



MONTHLY TAX UPDATE

August 2023

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Monthly Tax Update – August 2023

We are honoured to present our August 2023 Monthly Tax Update (“MTU”) which is designed to keep businesses and individuals informed of the latest tax issues and bring value to both.

Each month we 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 with 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:

- Carbon credits fees
- RBZ Mid Term Monetary Policy Statement.
- The ZIMRA misapplied forfeiture penalty
- Tax treatment of foreign exchange differences
- Declarations of fringe benefits in tax returns
- Your tax obligation when working for a foreign based employer.
- New IFRS on Responsible Tax Disclosures
- Fiscalisation Data Management System (FDMS)
- Taxpayers to be represented by licensed tax agents
- ZIMRA after wealthy people



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1. Matrix Group News!

1.1 Matrix Tax Summer School



MATRIX TAX SCHOOL
beyond knowledge

SUMMER SCHOOL

18 – 20 October
Leopard Rock Hotel, Vumba

Theme: “Managing compliance in the middle of a storm”

Speakers



Admire Ndurunduru
CEO
PAAB, Zimbabwe



Persistence Gwanyanya
Managing Director
Bullion Group



Marvellous Tapera
CEO
Matrix Tax School



Tinashe Murerekwa
Head-Risk & Advisory
Kreston, Zimbabwe



Investment Per Delegate

	Full Package (with no transport)	Conference only	Deadline
Early Bird	USD1190	USD840	25/09/2023
Late	USD1290	USD930	17/10/2023



REGISTER NOW

For Registration Contact:

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1.2 Transfer Pricing Indaba Africa



Transfer Pricing Indaba Africa



08 – 11 November 2023



Radisson Blu Mosi-Oa-Tunya ,
Livingstone Resort, Livingstone,
Zambia



Theme: “Transfer Pricing in Africa on the Edge”

Speakers



Marvellous Tapera
Chief Executive Officer
Matrix Tax School
Zimbabwe



Katrina Mabika
Director – Tax
BDO
Zambia



Solomon Choge
Head of Sales
Royalty Range
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Omphemetse Chimbombi
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Keith Engel
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SAIT
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Terry Muli
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KPMG
East Africa



Hope Vengesa
Transfer Pricing/ Advisory
BDO
Zambia



Lydia Abala
Manager and Regulatory Lead
KPMG
East Africa



Johannes Muchada
Partner: Maguchu & Muchada
Business Attorneys
Zimbabwe



Dumisani Ngwenya
Managing Director
R&D Consulting
Zimbabwe

Registration fee per person (USD)

	Full Package	Full Package without transport	Conference with activities	Conference Only	Deadline
Early Bird	USD2,300	USD1,970	USD1,620	USD1,530	13/10/2023
Standard	USD2,420	USD2,070	USD1,710	USD1,610	31/10/2023

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www.matrixtaxschool.co.zw

1.3 Inter City Income Tax Compliance Workshop



MATRIX TAX SCHOOL
beyond knowledge

Inter City Income Tax Compliance Workshop

 **14 - 15 SEPT 2023**  **CHENGETA SAFARI LODGE**

Companies and individuals in business are required to assess the income tax and remit the tax to the ZIMRA on a quarterly basis. However, computing such tax is never easy due to multicurrency trading and the swiftly evolving income tax laws. In terms of s37AA of the ITA a separate income tax return in foreign currency should be filed where trading takes place in multicurrency. It is this requirement that is complicating the income tax computation process. With this in mind, Matrix Tax School will be hosting a 2 day workshop on the 14th and 15th of September 2023 at Chengeta Safari Lodge in Chegutu in order to unpack these more complex tax rules so as to help businesses manage their income tax compliance.

TOPICS FOR DISCUSSION

- A walkthrough of s 37AA of ITA- Income Tax Rules of Trading in Multicurrency
- The practical QPDs and Final Income Tax computations in multicurrency
- Completion of Income Tax Forms (ITF 12 C and ITF12B)
- Fixed Asset Register (Acquisitions & Disposals) and Tax Breaks
- Accounting for Deferred Taxes- Temporary Differences and Tax Rate Reconciliation
- Taxpayer clinic: A focus on Income Tax Deductions
- Transfer Pricing Return (ITF12C) and TP Adjustments
- Tax issues of foreign exchange difference, liquidations, and interbank transactions

INVESTMENT PER DELEGATE

Package	USD
Full Package: Accommodation no sharing	\$580
Full Package: Accommodation sharing	\$530
Workshop Only	\$280
Workshop Only + Activities	\$320

SPEAKERS



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Chief Executive Officer
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Head-Risk & Advisory
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Simbarashe Hamudi
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2. New Legislative Provisions

2.1 Carbon credits fees

Background

SI 150 of 2023 seeks to control and manage carbon credit trading in Zimbabwe. Carbon credit trading is the purchase and sale of carbon credits on a market in order to cut greenhouse gases emissions, reduce climate change and promote sustainable development. They ensure the reduction of greenhouse gases in the atmosphere. The fees for carbon credits as per SI 152 of 2023 which corrected SI 150 of 2023 which had a minor drafting error are as follows.

Fee	Amount \$USD
Participation in Carbon Trading Application Fee	100 USD
Submission of Project Design Document Fee	5000USD
Change of Project Scope Fee	5000USD
Registration Certificate Fees per credit with a cap of \$10000,00 USD	0.10USD
Amendment Fee	500USD
Renewal of Registration Certificate Fees	20% of initial registration fees

Decision Impact

The implementation of the carbon credits project marks a great improvement in the Zimbabwean economy as it is tallying to the outside taxation norms. The taxation will reduce intensity of the emission of unwanted gases as industries will be somehow pulled to more clean forms of energy hence saving the environment and causing a gradual shift by companies towards renewable and clean forms of energy. Additionally, the money generated from those emit gases exceeding the limit will be used as revenue to develop clean fuel technologies.

2.2 2023 Mid Term Monetary Policy Statement.

Background

The RBZ Governor has presented his mid-term Monetary Policy Statement under the theme, “Staying the course to price stability”. The following are some of the major highlights:

- **Global Economic Developments and outlook:** Global GDP is forecast to slow down from 3.5% in 2022 to 3.0% in 2023, driven mainly by reduced growth in advanced economies. The adverse global developments have spill-over effects on the domestic economy through trade, imported inflation and financial linkages.
- **Domestic Economic Conditions:** The domestic economic prospects remain robust with economic growth projected at 5.3% in 2023, despite the volatility in the exchange rate during the second quarter of 2023. Annual inflation which rose sharply in June 2023 to 175.8% reversed considerably to 101.3% in July 2023. It is expected to progressively decline in the near term as the monetary and fiscal policy measures put in place in June 2023 take full effect. The parallel exchange rate premium now below 20%.
- **Interest rates:** The Bank has maintained the current policy rates set in the 2023 Monetary Policy statement which will continue to be reviewed in line with inflation developments. The Bank policy rate is currently at 150%; the medium-term accommodation lending rate for productive sectors including individuals and MSMEs is currently at 75%; the Bank policy rate remains the minimum lending rate for all banks; and the deposit interest rates on savings and time deposits are currently at 30% and 50% per annum for ZWL deposits and 1% and 2.5% per annum for FCA deposits, respectively.

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- **Non-negotiable Certificate of Deposits:** The Bank shall strengthen the operation of the Non-negotiable Certificate of Deposits (NNCDs) which are being used to mop excess local currency liquidity through the introduction of NNCDs with maturity profiles of 7, 14, 21 and 30 days.
- **Statutory Reserve Requirements:** The Statutory reserve requirements have been maintained at the current rates. Foreign currency demand and call deposits, 10%; Foreign currency time and savings deposits, 5%; Domestic currency demand and call deposits, 15%; and Domestic currency time deposits, 5%.
- **Auction System:** The foreign currency auction system remains a critical source of foreign currency for the economy. As such, the Bank shall continue with the current auction system in place and further liberalise the use of forex from the wholesale auction system by allowing banks to meet bonafide small foreign payment requirements for their customers, including individuals and Micro, Small and Medium Enterprises (MSMEs) in order to enhance financial inclusion.
- **Localising Tobacco Production Financing:** There will be no restrictions on the use of locally sourced funds to support the production of tobacco in the country with immediate effect.
- **Regularisation of Tourism Agreements with External Partners:** The Bank has granted a moratorium to all tourism operators who have unregistered tourism agreements and unapproved offshore accounts to regularise the agreements and offshore foreign currency accounts before 31 August 2023.
- **Gold coins and gold-backed digital tokens:** The Bank will undertake an awareness campaign in all the national provinces in preparation for Phase II (Transactional Phase) of the Gold-Backed Digital Tokens (GBDT), which is at an advanced stage. The transactional phase will complement the use of both ZW\$ and US dollar in the domestic economy and run under the code or name ZiG, for Zimbabwe Gold.
- **Inflation Outlook and Forward Guidance on Interest Rates:** Monthly inflation is expected to continue to moderate during the second half of the year to pre-May 2023 levels of less than 3%. Annual inflation is also expected to continue to decline and end the year between 60% and 70%. Policy rates are expected to be aligned with the positive inflation developments in the economy.

Decision Impact

The mid-term policy has maintained the current monetary policy stance and fine-tuned the open market operations to ensure the full benefits of the policy measures put in place by the Bank and Government to sustainably anchor exchange rate and inflation expectations. The obtaining stability in the micro economic environment is expected to continue with this stance.



3. Court Case

3.1 The ZIMRA misapplied forfeiture penalty

Case name	Mhiripiri v ZIMRA (426 of 2023) [2023] ZWHHC 343 (14 July 2023)
Summary of facts	<ul style="list-style-type: none"> • The applicant company is a transporter duly registered in Zimbabwe. • It hires out its trucks for conveyance inter-alia of imported goods into Zimbabwe. • Mhiripiri was contracted to import certain goods in Zimbabwe. • On clearing the goods at the border, the driver mentioned goods as described by their customer to the clearing agents but upon inspection it was discovered the truck was carrying additional goods not mentioned by the driver resulting truck and trailers being impounded at Beitbridge Border Post. • A notice of seizure was issued for both the truck and the goods. • The importer of the goods paid a fine and had their consignment released. • Mhiripiri felt that only the goods needed to be seized excluding the truck. • It thus made an application to the Regional Manager for the release of the truck. • It sighted that it was contracted to transport the goods as it declared on its manifesto. • The additional goods which were missing on its manifesto were unknown to them. • It averred that the responsibility for goods belonged to the importer not transporter. • ZIMRA asserted that the company also had a responsibility to check the goods. • Thus, the appeal to have the truck released was denied. • The Regional Manager's decided that the truck be forfeited to the state instead. • Mhiripiri appealed this decision to Commissioner of Customs and Excise. • Mhiripiri felt that the decision to forfeit the truck was too harsh. • They mentioned other instances where such similar offences have been levied fines. • The Commissioner dismissed the appeal. • This was since the company had submitted incomplete goods on manifesto. • He ruled that the forfeiture was in place. • The company further approached the High Court to have this decision reviewed. • Hence the current court case.
Jurisdiction	<ul style="list-style-type: none"> • Harare High Court
Issues	<ul style="list-style-type: none"> • Whether a taxpayer can seek a lighter penalty where ZIMRA has forfeited goods. • Whether recovery of seized goods can be done after prescription.
Decision date	<ul style="list-style-type: none"> • 14 July 2023
Decision	<ul style="list-style-type: none"> • The penalty imposed must be set aside or vacated. • The forfeiture was not lawful for reasons of procedural irregularities in the assessment of an appropriate penalty. • The matter was referred Commissioner of Customs and Excise to exercise the discretion to impose an alternative penalty and payment of storage charges.

Facts

The applicant company is a transporter. It hires out its trucks for conveyance inter-alia of imported goods into Zimbabwe and does so for profit. The truck and trailers were impounded at Beitbridge Border Post after the driver had presented his manifest as comprising of powdered milk in boxes marked Cremora and Ellis Brown.

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Upon a physical examination, it was noted that the truck was laden with an assortment of undeclared goods which comprised inter-alia britelite soap, MAQ washing powder, baked beans both soap, candles, canned beef, red bull cases and sta soft boxes which were stashed in between the declared goods obviously to deceive their true-nature and existence. The truck together with the goods were impounded and later seized. The company sought release of its truck citing that it was only an agent to transport the goods of the importer which the ZIMRA denied. The Commissioner also reasoned that there was wilful conceit of goods in truck and went on to rule for a forfeiture of the truck as opposed to seizure. Hence the current court case for the truck not to be forfeited.

Competing Arguments

Taxpayer's Arguments	
Whether the forfeiture penalty cannot be reversed	<ul style="list-style-type: none"> • That the penalty of forfeiture of the truck was too harsh, excessive and unfair. • That other parties who committed similar transgressions had their trucks released on payment of appropriate penalties and fines. • That the smuggled goods were released to the importer who had hired it to be the transporter and were not known to the driver.
ZIMRA's Arguments	
Whether recovery of seized goods can be done after prescription	<ul style="list-style-type: none"> • That the company was issued with a seizure which it should have sought recovery within 3 months. • That as the court application had been filed seven (7) months post the date of seizure, the application should be dismissed on the basis of prescription
Whether the forfeiture penalty cannot be reversed.	<ul style="list-style-type: none"> • That the forfeiture of the truck was lawful and was also informed by the need to deter other transporters from carrying smuggled consignments. • That they have discretion to levy a different and lesser penalty from forfeiture as they deem necessary.

Court Reasoning and decision

Whether appeal was within time.	<ul style="list-style-type: none"> • That the penalty given by ZIMRA was forfeiture as opposed to seizure. • That the prescription period for forfeiture is 8 months as opposite to 3 months. • That the company was within prescription to seek recovery of its truck.
Whether a taxpayer can seek a lighter penalty where ZIMRA has forfeited goods.	<ul style="list-style-type: none"> • That it was also worth looking at the circumstances of the forfeiture. • That the law gives an exception to forfeiture where the transporter proves that they were unaware that its vehicle would be used for purposes of smuggling. • That ZIMRA had no evidence the company's driver had knowledge of the undeclared goods. • That although the penalties imposed on the importer and the transporter respectively did not have to be similar there was a need to justify the dissimilarity. • That the importer was in fact the principal and the transporter the agent. • That the smuggling was not for the truck but the goods belonging to the importer. • That the importer had paid fines and penalties and got away with smuggled goods. • That this amounted to a failure by ZIMRA to apply its mind fully to the facts and circumstances of the case and the factors proper to take into account in assessing an appropriate penalty. • The forfeiture was not lawful for reasons of procedural irregularities in the assessment of an appropriate penalty. • That the ZIMRA is to exercise the discretion to impose an alternative penalty to forfeiture and payment of storage charges.
Decision	<ul style="list-style-type: none"> • The penalty imposed must be set aside or vacated.

Decision Impact

In imposing penalties, ZIMRA should look at the unique circumstances surrounding each case and there should be similar application of penalties imposed between the agent and the principal in forfeiture cases. ZIMRA should strike a balance between discouraging the violation of tax laws and the exercise of applying the law appropriately. An agent has the obligation to check all the goods being declared to avoid breaching tax laws as an omission may result in adverse consequences. Tax payers have legal recourse in taxation cases if they are aggrieved by ZIMRA's decision.



4. Technical Interpretation

4.1 Tax treatment of foreign exchange differences

Background

The term “exchange difference” refers to foreign exchange gain or loss on an exchange item during any year of assessment determined by multiplying such exchange item by the difference between the ruling exchange rate on transaction date and the ruling exchange rate on realisation or translation date. Foreign exchange difference is currently a major income tax risk due to the prevailing multicurrency trading in the country.

Law and Interpretation

Foreign exchange gains form part of gross income, whilst foreign losses are tax deductible. They are deemed expressed in Zimbabwe dollar and form part of tax base only when received or earned or accrued (realised) provided they are revenue in nature. A revenue nature item is working capital for instance receivables, inventory, creditors, cash, and bank. Exchanges differences of a capital nature are neither taxable nor deductible. Capital nature gains are those linked to the acquisition or realisation of capital items for instance equity, fixed assets, long term investments, loans, receivables, and payables. Only exchange differences arising from transactions form part of the tax base whereas translation i.e., those arising from conversion of balances for purposes of reporting are excluded. A realisation takes place when the transaction is settled, goods are delivery or services are performed. A transaction should take place for instance the mere conversion of cash held in a safe or bank balance does not give rise to transaction. Therefore, foreign exchange differences emanating from such conversion is neither taxable nor deductible.

Decision Impact

Taxpayers should exercise caution when dealing with foreign exchange differences. An in-depth analysis of the foreign exchange gains and losses ledgers is required to ensure only exchange differences arising from translation or conversion of balances at year end, unrealised and capital nature exchange differences are excluded from the tax base. Tax accounting of the movements in opening and closing balances of the exchange differences account is not the correct tax treatment and can lead to overstatement or understatement. You are advised to analyse the ledgers.

4.2 Declaration of fringe benefits in returns

Background

ZIMRA often undertakes a verification of returns submitted for correctness and often collaborate this with other returns submitted by the same taxpayer or its counter parties or trading partners.

Law and Interpretation

A fringe benefit or an advantage as defined in s 8(1)(f) of the ITA means a board, the occupation of quarters or a residence, the use of furniture or a motor-vehicle, the use or enjoyment of any property whatsoever, corporeal or incorporeal, and an allowance granted by or on behalf of an employer to an employee, his spouse or child, etc., The same definition has been imported for VAT purposes. Section 17 (3) of the VAT Act requires a registered operator to account for output tax on fringe benefits it grants to its employees if such fringe benefits are goods or services that are standard rated in terms of the VAT Act e.g., right of use of company vehicle, airtime usage etc. Supply of fringe benefits which are goods or services exempt from VAT are excluded e.g., the provision by an employer to an employee of residential accommodation, loan, medical expenses or contributions, etc. Also excluded are fringe benefits which are ordinarily zero-rated e.g., supply of basic food stuff etc. To the extent the fringe benefit is granted by an employer providing exempt supplies (e.g., banks, insurance companies, schools etc.) VAT is not computed on fringe benefits. The supply of fringe benefits which are entertainment goods or services are also not VATABLE e, g “the provision of any food, beverages, accommodation, entertainment, amusement, recreation or hospitality of any kind. The consideration in money of a fringe benefit in terms of s 9(11) of the VAT Act is an amount equal to the cash equivalent of the benefit or advantage as used for payroll purposes. By extension also if the fringe benefit has been declared in foreign currency for payroll purposes, the value for VAT purposes will also be in foreign currency.

The output tax will then be calculated as the tax fraction (15/115) of that consideration. This makes the value of fringe benefit per the PAYE return and VAT return the same. Any variance thereof represents an error in declaration which the ZIMRA is bound to penalise.

Decision Impact

VAT registered operators that grant standard rated fringe benefits to their employers should ensure the value of such fringe benefits as declared in the P2s (or ITF 16 – PAYE return) and the VAT7s are the same. They should perform a reconciliation monthly or such other period in accordance with how returns are filed.

4.3 Your tax obligation when working for a foreign based employer.

Background

Globalization and digitalization exacerbated by covid 19 has made it possible for people to work and live in any country of their choice. This has allowed employers to have global employees thereby accessible to wide net of highly skilled workers more cheaply than in their own countries.

Law and Interpretation

Where one works for a foreign based employer whilst living in Zimbabwe tax obligation will also arise in Zimbabwe. Zimbabwe operates a source-based tax system. The concept of source underpinning the place or location the services are rendered. This is supported by the widely recognized tax case of CIR v Lever Brothers and Unilever Ltd 14 SATC 1, which defined the term source as consisting of two parts: finding the originating cause of the income and determining the location of the originating cause. The tax laws mandate every employer to register with the ZIMRA within 14 days of employing a person earning above the tax-free threshold. This includes non-resident employers who are then further required to appoint a resident representative for purposes of registration for PAYE and administration of this tax. The obligation on the part of the employee is only to furnish his/her particulars of entitlements such as tax credits etc. to the employer. However, section 37 (12) requires an employee who has not been on final deduction system throughout the year to file an income tax return. By extension, a person working for a foreign based employer which is not registered with the ZIMRA as an employer must file a tax return and pay tax to ZIMRA.

Decision Impact

Employees working for foreign based employers are warned of their obligation to pay tax in Zimbabwe when their employers have failed to do so. Banking laws also being tightened so to curtail money laundering and non-declaration of taxes. Some banks therefore are now requesting for proof of source of funds, tax identification number and proof of tax declaration before funds can be withdrawn.

4.4 New IFRS on Responsible Tax Disclosures

Background

Non-governmental organizations, investors, the public, the mainstream press and politicians have been calling for more transparency by multinational companies regarding their tax payments and tax policies. This is part of sustainability reporting.

Law and Interpretation

Sustainability reporting has gained significant importance in recent years due to the urgent need to address environmental, social, and governance (ESG) issues. It refers to the practice of disclosing a company's environmental and social performance, including its efforts towards sustainability and the impact it has on society and the environment. This promotes transparency and accountability in business operations, which serves both the organization and its stakeholders. There have been various standards developed for voluntary adoption by standard setting organisations. Sustainability disclosures in financial statements thus depend on which set of standards an organisation has opted to adopt. Comparability of information among different organisations is thus limited in this case. Sustainability reporting in Zimbabwe is not a new concept to listed companies who have been obligated to commission such report in terms of the Securities and Exchange (SI134 of 2019 ZSE Listing Requirements).

The instrument encouraged the adoption of internationally accepted reporting frameworks, on Sustainability reporting such as the Global Reporting Initiatives (GRI). However, the decision of whether to implement sustainability reporting and which standards to adopt was left for management decision. To improve the consistency and quality of sustainability reporting across the globe, by matching the importance of sustainability reporting with the current regulations around financial reporting, the International Sustainability Standards Board (ISSB) issued its inaugural sustainability reporting standards IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate related Disclosures. The effective date for these two standards is set as 1 January 2024, thus, IFRS compliant financial statements will be expected to incorporate these new sustainability standards despite the listing status of the entity.

Decision Impact

Together IFRS S1 and IFRS S2 mark the start of a new era of requiring companies to make sustainability-related disclosures.



5. Announcements and Interpretations

5.1 Fiscalisation Data Management System (FDMS)

Background

The Commissioner General has issued a public notice no 50 of 2023 notifying clients of the new Fiscalisation Data Management System (FDMS). FDMS is an integrated fiscalisation back-end solution that is focused on interfacing with most of the existing and installed hardware fiscal devices at taxpayers' points of sale. In addition, FDMS will introduce virtual fiscalisation solutions to harness opportunities presented by digitalization. FDMS will offer self-service facilities to Taxpayers, Approved Suppliers and Manufacturers of fiscal devices, thereby improving ZIMRA Service Delivery. The Commissioner Domestic Taxes hereby advise all registered operators and taxpayers who are required to fiscalise under the Value Added Tax (VAT) Act to comply with the requirements of the new Fiscalisation Data Management System (FDMS) as follows:

- Upgrade their Hardware Fiscal Devices to comply, interface and be compatible with the ZIMRA Fiscalisation Data Management System (FDMS).
- Ensure that all Fiscal Tax Invoices issued at each, and every Point of Sale operated by a taxpayer are: recorded through the upgraded Fiscal Devices, interfaced with FDMS, printing invoices displaying QR codes, and Authentication Codes which can be verifiable using the ZIMRA FDMS Validation Portal <https://fdms.zimra.co.zw> and any QR code scanner applications.
- Work with the ZIMRA Approved Suppliers of Fiscal Devices in ensuring that all their existing or installed Hardware Fiscal Devices are configured with the new FDMS Application Programming Interface (API) or;
- Where taxpayers wish to directly interface with ZIMRA using their Online Point of Sale, Server or Accounting System, they must liaise with ZIMRA Fiscalisation Team at the nearest ZIMRA office for more details related to the Application Programming Interface [API] and ensure compliance with the ZIMRA FDMS and;
- Issued with Fiscal Tax Invoices that can be validated from FDMS system using QR Codes or Authentication Codes for use when claiming VAT input tax with effect from 1 September 2023.

VAT Input Tax claims will only be allowed if claimed using a Fiscal Tax Invoice, printed from a fiscal device that is connected to the ZIMRA system (FDMS).

Decision Impact

The system is expected to bring about real time verification of fiscal tax invoices by customers soon after purchasing. The Authority will also be able to efficiently verify input tax claims, enhancing the processing of refunds consequently. There is expected increased transparency and compliance. However, taxpayers will continue to bear the cost of compliance as they must upgrade their systems in line with these developments thereby increasing the cost of doing.

5.2 Taxpayers to be represented by licensed tax agents.

Background

Following the publication of SI 125 of 2023, the ZIMRA is notifying through public notice no 54 that all persons acting on behalf of another to represent the tax affairs of that other person are now required to be licensed as Tax Agents with effect from 06 August 2023. The licensor is the ZIMRA itself. A tax agent means an individual, a company and anybody of persons who act on behalf of any other person relating to the application of the tax acts. All affected persons are required to be licensed within three months of the commencement of the SI.. Any person who carries out the duties of a tax agent without a tax agent license after the three months from the commencement shall be guilty of an offence. All eligible persons to apply to ZIMRA for registration as tax agents on Form DTF 190 available on the ZIMRA website and the following documents should be attached to the application:

In the case of an individual applicant:

- A fully completed Application Form.
- Certified copy of applicant's ID.

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- Proof of membership and a confirmation letter stamped by the professional body.
- Certified copies of academic/professional certificates.
- Proof of residence.
- Copy of valid Tax Clearance Certificate
- Police Clearance

In the case of a company, partnership or trust:

- Certified copies of constitutive documents (e.g. Partnership Deed, Certificate of Incorporation, CR5, CR6, Memorandum and Articles of Association, Trust Deed).
- Copy of valid Tax Clearance Certificate
- A list of all executive directors, partners, managers and employees who will be authorised to act on behalf of the company.

A tax agent license is valid for a period of twenty-four months from the date the license is issued, and tax agent license shall not be transferable.

Decision Impact

The expected SI brings sanity and order in tax management and administration as it aims to flush out inexperienced and unqualified individuals. This is it expected will improve tax compliance, reduce mistakes on returns as well ensuring tax disputes if any are based on merits. Taxpayers are also warned against engaging non-registered agents as this may reduce the bargaining power when it comes to penalty and interest negotiations with the ZIMRA.

5.3 Zimra after wealthy people

Background

The ZIMRA is through a public notice encouraging all persons to review their business or personal affairs to make voluntary disclosures where there is any income omitted from tax returns submitted or where there are any tax obligations that the taxpayer may not have complied with. The intention is to encourage voluntary compliance and business operations and or social life continues normally. Any persons in the following categories are encouraged to take advantage of this opportunity:

- Any persons who have constructed houses that cost USD100,000 or more.
- Any persons who have traded or are trading in gold or other minerals.
- Luxury vehicle owners (vehicles worth USD150,000) or more.
- Owners of private jets or lessors of private jets.
- Middlemen or agent of goods manufactured in Zimbabwe
- Transport operators and taxi operators
- Any persons or companies who have constructed buildings with a value of USD100,000 or more.

It is a requirement that any person should ensure that if they earned any income, through business/trade, which is subject to tax, the tax should be paid. The following taxes may apply on income received or accrued from carrying on business or trade; Value Added Tax, Income Tax, Capital Gains Tax and Pay As You Earn. Taxpayers should provide schedules detailing the outstanding taxes, complete the outstanding returns and pay the tax due or engage ZIMRA for arrangements to pay the tax due. Interest shall be charged to the extent provided in the law. The Commissioner shall give due consideration to penalties liable where full and complete declarations are made. The Submission of a full voluntary disclosure shall not trigger an audit. This window shall expire within 30 days from 31/08/2023.

Decision Impact

Taxpayers are encouraged to make sure that they have corrected any misalignment in their tax affairs. After 30 days we expect the ZIMRA to be more ruthless as it undertakes massive tax audits to unearth tax evasion or undeclared taxes. In practice voluntary declaration should be truthful to be amnestied from penalties and interest. Taxpayers should therefore undertake a thorough review of their affairs before they can come forward and it is necessary to have this done with the assistance of a tax expert. In this regard the Zimra authority should have allowed more time than the current 30-day window period. Furthermore, the CG should have been more comital regarding penalty waiver. It appears not clear whether it will be fully waived or not. Without this assurance, they may be no incentive for a voluntary disclosure.

6. Disclaimer Clauses

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