



MONTHLY TAX UPDATE

SEPTEMBER 2022

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September 2022 MTU

We are honoured to present our September 2022 Monthly Tax Update ("MTU") which is designed to keep businesses and individuals informed of the latest tax issues and also bring value to both.

Each month we will consider the latest changes to the tax rules – legislative, case law, and Authorities announcements and interpretations that bring relevancy to the business environment.

Monthly Tax Updates ensure that our valued members are kept in tune with changes in the tax arena. They provide you an opportunity to stay on top of developments that directly and indirectly affect you and your clients/business. The focus is on key guidance from legislation, tax agencies and the courts that represent new interpretations, as well as guidance on new laws.

The updates are accompanied by an insightful commentary pointing out the key takeaway points from the material. Aside to what our regular Newsletters provide, MTUs are meant to help you:

- Identify new tax planning opportunities.
- Keep you updated with all changes in the tax world.
- Keep you aware of current revenue and fiscal announcements and interpretations.
- Recognize pitfalls many professionals miss.
- Minimize compliance errors and offer practical and effective tax solutions.

The contents of this month's MTU edition are as follows:

- Suspension of duty on commercial tyre imported by approved Importers.
- Amendments brought by the consolidated Finance Bill
- Duty suspension on commercial tyres
- Relief from tax on unbeneficiated hides exports
- NSSA: Accident Prevention and Worker's Compensation Scheme
- NSSA: Pensions and Other Worker's Compensation Scheme
- Pension Fund transfer of assets to REIT gets VAT exemption
- Court Case: Services rendered for non-residents not all zero rated
- Payment of income tax in foreign currency; The saga continues
- New CGT Law on Listed Shares and stock Market
- ZIMRA discretion to allow claiming of prescribed invoices repealed
- ZWLS PAYE tax tables application and administrative difficulties looming



Marvellous Tapera
Chief Executive officer



Keamuhetsoe Masiane
Tax Research Assistant



1. Matrix Group News!

1.1 Tax Hub "Chitubu/ Ixhaphozi"



Tax Hub "Chitubu/ Ixhaphozi"

At Matrix Tax School we believe that information is a critical tool for solid business decisions and a valuable reference to those training as young professionals. The ability to navigate efficiently through ever-changing rules & laws in the taxation arena empowers you to grow your career and knowledge base. The MTS Tax Hub is a tax resource centre. It exists to simplify and understand tax tasks with trusted research and industry-leading knowledge. The Tax Hub platform combines an extensive, trusted tax law database with powerful tax insights, reporting, debates, and discussions for & from tax professionals. The tax hub provides;

1. Easy access to tax research
2. Monthly Tax Update Webinars
3. Collaboration opportunities for research & innovations
4. A platform to understand policy
5. Discussion and debates on tax by experts.

The Tax Hub aims to be a one stop shop in establishing a collaborative and inclusive platform to stimulate dialogue and knowledge sharing on domestic resource mobilization and international tax cooperation in the Southern African Region and the whole continent at large. Tax data is a key component to increase efficiency as it allows developing member countries and development partners to direct scarce resources where they are most needed. Collecting and analysing data on Domestic Resource Mobilization and International Tax Cooperation is critical to establish baselines, benchmarks, and goals. We acknowledge the importance of tax data to guide evidence-based investment, tax policymaking understanding tax administration and to aid developing member countries across Africa in achieving the Sustainable Development Goals.

The Hub provides an open, inclusive, and pan-regional tax platform for:

- Strategic policy dialogue, knowledge sharing, development collaboration and cooperation, institutional and capacity development, and exchange of information and ideas through a dialogue among key decision makers, business personnel and developing member countries; covering all developing members in the African region and in the future influence the world.
- The Hub will invite experts in the field of tax to come deliberate and share views on tax, revenue collection and its administration.
- We strive to stimulate a continuous contribution to a proper governance in our revenue administration.

What to find in the Tax Hub

Tax News & Updates

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2. New Legislative Provisions

2.1 Amendments Brought by the consolidated Finance Bill

The Mid-term Finance Bill has gone through scrutiny in both houses of the Parliament leading to a consolidated Finance Bill. We note the new changes in the Bill below:

The following are Deleted Clauses:

- **Criminal Penalty for remitting VAT late:** The previous proposal had established criminalizing an act of remitting VAT late criminal liability however this has been scrapped off.
- **Amendment to the Customs and Excise Act to make the Zimbabwe Revenue Authority [ZIMRA] the temporary Border Ports Authority:** The initial bill had proposed to make ZIMRA the responsible authority at the Border Posts. The consolidated bill has deleted this position and is to wait pending the enactment of an Act of Parliament establishing a permanent Border Ports Authority

Amended Clauses:

- **Income and threshold and bands:** Proportional changes to the tax bands were agreed. For the last five months of 2022, a monthly salary of ZW\$ 75,000 will be tax-free and the highest rate of income tax [40%] will be charged on a monthly salary of over ZW\$ 1,000,000. *There was no change to the tax threshold or bands for incomes in US dollars. This matter is analysed in detail below*
- **Automated financial transactions tax [on cash withdrawals]:** The rates remain the same as fixed by SI 96 [5 ZW cents for a ZWL withdrawal of more than ZW\$ 1,000. and 5 US cents for a withdrawal of US\$ 1,000 or less]. Note: *As SI 96 is validated retrospectively to 1st May, there will be no refunds for past transactions to which the rate of 2% applied. The new rate of 1% will only come into force on the date this Finance Bill is published in the Government Gazette as the Finance Act, 2022; and it will only apply to transactions on or after that date.*
- **Presumptive tax on informal cross-border traders:** The Minister agreed to reduce the proposed increase of this tax from 30% of the value for duty purposes of the goods being imported to 20%.
- **Manner in which VAT to be paid:** The consolidated Bill proposes to align the Value Added Tax to the provisions of the Reserve Bank Act with respect to the recognition of electronic currency as legal tender with effect from 1 February 2019.
- **Rates of capital gains tax (CGT) and capital gains withholding tax (CGWT):** In the case of sale of listed marketable securities, the law has now moved the holding period before sale on which 40% rate applies from 270 days in the initial Bill to 180 days. However, the law seems to be vague on the CGWT for the period 180 and 270 days. This appears to be a drafting error. See article 4.2 for details below.
- **Royalties on platinum and lithium:** To increase the royalties to 7% on both platinum and lithium with effect from 1 January 2023. The initial bill had proposed an increase to 5%. Meanwhile, both bills are proposing royalties are remitted half in foreign currency to the ZIMRA
- **Board of Directors for ZIMRA:** The Initial Finance Bill had pegged the ZIMRA board members at 10 and this is revised to 9 in the Consolidated Finance Bill.

2.2 Duty suspension on commercial tyres

The law and Interpretation

The Minister of Finance and Economic Development has through SI160 of 2022 gazetted from 2 September 2022 suspended duty on Commercial tyres imported by approved importers for a period of two years from the date of publication. The Commissioner is also empowered to refuse granting a suspension if the importer has no license to import issued by the Minister responsible for Industry and Commerce or on the basis of not complying with the regulations of importation. An important requirement is a declaration signed by the importer to the effect that the commercial tyres are to be used on commercial buses and lorries. The rate of duty shall be at 15%. The table as follows shows the quantity eligible for duty suspension

Description of Goods	Commodity Code	Number of ring-fenced commercial tyres for twenty-four months
Other (New pneumatic kind used on buses or lorries)	4011.20.90	1 500,000

Decision Impact

It is imperative to advise approved importers to look out for the dates when the suspension expires so that they are not caught on the wrong side by the ZIMRA.

2.3 Relief from tax on unbeneficiated hides Exports

The law and Interpretation

SI161 of 2022 shall be cited as the VAT (Unbeneficiated Hides Export) (Amendment) Regulations 2022. This is amending SI 274 of 2018 which had granted export tax relief on unbeneficiated hides exported by a registered merchant and these would only apply to excess stockpile for the period from 1 January 2019. The new law has set a new period for the export tax relief for unbeneficiated tax relief with effect from 1 June 2022 until 31 May 2024. The relieved quotas per each registered merchant are as follows:

Name of Company	New Number of Hides	New Weight of Export quota (kgs)	Repealed Number of Hides	Repealed Weight of export quota(kgs)
Meggertop Enterprises	40,000	800,000	40,000	920,000
Global Tanners (Private) Limited	40,000	800,000	20,000	460,000
Bellevue Abattoirs (Private) Limited	25,000	500,000	22,021	506,483
Bulawayo Abattoir	45,000	900,000	31,000	713,000
Surrey Abattoir	20,000	400,000	4,040	92,290
MC Meats (Private) Limited	48,000	960,000	37,320	858,360
Koala Park Abattoir	50,000	1,000,000	57,608	1,324,984
ER York (Private) Limited	30,000	600,000	14,300	328,900
Outback Safaris	20,000	400,000	10,122	232,806
Afro Hides & Skins Z (Private) Limited	15,000	300,000		
Zimnyama Abattoirs	24,000	480,000		
Paperhole Abattoirs (Private) Limited	24,000	480,000		

Decision Impact

The government imposes an export tax on exported hide before beneficiation of \$0.75 per kg or 14.5% of the export consignment whichever is higher. The relief may be influenced by the lack of demand and excess stocks in the current market.

2.4 NSSA: Accident Prevention and Worker's Compensation Scheme

The law and Interpretation

The Minister of Public Service, Labour and Social Welfare has through SI162 of 2022 revised the compensation where worker dies through an accident from ZWL\$26,880 to ZWL\$48,000 and also increased pension fee by 110.89%. This also provides a definition of "The twenty-fifth appointed date" phrase cited in SI68 of 1990 to mean the 1 st of July 2022. The pension allowances are tabulated below:

Beneficiary	Amount (ZWL\$)
Worker	21,600.00
Widow/Widower	14,400.00
Children	2,700.00
Full dependent Allowance	4,800.00
Partial Dependent's Allowance	3,600.00

Decision Impact

The rates remain on low ranking and have not changed much from what was prescribed by SI137 of 2022. Inflation at this point still is playing an influencing role behind these rates.

2.5 NSSA: Pensions and Other Benefits Scheme

The law and Interpretation

The Minister of Public Service, Labour and Social Welfare has through SI163 of 2022 amended the rate of retirement pension to ZWL\$16,000 with a 78,5714% increase across the board with effect from 1 st of July 2022. Rate of Funeral Grant is also revised from ZWL\$26,880.00 to ZWL\$48,000.00 from the same date.

Decision Impact

The adjustment comes forth as a necessity because of inflation but the amounts nevertheless remain negligible and could be reviewed again.

2.6 NRZ Pension Fund transfer of assets to REIT gets VAT exemption

The law and Interpretation

The Minister of Finance and Economic Development has through SI 167 of 2022 amended VAT (General) Regulations, published in SI 273 of 2003 by adding the transfer of existing properties wholly owned by NRZ Contributory Pension Fund to a Real Investment Trust (REIT), registered as such under the Collective Investment Schemes Act [Chapter24:19] and wholly owned by the Pension Fund transferring the property as part of exempt supply of goods/services from payment of value added tax.

Decision Impact

This addition would be an advantage to members of the NRZ Contributory Pension Fund as transfer of their existing properties is exempt from VAT. However, the word “existing” leaves room for questions on whether or not properties that are not yet under the fund will also be subject to this law.



3. Court Case

3.1 Services rendered for non-residents not all zero rated

Case name	G Private Limited v Zimbabwe Revenue Authority HH 11-22
Summary Facts	<ul style="list-style-type: none"> G Pvt Ltd (“G”) is in the business of implementing and monitoring foreign donor-funded projects in Zimbabwe. ZIMRA ran a tax audit on the company and found out that it was not VAT registered. ZIMRA penalised the company for that and charged it for interest for the default. G asserts that it had previously made enquiries with the ZIMRA on whether or not it was VAT liable but was told that it was not. It was not pleased with the ZIMRA assessments hence the current court case
Jurisdiction	<ul style="list-style-type: none"> Harare High Court, Harare
Issues	<ul style="list-style-type: none"> Whether the services rendered by G to foreign donor organizations were rendered for the benefit of non-residents Whether the penalty levied by ZIMRA was justifiable and appropriate
Decision date	<ul style="list-style-type: none"> 2 January 2022
Decision	<ul style="list-style-type: none"> That the appeal succeeds in part That the penalty imposed is set aside That the appeal is otherwise sets aside No order as to costs

The Facts

G (Pvt) Limited is a local company registered according to the laws of Zimbabwe. Its functions include the implementation and monitoring of foreign donor-funded projects in Zimbabwe. To that end, and during the relevant period, it concluded various contracts with a number of foreign entities among whom were the Commonwealth of Australia, Deutsche Welddhungerhilfe, a German organization and the British council all through their offices in Harare. ZIMRA carried out an audit of the company which revealed that it was not VAT registered despite its annual sales being above registration threshold. The ZIMRA then registered G compulsorily backing the registration. G alluded to the fact that it had visited the ZIMRA to inquire on whether or not it should pay VAT but was advised not to. Hence the current court case.

Competing arguments

ZIMRA	
Whether G rendered services for the benefit of non-	<ul style="list-style-type: none"> That G alluded that it was not involved in the implementation of any projects. That with regard to all three organizations, it contracted with foreign residents to do work for their benefit That the services it rendered did not qualify to be zero rated in that they were

residents	<p>supplied for the benefit of, and contractually to, residents of Zimbabwe</p> <ul style="list-style-type: none"> • That while ordinarily the foreign organizations would not normally be regarded as residents of Zimbabwe they are deemed to be so by virtue of s2 of the Act which defines 'resident of Zimbabwe' as follows: <i>"resident of Zimbabwe" means a person, other than a company, who is ordinarily resident in Zimbabwe or a company which is incorporated in Zimbabwe: Provided that any other person or any other company shall be deemed to be a resident of Zimbabwe to the extent that such person or company carries on in Zimbabwe any trade or other activity and has a fixed or permanent place in Zimbabwe relating to such trade or other activity"</i>
	<ul style="list-style-type: none"> • That the ZIMRA had registered G compulsorily after an analysis of the nature of the services they rendered. • That had there been no audit conducted on it the fiscus would have been prejudiced • That the ZIMRA was empowered by the law to impose the 100% tax penalty since the conditions for remission of tax were not satisfied by G.
ZIMRA	
Whether G Pvt Limited rendered services for the benefit of non-residents	<ul style="list-style-type: none"> • That the role of G was merely to monitor projects by certain donor organizations and to report to them. • That for all the Foreign Entities, they had offices in Harare where all the contracts for the projects were signed. • That as to the agreement with the British Council it was emphasized that the agreement was with London and not the local office in Harare although signed by the British representative at the British council offices in Harare. • That its function in this agreement was to monitor and report upon an artists and youth program funded by the British Council in Zimbabwe, it was to seek out partners with whom the organization could work • That its role was merely to organize workshops at which the would-be partners and the donors would meet. • That as a result of that their services were for non-residents.
Justification of ZIMRA's penalties	<ul style="list-style-type: none"> • That ZIMRA has acted wrongly in its assessments • That at one point the ZIMRA advised it was not liable to register for VAT. • That when we approached ZIMRA to enquire whether there is need to register for VAT one representative for ZIMRA told us there was no need. • That the representative said there was no need because our projects were funded by foreign donor organisations and should not register for VAT. • That the representative stated further that the registration would disadvantage the State since G would not be paying VAT yet it would be entitled to VAT claims. • That this shows that we never intended to evade liability. • That the penalty imposed be set aside.

Court reasoning and decision

Whether G Pvt Limited rendered services for the benefit of non-residents	<ul style="list-style-type: none"> • That the definition of 'resident of Zimbabwe' provides for circumstances where, even though a person may not be resident in Zimbabwe as a matter of fact, he or it will be regarded for the purposes of the Act to be one accordingly, • That the organisations G works for are residents of ZIM in terms the VAT Act.
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<p>residents</p>	<ul style="list-style-type: none"> • That being so, the services which G claims were rendered for their benefit actually were rendered for the benefit of residents of Zimbabwe. • That the zero rating of services to nonresidents is term of s 10 (2)(1) which reads in part “the services are supplied for the benefit of and contractually to a person who is not a resident of Zimbabwe and who is outside Zimbabwe at the time the services are rendered, not being services, which are supplied directly in connection with...” • That the key features of the section are that: i) there must be a service ii) supplied for the benefit of and contractually to a person who is not a resident of Zimbabwe; and iii) the recipient of the service in i) must be outside Zimbabwe at the time the service is rendered. • That the fact of their residence in ZIM disqualifies the services rendered to them for zero rating and must all be present in order to qualify the services for zero rating. • That the ZIMRA is correct in stating that non-residents who carries service in or in Zimbabwe any trade or other activity and has a fixed or permanent place in Zimbabwe relating to such may be deemed residents of Zimbabwe/ • That all the three organisations which G rendered services had offices in Zimbabwe from which they carry on various activities • That these offices, accordingly fall within the definition of ‘fixed or permanent place in Zimbabwe relating to such trade or ... activity’. • That the word ‘activity’ is of a wide sphere of enterprise or action and so as to include the activities undertaken by the organisations under mention. • That they all have a fixed or permanent places in Zimbabwe relating to such trade or other activity and are deemed by s 2 of the Act to be ZIM residents. • That G rendered services for the residents of Zimbabwe even though they were working under and for foreign entities • That the appeal is to be dismissed partly on the basis of this and no order as to costs.
<p>Justification for the ZIMRA penalties</p>	<ul style="list-style-type: none"> • That G received advice to the effect that it was not liable for VAT registration which established its belief since the ZIMRA had said so. • That G was cooperative with ZIMRA in respect of the audit and other enquiries. • That it acted bona fide and had no intention to evade payment of tax • That in that light the penalty-imposed ought to be set aside in its entirety. • That the appeal succeeds in part and there was no order as to costs. • That the appeal be dismissed

Decision Impact

Taxpayers must familiarize with the law so that when doing their house keeping issues, they do not find themselves on the receiving end during ZIMRA Audits. Meanwhile, when taxpayers are advised by the ZIMRA, they should request such advice be documented as future reference in case of requesting for penalty waiver.



4. Technical interpretation

4.1 Payment of income tax in foreign currency; The saga continues

The Finance Act provides for split tax liability on the basis of respective taxable incomes when earnings are partly in foreign currency and Zimbabwean dollar (ZWL\$) but however remains silent on the methodology of split. It is also silent on the issuance of two assessments in foreign currency and Zimbabwe dollar in respect of the same year of assessment. ZIMRA Public Notices have tried to address the issue of splitting the tax liability in local and foreign currency and since these are not law various methods of computation and split of income in the market have been in use. As a result, the legislature has sought to address that through the Midterm fiscal budget. The new law proposes the need for taxpayer to submit a separate return of income in foreign currency if they earn income in foreign currency. Implying that two returns are to be filed when trade takes place in local and in foreign currency. It is further proposed that a taxpayer be assessed on the proportions of tax to be paid in Zimbabwe dollars or in foreign currency based on the proportions in which each part of the income was earned in the year of assessment. The same will apply for deductions and allowances which will have to be apportioned between the United States Dollar (USD) and (ZWL\$) income tax computations on the basis of income in USD and ZWL\$. Income in foreign currency other than United States must be converted to United States dollar using the international cross rate of exchange on the date of the return. The legislature also proposes for the usage of the average auction rate applicable in a year of assessment for purposes of conversion anything from USD to ZWL or vice versa where necessary for purposes of computation of tax. For purposes of computing the Quarterly Payments (“QPDs”) it is proposed to use the average auction rate of the quarter. The new law is proposed to apply from the year of assessment beginning 1 January 2022. The practical example as follows

EXAMPLE

XYZ Limited is about to prepare its 4 th QPD for 2022. It has income comprised of ZWL\$27,600,000 and US\$15,000. Deductible expenses of ZWL\$15,500,000 and US\$16,000. The average auction rate for the quarter is ZWL\$615 to US\$1.

Suggested solution

Item	ZWL\$	USD	Rate	USD Converted	Total
Income	27,600,000	15,000	615	9,225,000	36,825,000
Proportion	74.95%			25.05%	
Expenses	15,500,000	16,000	615	9,840,000	25,340,000
Combined Taxable income					<u>11,485,000</u>

Option 1: Tax split

Item	ZWL\$	USD
Income	27,600,000	15,000
Expenses (split using income ratio)	<u>18,992,098</u>	10,322
Taxable income	<u>8,607,902</u>	4,678
Tax thereon @ 24.72%	2,127,873	1,156

Option 2: Tax split

Item	ZWL\$	ZWL\$ equiv	USD
Taxable income**	8,607,902	2,877,097.76	4,678.21
Tax thereon @ 24.72%	2,127,873	711,219	1,156

*The combined expenses converted to ZWL\$ is split using ratio of incomes, then the ZWL\$ equivalent of USD is then converted to actual USD using the average auction rate for the quarter

** The combined taxable income ZWL\$ is split using ratio of incomes, then the ZWL\$ equivalent of USD is then converted to actual USD using the average auction rate for the quarter

Note that the approach in Option 1 allows you to obtain key elements in the completion of separate ITF12Cs (income tax returns)

Decision Impact

Whilst the Finance Bill has attempted to cure the defect in the previous law regarding the method of tax split and operationalizing the collection of tax in foreign currency, the new law is administratively engaging due to the need to identify actual income and expenses in foreign currency and reconvert these to ZWL\$ using the auction average rate for the quarter. After which the combined expenses in ZWL\$ is then apportioned using ratio of incomes. This is impressed on the need to keep separate accounts in ZWL\$ and USD. This approach also appears to depart from the ZIMRA's position that advocates for splitting tax liability on the basis of turnover through resolving the issue of taxable income received, earned or accrued in foreign currency but clarity is still misty. If QPDs are computed using the average auction rate of the quarter and yet the final income is based on average for the year there are high possibilities of inaccuracies in tax computation which may threaten the general rule of 10% of the margin error in tax estimate. Hence two taxpayers with the same profile of income and expenses may pay different taxes because of the different timing of their incomes and expenses (seasonal impact).

4.2 New CGT Law on Listed Shares and Stock Market

Listed marketable securities are generally exempt from capital gains tax (CGT) but subject to final capital gains withholding tax (CGWT). The exemption however does not apply with effect from 13 th of May 2022 on listed marketable securities which are sold in less 180 days from the date of their acquisition. The same marketable securities were subject to CGWT of 4% of proceeds according to SI 96 of 2022. The revised Bill ratifies this law but revise the CGWT rate from 4% to 40% of proceeds if the listed marketable securities are disposed of or sold in less 180 days from the date of their acquisition. It has therefore increased the rate so as to curb the impact that those with the listed securities have on the stock exchange. This CGWT is not a final tax, upon assessment however the final capital tax liability of 40% of the capital gain will apply. Meanwhile, 1.5% of the price at which a listed marketable security is sold for would apply for marketable securities which are held for at least 180 days before the sale date. This is a final tax and has been reduced from 2% by SI 96 of 2022 with effect from 13 th of May 2022.

The table summaries CGWT and CGT rates in the revised Finance Bill as follows:

Date of sale or disposal	In less than 180 days	Between 180 - 270 days	After 270 days
CGWT	40%	40%* or 1.5% ??	1.50%
CGT	40%	Exemption	Exemption

*This appears to be a drafting error as the Bill maintained 270 days in the clause which deals with CGWT

Decision Impact

There really is not much smoke that is thundering behind this prescription by the Ministry of Finance and Economic Development. This has not much bearing on the activities that are done on the Stock Exchange. There is a high chance that the 40% on the capital gain could be less than the 1.5% that is charged on the proceeds. Considering also the fact the sale would have taken place within a short space of time after acquiring the shares, the gain may be small after all. The Minister would need to correct the error in the Bill as pointed out above

4.3 ZIMRA discretion to allow claiming of prescribed invoices repealed

The Finance Bill has removed the commissioner's discretion on allowing tax invoices for purposes of claiming input tax that are submitted by a registered operator after expiry of the Statutory period of 12 months. Previously the Commissioner was given the power to either accept or decline an invoice that would have been submitted after the prescribed period. This discretion was given by Finance Act 1 of 2019 with effect from 20th February 2019. The law read as follows "... Provided that if the registered operator can show good cause to the Commissioner for extending the time for claiming a deduction of amount of input tax, the Commissioner may allow such a claim from the time a registered operator was required to make a return." The new law therefore strips the Commissioner of his/her right to allow fiscal tax invoices that have prescribed. Generally, the law is clear on one thing, which is the point that all submissions must not be submitted after the confines of the prescribed time. The discretion must have been beneficial to the taxpayers, but however now the position seeks to imply that every registered operator must claim input tax on the fiscal invoices not later than 12 months from the date of the underlying supply.

Decision Impact

This new law will influence compliance since taxpayers will not gamble on whether or not the Commissioner will be lenient and exercise the discretion to allow a late submission. Nevertheless, it was just a white elephant law since it had become difficult for the taxpaying community to justify request for application of discretion by the Commissioner.

4.4 ZWL\$ PAYE tax tables application and administrative difficulties looming

The latest Finance Bill has revised ZWL\$ PAYE tables for the year of assessment 1 January 2022 after a storm in the Upper House. The Minister conceded and revised upwards the monthly tax-free threshold to ZWL\$75,000 from ZWL\$50,000 in the initial bill. The new rates apply with effect from 1st August but are for a full year 1 January to 31 December 2022. The law also refers to two periods in the 2022 year of assessment, thereby abandoning the previous stance of having two years of assessment in one calendar year whenever there is change in the employment tax rates during the year. The two periods as opposed two years of assessment dispense with the need for an ITF16 (PAYE return). An ITF 16 is linked to a year of assessment and should be filed with the ZIMRA 30 days after end of year of assessment. In this case only one ITF16 for 2022-year assessment is required 30 days after 31st of December 2022. The revised ZWL\$ PAYE tax tables are as follows:

New Annual Tables (ZWL\$) as per the Finance Bill					
					Rate
From	0	To	900,000	multiply by	0%
From	900,001	To	1,716,000	multiply by	20%
From	1,716,001	To	3,120,000	multiply by	25%
From	3,120 001	To	5,760,000	multiply by	30%

From	5,760,001	To	12,000,000	multiply by	35%
From	12,000,001	And above	900,000	multiply by	40%

When the table is divided by 12 the monthly tax-free threshold is ZWL\$75,000 and 40% applies on amounts exceeding ZWL\$1,000,000 per month. The new rates are effective from 1 August 2022.

Annual Tables USD (Converted using auction rate of 613.3681)

					Rate
From	0	To	1,467	multiply by	0%
From	1,468	To	2,798	multiply by	20%
From	2,799	To	5,087	multiply by	25%
From	5,088	To	9,392	multiply by	30%
From	9,393	To	19,576	multiply by	35%
From	19,577	And above		multiply by	40%

Dividing the table by 12 the tax-free threshold US\$122 p.m. and 40% applies on amounts exceeding US\$1,631 p/m compared to the actual USD table of US\$100 and US\$3,000 respectively. Thus, earners of ZWL\$ at lower levels are relieved but the Minister increased the tax base by bringing more people within the 40% band.

Decision Impact

It appears from the clause in the bill that the law seeks to imply that the annual table is to be used on a basis of 12 months but effective 1 August 2022. Implying the rates in the bill are for the 12 months 1 January to 31 December 2022. With PAYE being assessed on annual basis our view is that the total tax for the year should be based on the fresh tax tables. The implication is the tax for the period 1 January to 31 July 2022 could be overstated and must be equalized in the remaining period 1 August to 31 December 2022. This may trigger tax refunds in this period. We foresee the looming of administrative issue regarding this and whether at all this refund is also what is contemplated by the Minister and the ZIMRA. This is considering also that the ZIMRA had already posted the PAYE table based on the old bill and indicating they were for 5 months from 1 August to 31 December 2022, when a closing reading of the Bill appears to suggest these were for a full year from 1 January 2022 but were effective 1 August 2022. The delay in getting the Bill gazetted into law also continues to disadvantage taxpayers as it may be difficult to implement provisions of the bill before they become law. The above analysis however may turn out to be an academic debate, in multicurrency payroll the rates in ZWL\$ are not applicable since where earnings are wholly or in part foreign currency USD tax tables should be applied. It may appear a majority of employers have moved to a multicurrency payroll.



5. Announcement and Interpretations

Public notice 58 of 2022: Movement of transit trucks in line with the ongoing roadworks at the Mbudzi roundabout along the Harare-Masvingo Road

The ZIMRA wishes to inform all of its valued stakeholders in particular transporters, importers and exporters which effected the closure of portions of the Harare-Masvingo Road, Chitungwiza Road and High Glen Road all feeding into Mbudzi Roundabouts in Harare. ZIMRA has made the necessary administrative arrangements and re-configuration of the Electronic Cargo Tracking System.SI 124 of 2021 [Customs and Excise Ports of entry & Rates] (Amendments) Order,2021 as amended which provides for cargo routes for Heavy Vehicles around Zimbabwe remains applicable. In essence the alternative route as occasioned by the construction of the roundabout has been included as part of the transit route.

Decision Impact

All transporters, exporters and importers are advised to follow designate transit routes to avoid collision with the ZIMRA which may result in penalties, interest and fines.



6. Contact Us

For a detailed discussion of how these issues might affect your business and our other group offerings, please contact:

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