

... Net revenue collections above target by 2.7% at US\$1.70 billion in H1 2017...

...Revenue performance lifted by improved efficiency in tax collection ...

... the major revenue contributors were Individual Tax; VAT (Local and Imports); Excise Duty and Company Tax...

The Zimbabwe Revenue Authority “ZIMRA” on 13 July 2017 published the government’s revenue performance for the half year ended 30 June 2017 “H1 2017”. The following were the salient features:

- Total net revenue collections amounted to US\$1.70 billion, above the target by 2.7%, due to improved efficiency in tax collection. According to Zimra, improved efficiency was realised through enhancing Invoice Management System, implementing the Electronic Cargo Tracking System, augmenting the Fiscalisation System and fighting corruption, among other initiatives.
- In addition, the net revenue collections were 9.7% higher than the US\$1.55 billion realised in H1 2016. **Table 1** below outlines the respective revenue heads performance for H1 2017.

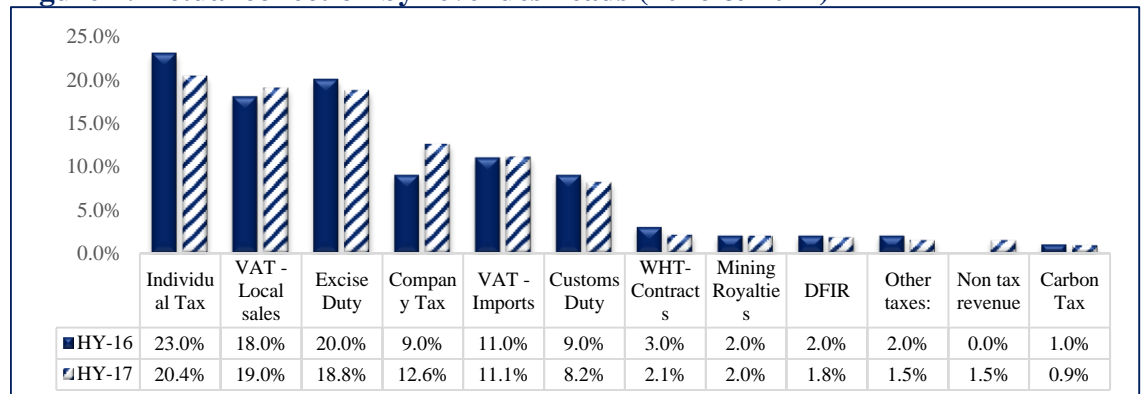
**Table 1: Performance per Revenue Head**

Revenue head	Target (US\$m)	Actual (US\$m)	Variance (%)
Individual Tax	375.3	347.4	-7.4%
VAT - Local sales	330.3	323.9	-2.0%
Excise Duty	330.4	319.1	-3.4%
Company Tax	157.0	214.3	36.5%
VAT - Imports	169.7	188.6	11.1%
Customs Duty	141.4	139.5	-1.3%
Withholding tax on Tenders	43.8	36.5	-16.6%
Mining Royalties	27.9	34.3	22.8%
Dividends, Fees, Interest & Remittances (DFIR)	28.6	31.4	9.6%
Carbon Tax	17.25	15.23	-11.7%
<b>Other taxes:</b>			
CGT & CGT Withholding Tax	12.46	10.69	-14.2%
Other Indirect Taxes	12.99	14.96	15.2%
Tobacco Levy	9.00	-	-
<b>Non-tax revenue</b>	-	25.46	-
<b>TOTAL</b>	<b>1,656.10</b>	<b>1,701.21</b>	<b>2.7%</b>

Source: ZIMRA

- As shown in Table 1 above, the major revenue heads that surpassed targets were Company Tax (36.5%); VAT on Imports (11.1%) and Mining Royalties (22.8%).
- On the other hand, underperformance was recorded for Customs Duty (-13.5%); Individual Tax (-7.4%); Excise Duty (-3.4%); VAT on Local Sales (-2.0%) and Customs Duty (-1.3%), among other revenue heads.
- In terms of the breakdown, the major revenue heads were Individual Tax (20.4%); VAT on Local Sales (19.0%); Excise Duty (18.8%); Company Tax (12.6%) and VAT on Imports (11.1%). **Fig.1** below outlines the actual collection trends for each revenue head between H1 2016 and H1 2017.

**Figure 1: Actual collection by revenues heads (2016 & 2017)**



Source: ZIMRA

- Turning to revenue heads performance, **Table 2** below outlines the respective factors that affected revenue performance.

**Table 2: Major determinants for revenue heads performance**

Revenue Head	Over/Under Performance	Reasons
Individual Tax	Under	Salary cuts, retrenchments and irregular salary payments by some corporates
Company tax	Over	Profitability in the financial sector & increased compliance efforts by Zimra
VAT-Local Sales	Under	High VAT refunds
VAT - Import	Over	Increased imports of VAT paying goods
Customs Duty	Under	Duty -suppressing instruments such as rebates, suspensions & trade agreements
Excise Duty	Under	Subdued volumes due to smuggling of selected goods
Withholding tax on Contracts	Under	Low levels of business activity
Carbon Tax	Under	Low imported volumes of petrol
Mining Royalties	Over	Firming up of mineral prices and increased production in gold and platinum
DFIR	Over	Improved profitability of companies
Other taxes	Under	Low levels of business activity

Source: Zimra

- ZIMRA noted that the revenue collections in the second quarter was 3.73% higher at US\$874.64 million, compared to the target of US\$843.16 million, mainly due to increased efficiency in tax collection.

### Regional peer analysis

- Meanwhile, comparative regional revenue/GDP ratios indicate that the country is performing in line with countries like Malawi, South Africa and Mozambique. As illustrated in **Table 3** below, Botswana has a higher ratio of revenue to GDP, whilst Zambia has the lowest ratio.

**Table 3: Revenues as a percentage of GDP (%)**

Country	2012	2013	2014	2015	2016
Botswana	36.3	37.8	38.4	31.6	32.0
Malawi	27.1	28.3	25.0	24.6	25.2
Mozambique	27.0	31.4	31.8	28.0	24.7
South Africa	27.4	27.6	28.2	29.6	29.4
Zambia	18.7	17.6	18.9	18.8	17.9
Zimbabwe	28.0	27.7	26.6	26.6	24.9
<b>Average (Excl Zim)</b>	<b>27.3</b>	<b>28.5</b>	<b>28.5</b>	<b>26.5</b>	<b>25.8</b>

Source: IMF & Ministry of Finance

### General comments ...

- Zimra's efforts towards improving tax efficiency is commendable as reflected by the positive statistics registered in H1 2017. Going forward, policy makers may need to support the taxman's efforts through pro-growth policy interventions. Such interventions include availability of affordable long-term capital, provision of targeted facilities and incentives for key sectors, improved and affordable supply of utilities, among other initiatives. This will be critical in improving the country's productive base and resultantly grow government's revenue base.

...Q2-17 Revenue performance up 3.7% at US\$874.64 million...

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