



THE 2020 MID-YEAR BUDGET REVIEW REVENUE MEASURES

Presented to the Parliament of Zimbabwe

16 July, 2020

By

Hon. Prof. M. Ncube

Minister of Finance and Economic Development

SUMMARY OF REVENUE MEASURES

1. Mr Speaker Sir, I have already alluded to the severity of the COVID-19 pandemic and its consequences on the macroeconomic environment. We are faced with a huge task to perform a balancing act that provides support to industry, avails taxpayers the necessary relief to enhance disposable income, promote capital accumulation, which is crucial in supporting the economic rebound and also protect revenue sources.

Support to Industry

Customs Duty Exemption on Top Dressing Fertiliser

2. In order to close the gap in supply of *Top Dressing Fertilizer*, I propose to ring-fence 120 000 metric tonnes of fertilizer under *Duty Exemption* for approved manufacturing companies for the 2020/2021 summer cropping season.

Tax Relief Measures

PAYE Tax-Free Threshold

3. Mr Speaker Sir, in an effort to cushion workers from bracket creep, whereby previously untaxed employees become liable to tax due to inflation induced wage and salary adjustments, I propose to review the tax-free threshold from ZWL\$ 2 000 to ZWL\$ 5 000 per month.
4. I, further, propose to adjust the tax bands to begin at ZWL\$ 5 001 and end at ZWL\$ 100 000, above which the *Highest Marginal Tax* rate of 40% will apply, with effect from 1 August 2020.

Tax Exemption on Risk Allowance Earned by Frontline Health Personnel

5. In line with the undertaking already made by His Excellency, the President, to reward the selfless commitment exhibited by *Public Sector Frontline*

Health Personnel, I propose to exempt from tax, COVID-19 *Risk Allowances* payable to this category of employees for a period of twelve (12) months commencing from 1 April 2020.

Incentives for the Victoria Falls Securities Exchange (VFSE) and Investors

6. Honourable Members would be aware of Government's plan to launch the *Victoria Falls Securities Exchange*, with a view to attract critical offshore capital to the economy.
7. The primary objective of the VFSE, which will be established within the *Victoria Falls Special Economic Zone*, is to mobilise foreign currency denominated portfolio investment.
8. As part of the incentive package to facilitate establishment and full operationalisation of the exchange, I propose the following incentives for the *Victoria Falls Securities Exchange* and investors:
 - Exemption from *Corporate Income Tax* for the VFSE;
 - Exemption from *Capital Gains Withholding Tax* on disposal of shares listed on the VFSE; and,
 - A lower rate of 5% on dividends payable to non-resident investors on the VFSE.

Allowable Deductions on Health Related Donations

9. Since the first reported local case of the COVID-19 pandemic, a number of corporates have demonstrated a lot of goodwill and sacrifice by donating various goods and services to strengthen the health delivery system and social support framework.
10. I, therefore, propose to review the maximum allowable deduction on donations by corporates to the local currency equivalent of US\$100 000.

Tax Exemption on University Infrastructure Projects

11. Mr Speaker Sir, tertiary institutions continue to grapple with inadequate on-campus student accommodation.
12. In order to support university infrastructure development initiatives by the Infrastructure Development Bank of Zimbabwe (IDBZ), I propose to exempt from *Income Tax*, specified *Student Accommodation Projects* with effect from 1 January 2021. The *exemption* will be granted subject to fulfilling prescribed conditions.

Tax Exemption on Domestic Tourists Accommodation

13. Mr Speaker Sir, the hospitality industry is one of the sectors most affected by the Covid-19 pandemic, hence it is essential for Government to take a leading role in supporting revival of the sector.
14. In line with the commitment by His Excellency, the President, I propose to exempt accommodation services offered to *Domestic Tourists* from VAT for a period of twelve (12) months commencing 1 August 2020.

Revenue Enhancing Measures

Payment of IMTT on Foreign Currency Transactions

15. Current legislation exempts the transfer of money into and from *Nostro* foreign currency accounts from intermediated money transfer tax.
16. I propose to extend *Intermediated Money Transfer Tax* to cover foreign currency transactions.
17. For the avoidance of doubt, transactions conducted by organisations accredited in terms of the *Privileges and Immunities Act* (Chapter 3:03) remain exempt from IMTT.

Tax Free Threshold and Maximum Tax Payable per Transaction

18. In line with market conditions, I propose to review the *Intermediated Money Transfer Tax* free threshold for local currency transactions from ZW\$100 to ZW\$300. In addition, I propose to exempt from tax, foreign currency transactions not exceeding US\$5.
19. I, further propose to review the maximum tax payable per transaction by corporates from ZW\$25 000 to ZW\$50 000 on transactions with values exceeding ZW\$2 500 000.
20. I also propose a maximum tax of US\$ 2 000 for foreign currency transactions with a value exceeding US\$ 100 000.

Value Added Tax Recording of Electronic Transactions

21. Mr Speaker Sir, whereas Government has authorised use of foreign currency on the local market, current legislation does not require *VAT Registered Operators* to produce customer sales receipts reflecting the currency of trade. There is a risk of understating revenue, especially where foreign currency transactions are reported in local currency.
22. In order to mitigate risk on fiscal revenue, as well as enhance transparency, I propose to compel *VAT Registered Operators* to configure *Fiscal Devices* to capture all transactions in the currency of trade and also produce the respective invoice in the tendered currency.

Duty Exemption on Donations of Vehicles to Government by Development Partners

23. I propose to exempt from customs duty, donated single and double cab trucks, in support of *Approved Projects* undertaken by Government Ministries and Departments.

Tax Administration

Border Post Enhancement

24. Honourable Members would be aware that Zimbabwe remains a major transit route for both *North and South Bound* traffic. During the past 3 months, traffic volumes have increased from an average of 500 to 1 000 commercial trucks per day. The surge in traffic volumes has created opportunities for smuggling of goods.
25. In order to curtail smuggling activities, I propose that the Zimbabwe Revenue Authority be empowered to introduce *Anti-Smuggling Surveillance Drones* at both designated and undesignated entry points.

Excise Duty on Fuel

26. Mr Speaker Sir, excise duty on fuel sold in local currency is currently pegged at a specific rate of ZWL 17.2 and ZWL 14.3 for petrol and diesel, respectively.
27. In order to create a balance between optimal revenue collection and affordability of fuel, I propose to introduce an *Automatic Excise Duty Adjustment Mechanism*, that reviews excise duty on a monthly basis to levels determined through a designated formula, with effect from 1 August 2020.

CONCLUSION

28. Mr Speaker Sir, the recovery and prospective growth of our economy following the devastating consequences of the COVID-19 pandemic requires Government intervention to restore the viability of business and also boost taxpayer incomes.

29. It is, therefore, essential that taxpayers take advantage of the existing and proposed incentives, mindful of the reporting requirements that should be adhered to in order to enhance transparency and accountability in utilisation.
30. Finally, Mr Speaker Sir, the realisation of national aspirations through implementation of Government programmes and projects, depends to a larger extent on domestic revenue generation, hence voluntary compliance should be a virtue for every citizen. This is a win-win situation for both Government and taxpayers as we collectively build and develop our nation.

Hon. Prof. M. Ncube

MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

16 July 2020