



# MONTHLY TAX UPDATE

May 2023

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# Monthly Tax Update - May 2023

We are honoured to present our May 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 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 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:

- MTS hosted its 7<sup>th</sup> Annual Tax Conference
- Insurance Regulations: SI 81 of 2023
- Suspension of duty on basic commodities: SI 80 of 2023
- Court Case: The semantics of farmland and agricultural land, taxpayer prevails.
- Leasing Recoupment
- Taxability of cash in lieu of notice
- VAT status of non-profit making organisation
- International tax avoidance and evasion
- Minister of Finance policy measures to stabilise the Economy.
- Suspension of duty and VAT on basic commodities
- Use of foreign currency BP Numbers on foreign currency transactions
- Timeous Update of Master Data
- Imposers acting as ZIMRA officials



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## 1. Matrix Group News!

### MTS hosted its 7<sup>th</sup> Annual Tax Conference

The Conference was packed with expert keynotes, thought-provoking panel discussions, and in-depth presentations, empowering our attendees with expert advice on all tax practices, current pertinent issues and challenges facing taxpayers

Guest of Honour



Honourable Deputy Minister of Finance and Economic Development Clemence Chiduwa officially opening MTS 2023 ATC



ZIMRA Commissioner Domestic Taxes Mr Govha Addressing Delegates

15

Speakers

+180

Delegates

+50

Companies

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Our delegates where from:



Conference in pictures



Conference Report <http://www.matrixtaxschool.co.zw/atc-technical-report/>



2023 2nd Quarter Fiscal & Monetary Update Seminar



## Fiscal & Monetary Update Seminar



22 June 2023



TBA, Harare

The Ministry of Finance and Economic Development and the Reserve Bank of Zimbabwe recently announced new fiscal and monetary policies which have the effect of changing how businesses will operate going forward and the regulatory compliance landscape. Matrix Tax School is pleased to inform you that it will be hosting a half-day seminar to unpack these measures regarding their implication on businesses and individuals among other issues.

### DISCUSSION POINTS

- Minister of Finance Press Statements: Implications for Business and Individuals
- Monetary Policy Updates: Implications for Business and Individuals
- The General Economic Outlook
- The ZIMRA Public Notices and recent Updates
- Filing 2022 income tax returns: Final Guidance
- 2nd Quarter Payments Dates ("QPDs") preparation
- Managing tax compliance under the current environment
- May 2023 Monthly Tax Update

### SPEAKERS



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US\$100 - Monthly Tax Update Members  
US\$120 - Non Members



## 2. New Legislative Provisions

### 2.1 IMTT on foreign currency transfers reduced.

#### Background

The Minister of Finance and Economic Development Professor Mthuli has through SI 88 of 2023 reviewed downwards IMTT on foreign currency transactions as a follow up to his recent press statement on measures stabilise the economy which was announced on 29 May 2023.

#### Law and interpretation

SI 88 of 2023 has reduced downwards the rate of IMTT on foreign currency transactions from 2% to 1% effective 1 June 2023. The rate on local currency transfer remains fixed at 2%.

#### Decision Impact

The revision as aforesaid is a welcome relief to businesses and individuals and would like to encourage banking of foreign currency as the economy is slowly dollarizing. Meanwhile the Minister has inadvertently forgotten to review the cap for foreign currency IMTT of USD20,000 on transactions of USD500 000 and above. This will continue to present challenges to financial institutions and the transacting public on whether to apply 1% on transactions of USD500,000, which is USD5,000 or USD20,000. This Minister would need to attend to this ambiguity. In terms of the contra fiscum rule where there is ambiguity in the law the courts will resolve it in a manner that favour the taxpayers.

### 2.2 No insurance on credit

#### Background

The Minister of Finance and Economic Development Professor Mthuli Ncube has, through SI81 of 2023 ban the issuance of insurance policies on credit.

#### Law and interpretation

SI 81 of 2023 states that the receipt of an insurance premium shall be a condition for a valid contract of insurance and there shall be no cover in respect of an insurance risk unless the premium is paid in advance except in the case of insurance of crops in terms of the Farmers Stop Order Act [Chapter 18.11]. Where the policy has been issued on credit as aforesaid, the insurer must record on the policy document that the policy is on credit and every policy owner of such a policy shall be entitled to the full value of the claim less premium due for the insurance policy on credit. The SI further provides that any insurer who contravenes this requirement shall have his/her license suspended. To get the suspension lifted, the insurer shall pay a penalty three times the license fee and for a repeat of the offense, the insurer shall be guilty of an offense and liable to a fine not exceeding level 5 (USD 200) or imprisonment for a period not exceeding six months or to both such fine and such imprisonment.

#### Decision Impact

Insurers should avoid issuing policies on credit and comply with the laws to avoid the unbearable risk of getting their licenses suspended and losing business.

### 2.3 Suspension of duty on basic commodities

#### Background

The Minister of Finance and Economic Development has regularized part of his press statement themed, "Measures to Stabilise The Exchange Rate and Macro Economy" through SI80 of 2023 which suspends duty and VAT on importation of certain basic commodities as well removing the requirement of an import license upon their importation. The SI is with effect from the 12th of May 2023.

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## Law and interpretation

Heading No.	Commodity Code	Description
04.02	0402.10.10	Disaccharide- free milk prepared for infants in powder form of a fat content by weight not exceeding 1.5%
	0402.10.91	Powder milk pre-packed in immediate packings for retail sale of a content less than 25 kg of fat content by weight not exceeding 1.5%
	0402.10.99	Other powdered milk of a fat content by weight not exceeding 1.5%
	0402.21.10	Disaccharide- free milk prepared for infants in powder form of fat content, by weight, exceeding 1.5%
	0402.21.91	Powdered milk pre-packed in immediate packings for the retail sale of content less than 25 kg of fat content, by weight, exceeding 1.5%
	0402.21.99	Other powdered milk of fat content, by weight, exceeding 1.5%
	0402.29.10	Other disaccharide-free milk, and milk specially prepared for infants in powder form of fat content, by weight, exceeding 1.5%
	0402.29.90	Other powdered milk of a fat content, by weight, exceeding 1.5%
	0402.91.10	Other disaccharide-free milk, and milk specially prepared for infants not containing added sugar or other sweetening matter
	0402.99.10	Other disaccharide-free milk, and milk specially prepared for infants
10.06	1006.10.10	Rice in bulk, in immediate packing of 25 kg or more in the husk (paddy or rough)
	1006.10.20	Rice pre-packed in immediate packings of less than 25 kg for retail sale (in the husk (paddy or rough)
	1006.20.10	Husked brown rice in bulk, in immediate packing of 25 kg or more
	1006.20.20	Husked brown rice pre-packed in immediate packings of less than 25 kg for retail sale
	1006.30.10	Rice in bulk, in immediate packing of 25 kg or more (semi-milled or wholly milled rice, whether or not polished or glazed)
	1006.30.20	Rice pre-packed in immediate packings of less than 25 kg for retail sale (semi-milled or wholly milled rice, whether or not polished or glazed)
	1006.40.10	Broken rice in bulk, in immediate packing of 25 kg or more
	1006.40.20	Broken rice pre-packed in immediate packings of less than 25 kg for retail sale
11.01	1101.00.10	Wheat flour in bulk, in packings of 50 kg or more
	1101.00.20	Wheat flour pre-packed in immediate packings for retail sale less than 50 kg
11.02	1102.20.10	Maize (corn) flour, in bulk, in packings of 50 kg or more
	1102.20.21	Maize (corn) flour, in immediate packing of a content less than 5 kg
	1102.20.29	Other Maize (corn) flour
	1102.90.10	Other cereal flour in bulk, in packings of 50 kg or more



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	1102.90.21	Other cereal flour in immediate packing of a content less than 5 kg
	1102.90.29	Other cereal flour
11.03	1103.13.20	Maize meal
11.05	1105.10.00	Potato flour
11.06	1106.10.00	Flour of the dried leguminous vegetables of heading. 07.13
	1106.20.00	Flour of sago or of roots or tubers of heading 07.14
	1106.30.00	Flour of the products of Chapter 8
15.07	1507.90.10	Soya-bean cooking oil
15.08	1508.90.10	Groundnut cooking oil
15.09	1509.90.10	Olive cooking oil
15.10	1510.90.10	Other cooking oil from olives
15.11	1511.90.10	Palm cooking oil
15.12	1512.19.10	Sunflower and safflower seed cooking oil
	1512.29.10	Cotton seed cooking oil
15.13	1513.19.10	Coconut cooking oil
	1513.29.10	Palm kernel or babassu cooking oil
15.15	1515.29.10	Maize cooking oil
	1515.50.10	Sesame cooking oil
	1515.90.20	Vegetable cooking oil
17.01	1701.14.00	Other cane sugar
	1701.99.00	Other refined sugar
25.01	2501.00.21	Salt in immediate packing of a content less than 5 kg
	2501.00.29	Other salt
33.04	3304.99.20	Petroleum jelly
33.06	3306.10.00	Toothpaste
34.01	3401.11.00	Bath soap
	3401.19.00	Laundry bar
3402	3402.50.00	Washing powder

### Decision Impact

This SI has cemented the announcement made by the Minister of Finance to increase supply of basic commodities to the public. Upon importation of these goods, taxpayers need to refer to the tariff codes provided hereinbefore to get the duty and VAT exemption.



## 3. Court Case

### 3.1 The semantics of farmland and agricultural land, taxpayer prevails.

Case name	LDC Limited vs ZIMRA 22-HH-555
Summary of facts	<ul style="list-style-type: none"> <li>• LDC Ltd is a company registered according to the laws of Zimbabwe.</li> <li>• It owns a certain piece of land in the Lowveld area of Zimbabwe.</li> <li>• The company is in turn wholly owned by another company TL Private limited.</li> <li>• LDC leases the piece of land to TL for rentals.</li> </ul> <p>Rentals are calculated on the basis of the area under sugar cane, and the entire sugarcane revenue earned by TL.</p> <ul style="list-style-type: none"> <li>• LDC was routinely submitting income tax returns and dutifully remitting income tax to ZIMRA on the rental income received from TL.</li> <li>• LDC had not been withholding and remitting VAT in respect of the rental income.</li> <li>• ZIMRA determined that LDC was liable for VAT on the rental income.</li> <li>• ZIMRA noted that LDC was not registered as a VAT operator.</li> <li>• ZIMRA proceeded to compulsorily register LDC and issued assessments on unpaid VAT plus penalties and interest on the VAT due.</li> <li>• The compulsory registration was based on ZIMRA's position that LDC was leasing agricultural land which is subject to VAT.</li> <li>• The registration was also based on ZIMRA's position that LDC was also leasing equipment to TL.</li> <li>• LDC objected to the assessments citing that it was not carrying on a trade as defined by the VAT Act and therefore not liable for VAT registration.</li> <li>• LDC also argued that its land was farmland and not agricultural land.</li> <li>• ZIMRA maintained the position that the land was agricultural land.</li> <li>• ZIMRA's position was based on absence of pastoral activities on LDC's land.</li> <li>• LDC maintained that it was not leasing any equipment to TL.</li> <li>• LDC argued 'Farmland' and 'agricultural land' have different meanings for tax.</li> <li>• LDC reiterated farmland is not regarded as 'goods' that are tradable.</li> <li>• LDC also conclude therefore their land was not vatable.</li> <li>• ZIMRA argued that agricultural land is regarded as 'goods', and therefore vatable.</li> <li>• ZIMRA reiterated that if the land is agricultural land, LDC would be liable for the taxes and penalties.</li> <li>• In this regard, the onus to prove that the land is farmland lies on LDC.</li> <li>• ZIMRA maintained the position that the land was agricultural land.</li> <li>• ZIMRA's position was based on absence of pastoral activities on LDC's land.</li> <li>• LDC maintained that it was not leasing any equipment to TL.</li> <li>• LDC argued 'Farmland' and 'agricultural land' have different meanings for tax.</li> <li>• LDC reiterated farmland is not regarded as 'goods' that are tradable.</li> <li>• LDC also conclude therefore their land was not vatable.</li> <li>• ZIMRA argued that agricultural land is regarded as 'goods', and therefore vatable.</li> <li>• ZIMRA reiterated that if the land is agricultural land, LDC would be liable for the taxes and penalties.</li> <li>• In this regard, the onus to prove that the land is farmland lies on LDC.</li> </ul>
Jurisdiction	<ul style="list-style-type: none"> <li>• Fiscal Appeal Court</li> </ul>

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Issues	<ul style="list-style-type: none"> <li>• Whether the land in question was farmland or agricultural land.</li> <li>• Whether LDC was leasing any equipment to TL.</li> <li>• Whether LDC is liable to pay VAT and the penalties incidental thereof.</li> </ul>
Decision date	<ul style="list-style-type: none"> <li>• 24 August 2022</li> </ul>
Decision	<ul style="list-style-type: none"> <li>• ZIMRA assessments were dismissed.</li> </ul>

### The Facts

LDC Limited is company registered according to the laws of Zimbabwe. It owns a certain piece of land in the Lowveld area of Zimbabwe. LDC is a wholly owned subsidiary of TL (Pvt) Ltd. The only trade carried on by LDC relevant to this dispute is it letting out to TL of the disputed land through a verbal agreement. It is TL that utilises the land beneficially and LDC only receives a rental income calculated on the basis of the area under sugar cane, and the entire sugarcane revenue earned by TL. LDC was routinely submitting income tax returns and dutifully remitting income tax to ZIMRA on the rental income received from TL. LDC was however not withholding and remitting any VAT in respect of that rent. ZIMRA carried out a tax audit and an investigation on LDC and determined that LDC was liable for VAT on the rental income and also noted that LDC was not a VAT registered operator. ZIMRA proceeded to compulsorily register LDC for VAT and issued assessments on what it considered to be the unpaid VAT for the period in question. LDC objected to the assessments on the grounds that it does not carry on a trade as defined by the VAT Act and that therefore not liable for VAT registration and the payment of VAT on the rental income from TL. LDC further challenged ZIMRA's attempt to recover tax obligations for the period 2009 to January 2014. Finally, LDC questioned the justification of levying any penalty in the circumstances of the case, particularly given that it had neither deliberately evaded paying those taxes nor had it been careless or inadvertent in failing to remit them. ZIMRA disallowed all the objections by LDC on the grounds that LDC was carrying on a trade within the meaning of the VAT Act because its leasing of the land to TL was a continuous and regular activity and was therefore taxable.

### Court reasoning and decision

LDC LIMITED	
Whether the land was farmland or agricultural land	<ul style="list-style-type: none"> <li>• That VAT Act defines farmland as land used for agricultural <i>and</i> pastoral activities.</li> <li>• That the definition does not include communal land, or land for local authorities.</li> <li>• That LDC's land was used for sugarcane plantation and pastoral activities.</li> <li>• That ZIMRA had not asked for evidence that the land was used as pastoral land.</li> <li>• The ZIMRA has only asked about sugarcane plantation.</li> <li>• That the land is farmland and not agricultural land.</li> <li>• That VAT is not applicable and ZIMRA is incorrect to make assessments on it.</li> <li>• That LDC is not liable to pay VAT and penalties for the period concerned.</li> </ul>
Whether LDC was leasing equipment to TL.	<ul style="list-style-type: none"> <li>• That they are only leasing land.</li> <li>• That the rental income is determined based on land occupied only.</li> </ul>
ZIMRA	
Whether the land was farmland or agricultural land	<ul style="list-style-type: none"> <li>• That the land in question was agricultural land.</li> <li>• That the land leased by LDC is Agricultural land as opposed to farmland.</li> <li>• That LDC was liable to pay VAT and the incidental penalties levied.</li> <li>• That LDC only presented evidence of sugarcane plantation and not pastoral land.</li> </ul>
Whether LDC was leasing equipment to TL.	<ul style="list-style-type: none"> <li>• That LDC leases to TL buildings, irrigation works and cane land improvements and that the use of such items are neither agricultural nor pastoral activities.</li> <li>• That the leased equipment are of a movable nature and would therefore constitute 'goods' within the meaning of the VAT Act.</li> <li>• That LDC is therefore liable for VAT penalties and interest levied.</li> </ul>



## Competing arguments

Whether ZIMRA assessment should be set aside

- That the land in question is farmland.
- Farmland is land used for agricultural and pastoral activities.
- That LDC's land was used for cane plantation and parts of it as cattle feed lots.
- That ZIMRA only asked for evidence of use as sugarcane plantation and not pastoral land.
- That the supply of farmland is not subject to VAT.
- That all the equipment for the agricultural and pastoral activities being undertaken on the land belongs to TL.
- That the rent paid for the lease of the land is calculated solely on the basis of the size of the land under sugarcane.
- That there is no evidence that a portion of the rent is computed based on the buildings, the equipment or any other assets on the land.
- That ZIMRA was not entitled to make the assessments for VAT in question and to levy taxes for the period concerned.
- That the decision by ZIMRA to disallow objections to assessments by LDC hereby reversed and the penalty thereof are also set aside.
- That the decision by ZIMRA to disallow objections to assessments by LDC hereby reversed and the penalty thereof are also set aside.

## Decision Impact

Taxpayers ought to appraise themselves of the requirement of tax statutes to serve themselves from unnecessary penalties or the ZIMRA giving them assessments based on wrong interpretation of the law. The ZIMRA whilst its officers may undertake their duties with due care and diligence is not immune to wrong interpretations of the law and it is in such cases where taxpayers that are not knowledgeable of the tax law unnecessary incur a tax bill which was never was.



## 4. Technical Issues

### 4.1 Leasing Recoupment

#### Background

A lease recoupment arises when a previously leased property is sold for a price which has taken into account the rent already paid, lease premium previously paid or lease improvements incurred by a tenant. The recoupment is computed as the lower of the discount on acquisition of the property and the expenditure previously incurred by the tenant (i.e., aggregate of rent, lease premium and lease improvement).

#### The Law and Interpretation

Lease recoupment is an important provision of the Income Tax Act which applies to taxpayers who have leased property which they subsequently purchased. When a lessee exercises the option to purchase a leased asset, any lease improvements, rent and lease premium incurred during the lease period are deductible up to year end when the property is acquired. After acquisition, a recoupment may arise which is included in the gross income of the now new owner of the previously leased asset. The recoupment will be the lower of the aggregate of the lease rentals paid, lease improvements plus any lease premium paid and any difference between selling price and market value of the asset. Taxpayers nevertheless can elect to be taxed on the recoupment over 6 years in equal instalments. This election is binding so careful consideration should be taken when making such a decision before submitting it with a taxpayer's return. This option can provide a much-needed relief if a taxpayer would otherwise face a large lump sum of recoupment upon acquisition of the premises.

#### Decision Impact

Once a taxpayer decides to purchase a previously leased asset, all lease improvements and rental deductions previously allowed are forgone. Any discounts received upon acquisition of the property are included in gross income on the date the property is acquired. This is a tax planning opportunity, but a taxpayer who has a sizeable balance of assessed losses almost approaching maturity is warned not elect to spread the recoupment.

### 4.2 Taxability of cash in lieu of notice

#### Background

There has been an outcry on the part of employees regarding the cash that they receive in lieu of notice. The question is, which tax bracket is then used upon receipt of such an amount?

#### Law and Interpretation

Cash in lieu of notice is a form of payment given to an employee upon the termination of their employment contract. This type of payment is taxable in terms of the Income Tax Act when received or on accrual, as per the case law established by *EMI Group Electronics Ltd v Coldicott CA 1999 71 TC 455*. In this case, the company had employed individuals on contracts that provided for six months' notice before dismissal. The court found that if they were dismissed immediately and paid six months' salary in lieu of notice, it was taxable as emoluments from employment because it was within contractual provisions and not discretionary payments made by employers outside such agreements. Therefore, cash in lieu payments are subject to taxation, regardless of whether these payments are made with immediate effect or over time due to contractual clauses regarding notice periods upon termination.

#### Decision Impact

This decision has been applied consistently since and serves as a reminder for both employers and employees alike about how such compensation should be treated for tax purposes.

## 4.3 VAT status of non-profit making organisation

### Background

A supply by an association not for gain or a welfare organization of any goods or services which it receives as a donation is an exempt supply. The exemption also applies in a case where the organization sells goods which it has manufactured if at least 80% of the value of the supply consists of donated goods or services.

### Law and Interpretation

VAT rules are not concerned with profit making but with taxing the supply whether or not the supply would result in a profit or a loss. If an activity does not turn out to be profitable, it does not mean that no trade is being conducted and therefore, VAT is still chargeable. Income tax exemption rules applying to non-profit-making organisations do not apply under the VAT Act if there is a supply for a consideration. However, where the supply is for free or is a donation and is made by a nonprofit organisation, VAT exemption applies. It was held in *Law Society of Zimbabwe v ZIMRA HH 409-18*) that subscriptions, practicing certificates fees and professional development fees charged by the law society of Zimbabwe to its members were VAT exempt because the incomes were deemed products of donated goods or services of the council in charge of running the affairs of the society. A supply by an association not for gain or a welfare organization of any goods or services which it receives as a donation is an exempt supply in terms of the VAT Act. The exemption also applies in a case where the organization sells goods which it has manufactured if at least 80% of the value of the supply consists of donated goods or services. This makes non-profit-making organizations not liable for output tax on any donations received by them in the furtherance of their stated aims and objectives unless the donation is conditional upon some form of reciprocity in the form of a supply of goods or services by the association to the donor or a relative or other connected person in relation to the donor.

### Decision Impact

Non-profit making organisations are advised that their income tax exemption status does not automatically qualify them for VAT exemption. They are liable for output tax when they supply goods or services for a consideration despite no profit accruing from the supply. However, donations to them are VAT exempt as long as they are not made in response to or pursuance to a supply made to the donor by the organisation.

## 4.4 International tax avoidance and evasion

### Background

As economies transact more frequently, loopholes have been identified by taxpayers to evade tax in the name of tax planning. It is important for taxpayers to take note of some of the tax avoidance schemes identified by tax authorities to avoid acting against the law.

### Law and Interpretation

A tax haven is a country or territory where certain taxes are levied at a low rate or not at all. For example, international companies usually load income to a territory with low tax rates. Companies may use transfer pricing as means of diverting profits from one tax jurisdiction to another. However, our domestic law provides that the arm's-length principle should be applied on transactions made between related companies (e.g., s23, 24 and 98B Income Tax Act). Looking ahead, there are developments being made globally with regards to development of transfer pricing regulations which will see the soon adoption of a two-pillar approach, pillar 1 and pillar 2. These are aimed at ensuring that the income of enterprises arising in the countries in which they operate is taxed at an effective rate of at least 15% through the levying of a top-up tax. As such, taxpayers who seek to exploit differences in the tax law treatments of the same transaction in the source and residence countries will be taxed through top up taxes.

### Decision Impact

Whilst it is permissible for taxpayers to minimise their tax liabilities through tax planning, tax evasion is not permitted at all by the law. It constitutes a criminal offence subject to jail term. The Act has also empowered the Commissioner to set aside transactions, schemes, or operations whose sole or main objective is tax avoidance. Such transactions are tested under s 98 of the Act, which is an anti-tax avoidance tax provision.





## 5. Announcements and Interpretations

### 5.1 Minister of Finance policy measures to stabilise the Economy.

The Minister of Finance and Economic Development issued a press statement on the 29<sup>th</sup> of May 2023 “Statement on Policy Measures to Stabilise the Economy”. This is a follow up to his press statement announced on 2<sup>nd</sup> of May 2023 which included 100% Retention of domestic foreign currency earnings, adoption of all external loans by treasury, enhanced foreign exchange auction system, lifting of all restrictions on importation of basic goods, promotion of use of the domestic currency by the government and gold backed digital tokens. These measures were applauded in the face of the current rising parallel exchange rate and inflation. Through the current press statement, the Minister has introduced the following additional measures and reaffirmed the aforesaid measures to curb continued depreciation of the local currency with effect from 1 June 2023:

#### Externalisation of funds and transfer pricing

- The government will strengthen surveillance and monitoring, foreign currency payment system and information sharing system between ZIMRA and financial institutions.

#### Promotion of banking of foreign currency:

- Reducing local interbank foreign transactions IMTT to 1%
- Reducing POS IMTT in foreign currency to 1%

#### Promotion of banking of foreign currency:

- All government agencies including parastatals to substantially collect their fees in local currency.
- Payment by non-exporters to ZESA in local currency
- Payment of all customs duty in local currency, save for designated luxury goods and where an importer opts for foreign currency.
- All external liabilities will be funded transparently through the National budget.
- Treasury will fund the Zimbabwean dollar 25% foreign currency surrendered by exporters. The foreign currency from the 25% will be used in servicing foreign currency loans assumed from RBZ.

#### Measures to support management of foreign debt by Treasury.

- The Treasury to fund the ZWL\$ component of the 25% surrender of export earnings in order to eliminate creation of additional money supply and this surrender will be collected by Treasury and utilised in the servicing of foreign currency loans assumed from RBZ.
- Banks no longer withhold any foreign currency surrendered by exports and all the liabilities to the banks will be settled through Treasury.
- Government Introduce a 1% tax on foreign payments.
- 2% tax on USD cash withdrawal is maintained.
- Through Fidelity Gold Refinery, the government introduced a system to manage traceability of gold from its origin in line with international standards.
- All fuel excise duty to be paid in foreign currency.

#### Other Supportive Policy Measures

- All export proceeds that remain unutilised after 90 days will be liquidated onto the interbank market
- Weekly auction will be capped at US\$5 million
- Winning bids will be paid 24 hours of award effective 1 June 2023
- All manufacturers selling general goods, for example cement, milk, soft drinks etc. for the export market will be required to charge VAT which will be refundable by ZIMRA after exportation.

#### Decision Impact

There are positives and direct results to be gained from measures such reducing local interbank foreign transactions IMTT to 1%, reducing POS IMTT in foreign currency to 1% and payment of bills to local authorities in local currency. The payment of all customs duty in local currency will bring back the undesired position of huge balances of USD VAT refunds as most of these goods will be sold in foreign currency given 80% of the transactions are in foreign currency. The 1% tax on foreign payments is meant to discourage importation, this may improve retention of foreign currency in the country.

# Monthly Tax Update – May 2023

## 5.2 Suspension of duty and VAT on basic commodities:

### Background

ZIMRA has published a list of items suspended from duty and VAT in terms of SI80 of 2023. These include cooking oil, maize meal, milk, sugar, rice, flour, salt, bath soap, washing soap, washing powder, toothpaste and petroleum jelly. The requirement for import licenses for these goods is also suspended. For items which need a permit before one can import, there are no restrictions on the quantity which one can import as long as a valid permit is in place to cover the imported quantity.

### Decision Impact

This will result in a surge in the supply of basic commodities at lower prices but also an increase in competition with the local manufacturing industry.

## 5.3 Use of foreign currency BP Numbers on foreign currency transactions

### Background

ZIMRA has through Public Notice 29 of 2023 instructed taxpayers to make tax payments and submit returns based on two BP Numbers in ZWL\$ and USD. The BP Numbers in foreign currency begins with a “3” and 2 for old BPs which is the Zimbabwean Dollar (ZWL) BP number. Some taxpayers are incorrectly paying their tax obligations in wrong Business Partner Numbers and are reminded to pay taxes correctly in ZWL and USD BPs with reference to Public Notice 17 of 2023, and that those who are yet to receive their Foreign Currency BPs should approach their nearest ZIMRA office for assistance.

### Decision Impact

Taxpayers are advised to adhere to ZIMRA instructions to avoid any inconveniences upon wanting to apply for their tax clearances from the ZIMRA. Additionally, payment and filing of returns using the old BP number may result in this account being messed up and may prove difficult to reconcile and may unnecessarily invite a ZIMRA audit or investigation.

## 5.4 Timeous Update of Master Data

### Background

ZIMRA, through public notice 28 of 2023, encourages all taxpayers to timeously notify ZIMRA of any changes to their previously submitted Master Data information by way of completing a Rev 2 form obtainable on the ZIMRA website. This will help ZIMRA to facilitate effective and efficient service delivery. Master data information includes changes in public officer, address, name of the company etc.

### Decision Impact

ZIMRA faces challenges in locating and communicating with taxpayers as some businesses have outdated Master Data Information. Taxpayers with updated Master Data get quick responses to queries, automatic issuance of ITF 263, tax updates, timely processing of VAT refunds and among other communication.

## 5.5 Imposters acting as ZIMRA officials.

### Background

ZIMRA issued public notice 35 of 2023 to alert taxpayers and the general public of fraudsters posing as ZIMRA officials. The fraudsters use various names such as, Tigere, Takura, F. Mushonga, Simbarashe Bizah, Phillip Makumbe, Tonderai Makumbe, Mamvura, D. Musakwa, B. Masango, Chibungu, Kunaka, Mamure, Ncube, Shumba and Chikodzonge. They are in the habit of sending SMSs and calling taxpayers announcing their intention to conduct tax audits. Subsequently, they solicit bribes from unsuspecting clients so as not to have their tax accounts audited.

### Decision Impact

Taxpayers are advised to always request ZIMRA ID cards and national indemnity cards from anyone purporting to be a ZIMRA official and to confirm all communications purported to come from the ZIMRA office with their liaison officers or contact ZIMRA.

### 6. Disclaimer Clauses

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