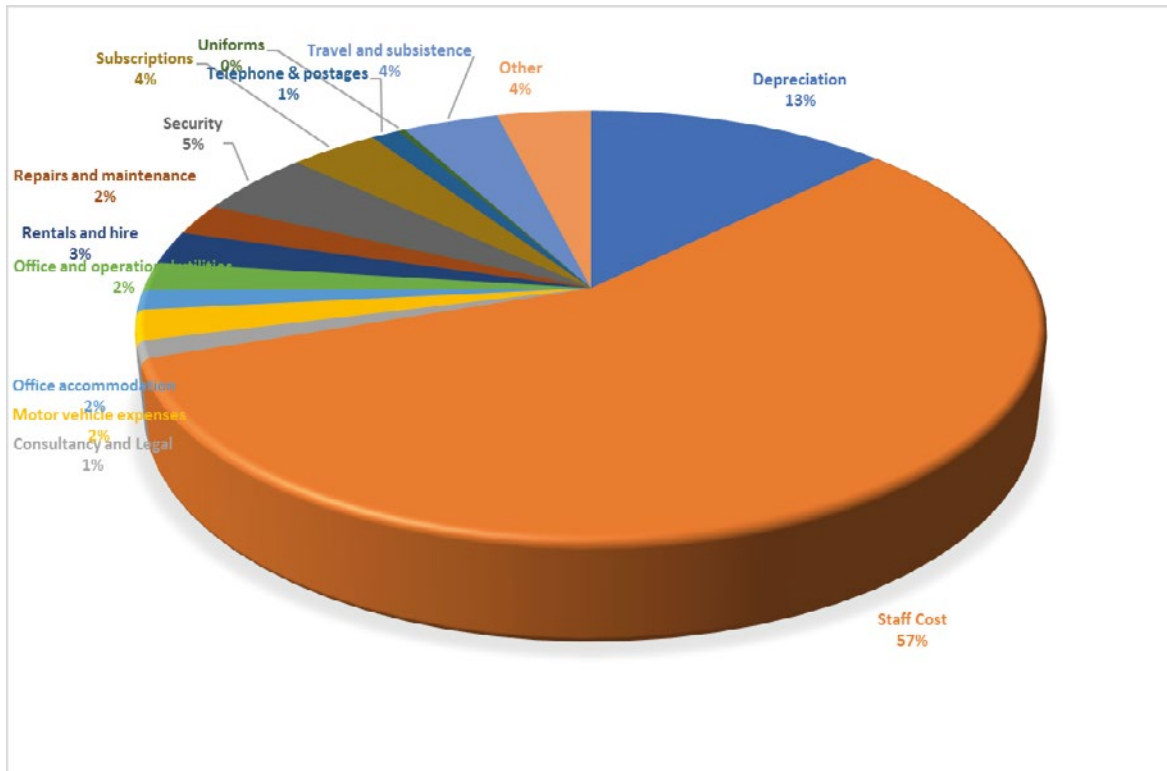


Figure 6: The composition and cost structure in 2017

The cost structure has remained largely unchanged over the years due to the fixed nature of the Authority's costs.

- Major cost drivers were staff costs that accounted for 57% of the total expenditure followed by depreciation 13%. Security contributed 5% while Travel and subsistence, other and subscriptions were at 4% each. Repairs and Maintenance of buildings and equipment, motor vehicle expenses, office accommodation, office and operational utilities, security and, rentals and hire were at 2% each.
- The cost of collection was 2.61% based on the gross collections of US\$3.978 billion and total recurrent expenditure of US\$103.92 million (US\$119.047 million is inclusive of depreciation a non-cash item amounting to US\$15.127 million).



### 1.3. Capital Expenditure

The Authority's capital expenditure is shown in Table 18.

**Table 18: Capital Expenditure in 2017 (US\$)**

Project	Approved Budget 2017	Unexpended balance brought forward from 2016	Total Available funds -2017	Expended during the year ended 31 December 2017	Unexpended balance carried forward to 2018
Buildings	36,296		36,296	36,296	-
Computer Equipment	2,704,134		2,704,134	469,471	2,234,663
Cargo Tracking	26,152	1,000,000	1,026,152	1,026,152	-
Fiscal devices	2,256,000		2,256,000	2,256,000	-
Construction Work in Progress	4,465,803	958,412	5,424,215	557,433	4,866,782
Furniture, Fixtures and Fittings	253,572.06	6,462	260,034	48,882	211,152.06
Network Equipment	65,866		65,866	65,866	-
Soft ware		935,265	935,265	499	934,766
Office Equipment	16,649		16,649	16,649	-
Plant and Machinery	983,626.94		983,627	271,170	712,456.94
Land	137,901		137,901	137,901	-
Motor Vehicles	500,000		500,000	53,000	447,000
<b>Total</b>	<b>11,446,000</b>	<b>2,963,437</b>	<b>14,346,139</b>	<b>4,939,319</b>	<b>9,406,820</b>

The Authority had an approved CAPEX Budget of US\$11.446 million out of which US\$4.939 million was expended mainly towards, construction works and priority Automation projects: Electronic Cargo Tracking, Fiscalisation, Computer and Network Equipment; carrying forward a balance of US\$9.407 million.



## 2. FORGING STRATEGIC PARTNERSHIPS

The Zimbabwe Revenue Authority has deliberately taken a consultative and stakeholder participation approach in building strong relationships with local, regional and international stakeholders.



*The ZIMRA Board Chairperson, Mrs W. Bonyongwe hands over a trophy to one of the clients.*

This approach has enabled ZIMRA to appreciate taxpayers, engage investors, funders and cooperating partners to create mutually beneficial information sharing.

### 2.1 Budget Meetings

ZIMRA attended the weekly budgeting meetings at the MOFED where revenue collections and Government's expenditure requirements were discussed. These engagements enabled the Parties to promote joint commitments in national revenue mobilisation efforts.

## 2.2 Local Engagements

The Authority held various meetings, workshops and seminars with key stakeholders to enhance consultation and strengthen partnerships.



*ZIMRA and Zimbabwe National Defence University staff pose for a group photo after a fruitful study tour by the latter.*

Client feedback was obtained to help improve service delivery through various information dissemination initiatives to:

- Assist clients to comply with due dates for payment of Provisional Tax, Value Added Tax and Pay as You Earn;
- Publicise requirements under Fiscalisation and the Electronic Cargo Tracking System; and
- Address concerns and deal with clients' complaints against poor service delivery at inland and border stations.

ZIMRA interacted with the Zimbabwe Cross Border Traders Association (ZCBTA), the Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ) and the Confederation of Zimbabwe Industries (CZI) during the year.

### 2.3 International Engagements

The Authority engaged various international and regional organisations including World Customs Organisation (WCO), Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC), African Tax Administration Forum (ATAF), International Monetary Fund (IMF) and World Trade Organisation (WTO).



*ZIMRA hosts WCO Customs Valuation and Transfer Pricing Workshop – participants pose for a group photo after successful deliberations.*

Regional Revenue Authorities and International Organisations visited ZIMRA for benchmarking exercises, study tours, exchange of information, MOUs and Double Taxation Agreements.

### 2.4 ZIMRA Brand

The Authority received the 3<sup>rd</sup> Best Prize under the State Enterprises and Parastatals Category for Best Corporate Governance Disclosures at the 2017 “Excellence In Corporate Governance Awards coordinated by Institute of Chartered Secretaries and Administrators in Zimbabwe. The award was in recognition of ZIMRA’s efforts in providing important information to stakeholders.





*Numero uno.....The Acting Commissioner General, Mr H Kuzvinzwa displays the certificate after winning the Zimbabwe Leadership Excellence Award.*

ZIMRA received numerous other awards for outstanding displays for participation at all provincial agricultural shows and exhibitions held in 2017. The Acting Commissioner General received the Regional Contribution Award from the Zimbabwe Institute of Management in recognition of his leadership excellence.

### 3. ENHANCING OPERATIONAL EFFECTIVENESS

Operational efficiency entails improving service delivery processes and systems to enhance productivity so as to improve client satisfaction. Targeted initiatives from the Strategic Plan are monitored and evaluated quarterly to ensure national priorities are achieved and prompt corrective action is taken

#### 3.1 Corporate Strategy

ZIMRA's Corporate Strategy is guided by the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET) and applies the Integrated Results Based Management (IRBM) framework as a strategy implementation and evaluation tool. ZIMRA adopted the Rapid Results Approach to augment IRBM.

The model analysis given below is a review of progress towards the achievement of Corporate Goals based on ZIMRA's Vision, Mission, Key Result Areas (KRAs) and initiatives that the Authority focused on during the year.

##### 3.1.1 Vision Evaluated

"To be a beacon of excellence in the provision of fiscal services and facilitation of trade and travel"

Figure 7: Adapted from the MM Model

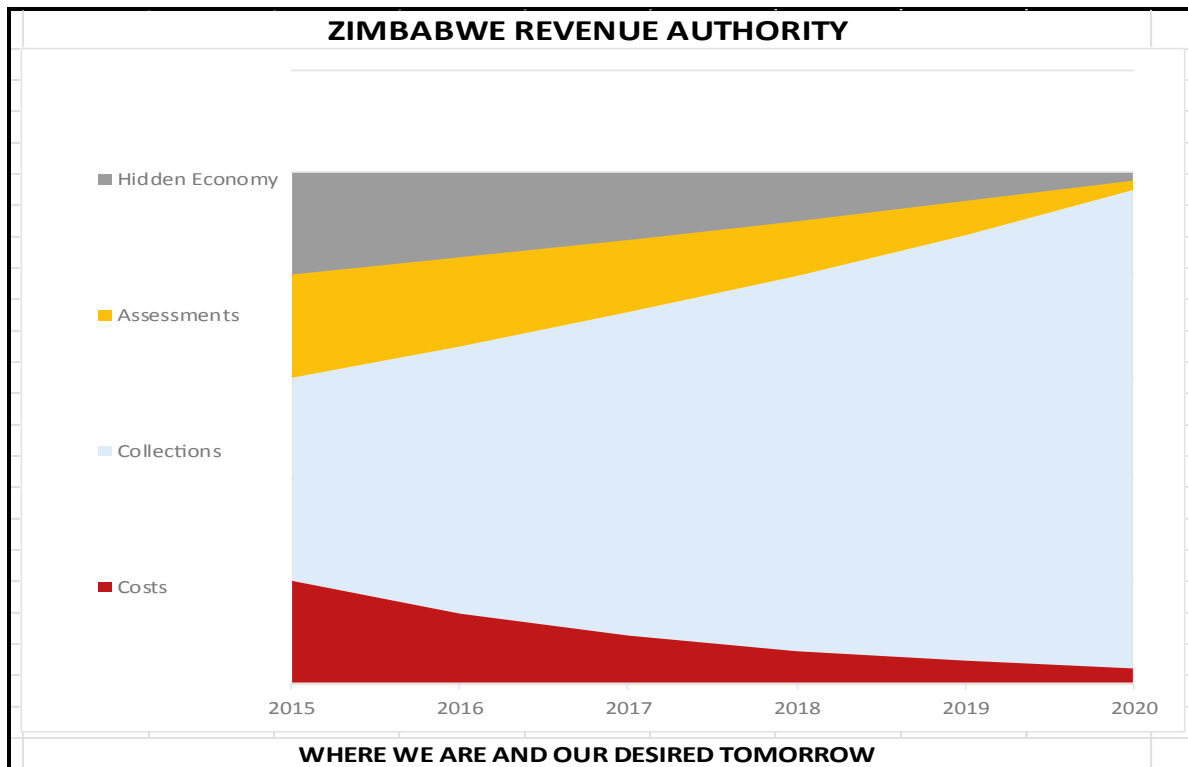


Figure 7 clearly depicts our current position and the fundamentals that will keep our vision in focus.

### 3.1.2 Analysis of the model

Collections (Blue) are currently way below Assessments (Yellow) and the Gap between Assessments and Collections continues to widen. This means Debt Position continues to increase and the risk of uncollectable Debts becomes very high.

The Hidden Economy (Grey) is the total value of transactions that the economy of Zimbabwe can generate. The gap between Hidden Economy (Grey) and Collections (Blue) is the market share being controlled by ZIMRA's competitive forces i.e. Corruption, Tax Evasion and Smuggling. To be a Beacon of Excellence, ZIMRA has to come up with systems to quantify and capture that market.

The Cost of Collection (Red) should be benchmarked against high performing countries. To achieve this, available options are to either reduce current costs or increase Collections (Blue) to target 2020 levels.

ZIMRA is focussing on growth, so to address the identified Gaps that could affect the focus on the Vision, a penetration strategy was adopted. Using the Rapid Results Approach, Key Challenges were identified and priorities were set in order to change from the Status Quo to achieve our Desired State (Vision).

### 3.2. Strategic Planning

The Board participated and set the tone for the Authority's strategic direction at the following:

- 2017 Annual Strategic Planning Conference;
- Strategic Plan Cascading Conference; and
- 2017 Mid-term strategy review conference.

The 2017 Strategic Planning Conference, resulted in the development of 100 Days' Rapid Results strategic initiatives that are briefly discussed next.



Table 19: 2017 Rapid Results Initiatives

KEY RESULT AREAS	RAPID RESULTS INITIATIVES	Overall Status	Dashboard Comments
1	Operational Efficiency Eliminate (Block) 100% duplicated Business Partners and Contract Accounts, update all identified and targeted master data for 48551 Business Partners, and modify the SAP and e-services systems to prevent creation of duplicates by 19 October 2017	42.39%	Team is still working towards a solution to ensuring that duplicates do not happen in the future.
2	Trade Facilitation 100% Bonded Warehouse Audit Inspections in 100 days (Clean-up of bonded warehouses)	65.19%	Project rolled over as officers working on project were reassigned to competing quick win project (escorts of transit).
3	Good Governance Fully Implement 16 Forensic Audit and 2016 Management Letter Recommendations tabled for Q3	97.5%	Forensic Audit Log is at 100% implementation while the 2016 Management Letter is at 95% (35 out of 39 implementable recommendations were implemented)
4	Align ZIMRA Corporate Governance to new Public Entities Corporate Governance Bill by 19 October 2017	100%	All steps taken to align identified key areas and ZIMRA is on target to implement once the Bill is passed into Law.
5	Sufficient resources Align Jobs to Skills in all the other stations and offices within 75 days.	100%	Team has managed to finalise the work, staff reassignments have been approved effective 1 January 2018.
6	Sufficient resources Acquire stand and complete architectural designs and building plans for Masvingo ZIMRA Office	83%	Work on preliminary designs and estimates for the new offices underway and is at the last step in the work plan.
7	Sufficient resources To roll out e-Warehousing Model for Beitbridge and Chirundu by 19 Oct 2017	54%	At Contract signing stage for the shelving
8	Revenue Generation Integrate ZIMRA systems with RBZ Exchange Control, NSSA, ZIMDEF, Registrar of Companies, Deeds Office and Client Sales and Accounting Packages by the 19th October 2017	100%	Some of the stakeholders' systems are not yet operational, so Data is being received via USB from all other parties except ZIMDEF who have agreed to provide information once a

					formal request is received from ZIMRA.
9	Operational Efficiency	To ensure Divisions adopt and use the M & E Matrix by 21 October 2017 when implementing projects in compliance with the M & E Policy Framework To ensure Divisions adopt and use the M & E Matrix by 21 October 2017 when implementing projects in compliance with the M & E Policy Framework	97%		Divisions are now submitting their M & E Matrices, though still to comply with the overall M & E Tracker.
10	Good Governance	To be fully ISO Certified by 30 September 2017 (72%)	44%		Management reviews outstanding as SAZ Certification audits are scaled up to December 31 as per the Commissioner General Circular No.18 of 2017 dated 3 November 2017.
11		To facilitate the development of a draft Act to regulate Tax Practitioners in Zimbabwe by 19 October 2017.	99.32%		Draft Act submitted to by ZIMRA Legal Division for due legal process for gazetting being followed.
12	Operational Efficiency	To migrate SAP HCM Module to Enterprise Resource Planning (ERP) Platform within 100 days.	36%		Benchmarking report is still outstanding awaiting engagements with other stakeholders which are behind schedule
13	Revenue Generation	Develop & Implement a Simplified Tax Regime for SMEs by 19.10.2017	81%		Draft paper on recommended tax regime has now been produced and awaits review and finalization by the Executive Management
14	Operational Efficiency	Ensure all staff has adequate uniforms (10%)	25%		Benchmarking with the national uniformed forces during supplier engagements refocused ZIMRA attention to suppliers of the Defences Forces as an option.
15	Operational Efficiency	Implement a culture transformation programme within 100 Days (0%)	0%		Team has just been set-up to work on draft Terms of Reference. This has a bigger impact on achieving all other corporate goals that depend on culture transformation.

16	Revenue Generation	Finalize legislation pertaining to Debt recovery by 19 October 2017		Draft submitted for Ministry approval
17	Sufficient resources	Improve staff accommodation challenges - at Chirundu (Design and Build self-contained cottages), Kazungula and Beitbridge	47.5%	Work remains behind schedule as procurement regulations are deterring major suppliers from submitting bids. Will be addressed by the new Procurement Regulations Act.
18	Operational Efficiency	Migration of SAP systems from the current old servers to the new Super Cluster server infrastructure	0%	Project is dependent on AfDB funding. Engagements are at advanced level.
19	Operational Efficiency	Design Corporate Dashboard for Performance Status (BI Reports & Business Reports)	15%	Deferred pending formulation of new Strategic Focus by the new Executive Management.

<b>TRACKING GUIDE</b>	Behind Target ( < 55%)	Behind Target ( > 55% - < 81%)	Completed (81% - 100%)

### 3.4 Modernisation

The Authority has positioned itself to be the organisation of first choice, centre of excellence, pace-setter and benchmark organisation on Customs and Tax administration. To continuously improve and adopt modern business systems, processes, policies and procedures, the Authority adopted the PRINCE2 Project Management Methodology for the implementation, monitoring and evaluation of all ZIMRA projects.

### 3.5 ZIMRA Legal Activities

The Authority continued to strengthen its legislative, governance, litigation handling and advisory services. Next is a snapshot of the major developments during the year.

#### 3.5.1 Litigation

A total of **229** cases were pending before the courts at the beginning of the year. As at the end of the year **260** cases were pending after **97** cases were finalised.

#### 3.5.2 Legal Drafting and Advisory Functions

To discharge the ZIMRA mandate and ensure the preservation of a legal framework, the following drafting and advisory functions were carried out:

- 67 statutory instruments (including General Notices)
- 273 contracts; and
- 43 legal opinions.

### 3.6. Fighting Corruption

The various strategies adopted to fight corruption include; among others, the following:

- Presentations: Conducted workshops in all Regions on Anti-Corruption and Workplace Harassment and Victimisation;
- Hotline cases - Investigated 131 Hotline cases, and recommended corrective action on 15 officers; and
- Fighting Corruption - Lifestyle checks. Investigated 230 Lifestyle audit cases and recommended corrective action on 35 officers.





*ZIMRA Beitbridge staff march against corruption*

### 3.7. Major Seizures by the Canine Unit (K9)

The Canine Unit extended its coverage in all major Ports of Entry including International Airports to 9 from 7 in 2016. The Unit accounted for 128 detections in 2017 compared to 115 in 2016. Contraband consisting of 7,062.5 kilograms (kgs) of Cannabis, 9Kgs of cocaine and 10.3 litres of injectable Omnipaque drug was intercepted. The value of seizures rose to \$10,058,074 from \$3,226,585 in 2016.



*Part of the more than 700kgs of Mbanje contraband busted at Nyamapanda Border Post in a haulage truck with the aid of the Canine Unit.*

### 3.8. ISO Certification

ZIMRA embarked on ISO 9001:2008 Quality Management System (QMS) implementation process in 2013. Implementation of ISO activities gathered momentum during the year, and certification is expected by mid 2018. The SAZ Stage 1/Documentation audit was completed and non-conformities closed leading to the onset of the SAZ Stage 2 / Certification Audit. The SAZ stage 2 audit was underway following the ISO QMS Management Review.

## 4. CORPORATE GOVERNANCE

### 4.1 Board Meetings

Upholding good Corporate Governance practices remains critical for business sustainability. The Board of Directors met its legal obligations as guided by the fundamental principles of good Corporate Governance practices and enunciated in the various pieces of the country's laws. Thus, scheduled Board and Board Committee meetings were held as per the Meetings Calendar during the year.

### 4.2 Activities of the Board

The Board established six Committees to which certain functions are delegated. The Committees are listed below:

- Human Resources Committee;
- Risk Committee;
- Audit Committee;
- Finance, Administration and ICT Committee;
- Technical Committee; and
- Ad Hoc Committee on Fiscalisation and Cargo Tracking.

The current members of the Board and their membership to the Board Committees is outlined in Table 20.



**Table 20: The Board and Board Committees**

Name of Director	Board Appointments					Board Committees as Chairperson/Member							
	Executive Director	Non-Executive Director	Independent Director	Non-Independent Director	Audit	Risk	HR	Technical Committee	Finance, Administration & ICT	Ad-Hoc Committee On Fiscalisation & Cargo Tracking			
Willia Bonyongwe (Chairman)		✓	✓		-	-	-	-	-	-			
Percy Toriro (Vice-Chairman)		✓	✓		-	-	Chair	-	Member	Member			
Sarudzai Njerere		✓	✓		-	-	Member	-	Member	-			
Moffat Nyoni		✓	✓		Member	-	-	Member	-	-			
Nation Madongorere		✓	✓		-	Member	-	Member	Chair	Chair			
Betty Katiyo		✓	✓		Chair	Member	Member	-	-	Member			
Nompumelelo Abu-Basutu		✓	✓		Member	-	-	Chair	Member	-			
Arnold Chidakwa		✓	✓		Member	Member	-	Member	-	Member			
Happias Kuzvinzwa	✓			✓	-	Member	Member	Member	Member	-			
Willard Manungo		✓		✓	Member	-	-	Member	-	-			

The Board and Board Committees held 52 meetings during the year under review. Twenty-four of these meetings were yearly scheduled meetings while 28 were special or ad hoc meetings, which were convened to discuss urgent substantive matters

Details of the number of Board meetings held during the year as well as the attendance of each Board member at those meetings are disclosed Table 21.

Table 21: Board meetings and attendance

Name of Board Member	Scheduled Board Meetings		Special Board Meetings		% Attendance per Individual Board Member
	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended	%
Mrs W. Bonyongwe	4	4	11	11	100
Mr P. Toriro	4	4	11	8	80
Mrs N.M. Abu-Basutu	4	4	11	4	53.3
Mrs B.S. Katiyo	4	3	11	10	86.6
Mr N.C. Madongorere	4	4	11	11	100
Mr M. Nyoni	4	4	11	10	93.3
Ms S. Njerere	4	4	11	6	66.6
Dr A. M. Chidakwa	4	4	11	9	86.6
Mr W.L. Manungo	4	4	11	8	80
Mr H. Kuzvinzwa) **	4	4	11	10	93.3
<b>% of Collective Members' Attendance</b>					<b>83.97</b>

Key

\*\* Mr H. Kuzvinzwa, the Acting Commissioner General, attended board meetings held during the year.

Details of the number of Board Committee meetings held during the year as well as the attendance of each Board member at those meetings are disclosed in Table 22

Table 22: Attendance at Board Committee Meetings.

Name of Board Member	Human Resources Committee		Risk Committee		Audit Committee		Finance Administration and ICT		Technical Committee		Ad-Hoc Committee		Attendance per individual Board Member
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	%
Mrs W. Bonyongwe	5	*	4	3**	5	2**	5	1**	4	3**	5	5**	100%
Mr P. Toriro	5	5	4	*	5	*	5	5	4	*	5	5	100%
Mrs N.M. Abu-Basutu	5	*	4	*	5	4	5	4	4	4	5	*	85.71%
Mrs B.S. Katiyo	5	4	4	4	5	4	5	*	4	*	5	4	89.47%

Mr N.C. Madongorere	5	*	4	2-	5	*	5	4-	4	3-	5	5	77.77%
Mr M. Nyoni	5	*	4	*	5	5	5	*	4	4	5	*	100%
Ms S. Njerere	5	4	4	4	5	*	5	4-	4	*	5	*	85.71%
Dr A. M. Chidakwa	5	*	4	4	5	4	5	*	4	4	5	4	94.4%
Mr W.L. Manungo	5	*	4	*	5	5	5	*	4	2-	5	*	77.77%
Mr Kuzvinzwa	5	2**	4	*	5	*	5	3**	4	4	5	2**	100%
<b>% of Collective Members' Attendance</b>													<b>91.08%</b>

Key

\* Not a member.

\*\*not a member but attended the meeting by invitation.

- did not attend and an apology was noted.

\*\*\* Mr. H. Kuzvinzwa, the Acting Commissioner General, attended board committee meetings held during the year.

Details of the number of Special Board Committee meetings held during the year as well as the attendance of each Board member at those meetings are disclosed in the table below;

**Table 23: Special Board Committee meetings**

	Human Resources Committee		Risk Committee		Audit Committee		Finance Administration and ICT		Technical Committee		Ad-Hoc Committee		Attendance per individual Board Member %
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	
Mrs W. Bonyongwe	8	3**	0		1	1**	2	1**	0		0		100%
Mr P. Toriro	8	8	0		1	*	2	1-	0		0		90%
Mrs N.M. Abu-Basutu	8	*	0		1	1	2	1-	0		0		50%
Mrs B.S. Katiyo	8	8	0		1	1	2	*	0		0		100%
Mr N.C. Madongorere	8	7**	0		1	*	2	2	0		0		100%
Mr M. Nyoni	8	*	0		1	1	2	*	0		0		100%
Ms S. Njerere	8	1-	0		1	*	2	2	0		0		30%
Dr A. M. Chidakwa	8	4**	0		1	1	2	*	0		0		100%
Mr W.L. Manungo	8	*	0		1	1	2	*	0		0		100%
Mr Kuzvinzwa	8	8**	0		1	*	2	1*	0		0		100%
<b>% of Collective Members' Attendance</b>													<b>87%</b>

Key

\* Not a member.

\*\*not a member but attended the meeting by invitation.

- did not attend and an apology was noted.

\*\*\* Mr. H. Kuzvinzwa, the Acting Commissioner General, attended special board meetings held during the year.

The high number of Special Human Resources Committee meetings held during the year were for the interviews done for executive posts, recruitment for the posts of the Commissioner General, Board Secretary, Chief Loss Control Manager and Director ICT and Projects, Commissioner Investigations and International Affairs, Deputy Director Finance and Administration and Deputy Director Human Resources and Human Capital Development. A total of eight (8) Special Human Resources Committee meetings were held in the year to shortlist and interview the candidates for the positions indicated above. Some of the recruited Executive Managers commenced their duties during the year.

### 4.3 Board Training and Development

As part of continuous training and development for Board Members, the Board participated in and or attended the following conferences and workshops during the year:

- Transfer Pricing Indaba held on 30 March 2017
- Zimbabwe International Business Conference held on 26 April 2017.
- SAFAAZ Annual Conference held from 20-21 July 2017.
- The KPMG, IFRS Tax and Business seminar on 14 September 2017.
- The stakeholders' consultative workshop on 26 September 2017, which was organized by the Auditor General's office.
- The Tax Seminar on 29 August 2017, which was coordinated by Ernest & Young.
- Board Evaluation training on 22 August 2017 facilitated by the Institute of Directors Zimbabwe (IODZ).
- The Cyber Security Boardroom Cyber Threats Detection and Mitigation –Boot camp held in Victoria Falls from 22-24 November 2017.

#### 4.4. Board Station Visits

Members of the Board visited selected stations during the year as part of continued efforts to ensure Board Members familiarize with key operations of the Authority. The following stations were thus visited:

- Chirundu One Stop Border Post on 10 April 2017
- Forbes Border Post on 11 April 2017.
- Plumtree on 27 April and 3 June 2017
- Beitbridge on 2 June 2017
- Mhlanhlandlela Station on 25 April 2017
- Bulawayo on 1-3 September 2017
- Joshua Nkomo Airport offices 1-3 September 2017
- Kurima House Offices on 21 September 2017
- Harare International Airport on 22 September 2017
- Victoria Falls Border post on 30 June and 22 November 2017.

#### 4.5. Internal Control Environment and Auditing

The Authority's control environment was characterized by independent and objective evaluation and examination of the activities, processes and procedures of the Authority's operating units. There was an established internal audit function with an Internal Audit Unit headed by an Internal Audit Executive who reports functionally to the Board Audit Committee and administratively to the Commissioner General.

The Authority continued to adhere to the international accounting and internal audit standards and endeavored to report in line with high national standards as set out in the National Code on Corporate Governance and applicable laws. The annual external audit was in line with the highest international standards.

The Board approved the Authority's accounting policies during the year. The 2017 financial year external audit was conducted. The Audit Committee and the Board met and received the Audited Financial Statements, the Audit Reports and the Management Letter from the external auditors. Clean audit opinions were received on the following returns:

- Receipts and Disbursement Return;
- Revenue Return;
- Financial Statements; and
- Tax Reserve Return.

A qualified opinion was given on the Outstanding Revenue Return, reasons of which were highlighted in the Management Letter as follows:

- Transfers from banks that are under liquidation or judicial management which are yet to be remitted to the Exchequer Account and their recoverability is now doubtful. These amount to \$3 587 606.
- Companies under judicial management which owe the Authority a total of \$92 707 482 and the recoverability of this amount is doubtful.
- The ASYCUDA system crashed in 2017, this led the Authority to process bills of entries manually. The process of uploading the manual bills of entries in ASYCUDA, is still on going. The process may result in additional debt being raised against the clearing agents.

#### 4.6 Audit Assurance

The control environment in the Authority was generally satisfactory. Greater reliance could be placed on the existing systems, processes and controls to mitigate the emerging risks. However, management can do more to further improve the control environment. In 2017, the envisaged risk was deemed high. The risk index was in the high category at 6.8 at the beginning of the year, rising to 6.9 in the second quarter and marginally decreasing to 6.5 in the third quarter and then slightly increasing in the fourth quarter to 6.9.

The need for a more proactive approach in addressing the risk exposures cannot therefore, be overemphasized. Enhanced stakeholder participation is also called for, as the combating of activities such as smuggling requires concerted effort from all stakeholders.

The risk trend is anticipated to continue in the high category during the forthcoming year. The control environment is, however, projected to improve as the implemented control measures begin to bear fruits.

#### 4.7 Internal Audit Assignments

The Division executed forty-two (42) out of fifty- five (55) audit assignments on the 2017 Risk Based Internal Audit plan representing a 76% coverage. Over and above the planned audits, the division carried out nine (9) ad-hoc assignments as requested by management. The adhoc assignments were investigative and forensic in nature. In addition, Quality Management System (QMS) follow-up audits were carried out throughout the year.



#### 4.8. Forensic Audit Observations

The Forensic Audit Log implementation status was at 87%:

Table 24: Forensic Audit Log implementation status

Status	No of Findings
Resolved	56
Work in Progress	19
Unresolved	0
<b>Total</b>	<b>75</b>

#### Implementation of the 2017 Risk Based Internal Audit Plan (RBIA Plan)

Table 25: Implementation of the 2017 Risk Based Internal Audit Plan

	Assignments planned	Assignments completed	WIP	Assignments not done	Ad hoc assignments	Total assignment Done for 2017
Total	55	42	1	12	9	51
As a % of Total		76%	1.8%	22%	16%	93%

Table above shows that 43 (78%) assignments were worked on during the year 2017 and by the close of the year 42 of these had been completed. 12 (22%) of the planned assignments for the year could not be carried out due to a number of factors and 9 unplanned assignments were carried out over the period.

#### 4.9. Corporate Governance Assessment

A corporate governance assessment for 2016 was conducted. The results of the assessment indicated how ZIMRA fared in the quality of its corporate governance. The results indicated that generally, ZIMRA had made commendable strides towards embracing best practices in its corporate governance status.

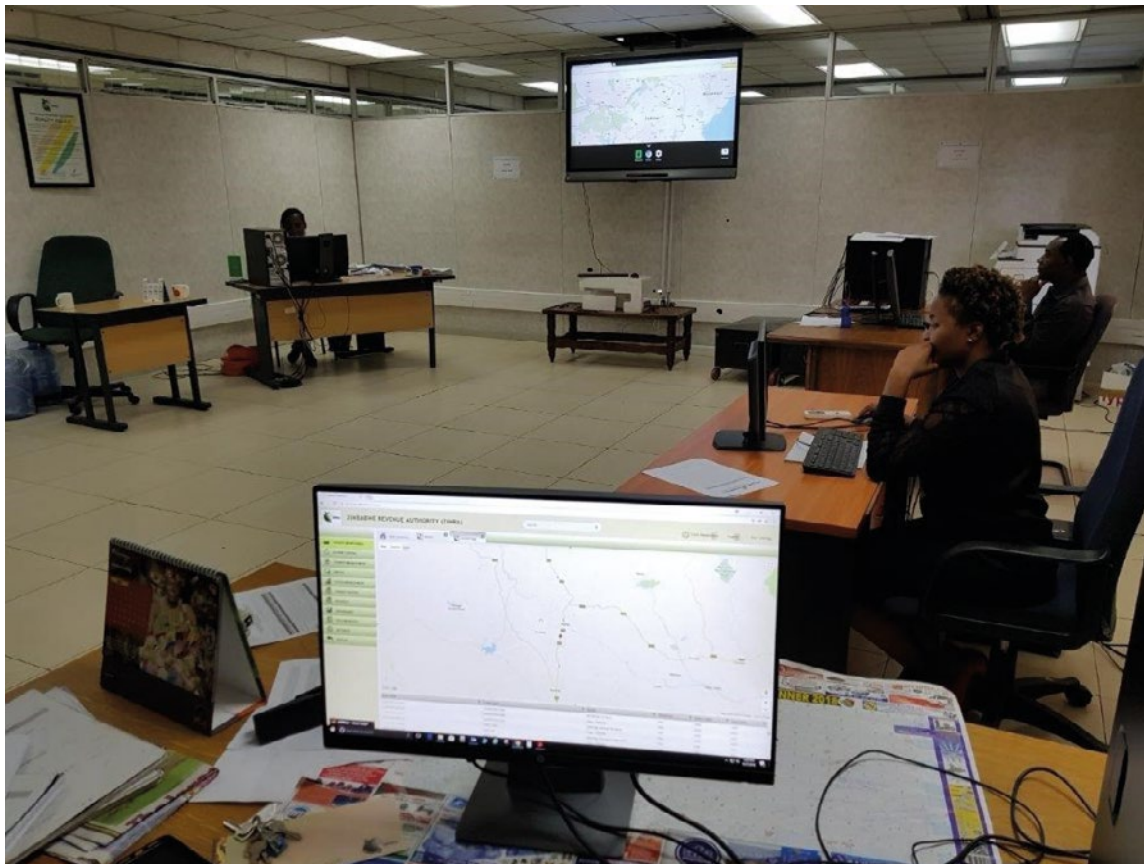
A number of areas that call for improvement were identified and recommendations were put forward for ZIMRA to consider as it seeks to improve its corporate governance.

## 5. TECHNOLOGICAL INNOVATION

### 5.1 Automation Projects

#### 5.1.1. Electronic Cargo Tracking System (ECTS)

The Electronic Cargo Tracking System was launched on 15 May 2017 under the theme 'Curbing Smuggling and Transit Fraud'. The ECTS tracks and monitors transit cargo from the point of entry through Zimbabwe to the point of exit along 19 geo-fenced transit routes using electronic seals that are armed on all major commercial cargo. This system is integrated into the ASYCUDA World system and covers containerised cargo, break bulk cargo and fuel tankers.



*ECTS Staff monitors transit cargo at the ECTS Command Centre*

The monitoring is real time and the sealed cargo is constantly under the ECTS control room's radar throughout the 19 geo-fenced routes as shown by Fig. 10 above. The armed electronic devices are linked to the Command Centre and any violations

trigger alarms that are promptly responded to by Reaction Teams for corrective action, which may involve penalties or seizure of the cargo and/or the truck.



Ms Annie Nhekede demonstrates the cargo sealing process during ECTS launch.

### **Impact of ECTS on Fuel Excise Duties**

Figure 8: Fuel collection trend analysis.

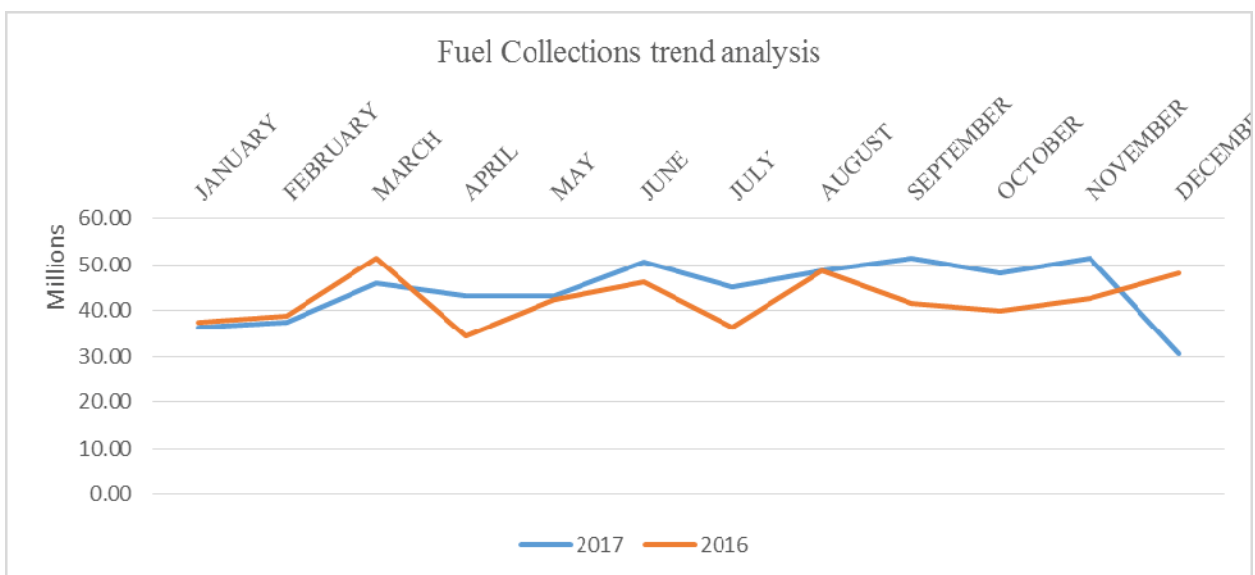


Figure 8 above indicates that collections for 2017 were higher than those for 2016 and this can only be attributed to the effectiveness of E-sealing which ensures that smuggling of fuel is curtailed.

### 5.1.2 Electronic Temporary Import Permit(E-TIP)

The eTIP platform was launched on 30 September 2017 at Beitbridge Border Post as a tool that enables travellers to apply for their vehicle temporary import permits (TIPs) online in advance, before they travel to Zimbabwe. The application can be done via a web portal (<https://ecustoms.zimra.co.zw/etip>) or via an android mobile app that is available on google play (ZIMRA eTIP).

The introduction of the eTIP brought convenience to travellers as they spend less time having their TIPs manually processed at the border. Retrieval and validation now takes on average 2 minutes, reducing turnaround time from 15 minutes thereby minimising congestion at the borders.

### 5.1.3 E-Services

E-Services platform; where clients are now able to perform the following functions from their offices is now operational:

- Access their tax clearance certificates on-line;
- Apply for new registrations on-line;
- Amend existing registration details on-line;
- Submit returns on - line;
- Checking and viewing account status; and
- Sending requests and queries on - line.

Clients experienced challenges with the E-services platform as they failed to lodge returns on due dates and get Tax Clearance Certificates online. A consultant is currently working towards a solution to the challenges faced. The Authority has since upgraded the internet bandwidth and procured new hardware with high processing power to reduce traffic congestion.

### 5.1.4 Fiscalisation

Fiscalisation is a Tax Management System to register business partners for Value Added Tax (VAT). A total of 2,792 business partners were registered for Fiscalisation in 2017 and to date a total of 8,397 clients are fiscalised. Fiscalisation has several advantages for traders, the Authority and the economy. These include:

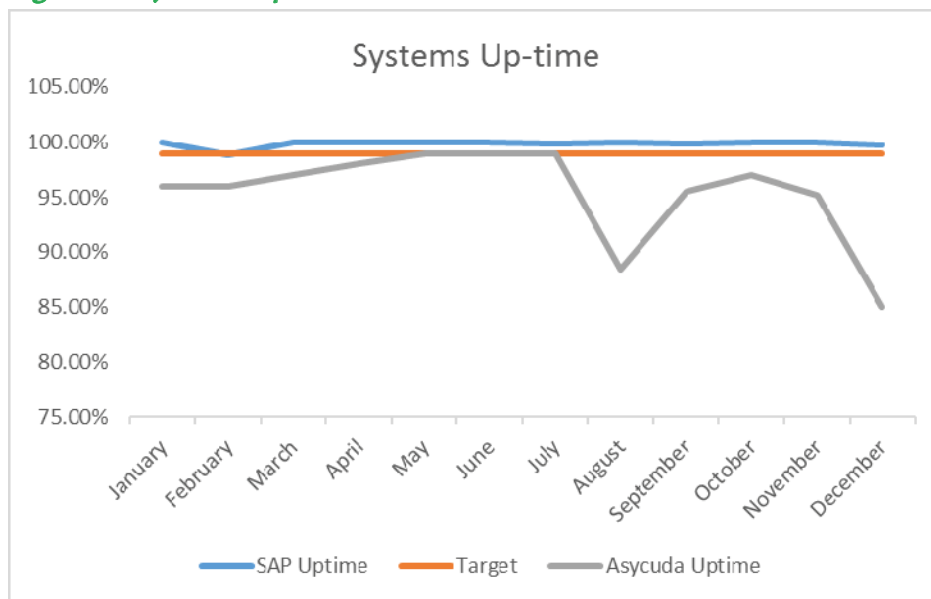
- Efficient recording systems for clients,

- Reduction in the cost of compliance for the registered operators;
- Efficient collection systems for the Authority;
- Reduction in the cost of administration for the Authority;
- Efficiency in business control and management for traders and ZIMRA;
- Less paper work for traders and the Authority;
- Shorter audit periods for ZIMRA and, therefore less business stoppages for the trader to accommodate auditors; and
- More revenue for the fiscus through minimising tax fraud.

## 5.2. SAP and ASYCUDA World Updates

### 5.2.1. Systems Uptime

*Figure 9: Systems Uptime*



Several challenges were experienced on the ASYCUDA platform during the year with significant downtimes experienced on 5 August and 13 December 2017. The downtimes were mainly as a result of hardware challenges and the Authority has since procured high end servers to ensure high availability and reduced processing time. The servers will be delivered early next year and is expected to reduce system errors and increase operational efficiency.

### 5.3. ZIMRA-RBZ Integration

The project currently under development aims to integrate the Authority's ASYCUDA system with the Central Bank's Computerized Export Payment Exchange Control



System (CEPECS). The integration will facilitate sharing of exchange control data on Customs Declaration Form No. 1 (CD1 Form) processed by commercial banks on behalf of the Reserve Bank of Zimbabwe for all commercial exports cleared by a Bill of Entry in ASYCUDA.

The advantages of the project include:

- Reduced processing time since common data is captured only once on CD1 registration.
- Avoidance of duplication and inconsistency in data which results in improved efficiencies and end-user satisfaction.
- Allowing better planning and allocation of available resources, leading to improved workflow and operational efficiencies.
- Improved quality of statistical data from harmonization of data between ZIMRA and RBZ.

#### 5.4. ZIMRA-ZINARA Integration

The objective of integrating the ZIMRA and ZINARA systems is to achieve the Single Window Concept which is part of the national Ease of Doing Business Project.

Under the Single Window Concept, all payments at Ports of Entry/ Exit in Zimbabwe for all the Government Agencies operating at these ports will be made through ZIMRA. Payment of transit fees captured in the ASYCUDA system will generate and print a barcoded coupon that is verifiable at ZINARA tollgates.

#### 5.5. Integration with Botswana Unified Revenue Services (BURS)

The Revenue Authorities of the Republic of Botswana and the Republic of Zimbabwe collaborated under the auspices of Customs to Customs Cooperation to exchange customs data. The integration will enable data exchange between Government Agencies and customs stakeholders.

#### 5.6. ZIMRA- Zambia Revenue Authority (ZRA)

A Joint Information and Communications Technology (ICT) team was constituted to develop modalities for electronic exchange of data between the two Customs management systems. The project aims to provide a long term solution that enables data exchange in order to facilitate implementation of the Virtual One Stop Border Post (OSBP) at Victoria Falls.





*ZIMRA, ZAMBIA Revenue Authority delegates pose for a group photo after the signing of the Zimbabwe – Zambia MOU.*

## 6. HUMAN CAPITAL DEVELOPMENT

ZIMRA is a learning organisation. Human Capital Development entails efficient and effective talent management, employee engagement and employee wellness. An effective, efficient and motivated human resource base is created through advancement of knowledge and skills development.

ZIMRA's current human capital turnover levels are shown in Figure 10:

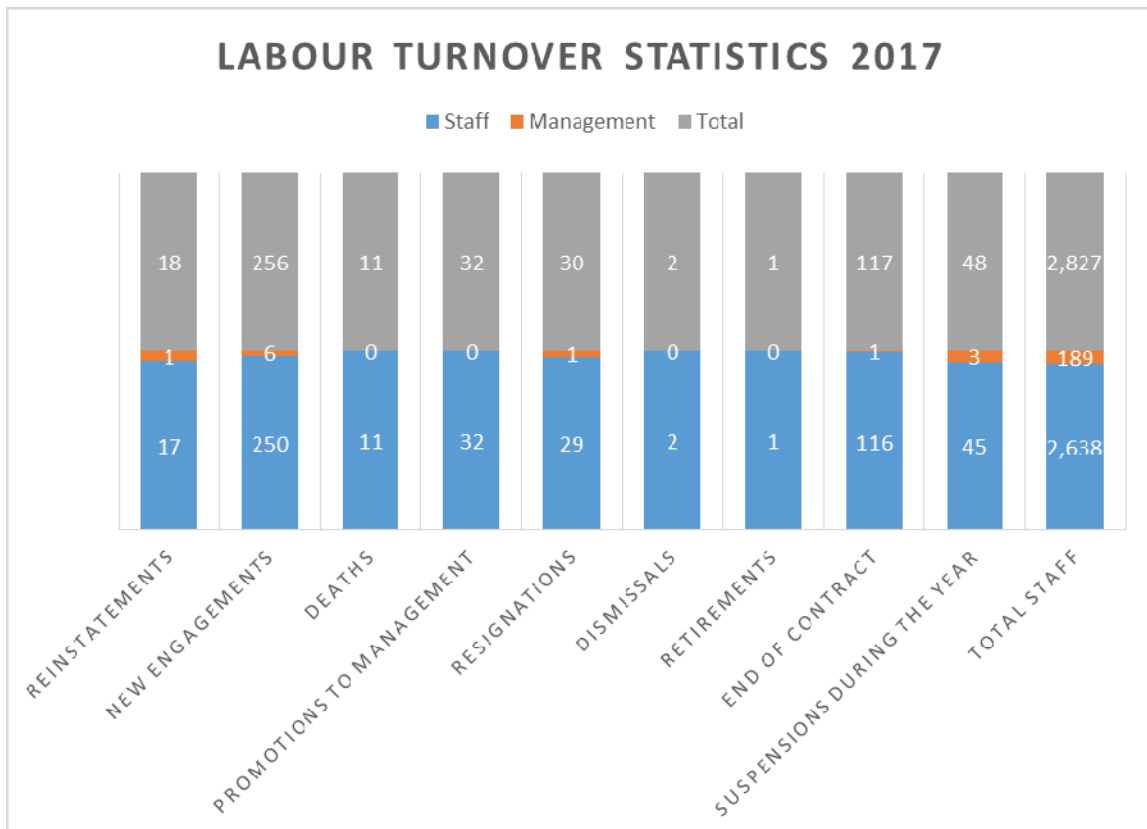


Figure 10: Current human capital turnover levels

### 6.1 Talent Management

The Authority recognises that its strength lies in its human capital. Human resources are the most valuable resource of any organisation. ZIMRA continues to nurture its available pool of talent.



*Shining star.....ZIMRA Revenue Officer, Sandra Chihaka poses for a picture with other award winners at the 2<sup>nd</sup> WCO ESA Regional Research Conference in Kenya.*

## 6.2. Employee Engagement

Management continuously engaged employees to promote and sustain good industrial relations. Works Council Meetings were held at station, regional and national levels. Two Employee Satisfaction Surveys were conducted during the year. The second half 2017 Employee Satisfaction Survey included managerial staff. Employee satisfaction survey stand at 53% as compared to 57.5% recorded during



the first half of 2017. Managerial employee satisfaction survey increased from 64.9% to 72.8% in the second half of 2017. 1145 employees fully participated in the survey and 295 partially completed the survey. This was a marked increase in comparison to 764 non-managerial and 61 managerial employees, who participated in the first quarter. However, the results are still below the organizational target of 80% for 2017.

### Staff Housing Loan Facility

Cumulatively, 321 staff members (137 managers and 184 non-managerial staff) managed to access housing loans. The target by 31 December 2017 was 515 (160 managers and 355 non-managerial staff) which could not be achieved mainly because of the prevailing economic situation and the fact that the majority of the employees are heavily borrowed. This has affected their credit rating. Meetings were held with CBZ and National Building Society (NBS) management on the mortgage loan facility for non-managerial staff.

### 6.3. Employee Wellness

The Authority is fully aware of the importance and benefits of maintaining a healthy workforce. The Employee Wellness and HIV/AIDS Policies were approved by the Board during the year. Further, various Health and Safety Workshops were conducted within the Authority. These include Inter Revenue Games, wellness programmes, Fire Drills, Family Planning, Retirement Planning, World AIDS Day commemorations, Stress Management, Annual Health and Safety Galas.



*ZIMRA staff going through training at the Health and Safety Gala*

Health and Safety meetings were conducted throughout the year. Stations were assisted in managing the testing and re-assignment of Thermoluminescent (TLD) badges. The readings obtained from the badges indicated that risk exposure to radiation was low. The Radiation Protection Authority of Zimbabwe (RPAZ) was engaged and confirmed the safety of the (TLD) badges used by the Authority. Industrial Relations as well as health and safety audits revealed that the working environment was generally good.

# 7. AUDITED FINANCIAL STATEMENTS

**All communication should be addressed to:**

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**OFFICE OF THE AUDITOR-GENERAL**

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48 George Silundika Avenue,  
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Ref: **SB2**

## REPORT OF THE AUDITOR-GENERAL

TO

**THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT**

AND

**THE BOARD OF DIRECTORS**

**IN RESPECT OF THE FINANCIAL STATEMENTS FOR THE**

**ZIMBABWE REVENUE AUTHORITY**

**FOR THE YEAR ENDED DECEMBER 31, 2017.**

### Report on the Audit of the Financial Statements

#### Opinion

I have audited the accompanying financial statements of Zimbabwe Revenue Authority, as set out on pages 6 to 26, which comprise the statement of financial position as at December 31, 2017, and the statement of profit or loss and other comprehensive income, the statement of changes in reserves and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Zimbabwe Revenue Authority as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Revenue Authority Act [Chapter 23:11]

#### Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) and International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those



standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Key Audit Matters

Key Audit Matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the Zimbabwe Revenue Authority for the year ended December 31, 2017. These matters were addressed in the context of my audit of the Zimbabwe Revenue Authority financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the Key Audit Matter
<p><b>Valuation and impairment of property, plant and equipment. Refer to note 2.4.1-2.4.2 on the accounting policy and note 4.</b></p> <p>The Authority has several items of property, plant and equipment across the country. These have a significant net carrying value of \$128 630 699 as at December 31, 2017 after charging depreciation of \$7 883 788 for the year ended 31, December 2017.</p> <p>The carrying amounts of the Authority's items of property, plant and equipment are reviewed continuously to determine whether there are any indications of impairment with reference to internal and external factors.</p> <p>In addition, the carrying value and estimated depreciation rates are reviewed annually by management with reference to current, forecast and relevant technical factors. This involves a significant degree of management judgement and assumptions when making these estimates. There is a risk that the estimates used in the calculations for both depreciation rates and recoverable amounts may differ from the actual outcome.</p> <p>Due to the above mentioned accounting estimates, including estimation uncertainty, I</p>	<p>My audit procedures to address the risk of material misstatement relating to valuation and impairment of property, plant and equipment included;</p> <p>Analyzed and tested management's assumptions used to determine the recoverable amounts in impairment tests</p> <p>Reviewed and tested the reasonableness of the judgements and estimates applied.</p> <p>Reviewed and tested the management's assessment of impairment indicators and test whether they take into account both internal and external impairment indicators.</p> <p>Assessed the historical accuracy of management's assumptions.</p> <p>I therefore found the disclosures on note 2.4.1 and 4 to be appropriate.</p>



Key Audit Matter	How my audit addressed the Key Audit Matter
<p>consider valuation and impairment of property, plant and equipment to be a key audit matter in the audit of the Authority.</p>	
<p><b>Valuation and recognition of intangible assets. Refer to notes 3.11 and 5</b></p> <p>The Authority recorded intangible assets amounting to \$13 940 279 for the year ended December 31, 2017. During the year the Authority reclassified Asycuda System development costs amounting to \$1 597 517 from Work in Progress to intangible assets.</p> <p>Under International Reporting Financial Standards, the Authority is required to annually test intangible assets for impairment.</p> <p>Audit determined valuation and recognition of intangible assets to be a key audit matter due to the judgement required by the management in preparing a value in use to satisfy the impairment test.</p>	<p>My audit procedures to address the risk of material misstatement relating to recognition and valuation of intangible assets included:</p> <p>Assessed of the recognition criteria against the provisions in IAS38 that includes assessment of how the assets will generate future economic benefits.</p> <p>Evaluated of the reliability of estimates and judgements applied by management by comparing forecasts made in prior years to actual outcomes.</p> <p>Reviewed and tested the reasonableness of the judgements and estimates applied in recognising the intangible assets and subsequent amortisation.</p> <p>I therefore, concluded that the useful economic lives assigned to these intangible assets to be appropriate based on the evidence obtained.</p>
<p><b>Contingent Liabilities and provisions. Notes 3.8.5 and 12</b></p> <p>The Authority had pending labor cases for which the provision recognized amounted to \$2 349 641.</p> <p>The assessment of the existence of the present legal or constructive obligation, analysis of the probability of the related payment and analysis of a reliable estimate, requires management's judgement to ensure appropriate accounting or disclosures. Due to the level of judgement relating to recognition, valuation and presentation of provisions and contingent liabilities, this was considered to be a key audit matter.</p>	<p>My audit procedures to address the risk of material misstatement relating to disclosure of contingent liabilities and provisions included;</p> <p>Reviewed management estimates for reasonableness.</p> <p>Tested the effectiveness of the controls around the identification and evaluation of claims and proceedings and the recording and continuous re-assessment of the related (contingent) liabilities and provisions and disclosures, in accordance with IFRS.</p> <p>Enquired with both legal and financial staff in respect of ongoing claims, proceedings and inspect relevant correspondence, inspected the minutes of the meetings of the Audit Committee,</p> <p>Requested external legal confirmation letters from a selection of external legal counsel, met with external</p>

Key Audit Matter	How my audit addressed the Key Audit Matter
	<p>legal counsel when deemed necessary and obtained a legal representation letter from the Authority.</p> <p>Evaluated and tested the Authority's policies, procedures and controls surrounding the identification and reporting of claims against the Authority. I also assessed the disclosure regarding (contingent) liabilities from legal proceedings.</p> <p>Based on the evidence gathered, I found management's assumptions in relation to completeness of contingent liabilities and provision for claim reasonable.</p>

### Other Information

The Directors are responsible for the Other Information. The Other Information comprises all the information in the Zimbabwe Revenue Authority's 2017 annual report other than the financial statements and my auditor's report thereon ("the Other Information").

My opinion on the Authority's financial statements does not cover the Other Information and I do not express any form of assurance conclusion thereon. In connection with my audit of the Authority's financial statements, my responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Authority's financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Authority's management and Those Charged with Governance are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Zimbabwe Revenue Authority [Chapter 13:16] and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but it's not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are



considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date the auditors' report. However, future events or conditions may cause the Authority to cease to continue as a going concern, Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I am required to communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am also required to provide directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with directors, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes

public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Other Report on Other Legal and Regulatory Requirements**

In my opinion, the financial statements have, in all material respects, been properly prepared in compliance with the disclosure requirements of the Revenue Authority Act [Chapter 23:11], and other relevant Statutory Instruments.

June 1, 2018.

*M. Chiri*  
**M. CHIRI (MRS),  
AUDITOR – GENERAL.**

**ZIMBABWE REVENUE AUTHORITY**  
**STATEMENT OF FINANCIAL POSITION**

as at December 31, 2017.

	<i>Note</i>	31-Dec-17 USD	31-Dec-16 USD
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	4	151,167,777	162,435,506
Intangible assets	5	128,630,699	135,542,113
Biological assets	6	13,940,279	19,588,997
Held to maturity investments	7.1	45,250	48,625
		8,551,548	7,255,771
<b>Current assets</b>			
Consumables		55,876,053	42,288,412
Accounts receivables	8	2,999,497	1,876,094
Assets held for sale		3,800,888	3,827,461
Held to maturity investments	7.2	16,000	16,000
Cash and cash equivalents	9	6,410,658	4,525,241
Prepayments		42,366,859	31,784,869
		282,152	258,747
<b>Total assets</b>		<b>207,043,830</b>	<b>204,723,918</b>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
<b>Non distributable reserve</b>			
Non distributable reserve		119,479,012	105,900,550
Accumulated fund		90,854,867	90,854,867
Revaluation reserves		16,818,007	3,238,744
		11,806,138	11,806,938
Deferred income	10	61,516,904	61,187,298
		26,047,911	37,636,067
<b>Non current liabilities</b>			
Finance lease obligation	11	329,133	331,963
		329,133	331,963
<b>Current liabilities</b>			
Short term portion of finance lease	11	25,718,778	37,304,105
		20,118	17,395
Provisions	12	7,690,792	15,125,431
Payables	14	18,007,867	22,161,278
<b>Total reserves and liabilities</b>		<b>207,043,830</b>	<b>204,723,918</b>


30<sup>th</sup> MAY 2018.

30<sup>th</sup> MAY 2018.

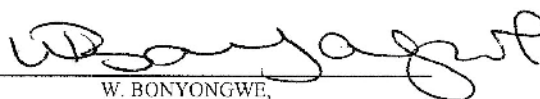
30<sup>th</sup> MAY 2018.



P. MWASHITA,  
(Acting Director Finance, Corporate Planning and  
Administration) ACMA.



F. MAZANI,  
(Commissioner General).



W. BONYONGWE,  
(Board Chairperson).



ZIMBABWE REVENUE AUTHORITY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2017.

	Note	31-Dec-17 USD	31-Dec-16 USD
<b>Income</b>		<b>132,710,527</b>	<b>127,396,637</b>
Government grant		107,840,406	109,560,000
Amortised capital grant	10	15,130,524	14,546,609
Interest earned		2,634,579	2,018,643
Discount received		5,049,401	-
Rental income		452,306	396,192
Other income	13	1,606,311	875,193
<b>Less operating expenses</b>		<b>(119,047,766)</b>	<b>(124,988,513)</b>
Employment cost	15	(67,958,446)	(74,262,906)
Administrative costs	16	(51,089,320)	(50,725,607)
<b>Operating surplus</b>		<b>13,672,761</b>	<b>2,408,124</b>
Finance costs		(93,499)	(78,064)
<b>Surplus for the year</b>		<b>13,579,263</b>	<b>2,330,060</b>
Other comprehensive income			-
<b>Total comprehensive income for the year</b>		<b>13,579,263</b>	<b>2,330,060</b>



ZIMBABWE REVENUE AUTHORITY

STATEMENT OF CHANGES IN RESERVES

for the year ended December 31, 2017.

	Accumulated Fund	Revaluation reserve	Non distributable reserve	Total
	USD	USD	USD	USD
Balance at January 1, 2016	908,684	11,806,938	90,854,867	103,570,489
Surplus for the year	2,330,060	-	-	2,330,060
Balance at December 31, 2016	<b>3,238,744</b>	<b>11,806,938</b>	<b>90,854,867</b>	<b>105,900,549</b>
Balance at January 1, 2017	3,238,744	11,806,938	90,854,867	105,900,549
Loss on disposal	-	(800)	-	(800)
Surplus for the year	13,579,263	-	-	13,579,263
Balance at December 31, 2017	<b>16,818,007</b>	<b>11,806,138</b>	<b>90,854,867</b>	<b>119,479,012</b>

ZIMBABWE REVENUE AUTHORITY

STATEMENT OF CASH FLOWS

for the year ended December 31, 2017.

	Note	31-Dec-17 USD	31-Dec-16 USD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net cash generated /(utilised) by operating activities		(1,405,284)	11,877,671
<b>Operating loss before working capital changes</b>		<b>3,944,093</b>	<b>2,153,020</b>
Operating profit for the year		13,579,263	2,330,060
<b>Adjustments to reconcile profit to net cash flows:</b>		<b>(9,635,170)</b>	<b>(177,040)</b>
Loss on disposal of biological assets		3,375	200,334
Loss on write off property, plant and equipment		120,000	-
Depreciation of property, plant and equipment	4	7,883,788	7,588,254
Amortisation of intangible assets	5	7,246,734	6,958,355
Write down of consumables to net realisable value	16	5,784	3,786
Amortised grant	10	(15,130,524)	(14,546,609)
Unrealised exchange gain			(120,685)
Gain from disposal of other assets			(25,236)
Decrease in provisions		(7,434,639)	1,749,339
Exchange loss		212,656	-
Net loss on price differences		(2,699)	(23,750)
Obsolete stock written off	16	101,933	57,815
Interest earned		(2,641,579)	(2,018,643)
<b>Working capital adjustments</b>		<b>(5,349,377)</b>	<b>9,724,651</b>
Increase/(decrease) in accounts receivables		26,573	(164,361)
(Decrease)/Increase in prepayments		(23,405)	1,267,141
Assets held for sale			24,650
(Decrease)/Increase in consumables		(1,123,403)	297,879
(Decrease)/Increase in payables		(4,229,143)	8,299,342
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		2,430,686	1,867,315
Proceeds from sale of property, plant and equipment		988	113,663
Purchase of financial investments		(3,459,416)	(3,322,789)
Proceeds from financial investments		278,222	71,137
Purchase of intangible assets		(499)	(2,706,508)
Purchase of property, plant and equipment		(2,722,837)	(15,779,432)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Government capital grant		11,446,000	8,755,000
Clearance fees		4,014,130	4,089,161
<b>Net increase in cash and cash equivalents</b>		<b>10,581,990</b>	<b>4,965,217</b>
Cash and cash equivalents at beginning of the year		31,784,869	26,819,653
<b>Cash and cash equivalents at December, 31</b>	9	<b>42,366,859</b>	<b>31,784,869</b>

**ZIMBABWE REVENUE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended December 31, 2017**

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**1. NATURE OF BUSINESS**

The Zimbabwe Revenue Authority (ZIMRA) started operations on September 1, 2001 and is constituted in term of the Zimbabwe Revenue Authority Act [Chapter 23:11] of 1999. Its core business is the collection of revenue for the Government of Zimbabwe, administration of tax laws and the facilitation of trade and economic development in the region and beyond. ZIMRA is funded by the Government of Zimbabwe through grants.

**2. BASIS OF PREPARATION**

**2.1. Statement of compliance**

The financial statements for the year ended December 31, 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

**2.2. Basis of measurement**

The financial statements are based on the statutory records that are maintained under the historical cost basis, except for the following material items in the statement of financial position:

- Land and buildings measured at fair value.
- Biological assets measured at fair value.

**2.3. Functional and presentation currency**

These financial statements are presented in United States Dollar (US\$) which is the Authority's functional currency. All the financial information presented has been rounded to the nearest dollar.

**2.4 Critical accounting judgments, assumptions and estimates**

In preparing the financial statements, management is required to make judgements, estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Significant judgments include the following:

**2.4.1 Impairment and provisioning policies**

At each statement of financial position date, the Authority reviews the carrying amount of its assets to determine whether there is an indication that those assets suffered any impairment. If any such indication exists, the recoverable amount of the assets is



# ZIMBABWE REVENUE AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2017

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estimated to determine the extent of the impairment (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment is treated as a revaluation decrease.

In the event that, in the subsequent period, an asset that has been subject to an impairment loss is no longer considered to be impaired, the value is restored and the gain is recognised in the statement of comprehensive income. The restoration is limited to the value which would have been recorded had the impairment adjustment not taken place.

### 2.4.2 Useful lives and residual values of property, plant and equipment

The Authority assesses useful lives and residual values of property, plant and equipment each year taking into account past experience and technology changes. The depreciation rates are set out in note 3.2 and changes to useful lives have been considered necessary during the year. Management has set residual values for all classes of property, plant and equipment at zero.

### 2.4.3 Uncollectable accounts receivable

The Authority estimates the allowance for uncollectible accounts based on management's assessment of collection indicators to determine the rate applied.

### 2.4.4 Fair value measurement

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset

Or

- In the absence of a principal market, in the most advantageous market for the asset.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

External valuers are involved for valuation of land and buildings. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained.

# ZIMBABWE REVENUE AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2017

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### 2.5 New and revised standards and interpretations

#### 2.5.1 New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2017 and not early adopted

A number of new standards and amendments to standards were issued and have not been applied in preparing these financial statements. Earlier application is permitted, however, the Authority has not early adopted the following standards but intends to adopt these standards, where applicable, when they become effective.

#### I. IFRS 9 Financial Instruments effective January 1, 2018

##### a. Classification and measurement of financial assets

- i. All financial assets are measured at fair value on initial recognition, adjusted for transaction costs if the instrument is not accounted for at fair value through profit or loss (FVTPL).
- ii. Debt instruments are subsequently measured at FVTPL, amortised cost or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.
- iii. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL.
- iv. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) (without subsequent reclassification to profit or loss).

##### b. Classification and measurement of financial liabilities

- i. For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.
- ii. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.



# ZIMBABWE REVENUE AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2017

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### c. Impairment

- i. The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortised cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 Leases. Entities are generally required to recognize 12-months.

## II. IFRS 15 Revenue from Contracts with Customers, effective for annual periods beginning on or after 1 January 2018

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 will be applied using a five-step model:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licenses, warranties, rights of return, principal-versus agent considerations, options for additional goods or services

### iii. IFRS 16, leases effective for annual periods beginning on or after 1 January 2019, with early application permitted but only if the entity is also applying IFRS 15, revenue from contracts accounts with customers.

Under the new standard, IFRS 16, leases, a lessee recognizes a right of use asset and a lease liability. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest



# ZIMBABWE REVENUE AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2017

### 3. ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are consistent with those applied in the financial statements for the period ended December 31, 2016.

#### 3.1 Property, plant and equipment

Property, plant and equipment is initially recognised at cost. Work in progress, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate major components of property, plant and equipment.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being disposed is transferred to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or loss when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss section of the statement of profit or loss and other comprehensive income in the year the asset is derecognised.

#### 3.2 Depreciation

Provision for depreciation is based on straight line basis over the asset's expected useful life. Land and work in progress are not depreciated. The depreciation rates are set out below, no changes to these useful lives have been considered necessary during the year. The annual rates used for this purpose are:

Fixtures & Fittings	10%
Furniture & Equipment	10%
Plant and Machinery	10%
Motor Vehicles	20%

# ZIMBABWE REVENUE AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2017

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Buildings	2%
Computer Equipment	33,33%

### 3.3 Assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than continuing use. Such assets are generally measured at the lower of their carrying amount and fair value less cost to sale. Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in the profit or loss. Once classified as held for sale, the non-current assets are no longer depreciated.

### 3.4 Revenue grants and donations

Revenue grant is recognised as income during the year in which it is received. Donation are recorded as income when received

### 3.5 Capital grants and donations

Capital grant is recorded as deferred income in the statement of financial position when it becomes receivable and is then recognised as income on a systematic basis over the period necessary to match the grant with the related costs which they are intended to compensate. Grant amortised is credited to the income statement over the expected useful lives of the respective assets, on a straight line basis.

### 3.6 Employee benefits

#### i. Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Authority has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### ii. Defined contribution plan

Obligations for contribution plans are expensed as the related service provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### iii. Termination benefits

Termination benefits are expensed at the earlier of when the Authority can no longer withdraw the offer of those benefits and when the Authority recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

# ZIMBABWE REVENUE AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2017

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### 3.7 Inventories

Inventories are initially measured at cost and subsequently at lower of cost and net realisable value. Any write-down to net realizable value is recognised in the Statement of Comprehensive Income. Inventories are valued using the moving average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### 3.8 Financial Instruments

#### 3.8.1 Recognition

Financial Instruments are recognised when the Authority becomes a party to the contractual provisions of the instruments are generally carried at their estimated carrying value.

#### 3.8.2 Classification

The Authority classifies non derivative financial assets into the following categories: held to maturity financial assets, financial assets at fair value through profit or loss, available for sale financial assets and loans and receivables. Non derivative financial liabilities are categorised under financial liabilities at fair value through profit or loss and other financial liabilities.

The non-derivative financial instruments which are carried in the Authority's statements of financial position comprise: cash and short term investment, trade and other receivables, trade and other payables and amounts owing to and from related parties. These instruments are recognised initially at fair value. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

#### 3.8.3 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and bank balances including short term investments.

#### 3.8.4 Trade and other receivables

Trade and other receivables are stated at net of provision for doubtful debts.

#### 3.8.5 Liabilities and provisions

Provisions are recognised where there is a present legal or constructive obligation as a result of past events and a reliable estimate to the amount of such obligations can be made. Obligations payable at the demand of the creditor or within one year of the Statement of Financial Position date are treated as current liabilities in the Statement of Financial Position. Liabilities payable after one year from the Statement of Financial Position are treated as non-current liabilities in the Statement of Financial Position.



# ZIMBABWE REVENUE AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2017

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Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position.

### 3.8.6 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Authority intends to sell in the short term or it has designated as at fair value through profit or loss

### 3.6.7 Held-to- maturity financial assets

Held-to- maturity financial assets are non-derivative financial assets with fixed assets with fixed or determinable payments and fixed maturities, other than those that meet the definition of loans and receivables, which the Authority's management has the positive intention and ability to hold to maturity. These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held to maturity investments are measured at amortised cost using the effective interest rate. Interest earned on held to maturity investments is included as finance income in the statement of profit or loss.

### 3.8.7 Risk management

#### 3.8.7.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the unforeseen changes in interest rates. The Authority's exposure to the risk of change in market interest rates relates primarily to the held to maturity investments

Exposure to interest rate risk is managed at management level on a proactive basis. Management mitigates interest rate risks by investing in shorter maturity securities.

### 3.7 Foreign currency transaction and balances

While the Authority records are maintained in United States Dollar, some of its transactions are conducted in other major foreign currencies including South African Rand, Pula, British Pound and Euros. Transactions in foreign currencies are translated to United States Dollar at rates of exchange ruling at the time of the transactions. Transaction and translation gains and losses arising on conversion of settlement are dealt with in the statement of comprehensive income in determination of the operating income.

### 3.8 Taxation

The Authority's receipts and payments are exempt from income tax in terms of the third schedule to the Income Tax Act [Chapter 23:04].

**ZIMBABWE REVENUE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended December 31, 2017**

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**3.9 Development costs**

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically feasible, future economic benefits are probable and the Authority intends to and has sufficient resources to complete development and to use the asset. Otherwise expenditure is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss as incurred.

Any expenditure capitalised is normally amortised over three years.

**3.10 Leases**

**3.10.1 Operating leases**

The Authority operates in leased premises in some of the locations. Leases under which the risk and benefits of ownership are effectively retained by the lessor are classified as operating leases. Obligations incurred under operating leases are charged to the statement of comprehensive income in equal instalments over the period of the lease, except when the alternative method is more representative of the time pattern from which benefits are derived. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

**3.10.2 Finance leases**

Finance leases are recognised as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between finance charges and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce constant periodic rate of interest on the remaining balance of a liability.

**3.11 Intangible assets**

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Authority. Software acquired separately is measured on initial recognition at cost.

**ZIMBABWE REVENUE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended December 31, 2017**

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Following initial recognition, it is carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as finite. Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset is reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern or consumption of amortisation period or method as appropriate and are treated as changes in accounting estimates. The amortisation expense is recognised in the statement of comprehensive income.

Amortisation is recognised in the statement of comprehensive income on straight line basis over the useful life of the software. Amortisation methods, useful lives and residual lives are reviewed at each financial year end and adjusted if appropriate.

The estimated economic useful life applied is as follows:

SAP Operating software	3 years
Other software	3 years

### **3.12 Biological assets**

Biological assets are measured at fair value less cost to dispose, with any change therein recognised in profit or loss.



ZIMBABWE REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2017

4 Property, Plant and Equipment

	Buildings		Land		Plant and Machinery		Office Equipment		Furniture, Fixtures, Fittings and Equipment		Computer Equipment		Motor Vehicles		Network Equipment		Construction Work In Progress		31-Dec-16		
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	
Opening carrying amount	89,957,146	4,053,381	19,326,697	766,659	2,228,442	6,197,513	2,461,133	2,272,765	17,282,377	17,282,377	17,282,377	17,282,377	17,282,377	17,282,377	17,282,377	17,282,377	17,282,377	17,282,377	17,282,377	17,282,377	144,570,856
Gross carrying amount	88,511,284	4,053,381	32,713,306	1,267,792	4,055,391	21,553,869	10,219,249	3,325,908	17,282,377	17,282,377	17,282,377	17,282,377	17,282,377	17,282,377	17,282,377	17,282,377	17,282,377	17,282,377	17,282,377	17,282,377	184,593,794
Accumulated depreciation	(7,558,138)	-	(13,386,609)	(501,132)	(1,826,949)	(15,356,337)	(7,738,116)	(1,053,143)	-	-	-	-	-	-	-	-	-	-	-	-	(40,024,938)
Additions at cost	36,296	137,901	1,317,789	35,930	48,882	469,741	53,000	65,866	557,433	-	-	-	-	-	-	-	-	-	-	-	18,054,173
Reclassification	39,978	-	(11,600)	-	-	-	-	-	(1,658,040)	-	-	-	-	-	-	-	-	-	-	-	(19,264,843)
Disposal - carrying amount	-	(120,000)	-	-	-	-	(800)	-	-	-	-	-	-	-	-	-	-	-	-	-	(195,378)
Disposal at cost/deemed cost	-	(120,000)	-	-	-	(1,070)	(34,372)	-	-	-	-	-	-	-	-	-	-	-	-	-	(368,124)
Depreciation on disposals	-	-	-	-	-	1,070	33,572	-	-	-	-	-	-	-	-	-	-	-	-	-	172,746
Depreciation charge for the year	(1,892,082)	-	(1,788,364)	(60,148)	(240,307)	(3,139,368)	(424,714)	(338,806)	-	-	-	-	-	-	-	-	-	-	-	-	(7,588,254)
Closing carrying amount	79,137,337	4,071,282	18,844,522	742,441	2,037,017	3,527,886	2,088,619	1,999,826	16,181,769	16,181,769	16,181,769	16,181,769	16,181,769	16,181,769	16,181,769	16,181,769	16,181,769	16,181,769	16,181,769	16,181,769	135,542,113
Gross carrying amount	88,587,858	4,071,282	34,019,495	1,303,721	4,104,273	22,022,541	10,237,877	3,391,774	16,181,769	16,181,769	16,181,769	16,181,769	16,181,769	16,181,769	16,181,769	16,181,769	16,181,769	16,181,769	16,181,769	16,181,769	182,982,558
Accumulated depreciation	(9,450,220)	-	(15,174,973)	(561,280)	(2,067,256)	(18,494,634)	(9,149,238)	(1,391,948)	-	-	-	-	-	-	-	-	-	-	-	-	(47,440,445)

4.1 Included in the closing carrying amount are fully depreciated assets with gross carrying amount as follows: building \$178,000, furniture \$792,636, computers \$12,127,842, network \$2,135, plant \$103,655, software \$14,569,994 and motor vehicles \$2,857,149

**ZIMBABWE REVENUE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended December 31, 2017.

	USD 31-Dec-17	USD 31-Dec-16
<b>5 Intangible assets</b>		
<b>SAP software and development cost</b>		
Opening carrying amount	19,588,997	4,559,082
Gross carrying amount	42,157,731	20,169,461
Accumulated amortisation	(22,568,734)	(15,610,379)
Additions at cost	499	1,041,054
Development costs	-	1,665,454
Reclassification from PPI work in progress (Note 4)	1,597,517	19,281,762
Amortisation	(7,246,734)	(6,958,355)
Closing carrying amount	13,940,279	19,588,997
Gross carrying amount	43,755,747	42,157,731
Accumulated amortisation	(29,815,468)	(22,568,734)
<b>6 Biological assets</b>		
Opening balance	48,625	56,125
Disposal	(3,375)	(7,500)
	<u>45,250</u>	<u>48,625</u>

The fair value measurement of canine dogs has been categorised as *Level 1* fair values based on market prices of dogs of similar age, weight and market values.

**7 Held to maturity investments**

**7.1 Non-current**

Mortgage support investment	8,551,548	7,255,771
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**7.2 Current**

Money market investments	6,410,658	4,525,241
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	<u>14,962,206</u>	<u>11,781,012</u>
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Mortgage support investments are held to maturity and generate fixed interest income for the Authority.

ZIMBABWE REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2017.

	USD 31-Dec-17	USD 31-Dec-16
<b>8 Accounts receivables</b>		
Other debtors	976,809	856,626
Rent receivable	183,179	197,938
Commission receivable	290,606	477,513
Staff debtors	2,072,189	2,023,238
Travelling and subsistence advances	67,212	120,817
Accrued interest	210,393	151,329
	<u>3,800,888</u>	<u>3,827,461</u>
<b>9 Cash and cash equivalents</b>		
Bank balances	5,988,666	7,460,613
Cash in hand	7,820	7,637
Funds on call and deposits	36,370,372	24,316,618
	<u>42,366,859</u>	<u>31,784,869</u>
<b>10 Deferred income</b>		
Opening balance	61,187,298	60,649,447
Additions during the year	15,460,130	15,084,460
Amortised during the year	(15,130,524)	(14,546,609)
	<u>61,516,904</u>	<u>61,187,298</u>

**11 Finance lease**

Finance lease relates to land with a 99 year lease term. Annual Instalments are payable in advance. The Authority's obligations under the finance lease are secured by the lessor's title to the leased assets. There is an annual escalation of lease rentals of not more than 5% on the minimum lease instalments. The future minimum lease payments payable under the finance lease are as follows:

**Reconciliation between minimum lease payments and their present value:**

<b>Total minimum finance lease payments</b>	1,701,363	1,725,494
Not later than one year	21,271	17,500
Later than one year but not later than five years	85,085	70,000
Later than five years	1,595,007	1,637,994
Finance costs	(1,375,921)	(1,376,031)
Accrued finance costs for current year	(21,164)	(17,417)
Finance costs still to be recognised over lease term	(1,354,760)	(1,358,614)
<b>Present value of minimum lease payments</b>	349,231	349,358
Not later than one year	20,118	17,395
Later than one year but not later than five years	70,147	70,000
Later than five years	258,986	261,963



**ZIMBABWE REVENUE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended December 31, 2017.

	31-Dec-17 USD	31-Dec-16 USD
<b>12 Provisions</b>		
Performance award	768,396	1,852,549
Provisions for pending labour disputes	2,349,641	8,990,319
Leave pay provision	1,572,756	4,282,563
	<u>4,690,793</u>	<u>15,125,431</u>
The provision represents the directors' best estimate of the Authority's liability having taken legal advice.		
<b>13 Other income</b>		
Auction income	983	13,892
Insurance commission	242,586	459,623
Income from insurance	139,388	-
Clearing of vehicles( Central Vehicle Registration)	246,473	209,640
Exchange gain	-	120,685
Gain from price difference	2,639	23,750
Gain from disposal of assets	-	25,236
Tender documents sales	8,300	6,660
Other commissions	44,700	9,535
Fiscal device income	129,400	-
Commission on Kariba dam toll fees	1,735	2,880
Miscellaneous	3,293	3,293
	<u>1,606,914</u>	<u>875,193</u>
<b>14 Payables</b>		
Bandwidth	137,000	249,930
Electricity and rates	73,790	151,618
Cellphone charges	15,072	-
Hotel accommodation	109,880	100,920
Consultancy	521,053	408,700
Insurance excess	1,000	-
Hire of conference facilities	1,850	1,475
Legal fees	33,853	46,614
Hardship allowance	3,101	-
Transport allowance	3,780	-
Overtime	308,621	-
Salary arrears	24,286	-
Housing allowance	9,293	-
Acting allowance	1,611	-
Funeral benefit	24,800	-
Repairs and maintenance motor vehicles	40,285	46,585
Cleaning	79,200	-
Security	1,162,402	22,089
Books and courier services	1,231	1,162
Operational utilities	1,500	2,896
Licensing and subscriptions	978,092	109,492
Repairs and maintenance	1,046,46	2,363,528
Marketing and publicity	141,953	86,935
Protective clothing	-	1,955
Travelling and subsistence	21,803	34,323
Rentals	123,673	280,767
Telephone charges	29,286	104,836
Benefit allowance	1,7923	15,300
Lite - computer equipment	13,683	1,600
Canine operations	-	520
Fuels and oils	-	700
Trade creditors	6,243,730	5,730,192
Invoice management system	3,936,258	11,189,773
Retention for default liability on projects	466,903	501,366
Tax liabilities	61,018,624	728,002
	<u>18,007,867</u>	<u>22,161,278</u>
<b>15 Employment cost</b>		
Cash in lieu of leave	610,673	510,342
Overtime	2,147,184	1,659,306
Medical expenses	3,926,518	3,273,947
Pension contributions	1,144,393	4,200,530
Social security contributions	1,201,826	1,154,401
Salaries and benefits	54,547,258	62,429,766
Zimbabwe mar:power development and standard levy	1,080,595	1,034,613
	<u>61,938,416</u>	<u>74,262,906</u>



**ZIMBABWE REVENUE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended December 31, 2017.

	31-Dec-17 USD	31-Dec-16 USD
<b>16 Administration costs</b>		
Provision for bad debts	20,371	-
Discontinued projects	193,055	-
Board fees and allowances	292,382	265,526
Cleaning	865,104	870,032
Consultancy and legal fees	1,533,465	2,843,057
Depreciation and amortisation	15,130,524	14,546,609
Obsolete stock written off	101,933	57,815
Write down of consumables to net realisable value	5,784	3,786
Loss on disposal of property, plant and equipment items	123,375	200,334
Marketing and publicity	1,339,208	1,143,416
Motor vehicle expenses	2,695,330	2,577,742
Office accommodation	1,768,310	2,118,425
Office and operational utilities	2,571,982	2,707,321
Printing and stationery	882,043	780,886
Protective clothing	12,604	14,534
Recruitment fees	20,486	555
Rentals and hire	2,995,621	2,349,904
Repairs and maintenance	2,864,726	3,265,465
Security	5,825,265	2,532,648
Staff welfare	15,637	-
Subscriptions and licensing	1,046,097	4,523,148
Telephone and postages	1,414,999	1,413,833
Training costs	323,852	295,120
Uniforms	348,035	2,579,161
Fiscalisation devices	165,298	-
Auditor General	61,086	60,160
ILB Zimbabwe	8,334	170,000
Deloitte and Touche	16,857	68,310
Ernst and Young	29,623	-
KPMG Chartered Accountants	-	48,300
Travel and subsistence	4,804,084	5,289,521
Exchange loss	212,656	-
	<b>51,089,320</b>	<b>50,725,607</b>

**17 Related party transactions**

**17.1 Board of directors**

The board of directors consist of ten members. The current board was appointed on June 26, 2015. Gross sitting allowances and fees for the directors for the year ended December 31, 2017 were as follows:

<b>Board fees</b>	<b>170,000</b>	<b>185,000</b>
Board chairperson	24,000	24,000
Vice Board chairperson	20,000	20,000
Other board members	126,000	141,000
<b>Sitting allowances</b>	<b>122,583</b>	<b>83,225</b>
Board chairperson	20,761	10,850
Vice Board chairperson	15,400	9,725
Other board members	86,422	62,650
<b>Total fees and allowances</b>	<b>292,582</b>	<b>268,225</b>

**ZIMBABWE REVENUE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended December 31, 2017.

	Authority 31-Dec-17 USD	Authority 31-Dec-16 USD
<b>17.2 Key management compensation</b>		
The Authority's executive management consists of ten directors. Remuneration of executive directors of the Authority comprise of an annual base salary, annual bonus, social security contribution, pension contributions, medical aid contribution and other benefits. The bonus is based on actual performance (including individual and entity performance.)		
<b>17.3 Short term employee benefits</b>	<b>2,666,090</b>	<b>2,666,090</b>
Basic salary	763,262	763,262
Benefit allowance	253,377	253,377
Subscriptions	25,447	25,447
Motor vehicle allowance	830,145	830,145
School fees	339,319	339,319
Performance Award	126,077	126,077
Board fees	16,500	16,500
Clothing allowance	61,521	61,521
Gardner's allowance	11,893	11,893
Cook's allowance	11,893	11,893
Housing allowance	12,982	12,982
Holiday allowance	162,417	162,417
Medical aid	47,134	47,134
Acting allowance	4,124	4,124
<b>Post employment benefits</b>	<b>130,242</b>	<b>130,242</b>
Pension	114,495	114,495
NSSA	2,695	2,695
Group life assurance	11,525	11,525
Funeral fund	1,527	1,526
<b>Total</b>	<b>2,796,332</b>	<b>2,796,332</b>
<b>Cost per employee</b>		
Employment cost	68,262,001	74,262,906
Number of employee	2,831	2,921
Average cost per employee	24,112	25,424

**18 Pension arrangements**

**18.1 Pension scheme**

The Authority operates a Defined Contributory Scheme plan administered by Old Mutual. The retirement benefits for the Fund administered by Old Mutual are determined by reference to the employee's contributions plus employer's contribution and interest earned on the Fund and contributions by the employer. Currently 15% of pensionable income is charged to the statement of profit or loss. During the year under review pension fund contributions amounted to USD4 144 393 (2016:USD4 200 530).

**18.2 National Social Security Authority (NSSA)**

The National Social Security Authority was introduced on 1st October 1994 and with effect from that date all employees are members of the scheme, to which both the company and its employees contribute as follows:

Employees: 3.5% of the monthly basic salary

Authority: 3.5% of the monthly basic salary

Amount charged through the statement of profit or loss during the year under review amounted to USD1 201 826, (2016: USD 1 154 401).



**All communication should be addressed to:**  
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Ref: SB 2

**REPORT OF THE AUDITOR-GENERAL  
TO  
THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT  
AND  
THE BOARD OF DIRECTORS  
IN RESPECT OF THE REVENUE RETURN  
OF THE ZIMBABWE REVENUE AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2017.**

**Report on the Audit of Revenue Return**

**Opinion**

I have audited the Revenue Return of the Zimbabwe Revenue Authority set out on pages 5 to 7 for the year ended December 31, 2017. The return reflects assessed Revenue as at December 31, 2017.

In my opinion, the accompanying Revenue Return presents fairly, in all material respects, the Revenue as at December 31, 2017.

**Basis for Opinion**

I conducted my audit in accordance with International Standards on Auditing (ISAs) and International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Revenue Return section of my report. I am independent of the Authority in accordance with the ethical requirements that are relevant to my audit of the Revenue Return, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the Revenue Return for the year ended December 31, 2017. These matters were addressed in the context of my audit of the Revenue Return as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the Key Audit Matter
<p><b>Validity of Value Added Tax (VAT) refunds. Refer to the receipts and disbursements return.</b></p> <p>There is presumed risk of VAT refunds to false input tax claims by clients. During the period under review, VAT on goods and services refunds amounting to \$226 327 540 was processed by the Authority and this amount was significant to this return.</p>	<p>My audit procedures to address the risk of material misstatement relating to Receipts and Disbursements which was considered to be a significant risk, included:</p> <ul style="list-style-type: none"> <li>• Testing of controls over the Authority’s information technology VAT refunds system assisted by my information technology specialist.</li> <li>• Testing and evaluating the Authority’s authorisation and processing procedures</li> <li>• Evaluation and scrutinising of tax audits performed by the Authority</li> </ul> <p>From the detailed analysis of the refunds processed, I obtained satisfactory evidence over the controls that prevent fraudulent claims.</p>

## Other Information in the Annual Report

The directors are responsible for the Other Information. The Other Information comprises all the information in the Zimbabwe Revenue Authority’s 2017 annual report other than the revenue return and my auditor’s report thereon (“the Other Information”).

My opinion on the Authority’s revenue return does not cover the Other Information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the Authority’s revenue returns, my responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Authority’s revenue return or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.



## **Responsibilities of Management and Those Charged with Governance for the Revenue Return**

The Authority's Management are responsible for the preparation of this Return in a manner required by the Revenue Authority Act [Chapter 23:11] and the Public Finance Management Act [Chapter 22:19]. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Revenue Return that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Revenue Return**

The objectives of my audit are to obtain reasonable assurance about whether the Revenue Return as a whole is free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but it's not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this return.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. I also:

- Identify and assess the risks of material misstatement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the Revenue Return, including the disclosures, and whether the Revenue Return represent the underlying transactions and events in a manner that achieves fair presentation.

I am required to communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

I am also required to provide directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with directors, I determine those matters that were of most significance in the audit of the Revenue Return of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

In my opinion, the Revenue Return has, in all material respects, been prepared in compliance with the disclosure requirements of the Revenue Authority Act [Chapter 23:11], Public Finance Management Act [Chapter 22:19] and other relevant Statutory Instruments.

June 1, 2018.

M. Chiri  
**M. CHIRI (MRS),  
AUDITOR – GENERAL.**

ZIMBABWE REVENUE AUTHORITY

Revenue Return

for the year ended December 31, 2017

DESCRIPTION	ACTUAL 31/12/2017 USDS	BUDGET 31/12/2017 USDS	ACTUAL 31/12/2016 USDS	BUDGET 31/12/2016 USDS
<b>TOTAL REVENUE</b>	<b>3 712 759 178</b>	<b>3 400 090 000</b>	<b>3 248 139 377</b>	<b>3 607 219 000</b>
<b>1 TAXES ON INCOME AND PROFITS</b>	<b>1 293 203 072</b>	<b>1 196 235 000</b>	<b>1 158 384 686</b>	<b>1 263 485 000</b>
<b>1.1 Income Tax</b>				
Individuals	736 598 885	763 000 000	758 525 741	802 140 000
Companies	501 927 067	337 200 000	352 486 266	366 400 000
Aids Levy	(37 155 779)	-	(32 359 573)	-
	<u>1 201 370 173</u>	<u>1 100 200 000</u>	<u>1 078 652 434</u>	<u>1 168 540 000</u>
<b>1.2 Capital Gains</b>				
Capital Gains taxes	25 896 313	25 400 000	20 281 703	-
CGT Companies	922 367	-	789 182	-
CGT Withholding	3 691 668	3 600 000	2 718 435	-
	<u>30 510 348</u>	<u>29 000 000</u>	<u>23 789 320</u>	<u>28 000 000</u>
<b>1.3 Domestic dividends and interest</b>				
Non resident shareholders' tax-executive directors	3 874 015	17 325 300	3 029 165	21 000 000
Non resident tax on fees	30 923 223	13 602 000	31 038 000	11 700 000
Non resident tax on royalties	1 739 428	3 596 000	4 239 496	1 945 000
Non resident tax on remittance	2 290 311	9 235 000	1 439 350	11 253 000
Non resident tax on interest	95 867	-	48 031	2 400 000
Non resident shareholders' tax	8 518 040	9 030 000	8 503 427	11 000 000
Resident shareholders' tax	6 554 910	7 152 000	3 000 690	2 660 000
Resident tax on interest	7 188 671	7 095 000	4 644 772	4 987 000
Non Executive Directors Fees	138 086	-	-	-
	<u>61 322 552</u>	<u>67 035 300</u>	<u>55 947 932</u>	<u>66 945 000</u>
<b>2 TAX ON GOODS AND SERVICES</b>	<b>2 121 968 824</b>	<b>1 974 391 000</b>	<b>1 878 491 830</b>	<b>2 075 400 000</b>
<b>2.1 Customs Duties</b>				
Prime and surtax	314 556 517	287 540 000	273 628 146	368 700 000
Less Duty refunds	(339 278)	-	(2 664 387)	-
Deposits made in advance (Prepayment account)	5 496 847	-	7 481 187	-
	<u>319 714 086</u>	<u>287 540 000</u>	<u>278 444 946</u>	<u>368 700 000</u>
<b>2.2 Excise Duties</b>				
Beer	46 963 573	71 011 000	51 336 585	98 840 000
Tobacco	22 848 478	22 040 000	23 104 388	23 040 000
Wine and spirits	29 622 757	16 895 000	16 434 804	16 895 000
Second hand motor vehicles	2 839 215	3 125 000	2 775 198	9 725 000
Fuel	544 219 126	501 338 000	507 217 614	561 878 000
Electric lamp	1 413	12 000	9 943	12 000
Airtime	61 572 826	60 295 000	39 538 469	41 310 000
	<u>707 867 587</u>	<u>674 716 000</u>	<u>640 417 002</u>	<u>751 700 000</u>
<b>2.3 Value Added Tax</b>				
On local sales	920 793 928	666 235 000	812 980 222	610 100 000
Import tax	399 920 962	345 900 000	358 249 252	344 900 000
Less Value added tax Refunds	(226 327 540)	-	(211 599 592)	-
	<u>1 094 387 350</u>	<u>1 012 135 000</u>	<u>959 629 882</u>	<u>955 000 000</u>
<b>3 Other Taxes</b>	<b>297 587 282</b>	<b>229 464 000</b>	<b>211 262 861</b>	<b>268 334 000</b>
Tobacco levy	13 754 159	19 904 000	13 787 338	10 450 000
Clearance fees	-	-	-	-
Presumptive tax (informal traders tax)	4 852 532	6 830 000	4 430 891	4 041 000
Withholding tax on contracts	121 350 570	87 510 000	78 954 322	92 430 000
Intermediate money transfer	18 693 070	-	3 950 280	1 865 000
Stamp duties and fees	11 673 257	19 587 000	5 661 583	13 065 000
Mining royalties	73 110 941	68 770 000	63 240 340	110 025 000
Less Refunds	(1 309 714)	-	-	-
Carbon tax	32 052 988	35 340 000	32 464 516	35 940 000
ATM levy	3 944 875	523 000	1 219 442	518 000
Miscellaneous	2 019 900	-	520 350	-
Accounting fees	355 120	-	336 320	-
Fines	3 502 449	-	2 586 031	-
Interest	237 968	-	726 654	-
Cancellation fees	101 500	-	76 950	-
Rummage sales	1 250 332	-	2 097 794	-
Less rummage sale expenses	(299 432)	-	(354 205)	-
Business licences	55 005	-	66 194	-
State warehouse rent	760 328	-	868 249	-
Treasury bill maturities	1 577 459	-	-	-
Un-receipted amounts	9 503 877	-	629 812	-
	<u>297 587 282</u>	<u>229 464 000</u>	<u>211 262 861</u>	<u>268 334 000</u>

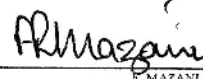
30<sup>th</sup> MAY 2018.

30<sup>th</sup> MAY 2018.

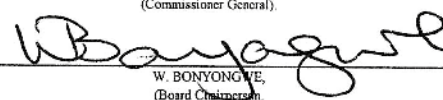
30<sup>th</sup> MAY 2018.

  
P. MWASHITA,

(Acting Director Finance, Corporate Planning and Administration) ACMA.

  
F. MAZANI,

(Commissioner General).

  
W. BONYONGWE,  
(Board Chairperson).



**ZIMBABWE REVENUE AUTHORITY**  
**NOTES TO THE REVENUE RETURN**  
for the year ended December 31, 2017

---

**1. MANDATE OF ZIMBABWE REVENUE AUTHORITY**

The Zimbabwe Revenue Authority (ZIMRA) started to operate as an Authority on September 1, 2001 from the former Department of Taxes and is constituted in terms of the Revenue Authority Act [Chapter 23:11] of 1999. Its core business is the collection of revenue for the Government of Zimbabwe, administration of tax laws and the facilitation of trade and economic development in the region and beyond.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

The Revenue Return for the year ended December 31, 2017, has been prepared in accordance with the Revenue Authority Act [Chapter 23:11] and Public Finance Management Act [Chapter 22:19].

**2.2. Basis of measurement**

The Revenue Return was prepared based on the statutory records that were maintained under the cost basis.

**2.3. Reporting currency**

This return is presented in the United States Dollar (USD) which is the reporting currency. All the financial information presented has been rounded to the nearest dollar.

**3. ACCOUNTING POLICIES**

The Revenue Return was prepared based upon accounting policies which have been consistently applied from the preceding years.

**3.1. Taxes revenue**

All tax revenue collected by the Zimbabwe Revenue Authority is paid direct into the Exchequer account except otherwise stated.

**3.2. Revenue return**

All collections by way of taxes, duties, royalties, fees and refunds are reflected in the Revenue Return.



**ZIMBABWE REVENUE AUTHORITY**  
**NOTES TO THE REVENUE RETURN**  
for the year ended December 31, 2017

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**4. NOTES TO THE REVENUE RETURN**

**4.1 Deposits made in advance**

Deposits made in advance are amounts which are deposited into a clearing agent business partner account for consignments which are levied customs duties when coming into the country. The payments are made in advance. During the year under review deposits made in advance amounted to USD5 496 847 (2016: USD7 481 187).

**4.2 Amounts not receipted**

Amounts not receipted arise when a client deposits a tax obligation without adequate details to the Authority's bankers. These deposits will remain unreceipted until the clients provide adequate details which will facilitate receipting. The amount not receipted was remitted to Treasury in 2017. During the year under review the amount not receipted was USD9 503 877 (2016: USD 629 812).

**All communication should be addressed to:**  
The Auditor-General  
P. O. Box CY 143, Causeway, Harare  
Telephone 263-04-793611/3/4, 762817/8/20-23  
Telegrams: AUDITOR  
Fax: 706070  
E-mail: ocag@auditgen.gov.zw  
Website: www.@auditgen.gov.zw



**OFFICE OF THE AUDITOR-GENERAL**  
5th Floor, Burroughs House,  
48 George Silundika Avenue,  
Harare

Ref: SB2

**REPORT OF THE AUDITOR-GENERAL  
TO  
THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT  
AND  
THE BOARD OF DIRECTORS  
IN RESPECT OF THE RECEIPTS AND DISBURSEMENTS RETURN  
OF THE ZIMBABWE REVENUE AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2017.**

**Report on the Audit of Receipts and Disbursements Return**

**Opinion**

I have audited the Receipts and Disbursement Return of the Zimbabwe Revenue Authority set out on pages 5 to 7 for the year ended December 31, 2017. The return reflects assessed Receipts and Disbursements as at December 31, 2017.

In my opinion, the accompanying Receipts and Disbursements Return presents fairly, in all material respects, the Receipts and Disbursements as at December 31, 2017.

**Basis for opinion**

I conducted my audit in accordance with International Standards on Auditing (ISAs) and International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Receipts and Disbursement Return section of my report. I am independent of the Authority in accordance with the ethical requirements that are relevant to my audit of the Receipts and Disbursement Return, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the Zimbabwe Revenue Authority’s Receipts and Disbursements Return for the year ended December 31, 2017. These matters were addressed in the context of my audit of the Receipts and Disbursements Return as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the Key Audit Matter
<p><b>Value Added Tax refunds</b></p> <p>There is presumed risk of VAT refunds to false input tax claims by clients. During the period under review, VAT on goods and services refunds amounting to \$208 404 711 was processed by the Authority and this amount was significant to this return.</p>	<p>My audit procedures to address the risk of material misstatement relating to Receipts and Disbursements, which was considered to be a significant risk, included:</p> <ul style="list-style-type: none"> <li>• Testing of controls over the Authority’s information technology VAT refunds system assisted by my information technology specialist.</li> <li>• Testing and evaluation of the Authority’s authorisation and processing procedures over disbursements.</li> <li>• Evaluation and scrutinising of tax audits performed by the Authority</li> </ul> <p>From the detailed analysis of the refunds processed, I obtained satisfactory evidence over the controls that prevent fraudulent claims.</p>

### Other Information in the Annual Report

The directors are responsible for the Other Information. The Other Information comprises all the information in the Zimbabwe Revenue Authority’s 2017 annual report other than the Receipts and Disbursements return and my auditor’s report thereon (“the Other Information”).

My opinion on the Authority’s Receipts and Disbursements does not cover the Other Information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the Authority’s Receipts and Disbursements Return, my responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Authority’s Receipts and Disbursements Return or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.



## **Responsibilities of Management and Those Charged with Governance for the Receipts and Disbursements Return**

The Authority's Management are responsible for the preparation of this Return in a manner required by the Revenue Authority Act [Chapter 23:11] and the Public Finance Management Act [Chapter 22:19]. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Receipts and Disbursements Return that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Receipts and Disbursements**

The objectives of my audit is to obtain reasonable assurance about whether the Receipts and Disbursements return as a whole is free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but it's not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this return.

As part of an audit in accordance with ISAs, my exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. I also:

- Identify and assess the risks of material misstatement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the Receipts and Disbursements Return, including the disclosures, and whether the Receipts and Disbursements Return represent the underlying transactions and events in a manner that achieves fair presentation.

I am required to communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during my audit.



I am also required to provide directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with directors, I determine those matters that were of most significance in the audit of the Receipts and Disbursements Return of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

In my opinion, the Receipts and Disbursement Return has, in all material respects, been prepared in compliance with the disclosure requirements of the Revenue Authority Act [Chapter 23:11], Public Finance Management Act [Chapter 22:19] and other relevant Statutory Instruments.

June 1, 2018.

*mchiri*  
**M. CHIRI (MRS),**  
**AUDITOR – GENERAL.**

ZIMBABWE REVENUE AUTHORITY

Receipts and Disbursements account

for the year December 31, 2017

Description	Historical Cost			
	2017		2016	
	Dr US\$	Cr US\$	Dr US\$	Cr US\$
Opening balance as at January 01, 2017	17 094 774		47 848 697	
Opening investment bank balances as at January 01, 2017	3 842 704		3 842 704	
Deposits	4 085 638 282		3 562 742 597	
Refunds		208 404 711		205 903 924
Exchequer account		3 606 343 759		3 159 447 429
Retention - Grant		119 286 406		118 315 000
Clearance fees retained		4 190 466		4 088 961
Bank charges		14 863		34 393
Aids levy to National Aids Council of Zimbabwe		35 054 990		35 693 885
NOCZIM levy to National Oil Infrastructure Company of Zimbabwe		35 954 502		39 279 671
Vehicle registration to Central Vehicle Registry		4 642 337		4 254 011
Commissions retained by the Authority		1 031 725		701 524
Motor insurance to Insurance Council of Zimbabwe		6 851 146		4 184 651
Kariba Toll fees to Zambezi River Authority		16 588		28 319
Strategic levy to Ministry of Energy and Power Development		19 529 294		18 749 429
Petroleum levy to Ministry of Energy and Power Development		2 723 897		2 453 455
Transit Fees to Zimbabwe National Road Administration		421		68 204
Road Access Fees to Zimbabwe National Road Administration		2 385 467		904 572
Animal Management and Health Centre (Veterinary Services)		27 026		10 987
Tobacco Levy to Tobacco Industry and Marketing Board		8 219 001		-
Small and Medium Enterprise Development		2 085 388		-
Health Fund-Airtime to Ministry of Finance and Economic Development		25 332 661		-
Inspection Fees to Ministry of Health		377 474		123 095
Inspection Fees to Research Services		450 924		155 010
Closing Investment bank balances as at December 31, 2017		650 885		3 842 704
Main account closing bank balance as at December 31, 2017		23 001 829		17 094 774
<b>TOTAL</b>	<b>4 106 575 759</b>	<b>4 106 575 759</b>	<b>3,614,433,998</b>	<b>3,614,433,998</b>

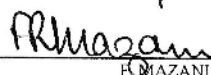
30 May 2018.

30<sup>th</sup> May 2018.

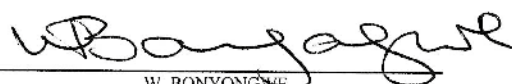
30<sup>th</sup> May 2018.



P. MWASHITA,  
(Acting Director Finance, Corporate Planning and  
Administration) ACMA.



R. MAZANI,  
(Commissioner General).



W. BONYONGWE,  
(Board Chairperson).

**ZIMBABWE REVENUE AUTHORITY**  
**NOTES TO THE RECEIPTS AND DISBURSEMENTS RETURN**

for the year ended December 31, 2017

---

**1. MANDATE OF ZIMBABWE REVENUE AUTHORITY**

The Zimbabwe Revenue Authority (ZIMRA) started to operate as an Authority on September 1, 2001 from the former Department of Taxes and is constituted in terms of the Revenue Authority Act [Chapter 23:11] of 1999. Its core business is the collection of revenue for the Government of Zimbabwe, administration of tax laws and the facilitation of trade and economic development in the region and beyond.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

The Receipts and Disbursements Return for the year ended December 31, 2017, has been prepared in accordance with the Revenue Authority Act [Chapter 23:11] and Public Finance Management Act [Chapter 22:19].

**2.2. Basis of measurement**

The Receipts and Disbursements Return was prepared based on the statutory records that are maintained under the historical cost basis.

**2.3. Reporting currency**

This return is presented in the United States Dollar (USD) which is the reporting currency. All the financial information presented has been rounded to the nearest dollar.

**3. ACCOUNTING POLICIES**

The Receipts and Disbursements Return was prepared based upon accounting policies which have been consistently applied from the preceding years.

**3.1. Taxes revenue**

All tax revenue collected by the Zimbabwe Revenue Authority is paid direct into the Exchequer account except otherwise stated.

**3.2. Receipts**

Collections from clients for various statutory obligations are accounted for as receipts.

**3.3 Disbursements**

Payments to Exchequer, third parties and Treasury are accounted for as disbursements.

**ZIMBABWE REVENUE AUTHORITY**  
**NOTES TO THE RECEIPTS AND DISBURSEMENTS RETURN**  
for the year ended December 31, 2017

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**4. NOTES TO THE RECEIPTS AND DISBURSMENTS RETURN.**

**4.1 Motor Insurance**

The Authority entered into an agreement with the Motor Insurance Pool to sell third party insurance cover to foreign registered vehicles entering Zimbabwe at all border posts. In accordance with the existing agreement, the Pool shall pay ZIMRA an issuing and collection fee of ten percent (10%) of the total collected from issued policies.

**4.2 Investments**

For the fiscal year ended December 31, 2017, the Authority had an investment of USD 650 885 in Treasury bill, which relates to amounts that were not transferred to the Exchequer account which will be redeemed in 2018.

**4.3 Exchange gains**

Included in the transfers to Exchequer accounts are exchange gains relating to duties, taxes and fees paid in another currency, which results in a gain when the amount is converted to USD.

**4.4 Retention**

The retention relates to taxes that the Authority retains from collections for use in their operations.

**4.5 Commissions**

The commission relates to amounts the Authority retains from acting as an agent.



All communication should be addressed to:  
The Auditor-General  
P. O. Box CY 143, Causeway, Harare  
Telephone 263-04-793611/3/4, 762817/8/20-23  
Telegrams: AUDITOR  
Fax: 706070  
E-mail: ocag@auditgen.gov.zw  
Website: www.@auditgen.gov.zw



**OFFICE OF THE AUDITOR-GENERAL**  
5th Floor, Burroughs House,  
48 George Silundika Avenue,  
Harare

Ref: SB2

## **REPORT OF THE AUDITOR-GENERAL**

**TO**

**THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT**

**AND**

**THE BOARD OF DIRECTORS**

**IN RESPECT OF THE OUTSTANDING REVENUE RETURN FOR THE**

**ZIMBABWE REVENUE AUTHORITY**

**FOR THE YEAR ENDED DECEMBER 31, 2017.**

### **Report on the Audit of Outstanding Revenue Return**

#### **Qualified Opinion**

I have audited the Outstanding Revenue Return of the Zimbabwe Revenue Authority, as set out on pages 6 to 9 for the year ended December 31, 2017. The return reflects assessed Outstanding Revenue as at December 31, 2017.

In my opinion, except for the effects of matters described in the Basis for Qualified Opinion section of my report, the accompanying Outstanding Revenue Return presents fairly, in all material respects, the Outstanding Revenue as at December 31, 2017.

#### **Basis for Qualified Opinion**

- i) Removal in Transit (regional consignments) entries amounting to \$40 200 187 which originated at ports of entry had not been acquitted as at December 31, 2017. Some of the entries date back to the year 2013. As a result, the extent of outstanding duty payable to be included in the outstanding revenue return could not be ascertained as some of the goods might have been consumed locally.
- ii) The SAP system allowed creation of duplicate contract accounts for the same revenue head under one business partner number. Evidently, assessments by the Authority and payments

from clients were posted to the different contract accounts for the same business partner thereby distorting outstanding revenue for the individual business partners.

- iii) Vehicles that enter the country temporarily are given Temporary Import Permits. As at December 31, 2017 there were 20 394 electronic Temporary Importers Permits that had not been acquitted despite the fact that they had expired. Some of the entries date back to the year 2013. Some of the vehicles may have been localised as they are long outstanding.
- iv) The SAP E-services platform was not charging civil penalties for some outstanding returns. As a result, some business partners with outstanding returns were not charged civil penalties on all outstanding returns. I could not establish the extent of the understatement.
- v) Tobacco levy returns were not submitted by the clients as required by the Income Tax Act [Chapter 23:06]. The client's balances were in credit which misrepresented the clients' tax status. Had the returns been captured, the credit balances would have been cleared. In addition, there were returns that were not yet captured by the Authority as there was a backlog on the capturing of returns in the system leaving some clients with a credit balance. 9 660 returns that relates to various tax heads were not yet captured as at December 31, 2017. I could not establish the extent of the understatement.
- vi) Some report orders that were given to clients for clearing goods at an inland port were not yet acquitted and some date back to 2013. I could not establish the potential duty at stake. The total value of goods imported under report orders that were not yet acquitted as at December 31, 2017 were \$62 904 106.

I conducted my audit in accordance with International Standards on Auditing (ISAs) and International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Outstanding Revenue Return section of my report. I am independent of the Authority in accordance with the ethical requirements that are relevant to my audit of the Outstanding Revenue Return, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my Qualified Opinion.

### **Emphasis of Matter**

Without further qualifying my opinion, I draw your attention to the following:

#### **Transfers to banks that are under liquidation or judicial management**

Included in the Outstanding Revenue Return is \$3 587 606 which relates to taxes transferred by clients into the Authority's bank accounts but not transferred to the Commissioner General's Account for onward transfer to Exchequer Account prior to liquidation or judicial management in 2013. The recoverability of the full amount is doubtful.



## Companies under judicial management

Clients owing the Authority \$92 707 482 (2016: \$50 756 261) were under judicial management. The recoverability of the full amount is doubtful.

## Assessment of commercial bills of entry

During the year under review the ASYCUDA system crashed and some commercial bills of entry were being cleared manually with reference to the previous prepayment account details. The Authority was still in the process of confirming the manual bills of entry to what the clearing agents had uploaded in the system. The process so far has not identified any anomalies but the completion of the process may result in additional debt being raised against the clearing agents.

## Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the Zimbabwe Revenue Authority's outstanding revenue return for the year ended December 31, 2017. These matters were addressed in the context of my audit of the Outstanding Revenue Return as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section I have determined the matters described below to be the key audit matters to be communicated in my report.

Key Audit Matter	How my audit addressed the Key Audit Matter
<p><b>Value Added Tax refunds</b></p> <p>There is presumed risk of VAT refunds to false input tax claims by clients. During the period under review, VAT refunds amounting to \$226 327 540 was processed by the Authority and this amount was significant to this return.</p> <p>Therefore, I considered this to be a key audit matter.</p>	<p>My audit procedures to address the risk of material misstatement relating to outstanding revenue recognition, which was considered to be a significant risk, included:</p> <ul style="list-style-type: none"><li>• Testing of controls over the Authority's information technology VAT refunds system assisted by my information technology specialist.</li><li>• Testing and evaluation of the Authority's authorisation and processing procedures</li><li>• Evaluation and scrutinising of tax audits performed by the Authority</li></ul> <p>From the detailed analysis of the refunds processed, I obtained satisfactory evidence over the controls that prevent fraudulent claims.</p>

## **Other information in the Annual Report**

The Directors are responsible for the Other Information. The Other Information comprises all the information in the Zimbabwe Revenue Authority's 2017 annual report other than the revenue returns and my auditor's report thereon ("the Other Information").

My opinion on the Authority's revenue returns does not cover the Other Information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the Authority's revenue returns, my responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Authority's revenue returns or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Outstanding Revenue Return**

The Authority's Management are responsible for the preparation of this Return in a manner required by the Revenue Authority Act [Chapter 23:11] and the Public Finance Management Act [Chapter 22:19]. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Outstanding Revenue Return that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Outstanding Revenue Return**

The objectives of my audit are to obtain reasonable assurance about whether the Outstanding Revenue Return as a whole is free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but it's not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this return.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. I also:

- Identify and assess the risks of material misstatement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as



fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the Outstanding Revenue Return, including the disclosures, and whether the Outstanding Revenue Return represent the underlying transactions and events in a manner that achieves fair presentation.

I am required to communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during my audit.

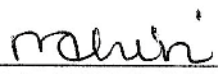
I am also required to provide directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with directors, I determine those matters that were of most significance in the audit of the outstanding revenue return of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

In my opinion, the Outstanding Revenue Return has, in all material respects, been prepared in compliance with the disclosure requirements of the Revenue Authority Act [Chapter 23:11], Public Finance Management Act [Chapter 22:19] and other relevant Statutory Instruments.

June 1, 2018.

  
\_\_\_\_\_  
**M. CHIRI (MRS),  
AUDITOR – GENERAL.**


ZIMBABWE REVENUE AUTHORITY

Outstanding Revenue Return

as at December 31, 2017

REVENUE HEAD	OUTSTANDING AMOUNT	
	31/12/2017 US\$	31/12/2016 US\$
ATM Levy	107 915	198 668
Capital gains tax (CGT)	18 882 548	20 251 992
Capital gains withholding tax	11 059 748	9 631 651
Carbon tax	366 007	269 507
Customs duty	29 046 639	25 036 944
Excise duty	20 295 392	15 006 272
Non - executive directors fees	7 057 858	4 471 240
Non - residence shareholder tax	255 150	646 900
Non - residence tax on fees	64 252 139	51 610 802
Non - resident tax on Interest	9 213	9 529
Non - resident tax on remittance	5 374 141	5 459 763
Non - resident tax on royalties	1 340 128	1 120 087
Special excise	2 569	3 660
Resident shareholders tax	2 710 550	1 151 685
Resident tax on interest	3 035 274	725 813
Income tax companies	1 333 273 850	786 613 930
Intermediate money transfer tax	1 167 248	492 855
NOCZIM levy	291 195	244 754
Clearance fees	410	-
Other	9 337 170	9 632 860
Demutualisation levy	90	-
Pay as you earn (PAYE)	867 142 515	685 314 858
Penalty	4 470 989	2 263 177
Presumptive tax	5 307 347	7 040 894
Royalties on minerals	59 219 005	42 167 713
Stamp duties	17 094 822	21 409 725
State warehouse rent	1 294 317	760 571
Surtax	890 920	1 443 707
Pension directives	1 166 876	7 141 511
Tobacco levy	-	1 052 953
Fines	130 991	12 057
Value added tax (VAT)	1 348 876 806	1 072 299 819
Value added tax (VAT) withholding tax	10 653 185	-
Vat on imports services	4 017 676	-
Value added tax (VAT) on imports	12 690 184	14 488 361
Withholding tax on tenders	115 015 818	33 184 836
Withholding tax non resident Tax	516 353	-
<b>TOTAL</b>	<b>3 956 353 039</b>	<b>2 821 159 092</b>

30<sup>th</sup> MAY, 2018.

  
P. MWASHITA,


(Acting Director Finance, Corporate Planning and Administration) ACMA.

30<sup>th</sup> MAY, 2018.

  
F. MAZANI,

(Commissioner General).

30<sup>th</sup> MAY, 2018.

  
W. BONYONGWE,  
(Board Chairperson).

**ZIMBABWE REVENUE AUTHORITY**  
**NOTES TO THE OUTSTANDING REVENUE RETURN**

for the year ended December 31, 2017

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**1. MANDATE OF ZIMBABWE REVENUE AUTHORITY**

The Zimbabwe Revenue Authority (ZIMRA) started to operate as an Authority on September 1, 2001 from the former Department of Taxes and is constituted in terms of the Revenue Authority Act [Chapter 23:11] of 1999. Its core business is the collection of revenue for the Government of Zimbabwe, administration of tax laws and the facilitation of trade and economic development in the region and beyond.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

The Outstanding Revenue Return for the year ended December 31, 2017, has been prepared in accordance with the Revenue Authority Act [Chapter 23:11] and the Public Finance Management Act [Chapter 22:19].

**2.2. Basis of measurement**

The Outstanding Revenue Return was prepared based on historical records of assessed tax and audit of tax returns.

**2.3. Reporting currency**

This return is presented in the United States Dollar (USD) which is the reporting currency. All the financial information presented has been rounded to the nearest dollar.

**3. ACCOUNTING POLICIES**

The Outstanding Revenue Return was prepared based upon accounting policies which have been consistently applied and which are supported by the reasonable judgments of estimates.

**3.1. Taxes revenue**

All tax revenue collected by the Zimbabwe Revenue Authority is paid direct into the Exchequer account except otherwise stated.

**3.2. Domestic taxes outstanding revenue**

Domestic taxes outstanding revenue is calculated based on the due dates for the various tax heads. This outstanding revenue excludes revenue that may subsequently be established through tax audit assessments.



**ZIMBABWE REVENUE AUTHORITY**  
**NOTES TO THE OUTSTANDING REVENUE RETURN**  
for the year ended December 31, 2017

**3.3. Customs and excise outstanding revenue**

Customs and excise outstanding revenue is calculated based on customs duty on cleared bills of entry and excludes bills of entry for Removal in Transit (RITs).

**4. NOTES TO THE OUTSTANDING REVENUE RETURN**

**4.1 Domestic Taxes outstanding revenue**

	December 31, 2017 US\$	December 31, 2016 US\$
Opening balance	2 745 479 486	2 073 520 644
Add : new debts assessments	1 200 255 404	235 076 224
Add : new debts audits	291 475 618	868 504 227
	<u>4 237 210 508</u>	<u>3 177 101 095</u>
Less: payments	316 039 143	431 621 609
Less : reversals	42 278 833	-
<b>Closing balance</b>	<b><u>3 878 892 532</u></b>	<b><u>2 745 479 486</u></b>

**4.2 Customs and Excise outstanding revenue**

	December 31, 2017 US\$	December 31, 2016 US\$
Opening balance	75 680 106	68 946 730
Add : new debts	22 565 591	40 505 364
	<u>98 245 697</u>	<u>109 452 094</u>
Less : payments	(5 578 261)	(30 824 857)
Less : donations	(945 191)	(655 737)
Less : destructions	(429 351)	(14 858)
Less: rummage sales	(905 349)	(707 683)
Less : bills of entries assessed	(2 560 942)	(660 916)
Less: Removal In transit/bond acquitted	(9 076 363)	-
Less: Removal In transit/bond cancelled	(319 809)	-
Less : Value added tax deferment paid	(962 383)	(386 262)
Less : Acquitted report orders	(7 539)	(521 675)
<b>Closing balance</b>	<b><u>77 460 507</u></b>	<b><u>75 680 106</u></b>



**ZIMBABWE REVENUE AUTHORITY**  
**NOTES TO THE OUTSTANDING REVENUE RETURN**  
for the year ended December 31, 2017

**4.3 Removal in Transit (RIT) not yet acquitted**

	December 31, 2017 US\$	December 31, 2016 US\$
Total Removal in Transit (RITs) not acquitted	40 200 187	19 008 102

The total Removal In transit not yet acquitted as at December 31, 2017 amounted to \$40,200,187.

**4.4 Other Debtors**

The Authority managed to recover USD 7 341 from Tetrad Bank.

	December 31, 2017 US\$	December 31, 2016 US\$
Opening balance	9 476 842	9 476 842
Less: recoveries made	(172 604)	-
Amounts established through audits		156 018
Closing balance	9 304 238	9 632 860

**4.5 Subsequent events**

The Authority engaged a service provider to carry out a health check exercise on its ICT systems and revenue assurance exercise at the beginning of 2018. The health check and revenue assurance project was conducted on the main systems which are SAP, ASYCUDA and Pay-Net among others. The health check exercise covered pertinent areas, especially those that were receiving recurring audit observations over a number of years, and a clear analysis and evaluation of the challenges that need to be addressed. Some of the areas already being worked on include Temporary Import Permits (TIPs), Removal In Transit (RITs), Removal In Bonds (RIBs) and business partner and contract duplications among others.

As part of the efforts to address these issues, the Authority has engaged the system suppliers to rectify a number of the outstanding modules and system errors. Project teams are already in place to address data integrity issues in Domestic Taxes and clear Customs backlogs on TIPs, RITs, RIBs, as well as outstanding report orders, among others and the target is to address this in 2018. The introduction of the Electronic Cargo Tracking System (ECTS) has drastically reduced transit fraud, resulting in increased revenues from Excisable goods. With the ASYCUDA upgrade that is already underway, state warehouses and the commercial TIPs will be automated for ease of control.

All communication should be addressed to:  
The Auditor-General  
P. O. Box CY 143, Causeway, Harare  
Telephone 263-04-793611/3/4, 762817/8/20-23  
Telegrams: AUDITOR  
Fax: 706070  
E-mail: ocag@auditgen.gov.zw  
Website: www.@auditgen.gov.zw



OFFICE OF THE AUDITOR-GENERAL  
5th Floor, Burroughs House,  
48 George Silundika Avenue,  
Harare

Ref: SB2 /

## REPORT OF THE AUDITOR-GENERAL

TO

THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

AND

THE BOARD OF DIRECTORS

IN RESPECT OF THE TAX RESERVE CERTIFICATES RETURN

OF THE ZIMBABWE REVENUE AUTHORITY

FOR THE YEAR ENDED DECEMBER 31, 2017.

### Report on the Audit of Tax Reserve Certificates Return

#### Opinion

I have audited the Tax Reserve Certificates Return of the Zimbabwe Revenue Authority set out on pages 4 to 5 for the year ended December 31, 2017. The return reflects Tax Reserves as at December 31, 2017.

In my opinion, the Tax Reserve Certificates Return presents fairly, in all material respects, the Tax Reserves for the year ended December 31, 2017.

#### Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) and International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Tax Reserve Certificates Return section of my report. I am independent of the Authority in accordance with the ethical requirements that are relevant to my audit of the Tax Reserve Certificates Return, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



## **Key Audit Matters**

Key Audit Matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the Zimbabwe Revenue Authority's Tax Reserve Certificates Return for the year ended December 31, 2017. I have determined that there are no key audit matters to communicate in my report.

## **Other Information in the Annual Report**

The directors are responsible for the Other Information. The Other Information comprises all the information in the Zimbabwe Revenue Authority's 2017 annual report other than the revenue returns and my auditor's report thereon ("the Other Information").

My opinion on the Authority's Tax Reserve Certificates Return does not cover the Other Information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the Authority's Tax Reserve Certificates Return, my responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Authority's Tax Reserve Certificates Return or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Tax Reserve Certificates Return**

The Authority's Management are responsible for the preparation of this Return in a manner required by the Revenue Authority Act [Chapter 23:11] and the Public Finance Management Act [Chapter 22:19]. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Tax Reserve Certificates Return that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Tax Reserve Certificates Return**

The objectives of my audit are to obtain reasonable assurance about whether the tax reserve certificates return as a whole is free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but it's not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this return.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. I also:

- Identify and assess the risks of material misstatement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the Tax Reserve Certificates Return, including the disclosures, and whether the Tax Reserve Certificates Return represent the underlying transactions and events in a manner that achieves fair presentation.

I am required to communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

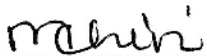
I am also required to provide directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with directors, I determine those matters that were of most significance in the audit of the Tax Reserve Certificates Return of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

In my opinion, the Tax Reserve Certificates Return has, in all material respects, been prepared in compliance with the disclosure requirements of the Revenue Authority Act [Chapter 23:11], Tax Reserve Certificates Act [Chapter 23:10], Public Finance Management Act [Chapter 22:19], and other relevant Statutory Instruments.

June 1, 2018.

  
 \_\_\_\_\_  
**M. CHIRI (MRS),**  
**AUDITOR – GENERAL.**




ZIMBABWE REVENUE AUTHORITY

Tax Reserve Certificates Return

as at December 31, 2017

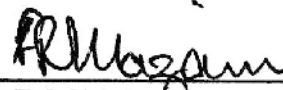
REVENUE HEAD	TAX RESERVES	
	31/12/2017 US\$	31/12/2016 US\$
Value of Certificates not converted	-	-
Add sales from January to December	-	-
Less Conversions from January to December	-	-
Balance at year end	-	-
Total	-	-

30 MAY, 2018.



P. MWASHITA,  
(Acting Director Finance, Corporate Planning  
and Administration) ACMA.

30 MAY, 2018.



F. MAZANI,  
(Commissioner General).

30 MAY, 2018.



W. BONYONGWE,  
(Board Chairperson).

**ZIMBABWE REVENUE AUTHORITY**  
**NOTES TO THE TAX RESERVE CERTIFICATES RETURN**  
for the year ended December 31, 2017

---

**1. MANDATE OF ZIMBABWE REVENUE AUTHORITY**

The Zimbabwe Revenue Authority (ZIMRA) started operations on September 1, 2001 and is constituted in terms of the Revenue Authority Act [Chapter 23:11] of 1999. Its core business is the collection of revenue for the Government of Zimbabwe, administration of tax laws and the facilitation of trade and economic development in the region and beyond.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

The Tax Reserve Certificates Return for the year ended December 31, 2017, has been prepared in accordance with the Revenue Authority Act [Chapter 23:11], Tax Reserve Certificates Act [Chapter 23:10] and Public Finance Management Act [Chapter 22:19].

**2.2. Basis of measurement**

The Tax Reserve Certificates Return was prepared based on the statutory records that are maintained under the historical cost basis.

**2.3. Reporting currency**

This return is presented in the United States Dollar (USD) which is the reporting currency. All the financial information presented has been rounded to the nearest dollar.

**3. ACCOUNTING POLICIES**

The Tax Reserve Certificates Return was prepared based upon accounting policies which have been consistently applied from the preceding years.

**3.1. Taxes revenue**

All tax revenue collected by the Zimbabwe Revenue Authority is accounted for on a cash basis as received.

**3.2. Tax Reserves**

Tax reserves are amounts which have been prepaid by clients in relation to tax reserves granted by the Commissioner General and are paid into the Consolidated Revenue Fund.

## 8. CLIENTS CHARTER

### 8.1. Core Values

Our core values are **Integrity, Transparency and Fairness.**

### 8.2. Service Delivery

- . We commit ourselves to meeting the following minimum standards in our service delivery: Answer the telephone promptly and courteously.
- . Acknowledge all correspondence within 48 hours and respond in 14 working days.
- . All objections will be determined and the decision communicated to clients within 60 days from the date of receipt of the letter of objection.
- . All members of the public who call at our inland offices will be attended to within 15 minutes of arrival.
- . Upon meeting requirements for VAT or PAYE, clients will be registered within one working day.
- . Upon meeting requirements for Customs, commercial consignments will be cleared within three working hours from the submission of correct and complete documentation unless selected for physical examination.
- . Income Tax assessments will be issued within three months from the date the correct return is submitted.
- . All passengers on a flight will be cleared within two hours.
- . A busload with bona-fide travellers will be cleared within an hour.
- . Physical examination of road, air and containerised cargo will be done within 48 hours.

### 8.3. ZIMRA's Obligations to Clients

- . We are accountable to the nation of Zimbabwe.
- . We shall conduct our business within the confines of the Law.
- . We do not tolerate smuggling, tax evasion, corruption, favouritism and discrimination.

We are here to serve you and we are open to your suggestions, criticisms and advice.

- . We shall carry out our duties professionally, diligently and courteously.
- . We shall clearly explain the procedure and your rights should you be required to undergo a physical search.
- . We promise to handle your information with strict confidence and to maintain your privacy.
- . We are committed to minimising your compliance costs.
- . We shall carry or wear the proper identification at all times as we carry out our duties

### 8.4. Information

We are committed to providing proactive client education, which includes:

- . Making relevant information available to clients, orally and in the print/electronic media as well as on our website ([www.ZIMRA.co.zw](http://www.ZIMRA.co.zw)).
- . Making available pamphlets, posters and relevant material.
- . Access to a Client Care staff member at any station.

### 8.5. Client's Obligations

In return, the Zimbabwe Revenue Authority requires you to comply with all relevant laws, by providing accurate and complete information. More specifically:

- . To treat our staff fairly and with courtesy.
- . To submit statutory returns and make payments due within the required time.
- . To be open and honest in providing any additional information that may be requested.
- . To be fully co-operative in all business dealings with the Zimbabwe Revenue Authority.
- . To report and refrain from corrupt tendencies in all dealings with the Zimbabwe Revenue Authority.
- . To ensure that you have accurately completed all the necessary forms before departure from or arrival into Zimbabwe.

To be aware that all travellers, baggage or cargo are subject to physical examinations.

- . To use the services of a licensed clearing agent if you are importing or exporting commercial cargo. The list of licensed clearing agents can be accessed on our website ([www.zimra.co.zw](http://www.zimra.co.zw)).

Remember, it is your right to see the next senior member of staff on duty or the head of the station if you are not satisfied with the level of service delivery from any staff member of the authority.



# Notes

# Notes

*Honesty and  
integrity  
ensure success*



**SAY "NO" TO CORRUPTION**

Call our Toll Free Hotline on:

**0800 4174**

**0800 4185**



*"We are here to serve"*



**Integrity . Transparency . Fairness**