

ZIMBABWE

BUDGET BULLETIN 2020



2020 BUDGET OVERVIEW

This publication provides a snapshot of the tax and related measures contained in the 2019/2020 Budget speech presented by Hon. Professor Mthuli Ncube, Minister of Finance & Economic Development on 14th November 2019.

The theme of the 2020 National Budget is, 'Gearing for Higher Productivity, Growth and Job Creation'. The Budget is targeted at growth stimulation and employment generation. It has emphasis on reviving key sectors of the economy through promotion of production-oriented investment and productivity.

Revenue collections for 2020 are estimated at ZWL\$58.6 billion while Budget expenditure is estimated at ZWL\$63.6 billion, giving a budget deficit of ZWL\$5 Billion which is about 5% of GDP.

The Budget largely prioritizes growth and productivity, job creation, competitiveness, and strong, sustainable and shared development.

We advise you to seek our professional advice before making any decision regarding the tax changes in this bulletin.

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PERSONAL TAX

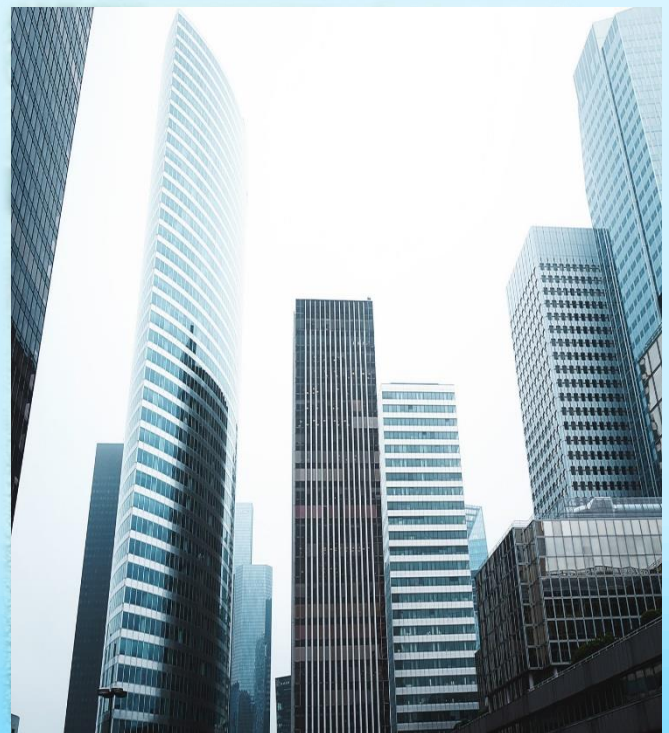
The Minister proposed the following changes for personal taxes:

- With effect from 1 January 2020 the tax-free threshold would be increased from ZWL 700 to ZWL\$ 2 000 per month.
- Earnings above ZWL\$50,000 will be taxed at the highest marginal tax rate of 40%.
- The tax-free bonus has been increased from \$1,000.00 to \$5,000.00 with effect from 1 November 2019.
- With effect from 1 November 2019 the non-taxable portion of the retrenchment package was reviewed from \$10,000.00 to \$50,000.00 or one-third of the package to a maximum of \$80,000.
- No changes have been made to the PAYE tables in respect of remuneration payable in foreign currency.
- When an employee receives remuneration partly in US dollars or partly in Zimbabwe dollars, such taxable income will be subject to PAYE using the USD PAYE tables. In such a situation, the ZWL amount is converted to USD at the applicable interbank rate.
- This measure is applicable retrospectively from 1 August 2019..
- The year of assessment ending 31st December 2019 has been split into two tax years as shown below:
 - - 1/1/2019 -31/7/2019
 - - 1/8/2019 -31/12/2019

Deemed Motoring Benefits as follows:

It has been proposed to review Deemed Motoring Benefits as follows:

Engine Capacity	Current Deemed Benefit (ZWL\$)	Proposed Deemed Benefit (ZWL\$)
0 - 1500cc	28,800	54,000
1500 - 2000cc	34,400	72,000
2000 - 3000cc	56,700	108,000
Above 3000cc	76,400	144,000



PERSONAL TAX: EARNINGS IN ZIMBABWE DOLLARS

Monthly Table; 1st January 2020-31st December 2020

Band of taxable income (ZWL)	Amount (ZWL)	Tax rate	Tax (ZWL)	Cumulative Tax (ZWL)
0 - 2 000	2,000	0%	-	
2 001 - 7 500	5,500	20%	1,100.0	1,100
7 501 -15 000	7,500	25%	1,875.0	2,975
15 001 -30 000	15,000	30%	4,500.0	7,475
30 001 -50 000	20,000	35%	7,000.0	14,475
50 000 and above		40%		

Monthly Ready Reckoner Table; 1st January 2020- 31st December 2020

Band of taxable income (ZWL)		Tax rate		Cumulative Tax (ZWL)
0 - 2 000	multiply	0%	less	
2 001 - 7 500	multiply	20%	less	400
7 501 -15 000	multiply	25%	less	775
15 001 -30 000	multiply	30%	less	1,525
30 001 -50 000	multiply	35%	less	3,025
50 000 and above	multiply	40%	less	5,525

Annual PAYE Table
Annual Table; 1st January 2020-31st December 2020

Band of taxable income (ZWL)	Amount (ZWL)	Tax rate	Tax (ZWL)	Cumulative Tax (ZWL)
0 - 24 000	24,000	0%	-	
24 001 - 90 000	66,000	20%	13,200	13,200
90 001 - 180 000	90,000	25%	22,500	35,700
180 001 - 360 000	180,000	30%	54,000	89,700
360 001 - 600 000	240,000	35%	84,000	173,700
600 001 and above		40%		

Annual Ready Reckoner Table; 1st January 2020- 31st December 2020

Band of taxable income (ZWL)		Tax rate		Cumulative Tax (ZWL)
0 - 24 000	multiply	0%	less	
24 001 - 90 000	multiply	20%	less	4,800
90 001 - 180 000	multiply	25%	less	9,300
180 001 - 360 000	multiply	30%	less	18,300
360 001 - 600 000	multiply	35%	less	36,300
600 001 and above	multiply	40%	less	66,300

PERSONAL TAX: EARNINGS IN FOREIGN CURRENCY

Monthly Table; 1st January 2020-31st December 2020

Band of taxable income (USD)	Amount (USD)	Tax rate	Tax (USD)	Cumulative Tax (USD)
0 - 70	70	0%	-	
71 - 300	230	20%	46	46
301 - 1 000	700	25%	175	221
1 001 - 2 000	1,000	30%	300	521
2 001 - 3 000	1,000	35%	350	871
3 000 and above		40%		

Monthly Ready Reckoner Table; 1st January 2020- 31st December 2020

Band of taxable income (USD)		Tax rate		Cumulative Tax (USD)
0 - 70	multiply	0%	less	
71 - 300	multiply	20%	less	14
301 - 1 000	multiply	25%	less	29
1 001 - 2 000	multiply	30%	less	79
2 001 - 3 000	multiply	35%	less	179
3 000 and above	multiply	40%	less	329

Annual PAYE Table

Annual Table; 1st January 2020-31st December 2020

Band of taxable income (USD)	Amount (USD)	Tax rate	Tax (USD)	Cumulative Tax (USD)
0 - 840	840	0%	-	
841 - 3 600	2,760	20%	552	552
3 601 - 12 000	8,400	25%	2,100	2,652
12 001 - 24 000	12,000	30%	3,600	6,252
24 001 - 36 000	12,000	35%	4,200	10,452
36 001 and above		40%		

Annual Ready Reckoner Table; 1st January 2020- 31st December 2020

Band of taxable income (USD)		Tax rate		Cumulative Tax (USD)
0 - 840	multiply	0%	less	
841 - 3 600	multiply	20%	less	168
3 601 - 12 000	multiply	25%	less	348
12 001 - 24 000	multiply	30%	less	948
24 001 - 36 000	multiply	35%	less	2,148
36 001 and above	multiply	40%	less	3,948



Rate of Tax

The rate of corporate tax is reduced from 25% to 24% w.e.f 1 January 2020. AIDS levy remains at 3%.

Intermediated Money Transfer Tax

The exempt portion is increased from ZWL 20 to ZWL100 w.e.f. 1/1/2020.

The maximum tax payable per transaction is increased from ZWL 15,000 to ZWL 25,000 on transactions exceeding ZWL 1,250,000.

Social transfers by Development Partners accredited in terms of the Privileges and Immunities Act will be exempt from the 2% tax.

E-commerce Transactions

It is proposed to review the minimum threshold for non-resident persons that provide satellite broadcasting services or facilitate trade of goods and services through electronic commerce platforms from ZWL 500,000 to USD 500,000.

Current legislation allows non-resident providers of satellite broadcasting services to offset assessed losses against taxable income. It is proposed to remove legislative reference to assessed losses in the computation of their taxable income.

Foreign companies/entities providing digital services will be required to appoint a Zimbabwean representatives, within 30 days of being liable to pay tax in Zimbabwe.

Interest on Foreign Loans

Interest on foreign loans in excess of interest that would have been chargeable had the interbank rate been used shall not be allowed as a deduction in terms of Section 16.

Withholding Tax on Local Payments

It is proposed to amend the definition of "Payee" for local withholding tax purposes to further exclude a non-resident person:

- i. Whose supplies of satellite broadcasting services or electronic commerce platforms are more than USD 500 000; or
- ii. a non-executive director who pays tax under the Thirty -Third Schedule. The effect is that the 10% withholding tax is not deducted where they do not hold a tax clearance certificate.

Withholding Tax on Non-Executive Directors

- It is the Minister's intention to consider 20% WHT on Non-Executive Directors' fees as a final tax.

Youth Employment Tax Credit

- As a tax incentive in support of job creation, the Minister introduced a tax credit of ZWL\$500 per month per employee for corporates that employ additional employees who are below the age of 30 years in a year of assessment up to a maximum of ZWL\$60 000 per year of assessment.
- The company should be registered for PAYE and compliant for the preceding tax period. The tax credit will only be claimed after the additional employee has served for a period of 12 consecutive months.
- Trainees, interns and apprentices are excluded from the incentive.
- The minimum wage payable to new employees should be at least ZWL\$2 000 per month. The tax credit will not apply to corporates with a turnover exceeding an equivalent of US\$1 million.

Treasury Bills

It is proposed to back date the effective date of the exemption from income tax on interest earned by financial institutions on Treasury Bills to 24 November 2014 if the term sheet specifies that income from Treasury Bills in question was exempt from tax.

Mining Capital Allowances

It is proposed to extend the definition of expenditure on equipment to include tangible and intangible property in the form of computer software that is acquired, developed or used by a taxpayer in connection with his or her mining operations.

Tax Exemption on Venture Capital

In order to minimize opportunities for the abuse of tax exemptions on the provision of Venture Capital financing to start-up companies, it is proposed to apply the following conditions:

- The Venture Capital Fund or company as well as the Recipient Company should be residents and also be tax compliant
- The Recipient Company should not be listed on the stock exchange
- Recipient Companies should be in critical sectors of the economy, in particular; agriculture, mining, manufacturing and tourism
- The Venture Capital Fund or company should not control (directly or indirectly through a related entity) a Recipient Company in which it holds shares.
- Recipient Companies should primarily be financed through equity as opposed to debt.

The Venture Capital Fund shall not benefit from tax exemption if they invest in the following:

- Trade carried on in respect of immovable property.
- Trade carried on by financial institutions
- Trade carried on in respect of financial or advisory services, including trade in respect of legal services, tax advisory services, stock broking services, management consulting services, auditing or accounting services
- Trade carried on in respect of gambling.

Royalty on Diamonds

In order to promote investment in exploration and extraction, it is proposed to review the royalty on diamonds from 15% to 10% of gross revenue, with effect from 1 January 2020.

Revenue Authority Act

The Minister proposes to exclude penalties or charges and interest imposed at the discretion of the Commissioner in the calculation of rewards to whistle blowers.

The Minister proposes to reduce the maximum number of days on which fines for late submission of returns is calculated to 91 days from 181 days.

CAPITAL GAINS TAX

- Capital Gains Tax is levied on the gain accruing from the sale of specified assets which include immovable property and marketable securities.
- Taxpayers disposing specified assets in foreign currency shall pay Capital Gains Tax in foreign currency.
- Where specified assets are disposed of in foreign currency, or the seller fails to provide documentary evidence of local currency transaction, tax on the gross capital amount shall be paid in foreign currency.

Capital Gains Tax on Donated Houses

- Government approved exemption of donations of housing units to any Local Authority, Employee Share Ownership Scheme or community Development Trust from capital gains tax, effective from January 2017.
- It is proposed to exempt donations of houses to Community Development Trusts from Capital Gains Tax.

CUSTOMS AND EXCISE DUTY

Payment of Customs Duty on vehicles in foreign currency by vehicle assemblers

- Customs duty on motor vehicles is currently levied in foreign currency. Semi-knocked down (SKD) kits are also currently attracting duty at 10% in foreign currency.
- The SKD kits have been removed from the list of goods that pay duty in foreign currency.
- The SKD kits will now pay duty in ZWL.

Suspension of duty on power kerosene for the paint industry

- A ring-fenced excise duty suspension on 150,000 litres of power kerosene per month imported by Approved Paint Manufacturers has been put in place for a period of 12 months from 1 January 2020.

Refund of duty facility for furniture manufacturers

- Small scale furniture manufacturers will be able to claim refund of duty on imported raw materials on a quarterly basis.

Extension of existing suspensions of duty by two years.

Extensions have been made to the following suspensions of duty:

Dairy Industry

- Domestic production of raw milk remains lower than the requirements of the local dairy industry, hence the increase in ring-fenced milk powder requirements for 2020, with effect from 1 January 2020.
- This facility will only be available to approved importers.

Registration of Clearing Agents

- The deadline for Customs Clearing Agents to acquire the minimum qualifications for registration by Zimra has been extended to 31 December 2020.

Pharmaceutical Industry

- Additional raw materials to be imported under rebate will take effect from 1 January 2020.

Cheese industry

- Insufficient supply of raw milk has resulted in shortage of key ingredients for cheese production.
- A suspension of duty on ring-fenced importation of raw cheese amounting to 25,000 kgs per month effective from 1 January 2020 has been provided.

Wine Manufacturing Industry

- In order to supplement supply of locally produced raw wine, the Minister increased the excise duty free ring-fenced import quota from 175 000 litres to 200,000 litres for a period of 2 years from 2020.

Suspension of duty on capital equipment

- The suspension of duty on Capital equipment for the tourism industry has been extended by 3 years from 1 January 2020.

Suspension of duty on motor vehicles

- The suspension of duty on motor vehicles for game viewing has been extended by 2 years from 1 January 2020.

Exemption of duty on alternative energy sources

- Customs duty on Solar Home Lighting Kits (Solar Home Systems), Light-emitting diode (LED) lamps and solar street lights will be removed from 1 January 2020.

CUSTOMS AND EXCISE DUTY

Suspension of duty on vehicles imported by car hire companies

- A suspension of duty on vehicles imported by car hire companies is introduced for 12 months from 1 January 2020.
- Beneficiaries of the facility should have been registered with the Zimbabwe Vehicles Rentals Association and the Zimbabwe Tourism Business Council for a minimum of three years.
- There are other minimum qualification requirements and ring-fenced quantities.

Suspension of duty on vehicles imported by tour operators

The suspension of duty on motor vehicles for tour operators has been extended by 1 year from 1 January 2020.

Suspension of duty on cross border luxury buses and public service buses

The suspension of duty on cross border luxury buses and public service buses of a sitting capacity of at least 60 passengers has been extended by 1 year from 1 January 2020.

Clothing Manufactures Rebate

The rebate facility for the duty-free importation under the Clothing Manufacturers' Rebate, has been extended by 2 years with effect from 1 January 2020.

Luggage ware Manufactures Rebate

- The rebate facility for the duty-free importation under the Luggage Manufacturers' Rebate, was extended by 2 years with effect from 1 January 2020. The rebate has also been extended to cover the manufacture of handbags.

Customs Dry Ports

- Congestion at Beitbridge and Forbes Ports of Entry remains one of the major constraints to trade facilitation.
- Customs Dry Ports in Masvingo, Bulawayo, Makuti and Mutare have been appointed to handle traffic re-directed to inland ports in order to relieve pressure on Ports of Entry.

Customs Duty on Sanitary Ware

- Customs duty suspension on sanitary ware was extended for a further period of 12 months. Sanitary cups and pants have been added to the suspension list.

Excise duty on fuel

- 5% of the duty collected on fuel will from 1 January 2020 be reserved for the construction of the Beitbridge to Chirundu highway.

Review of Specific Rates of Customs & Excise Duty

- The prevailing Customs Exchange rate will apply on specific rates of customs and excise duty that were denominated in United States dollars with effect from 1 December 2019.

Rebate of Duty Facility on Motor Vehicles imported by Serving Public Servants

- New conditions have been added that include proof of source of funds for one to qualify for the rebate.

Rebate of Duty on Goods Imported for Use in Approved Projects

- Additional requirements have been attached to the rebate.
- These conditions include Compliance to regulatory requirements such as Environmental Impact Assessments (EIA) and Local Authority by-laws.
- Beneficiaries should also demonstrate utilization of previous concessions.

Designation of Port of Entry and Customs House

- Mlambapele has been appointed as a new Port of entry and Gwanda has been designated as a Custom House for the clearance of imports and exports.

Excise duty on tobacco

- The specific rate of duty was increased from ZWL\$50 to ZWL\$100 per 1 000 cigarettes, with effect from 1 December 2019.

Immigrants Rebate

- A limit has been put on the value of motor vehicles that may be imported by returning students to a maximum of US\$5,000.00 with effect from 1 January 2020.

VALUE ADDED TAX

VAT standard rate

The VAT standard rate in the Finance Act has been proposed to be reduced from 15 % to 14.5 %.

The proposal is with effect from 1 January 2020.

Value Added Tax on Foreign Services

The definition of input tax in section 2 of the VAT Act has been proposed to include imported services. The intention is to allow registered operators to claim input tax.

The proposal is with effect from 1 January 2020.

Certain imported services deemed to be locally supplied

It is proposed to amend section 13 of the VAT ACT to include the supply of radio and television services from outside Zimbabwe to an address in Zimbabwe or of electronic services by an electronic commerce operator domiciled outside Zimbabwe to a person resident in Zimbabwe and the supply shall be deemed to be a supply made in Zimbabwe.

The obligation to charge and account for tax shall be that of the supplier or his or her duly appointed representative in Zimbabwe.

VAT arising from change of use

Finance Act 1 of 2018 amended section 17(1) by the insertion of a proviso which excludes the collection of VAT in cases where the nature of supply is changed through an amendment of the VAT Act (i.e. reclassification of a supply from taxable to exempt).

It is proposed to change the effective date of the above amendment from 14 March 2018 to 1 January 2014 to align the amendment to the date of reclassification of the goods.

VAT registration threshold

The threshold for VAT registration is being increased from the current \$60,000 to \$1,000,000 with effect from 1 January 2020.



VALUE ADDED TAX

Export Tax on Raw Hides

It is proposed to extend the export tax on Raw Hides Relief Facility for 2 years, subject to review of the ring-fenced export quantities on an annual basis, as shown in the below table .

The proposal is with effect from 1 January 2020.

Ring-fenced Quota: Export Tax on Export of Excess Raw Hides

Name of Company	No. of Hides Weight in Kgs	Weight in Kgs
Meggertop Enterprises	30 000	690 000
Global Tanners (Pvt) Ltd	30 000	690 000
Bellevue Abattoirs (Pvt) Ltd	15 000	345 000
Bulawayo Abattoirs	35 000	805 000
Surrey Abattoirs (Pvt) Ltd	10 000	230 000
MC Meats	38 000	874 000
Koala Park Abattoirs (Pvt) Ltd	40 000	920 000
E. R. York (Pvt) Ltd	20 000	460 000
Outback Safaris	10 000	230 000
Afro Hides and Skins (Z) (Pvt) Ltd	15 000	345 000



WITHHOLDING TAXES & DUE DATES

Withholding Tax	Due Date	Rate of Tax
Non residents shareholder	Within 30 days of the date of distribution	10% for dividends from securities listed on stock exchange 15% for other dividends
Resident Shareholder	Within 10 days of the date of distribution	10% for dividends from securities listed on stock exchange 15% for other dividends
Non-Resident Tax on Fees	Within 10 days of the date of payment	15%
Non-Resident Tax on Remittances	Within 10 days of the date of remittance	15%
Non-Resident Tax on Royalties	Within 10 days of the date of payment	15%
Residents Tax on Interest	Within 10 days of the date of payment	15%
Demutualisation levy	Within 3 months after issuing to the member	2.5%
Informal Traders Presumptive Tax	Within 30 days from the date the amount is recovered	10%
Withholding amounts under contracts	By the 10 th day of the month following month of payment	10%
Non-Executive Directors Fees	By the 10 th of the month following month of payment	20%
Property or Insurance Commission Tax	By the 10 th of the month following month of payment	20%
Intermediated Money Transfer Tax	By the 10 th day of the month following month of transaction	2%

DOUBLE TAXATION AGREEMENTS

Country	DIVIDEND %	FEES %	ROYALTIES %
Botswana	10	10	10
Bulgaria	10/15	10	10
Canada	10	10	10
France	10	10	10
Germany	10/15	7.5	7.5
Iran	5	15	5
Malaysia	10	10	10
Mauritius	10	15	15
Namibia	5/10	15	10
Netherlands	10/15	10	10
Norway	15	10	10
Poland	10	15	10
South Africa	5	5	10
Sweden	15	10	10
UK	5/15	10	10
Normal Rate	15/10	15	15

COMPARATIVE RATES OF TAX PAYABLE IN SELECTED AFRICAN STATES

	Botswana	Malawi	South Africa	Zambia	Zimbabwe
INDIVIDUAL TAX					
Maximum rate	25%	30%	45%	37,5%	41.2%
Level of taxable income at which maximum rate applies	P144 000	MWK 600 000	R1,500 000	K 74,400	US\$36,000
COMPANY TAX					
Manufacturing - 50%	15%	18%	28%	35%	20%
Normal non mining, local	22%	30%	28%	40%	25.75%
Non-resident Branch	30%	35%	28%	40%	-
Mining and other	22% - 55%	30%	28%	30% - 45%	15% - 25%
Cellphone operators	22%	33%	28%	35%	25,75%
OTHER TAXES					
Distributed Profits Tax	-	-	10%	15%	-
CGT	22%	-	18%,22,4%,36%	-	15%
VAT	12%	16.5%	15%	16%	14.5%
NRST	7,5%	5%/10%	-	15%	10%-15%
NRTI	15%	15%	-	15%	-
RTI	10%	15%	15%	20%	15%
NRTF	15%	15%	5	20%	15%
Royalty Tax (withholding tax)	15%	20%	15%	20%	15%
Dividend Withholding tax	7.5%	10%	20%	15%	10%/15%
Rental Income	5% -10%	15%	-	10%	0%- 10%
Non-Resident entertainers	10%	-	15%	20%	15%

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