



BDO

BDO

**MID-TERM BUDGET
BULLETIN 2022**

ZIMBABWE

CONTENTS :

1. BUDGET HIGHLIGHTS
2. CHANGES IN PERSONAL TAX
3. CHANGES IN CORPORATE TAX
4. CHANGES IN CUSTOMS AND EXCISE
5. CHANGES IN VAT
6. CHANGES IN CAPITAL GAINS TAX
7. OTHER INFORMATION





BUDGET HIGHLIGHTS

BUDGET HIGHLIGHTS

The Minister of Finance and Economic Development, Honorable Prof. Mthuli Ncube presented the 2022 Mid term National Budget on the 28th July 2022 which seeks to attain the following:

- GDP growth projected to 4.6% for 2022
- Maintenance of the multi currency regime
- Maintaining a tight monetary policy stance.
- Widening of PAYE tax bands
- 100% increase in royalty payments for platinum and lithium miners.
- Increase in CGT rate for marketable securities held for speculative purposes.

- Revenue collections to year end ZWL 1.7 trillion.
- Expenditures now estimated at ZWL 1.9 trillion.
- Public Debt continues at USD 13.2 billion.
- Publicly guaranteed debt at at the end of June 2022 at ZWL 1.3 trillion.
- Mining sector to grow by 9.5%.

Disclaimer

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

BUDGET HIGHLIGHTS

- Upward review of IMTT on local currency transactions from ZWL 1,000 to ZWL 2,500 is exempt w.e.f 1/08/2022. The USD exemption remains at USD 5.
- Maximum threshold is ZWL 165 million where a flat rate of ZWL 3,3million is payable on each transaction and USD500,000 where a flat rate of USD 20,000 per transaction is payable.
- Upward review of the monthly PAYE tax free threshold from ZWL 25,000 to ZWL 50,000 w.e.f 1/8/2022.
- Upward review of the tax-free bonus from ZWL 100,000 to ZWL 500,000 w.e.f 1/11/2022.
- Earnings above ZWL 1 million are taxed at the highest marginal tax rate of 40%.
- Tax free threshold on income earned in foreign currency remains at USD 100.
- Tax-free bonus paid in foreign currency remains at USD 700.
- Indefinite suspension of the reward for information by ZIMRA.

Disclaimer

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



PERSONAL TAX

The following changes for personal taxes are applicable:

- With effect from 1 August 2022 the tax-free threshold has been increased from ZWL 25,000 to ZWL 50,000 per month.
- Adjustment of tax bands to ZWL 5,000,001 for Aug 2022 to Dec 2022 w.e.f from 1 August 2022.
- Two tax periods from Jan 2022 to July 2022 with monthly tax free threshold of ZWL 25,000 and Aug 2022 to Dec 2022 monthly tax free threshold of ZWL 50,000.
- Earnings above ZWL 1 million per month are now taxed at the highest marginal tax rate of 40%.
- The tax-free bonus has been increased from ZWL 100,000 to ZWL 500,000 with effect from 01 November 2022.
- Tax-free bonus amount in foreign currency remains at USD 700.
- Tax free threshold on income earned in foreign currency remains at USD 100 per month.
- 50% of benefit for school fees for both teaching and non-teaching staff to form part of gross income.



Personal tax Earnings in local currency

Monthly Table; 1st August 2022-31st December 2022

Band of taxable income (ZWL)	Amount (ZWL)	Tax rate	Tax (ZWL)	Cumulative Tax (ZWL)
1 - 50 000	50 000	-	-	-
50 001 - 120 000	70 000	20	14 000	14 000
120 001 - 240 000	120 000	25	30 000	44 000
240 001 - 480 000	240 000	30	72 000	116 000
480 001 - 1 000 000	520 000	35	182 000	298 000
1 000 001 and more		40	-	

Monthly Ready Reckoner Table; 1st August 2022-31st December 2022

Band of taxable income (ZWL)	Amount (ZWL)	Tax rate	Tax (ZWL)	Cumulative Tax (ZWL)
1 - 50 000	Multiply by	0	Less	-
50 001 - 120 000	Multiply by	20	Less	10 000
120 001 - 240 000	Multiply by	25	Less	16 000
240 001 - 480 000	Multiply by	30	Less	28 000
480 001 - 1 000 000	Multiply by	35	Less	52 000
1 000 001 and more	Multiply by	40	Less	102 000

Personal tax
Earnings in local currency

Annual PAYE Table Annual Table; 1st August 2022-31st December 2022

Band of taxable income (ZWL)	Amount (ZWL)	Tax rate	Tax (ZWL)	Cumulative Tax (ZWL)
1 - 250 000	250 000	-	-	-
250 001 - 600 000	350 000	20	70 000	70 000
600 001 - 1 200 000	600 000	25	150 000	220 000
1 200 001 - 2 400 000	1 200 000	30	360 000	580 000
2 400 001 - 5 000 000	2 600 000	35	910 000	1 490 000
5 000 001 and more		40	-	

Annual Ready Reckoner Table; 1st August 2022-31st December 2022

Band of taxable income (ZWL)	Amount (ZWL)	Tax rate	Tax (ZWL)	Cumulative Tax (ZWL)
1 - 250 000	Multiply by	-	Less	-
250 001 - 600 000	Multiply by	20	Less	50 000
600 001 - 1 200 000	Multiply by	25	Less	80 000
1 200 001 - 2 400 000	Multiply by	30	Less	140 000
2 400 001 - 5 000 000	Multiply by	35	Less	260 000
5 000 001 and more	Multiply by	40	Less	510 000

Personal tax Earnings in foreign currency

The tax tables for USD tax tables remains the same

Monthly Table; 1st January 2022-31st December 2022

Band of taxable income (USD)	Amount (USD)	Tax rate	Tax (USD)	Cumulative Tax (USD)
1 - 100	100	-	-	-
101 - 300	200	20	40	40
301 - 1 000	700	25	175	215
1 001 - 2 000	1 000	30	300	515
2 001 - 3 000	1 000	35	350	865
3 001 and more		40	-	

Monthly Ready Reckoner Table; 1st January 2022-31st December 2022

Band of taxable income (USD)	Amount (USD)	Tax rate	Tax (USD)	Cumulative Tax (USD)
1 - 100	Multiply by	0	Less	-
101 - 300	Multiply by	20	Less	20
301 - 1 000	Multiply by	25	Less	35
1 001 - 2 000	Multiply by	30	Less	85
2 001 - 3 000	Multiply by	35	Less	185
3 001 and more	Multiply by	40	Less	335

Personal tax Earnings in foreign currency

The tax tables for USD tax tables remains the same

Annual PAYE Table Annual Table; 1st January 2022-31st December 2022

Band of taxable income (USD)	Amount (USD)	Tax rate	Tax (USD)	Cumulative Tax (USD)
1 - 1 200	1 200	-	-	-
1 201 - 3 600	2 400	20	480	480
3 601 - 12 000	8 400	25	2 100	2 580
12 001 - 24 000	12 000	30	3 600	6 180
24 001 - 36 000	12 000	35	4 200	10 380
36 001 and more		40	-	

Annual Ready Reckoner Table; 1st January 2022-31st December 2022

Band of taxable income (USD)	Amount (USD)	Tax rate	Tax (USD)	Cumulative Tax (USD)
1 - 1 200	Multiply by	-	Less	-
1 201 - 3 600	Multiply by	20	Less	240
3 601 - 12 000	Multiply by	25	Less	420
12 001 - 24 000	Multiply by	30	Less	1 020
24 001 - 36 000	Multiply by	35	Less	2 220
36 001 and more	Multiply by	40	Less	4 020



CORPORATE TAX

CORPORATE TAX

Submission of Tax Returns

With effect from 1 January 2023, taxpayers whose revenues are in both USD and local currency shall elect to either;

- a) submit a separate return for incomes in foreign currency.
- b) clearly distinguish the currencies of receipt on the tax return.

Thus, the local currency is no longer the only currency of account.

Definition of Assessment

With effect from 01 January 2023 the definition of assessment has been expanded to include all taxes.

Special Economic Zones (SEZs)

Licensed investors should export 100% of their goods and services to be eligible for tax benefits.

Gross Income

50% of school benefit granted to a member of the teaching or non-teaching staff shall form part of gross income.

Resident Shareholder's Tax

Excess management fees now regarded as dividend.

Exemptions

Incomes of POSB now exempt.

With effect from 01 November 2022, the bonus tax free threshold increased from ZWL100 000 to ZWL500 000. The USD threshold remains at USD700.





INTERMEDIATE MONEY TRANSFER TAX (IMTT)

- 1. The definition of “transaction on which the tax is payable” is amended to include Money Transfer Agencies.
 - IMTT will not apply to inbound foreign currency remittances.
- 2. Amounts equal to or less than ZWL 2,500 or US 5 is exempt for IMTT.
- 3. Maximum threshold is ZWL 165 million where a flat rate of ZWL 3,3 million is payable on each transaction and USD 500,000 where a flat rate of USD 20,000 per transaction is payable with effect from 01 August 2022.



CUSTOMS & EXCISE

CUSTOMS AND EXCISE



Rebate of duty on equipment for use in scientific research

In order to capacitate local research institutions through infrastructure that promotes knowledge, it is proposed to introduce a new Rebate of Duty on equipment for use in scientific research imported by institutions approved by Ministries responsible for Health, Mining, Agriculture and Higher and Tertiary Education

Monitoring of Cigarettes production and Destruction policy

In order to enhance monitoring and enforcement mechanism, where ZIMRA tallies production cigarettes to specific duties, the Minister proposed sealing of production counters on individual production machines.

Given that the majority of seizures of illicit cigarettes are local brands, it was proposed to introduce a destruction policy for destroying all confiscated illicit cigarettes with effect from the 1st of August 2022.

CUSTOMS AND EXCISE DUTY

Border post management and inspection of cargo

Minister also proposed to designate ZIMRA as the controller of border posts. In addition, it was proposed that inspection of cargo be conducted concurrently with other border agencies where necessary. This is in the interest of reducing the cost of doing business.

Sharing of information between government departments

In a bid to facilitate registration for tax by non-resident employees, the Minister proposed for mandatory sharing of data on non-resident work permits between ZIMRA and Department of Immigration.

VAT on importation of motor vehicles by returning residents

Minister proposed to align the Value Added tax regulations to cater for payment of VAT on importation of motor vehicles by returning residents with effect from 1 January 2022

A hand is visible on the right side of the page, holding a white document. The BDO logo is printed on the document in blue and red. The background of the page is a light grey gradient on the left and a dark blue gradient on the right.

BDO



VALUE-ADDED TAX



To reduce VAT registration threshold from USD60 000 per annum to USD 40,000 or the local currency equivalence effective 1 September 2022.

To criminalise failure to remit tax .

VAT deferment on capital equipment increased to USD 500 000 with effect from 1 September 2022.

Proposal to suspend export tax of un-beneficiated platinum. This is meant to align the decision to the VAT Act.

To remove the Commissioner's discretionary power to allow tax invoices to be claimed after expiry of twelve months. This has the effect of restricting claiming of input tax within twelve months.



There is a proposal to widen the definition of legal tender to include electronic currency in the VAT Act to align with the provision of the RBZ Act, with effect from 1 February 2019.

VAT registered operator can opt to pay VAT in foreign currency on importation of goods which are not designated.

It is proposed to exempt bricks from VAT with effect from 1 August 2022. This means that suppliers of bricks will be no longer allowed to claim input tax incurred in the making of the bricks.

There is a proposal to include the definition of electronic service provider and operator for ease of administration



CAPITAL GAINS TAX

RATES OF CAPITAL GAINS TAX [CGT]

With effect from 01 May 2022 per Ministerial statement, the capital gains tax chargeable shall be calculated as follows:

	Rates	Currency
Listed Securities held for at least 270days	1.5% of gross capital amount	ZWL
Listed securities held for less than 270 days	40% of gross capital amount	
Unlisted Securities held for at least 270days	5% of gross capital amount	ZWL
Unlisted securities held for less than 270 days	40% of gross capital amount	

For specified assets

- Transfer of ownership shall only be executed upon presentation of a certificate issued by ZIMRA stating that any capital gains tax payable on the acquisition of the specified assets has been paid.

For More Information.

Ngoni Kudenga

Managing Partner

+263 242 703 876

nkudenga@bdo.co.zw

Maxwell Ngorima

Tax Partner

mngorima@bdo.co.zw

Peter Dube

pdube@bdo.co.zw

Charity Machiridza

cmachiridza@bdo.co.zw

Pauline Mukamba

pmukamba@bdo.co.zw

Prince Makoni

pmakoni@bdo.co.zw

Stellah Ali

sali@bdo.co.zw

Robbie Maremero

rmaremero@bdo.co.zw

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO Zimbabwe to discuss these matters in the context of your circumstances. BDO Zimbabwe, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO Zimbabwe or any of its partners, employees or agents.

BDO Zimbabwe, a Zimbabwean partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Copyright © July 2022 BDO Zimbabwe. All rights reserved.

CONTACT DETAILS

33 Harvey Brown Avenue

Milton Park

Harare

Office contact details +263 242 745 242/246

www.bdo.co.zw

bdo@bdo.co.zw