



**MONTHLY  
TAX  
UPDATE**

**September 2023**

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# Monthly Tax Update - September 2023

We are honoured to present our September 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:

- Clothing Manufacturer Customs
- New tax regulations for the Sovereign Wealth Fund of Zimbabwe
- ZIMRA v Murowa Diamonds
- VAT predicament of construction projects
- Transfer Pricing for each separate entity.
- Amendment of IFRS for SMEs Accounting Standard related to international tax reform.
- Tax Recovery in Zimbabwe.
- The birth of a new system, TaRMS.
- Master update ahead the launch of TaRMS
- Economic stabilization policy
- RBZ shows Tourism industry the hazard lamp.
- RBZ Collateral Registry
- Anxiety around the tobacco industry



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## 1. Matrix Group News!

### 1.1 Matrix Tax 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



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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  
London



**Omphemetse Chimbombi**  
Director  
Transfer Pricing Experts  
Botswana



**Keith Engel**  
Chief Executive Officer  
SAIT  
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**Terry Mulli**  
Senior Manager - Transfer Pricing  
KPMG  
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**Hope Vengesa**  
Transfer Pricing/ Advisory  
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**Lydia Abala**  
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**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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## 2. New Legislative Provisions

### 2.1 Clothing Manufacturer Customs

#### Background

SI 154 of 2023 amends the rebates available to the clothing manufacturing industry of Zimbabwe. These rebates are on the importation of vital material used in the process of manufacturing clothes and other garments. For example, HS (Harmonized System) Code 56.03 represents nonwovens, whether impregnated, coated, covered, or laminated, HS Code 59.03 represents textile fabrics impregnated, coated, covered, or laminated with plastics, and HS59.07 represents textile fabrics otherwise impregnated, coated or covered; painted canvas being theatrical scenery, studio back-cloths or the like.

Heading No.	Commodity Code	Description of goods
56.03	5603.1300	Weighing more than 70 g/m2 but not more than 150 g/m2
	5603.1400	Weighing more than 150 g/m2
	5603.9400	Weighing more than 150 g/m2
59.03	5903.1000	With poly (vinyl chloride)
	5903.2000	With polyurethane
	5903.9000	Other
59.07	5907.0000	Silver reflective webbing”.

#### Decision Impact

The rebates promote ease of doing business for the textile industry. This means that the clothing industry has more flexibility to redirect finances otherwise paid as import duties to increase productivity.

### 2.2 New tax regulations for the Sovereign Wealth Fund of Zimbabwe

#### Background

In 2015, the government founded a sovereign wealth fund as an investment fund comprised of funds created by the government. The fund aims to create wealth for future generations of Zimbabwe and for the economic development of the country as enshrined in the Sovereign Wealth Fund of Zimbabwe Act. It is to be primarily funded by 25 % of royalties from mineral exports and special dividends on sales of diamonds, gas, granite, and other minerals through the Zimbabwe Mining Development Corporation. In the 2021 National Budget presentation the Government set aside funds equivalent to US\$97,5 million to capacitate the fund and ensure its objectives are achieved. Fast forward to 2023, The President in SI 156 12(1)a has renamed it to Mutapa Fund. The SI further states that withdrawals of investments in the funds shall be granted given the investor has cleared all taxes. Additionally, a withdrawal from the fund will also be granted given that the state has no large balance of payments or external financial difficulties.

#### Decision Impact

The investors who are institutions or companies cannot longer willingly withdrawal from the fund unless they cleared all taxes as per Zimbabwean law and provide a clean tax report from ZIMRA to the Mutapa fund directors. Secondly, even with a clean tax report, the investor may have the request to withdraw funds from the fund denied if the government has balance of payments or external financial issues.



## 3. Court Case

### 3.1 ZIMRA v Murowa Diamonds (Private) Limited, Supreme Court of Zimbabwe

Case name	ZIMBABWE REVENUE AUTHORITY v MUROWA DIAMONDS (PRIVATE) LIMITED, SUPREME COURT OF ZIMBABWE, Judgment No. SC 85/23, 29
Summary of facts	<ul style="list-style-type: none"> <li>• ZIMRA is a creature of statutes established in terms of the Revenue Authority Act.</li> <li>• Murowa is a limited liability company registered under the laws of Zimbabwe and operates a mining lease with exclusive mining rights to 28 diamond mining claims and sells the diamonds outside Zimbabwe.</li> <li>• The ZIMRA reviewed the self-assessment returns of Murowa for the six years whereupon it discovered the company was incorrectly deducting mineral royalties.</li> <li>• It then disallowed the royalties arguing that they were of a capital nature and imposed 100 percent penalties which Murowa objected to.</li> <li>• The ZIMRA disallowed the objection in full resulting in Murowa appealing to the Special Court and the appeal was successful.</li> <li>• Aggravated by this decision, the ZIMRA appealed for the judgement of the Special court to be set aside to the Supreme Court and hence the current court case.</li> <li>• Hence the current court case.</li> </ul>
Jurisdiction	<ul style="list-style-type: none"> <li>• Supreme Court of Zimbabwe</li> </ul>
Issues	<ul style="list-style-type: none"> <li>• Whether notwithstanding the repeal of s 15 (2) (f) (iii) of the Income Tax Act, royalties payable under s 244 of the Mines and Minerals Act constitute an allowable deduction under the general deduction formula, s 15 (2) (a) of the Income Tax Act.</li> </ul>
Decision date	<ul style="list-style-type: none"> <li>• 29 October 2021 &amp; 12 September 2023</li> </ul>
Decision	<ul style="list-style-type: none"> <li>• The appeal was dismissed with costs on the ordinary scale.</li> </ul>

#### Facts

ZIMRA is a revenue collection statutory body corporate established in terms of the Revenue Authority Act. Murowa Diamonds is a limited liability company registered under the laws of Zimbabwe and operates a mining lease with exclusive mining rights to 28 diamond mining claims and sells the diamonds outside Zimbabwe. ZIMRA appealed against the decision of Special Court for Income Tax that reversed its decision to add it back to income mineral royalties. ZIMRA, recomputed the income tax for tax years and added back to taxable income by way of disallowing deductions in respect of mining royalties. ZIMRA indicated that the basis for the disallowance was that the royalties were of a capital nature and not of a revenue nature. ZIMRA thereby imposed 100 percent penalties for the resultant tax shortfall for a tax year which Murowa objected to. The objection was disallowed by the ZIMRA for which Murowa appealed against to the Special Court on and the appeal was successful. The appeal was successful on grounds that the royalty payable was properly abated by Murowa from its income in the self-assessment returns for tax years. That is, it was in line with the general deduction's formula. Therefore, ZIMRA appealed for the judgement of the Special court to be set aside and its substitution by a dismissal of the Murowa's appeal in the Special court stating that position of deductions using the general formula was incorrect.

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## Competing Arguments

Taxpayer's Arguments	
Whether royalties payable under s the Mines and Minerals Act constitute an allowable deduction under the general deduction formula	<ul style="list-style-type: none"> <li>• That the provision permitted a payer of royalties to deduct them from its taxable income as in s 7 (a) of the Finance Act.</li> <li>• That No. 1/2014 repealed s 15 (2) (f) (iii) and the deduction of royalties was removed by legislative decree.</li> <li>• That royalties constitute capital expenditure and are not deductible under the general deduction formula.</li> <li>• That the deductions done by the Murowa were improper and therefore properly disallowed in the impugned additional assessments.</li> <li>• That the dollar-for-dollar penalty imposed was in accordance with the moral turpitude and demonstrable lack of diligence of the taxpayer.</li> <li>• That the incorrect self-assessment return avoided the payment of the correct tax and was done with the intention of defrauding the fiscus.</li> <li>• That the self-assessment could not properly be waived in any manner or form.</li> </ul>

Murowa Diamond's Arguments	
Whether royalties payable under s the Mines and Minerals Act constitute an allowable deduction under the general deduction formula	<ul style="list-style-type: none"> <li>• That as the royalties were chargeable on the minerals or mineral products that had been disposed of in the year of assessment, they would be deductible from taxable income pursuant to the general deduction formula.</li> <li>• That ZIMRA incorrectly added back the royalties to taxable income by treating them as being of a capital nature when, in law, they were of a revenue nature.</li> <li>• That they would not result in the acquisition, establishment, or improvement of the mining location from which minerals or mineral products would be won.</li> <li>• That, they were paid ad valorem the disposed minerals.</li> <li>• That the purpose of the royalties was to preserve its right to dispose of the extracted minerals.</li> <li>• That the repeal of s 15 (2) (f) (iii) of the ITA did not abrogate the clear and unambiguous text of the general deduction formula or the effect of s 16 of the same Act, both of which remained extant.</li> <li>• That the royalties were payable for the right to dispose of won minerals or mineral products and not the right to mine these minerals,</li> <li>• That they did not constitute expenses incurred in securing the right to mine and were therefore not of a capital nature. Act, both of which remained extant.</li> <li>• That the royalties were payable for the right to dispose of won minerals or mineral products and not the right to mine these minerals,</li> <li>• That they did not constitute expenses incurred in securing the right to mine and were therefore not of a capital nature.</li> </ul>

## Court Reasoning and decision

Whether royalties payable under s the Mines and Minerals Act constitute an allowable deduction under the general deduction formula	<ul style="list-style-type: none"> <li>• That repeal of s 15 (2) (f) (iii) of the Act, which specifically provided for the deduction of royalties from the Murowa's income, did not necessarily mean that royalties could not be deducted under the general deduction formula if they did not constitute expenditure of a capital nature.</li> <li>• That there is a scarcity of authority on whether mineral royalties are expenses of a revenue nature or expenses of a capital nature.</li> <li>• That this is because the tax legislation in most jurisdictions specifically provides for the tax treatment to be accorded to mining royalties.</li> <li>• That the mining location or the mineral rights constitute the capital asset that produces the income, while the minerals and the mineral products are the fruits.</li> </ul>
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	<ul style="list-style-type: none"> <li>• That they can also be regarded as the income derived from the mining location or the mining rights.</li> <li>• That to determine whether the royalty payable constitutes revenue or capital expenditure regard must be had to the purpose for which royalties are paid.</li> <li>• That if paid to gain access to the mining location or to exercise the mining, rights, they would be closely connected to the income producing structure and would fall into the ambit of capital expenses and would not be deductible.</li> <li>• That if paid to enhance the earning of income, they would fall into the category of revenue expenses and would be deductible.</li> <li>• That a failure to pay the royalty due is penalized by a prohibition from disposing of the minerals and mineral products.</li> <li>• That the royalty payable in this instance is not closely connected with the income producing asset, rather, is closely connected with the mining fruits produced by that asset.</li> <li>• That the royalties are therefore paid to enable the miner to earn income from its mining location.</li> <li>• That the royalty payable in terms of the Mines and Minerals Act in these circumstances be revenue and not capital expenditure</li> </ul>
Decision	<ul style="list-style-type: none"> <li>• That the royalty payable was properly abated by Murowa from its income in the self-assessment returns for the tax years.</li> <li>• That the previous court correctly reversed ZIMRA's decision</li> <li>• That the appeal is unmeritorious and ought to be dismissed</li> <li>• That the application is dismissed with costs.</li> </ul>

## Decision Impact

The repealing s 15 (2) (f) (iii) was not sufficient to deny deduction of royalties as these would remain deductible as by reason of s 15 (2)(a) and this was an oversight on the part of legislature. The case opens floodgates for claiming of the same by taxpayers who had improperly disallowed the amount. They can amend returns in line with s 48 reduced assessments as long as within six years.



## 4. Technical Interpretation

### 4.1 VAT predicament of construction projects

#### Background

Construction projects are often long-term with some lasting years. Players in the construction industry are liable to pay VAT like in most industries that deal with value addition of some sort. However, the treatment of VAT in the construction industry leaves players at crossroads especially when it comes to timing.

#### Law and Interpretation

Section 8(3)(b) of the VAT Act provides that supply becomes due in construction, repair, manufacturing projects etc when an invoice is issued by the supplier or the recipient in respect of that supply or the time any payment of consideration is received by the supplier in respect of that supply, whichever time is the earliest. The interpretation of what is meant by “any supply becomes due” in our view is critical. Because the construction project is often delivered in parts, it is impractical to expect the “supply which becomes due” to be the full project value. The building contractor and the contracting entity must agree when the works have been finished for a supply to become due. The view currently embraced by tax authorities and courts is that construction or assembly work is completed when a certificate of completion or progress is issued. This may be viewed as the date of signing a handover protocol denoting the client’s acceptance of the work. In order for this to be achieved the following three conditions should be jointly met : (a) a formal acceptance protocol should be stipulated by the parties under the contract, (b) such formal acceptance protocols are common commercial practice in the field in which the service is supplied and (c) it must not be possible to establish the consideration due by the client before the client formally accepts the construction or installation work. In the absence of a clause in the contract stipulating the acceptance protocols as aforesaid it appears the date the “supply becomes due” is when the contractor announced to the buyer that the services were complete and ready for handover. How the agreement is worded is a critical consideration in the determination of a tax point underscoring the point in time rights and obligations under the contract are exchanged by the parties. In a situation when payment is made later, the taxpayer will still be liable for payment of VAT. Therefore, the taxpayer will encounter issues of cashflow or liquidity. One example is when the taxpayer is dealing with government projects, for example, construction of road spanning several kilometres where the work is completed in sections. Technically, for instance, when tax chargeability and invoicing date is to be conditional on the works becoming declared ready for acceptance, the contractor may find itself forced to issue an invoice and pay VAT although the contracting entity refused to accept the works and the invoice it received. Going further, the issue of upfront payments is also treated as supply becoming due despite the goods or services not being physically supplied or performed at that time.

#### Decision Impact

Timing and wording of agreements are critical for the taxpayer in the construction industry. The agreement in consideration will determine a tax point underscoring the point in time rights and obligations under the contract exchanged by the parties. Therefore, taxpayers in the construction should manage contracts to avoid noncompliance penalties as well as managing the businesses’ liquidity position.

### 4.2 Transfer Pricing for each separate entity.

#### Background

SI 109 of 2019 requires every taxpayer with related party transactions or dealing with persons in tax haven countries to report such transactions in Transfer Pricing Documentation.

#### Law and Interpretation

Fairness is ensured through the review of pricing transactions between entities of the same company. If a transaction occurs with a price below market value, the ZIMRA will adjust the transfer pricing by increasing the price for it to be at par with the market value. There is fair distribution of taxes, correction allocation of profit and prevention of tax avoidance through the transfer pricing adjustments. Transfer pricing documents are to be submitted for each individual entity and ZIMRA does not allow the submission of one TP for all the entities.

#### Decision Impact

The taxpayer who has more than one entity operating under its name needs to ensure that it obtains a TP document. However, each entity will need its own TP document.

## 4.3 Tax Recovery in Zimbabwe.

### Background

Tax recovery is a crucial process for the government of Zimbabwe to ensure the collection of necessary funds for public expenditure. However, in the event of a taxpayer not owing to their liabilities ZIMRA has through powers of the commissioner that is governed by various statutes and regulations to recovery taxes.

### Law and Interpretation

#### Garnish

Section 58 of ITA and 48 VAT Act grant ZIMRA the authority to appoint any person as an agent of a taxpayer for the purpose of paying tax. This encompasses not only individuals but also financial institutions, such as banks, where taxpayers may hold their accounts. Once a bank has been appointed as an agent of a taxpayer, it becomes legally obligated to pay any outstanding tax from the funds held in the taxpayer's account. However, in the case of a taxpayer operating in solely cash environment where the taxpayer does not have a banking footprint, ZIMRA evokes other powers of commissioner.

#### Operating in cash environment

Section 34F of the Revenue Act grants the Commissioner and his officers' further powers to a) without previous notice, at any reasonable time during the day enter any premises whatsoever and on such premises search for any moneys, valuables, deeds, seize any such duds as in his ornaments, books, records, accounts, trade lists, stock lists or documents as in his or her opinion may afford evidence which may be material to assessing the liability of any person for any tax. b) in carrying out any such search, open or cause to be removed and opened any article in which he or she suspects any moneys, valuables, deeds, plans, instruments, books, records, accounts, trade lists, stock lists or documents to be contained. c) seize any such deeds, plans, instruments, books, records, accounts, trade lists, stock lists or documents as in his or her opinion may afford evidence which may be material to assessing the liability of any person for any tax. d) Retain any such ends, plans, instruments, books, records, accounts, trade lists, stock lists or documents for as long as they may be reasonably required for any assessment or for any criminal or other proceedings under a Scheduled Act or the Finance Act. To this end, those operating in a purely cash environment is still by law required to pay tax.

#### Decision Impact

The powers if tax collection must strictly be followed in observance of administrative justice and where the CG failed to observe this taxpayer has a right to judicial review of the CG's powers by the court.

## 4.4 Amendment of IFRS for SMEs Accounting Standard related to international tax reform.

### Background

The International Accounting Standards Board (IASB) issued a set of amendments in IAS 12 to temporarily relieve SMEs over the potential implications of the OECD's pillar two model rules on accounting for income taxes.

### Law and Interpretation

The Amendments to IAS 12 include:

- an exception to the requirements in IAS 12, allowing an entity not to recognise or disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes, while requiring it to disclose that it has applied the exception.
- Entities must disclose separately their current tax expense (income) related to pillar two income taxes.
- Entities must disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to pillar two income taxes arising from enacted or substantively enacted legislation, even if it's not yet in effect.
- Entities are required to apply the exception and the requirement to disclose that it has applied the exception immediately upon issuance of the amendments and retrospectively in accordance with IAS 8. The remaining disclosure requirements are required for annual reporting periods beginning on or after 1 January 2023.

#### Decision Impact

Companies can benefit from the temporary exception in this amendment as it provides a temporary relief from accounting for deferred taxes arising from the implementation of the Pillar Two model rules; and clarifies that the Standard requires companies that apply the Standard to disclose information that enables users of their financial statements to evaluate the nature and financial effect of income tax consequences of the Pillar Two legislation. However, IASB will continue to monitor developments associated to the pillar two model rules and will decide whether to remove the temporary exception.



## 5. Announcements and Interpretations

### 5.1 The birth of a new system, TaRMS.

#### Background

The ZIMRA is rolling out a new tax administration, The TaRMS a new automated system for revenue management that is financed by the government of Zimbabwe and a grant from the African Development Bank (AfDB). TaRMS is expected to improve taxpayer registrations, enhance the registration process, grow taxpayer base, improve, capture ITF 12B (QPDs), improve refunds management, tax return management, payment, and debt management systems. The release of TaRMS will be done in three phases on 3 separate dates. The first phase will be the front end with 80% of the program released on the 12th of October 2023. The second phase will be the implementation of the Tax Agent Module that will go live on the 1st of December 2023. Finally, the third phase will go live on the 1st of August 2024 and will comprise of the back end. The following are some of the major highlights:

#### Taxpayer registration

- TaRMS make use of Taxpayer Identification Number (TIN).
- The existing taxpayers will be allocated the TINs automatically by the system and notifications regarding the new created TINs will be sent to taxpayers. Therefore, current Business Partner Numbers will no longer be used in TaRMS.
- New taxpayers will be allocated TIN upon successful registration. The registration is done online, and the taxpayer will get the TIN online.
- The email address will be the key communication channel.
- Taxpayer registration will now be automatic for all entities and all Tax Types except for those that require ZIMRA approval.
- Taxpayers can update master data through Self-Service Portal without requirement for human intervention, only on editable fields.
- TaRMS is integrated with Civil Registry, Registrar of Companies and Banks for validation of information. (Company Registration Numbers-CRN, ID numbers and bank account numbers).
- The system can register Public Officer/Representative, Directors, Shareholders including percentage of shareholding.

#### Tax return management

- One TIN for both USD and ZWL: In TaRMS, and taxpayer submits one return per tax period and posts liabilities in ZWL and USD (Convenient for the taxpayer).
- The system will be capable of estimated assessments computation based on previous returns submitted and / or 31 party information.
- System automated to decline previously claimed Input Tax, and Input Tax whose invoice is older than 12 months as legislated (after Release 3).
- Former ITF 12B (OPDs) were not previously captured, and in TaRMS it will be submitted as a return and the results post to the Income Tax type ledger.

#### Payments management

- A Single bank account in the name of ZIMRA will be allocated to each of the banks used by the authority to receive revenue. The ZIMRA Single Account is only in two currencies: ZWL and USD. Tax liabilities will be only in ZWL and USD and will be paid in those currencies.
- Taxpayer selects one bank for making ZIMRA payments. TaRMS facilitates the recording of the details of payments made at financial institutions or through the Self-Service Portal (SSP).
- The system links the taxpayer bank account with the ZIMRA Single Account in that bank and the taxpayer can deposit money only in that Single Account i.e., a taxpayer linked to CBZ ZIMRA Single Account cannot deposit in other banks ZIMRA Single Accounts. A single payment can be made to settle several tax obligations, making it cheaper and convenient for the taxpayer.

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- To change the taxpayer's bank account for tax purposes, the taxpayer should send an application to ZIMRA and reset the account in the current bank, then choose the other bank. The balance in the taxpayer's account should be nil before effecting this change.
- The system will eliminate the issue of unallocated payments in ZIMRA Bank accounts and avoid the creation of a Suspense Account. TaRMS will eliminate overpayments and duplicate payments by Taxpayers, since payment is based on the Return submitted. Elimination of tax payments mis-postings (time spent in correcting mis-posted payments will now be eliminated).

## Refunds management

- TaRMS will automatically identify Refunds for processing. Automatic separation of refunds below thresholds (refundable amount) and retention of below threshold amounts in system.
- Automatic determination of any outstanding liabilities (Returns and Payments).
- Automated Risk Profiling before refunding (this increases efficiency and will be after Release 3)

## Debt management

- Automatic detection of unpaid liabilities. Automatic aging of liabilities according to set parameters.
- Automatic account maintenance since a tax liability shown in the return is settled directly from the single account.
- The system automatically calculates interest daily, updates and show the total in the taxpayer ledger. It also automatically calculates penalty on over-due debts and posts to the taxpayer ledger.
- Elimination of bank searches in Release 3.
- It can also automatically reverse interest charges and penalty on all adjusted/amended tax types of liabilities and automatically issue reminders for payments prior to the due date, on due-date, and after due- date according to the escalation procedures. (Reminders will not be sent to up-to-date taxpayers).
- Based on set criteria, TaRMS can automatically approve instalment plan applications,
- Automatic flagging of cases due to Appointment of Agent (Garnish Orders) Automatic cancellation of instalment plans. TaRMS comes with Standard and Customized reports.

## Decision Impact

All taxpayers and agents are advised to update their emails and other details as the new TIN will be communicated to the emails on the system. Banks will not accept any payment without validating it first with TaRMS. On the 12<sup>th</sup> of October, e-services and e-tax will go down as ZIMRA will cross over to TaRMS. However, the cross over will have no loss of functionality. Taxpayers can make payments through E-Banking or cash deposits (the bank will validate the payment before processing the transaction). All returns/claim forms are fully automated except the following which are partially automated and VAT for Development Partners and VAT for Entities Individuals with Diplomatic Immunity. Reminders will now be issued before the due date, on due date and after due date (only to taxpayers with outstanding returns). TaRMS will eliminate overpayments and duplicate payments by Taxpayers, since payment is based on the Return submitted. A single payment can be made to settle several tax obligations, making it cheaper and convenient for the taxpayer. The system will continue recognizing BP for a period until the end of the project marked by release 3. TaRMS will have only two currencies which are USD and ZWL\$. If one operates in any other currency, it must be converted into USD, however the conversion will be just for reporting and posting purposes. One will still be able to make payment in other foreign currencies to ZIMRA. For example, if one operates with pounds, they will be converted into USD for reporting purposes with payment then made in pounds.

## 5.2 Master update ahead the launch of TaRMS

### Background

ZIMRA advice all clientele to update Master Data ahead of the launch of TaRMS on the 12<sup>th</sup> of October 2023 through public notice 60 of 2023. Public Officers to also register their email addresses as contact person of an organization. Moreover, taxpayers are also urged to ensure their current contact details, which included emails are up to date on the system. The following are the updates required by ZIMRA:

- a) public officers' information
- b) Physical address,
- c) Bank account numbers both forex and ZWL

- d) E- mail address of the Public Officer or of the Taxpayer,
- e) Telephone numbers,
- f) Industry

## Decision Impact

ZIMRA is migrating from E-services and E-Taxes by crossing off the old system on the 12<sup>th</sup> of October 2023. Taxpayers must ensure their details are correct to receive their TINs. ZIMRA urges taxpayers to action their request for a seamless transfer to TaRMS.

## 5.3 “Economic stabilization policy here to stay”.

### Background

The minister of Finance and Economic Development issued a press statement on the 7<sup>th</sup> of September 2023 “Affirmation and Continuation of Policy Measures to Stabilize the Economy”. The press statement is a reaffirmation and a follow up to the statement issued on the 29<sup>th</sup> of May 2023 where the Minister outlined a host of policy interventions in a bid to stabilize the economy. Post intervention results are already showing a positive effect with the Zimbabwean Dollar appreciating against the United States Dollar. The official statistics record an appreciation from US\$1: ZWL\$6900 in May to US\$1: ZWL\$4500 in September. Inflation cooled down to result in the Economy swinging into a deflationary state. Official figures show month on month inflation moving from +30% to -15%. While monetary economics warns against adverse effects of deflation, the Minister guarantees that the current macro-economic condition are necessary for economic growth. The government has committed to the current tight fiscal and monetary policy which are as follows:

- Adopting all external liabilities being funded transparently through the national budget which has been completed.
- Increasing the retention on domestic foreign currency sales 100%.
- Promoting the use of domestic currency by using measures such as payment of corporate taxes and Government Agencies' fees in local currency, and additional measures are under consideration.
- Making sure that there is no backlog in the foreign currency auction system.
- All Government Agencies including Parastatals will continue to collect their fees in local currency.
- Payments to ZESA by non-exporters will continue to be made in ZWL.
- Local interbank foreign transactions IMT tax will be maintained at 1%
- POS IMT tax in foreign currency will be maintained at 1%

## Decision Impact

Increasing retention of domestic currency will allow domestic industry to access more foreign currency and will encourage banking of foreign currency. On the other hand, promotion of domestic currency will result in an increase in the use of domestic currency which may have a counter effect on foreign currency retention. ZWL payments of ZESA are welcomed as it promotes the use of ZWL.

## 5.4 RBZ shows Tourism industry the hazard lamp.

### Background

The mid-term monetary policy statement set a deadline of the 31<sup>st</sup> of August 2023 for the tourism industry stakeholders to regularize the agreements and offshore foreign currency accounts. However, the deadline was extended up to the 31<sup>st</sup> of October 2023 as the RBZ reports 48% of players in the industry have not registered the Tourism Receipts Accounting System (TRAS1) form.

## Decision Impact

Failure to declare offshore funds within 90 days of receipt is deemed to be externalization of funds. All tourism players need to submit information regarding earnings from both foreign and domestic tourism as well as employment statistics monthly before the 15<sup>th</sup> of each month. After the 31<sup>st</sup> of October, the RBZ has promised to take measures on all non-compliant members.

## 5.5 RBZ Collateral Registry.

### Background

The RBZ launched the collateral registry on the 4<sup>th</sup> of November 2022. The collateral registry is a registry of individual or small firms' assets such as motor vehicles, television sets among others. This allows small to medium enterprises and households to use movable property as collateral as stated in the Movable Property Security Interests Act. The RBZ reported 377 active users who have secured loans worth ZWL\$600,02 billion as of the 24<sup>th</sup> of July 2023. Additionally, as of June 30<sup>th</sup> the RBZ reports 46 active institutional users which include banks, microfinance firms, and law firms. The collateral registry is a tool to further empower microfinance and the public to lend.

### Decision Impact

The collateral registry expands the collateral base to include movable property such as farm equipment, gold coins, bank accounts, patents, motor vehicles, and durable household goods among others. The registry creates transparency on the lender's end. While on the borrower's end it promotes financial inclusion and ease of access of credit. The creditor in custody of collateral may lay claim for expenses they incur for the preservation of the asset. These include the cost of insurance, payment of taxes and other charges.

## 5.6 Anxiety brews around the tobacco industry.

### Background

The mid-term monetary policy statement included what would be a silver bullet if it came into effect. The silver bullet being the amendment of Statutory Instrument 61 of 2004 which delays with tobacco financing. Tobacco farmers are required by law to be financed using foreign sourced funds. However, there is a provision to obtain locally sourced funds such that each merchant was to approach the RBZ to get authority to raise funds locally.

### Decision Impact

An amendment to SI061 of 2004 would reduce the red tape on the process of sourcing local funds for merchants. This will also encourage merchants who are having difficulties obtaining offshore finance, or who in the past had difficulties obtaining offshore finance to look locally. However, the amendment has not been actioned yet therefore farmers still have financing restrictions in this critical time when tobacco farming has already begun.

## 6. Disclaimer Clauses

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