


2025 ZIMBABWE BUDGET HIGHLIGHTS

"Building Resilience for Sustained Economic Transformation"



Year-End Income Tax & 2025 Budget Seminar



04 December 2024 (8:30am - 1pm)  **Holiday Inn, Harare**

The Finance Minister is set to present the 2025 National Budget in Parliament, where several tax measures aimed at strengthening the economy in line with the National Development Strategy are anticipated. Join us as we unpack this Budget to gain practical insights into key tax changes and their impact on you, your business, or practice in the coming year. The Revenue Authority will also provide updates on current practices and processes. Our team will offer year-end tips and highlight pitfalls to avoid as you prepare to close the 2024 fiscal year.

Speakers



Marvellous Tapera
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Benefits Of Attending

- » 4 hours CPD
- » Certificate of Completion
- » Access to Occupational Tax Training Offered by Industry Experts



Investment Per Delegate:

MTU Members: \$90

Non-MTU Members: \$100

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Introduction

The Minister of Finance and Economic Development presented the 2025 National Budget on the 28th of November 2024 under the theme "Building Resilience for Sustained Economic Transformation". The budget is intended to provide support to the productive sectors, incentivise adoption of environmentally friendly technologies, extend relief to taxpayers and enhance tax compliance and administration. The following is our summary of the proposed revenue measures as per the draft Finance Bill and the Budget Statement.

Major Highlights

- › Introduction of 10% Withholding Tax on gross winnings from sports betting.
- › Introduction of 0.5% Fast Foods Tax on selected fast foods.
- › Introduction of 20% tax on plastic carrier bags.
- › Rental Income Tax at 25% for properties converted to business use.
- › Disallowance of rental expenses to lessee if property owner and location are not disclosed.
- › Mandatory tax registration by emerging businesses and in default payment of quarterly tax.
- › Loans above US\$20,000 and mining rights applications restricted to registered taxpayers.
- › Royalty fee deductibility capped at 1.5% of turnover or comparable transaction value.
- › Local VAT to be remitted to ZIMRA by the 15th of the following month.
- › VAT on imported services to be remitted to ZIMRA within 15 days of time of supply.
- › Automatic VAT registration and VAT payment for tenders exceeding US\$25,000.
- › Liquefied Petroleum Gas (LPG) exempted from VAT.
- › Repeal of tax incentives available to Special Economic Zones (SEZ) licensed investors.
- › Capital Gains Withholding Tax on listed shares reduced to 1% final tax.
- › Revision of effective date of Special Capital Gains on Transfer of Mining Rights to 31 December 2023



Corporate Income Tax

- **Deductibility of rental expense:** The prohibition of deduction of rental expenses of commercial properties where disclosure has not been done by the lessee pertaining to the ownership and location of the property.
- **Rental Income:** Levying of rental income tax at 25% which is to be accounted for separately for income derived on properties that have been converted from residential to commercial properties.
- **Deductibility of Royalties:** To be restricted to 1.5% of the company's turnover or the comparable transaction whichever is lesser as per budget statement. The Finance Bill however limits value to 1.5% of the annual turnover in the year the deduction is claimed. The two are expected to align.
- **Withholding Tax on Betting:** A 10% *Withholding Tax* on gross winnings of *Sports Betting Punters* for both in-house and online betting, managed by Land-Based Bookmakers to apply with effect from 1 January 2025. The tax is to be withheld and remitted to ZIMRA by the bookmaker.
- **Fast Foods Tax:** Introduction of a 0.5% tax on the sales value of *Fast Foods* on food items sold by *Fast Food Retail Outlets* and *Restaurants* with effect from 1 January 2025. The food includes pizza, burgers and hot dogs, shawarma, French fries, chicken, doughnuts and similar products, and tacos.
- **Rental Income:** Levying of rental income tax at 25% which is to be accounted for separately for income derived on properties that have been converted from residential to commercial properties.
- **Plastic Carrier Bag Tax:** Introduction of a 20% tax on the sale value of plastic carrier bag with effect from 1 January 2025, to be charged and collected by any retail outlet or restaurant or other taxpayer who sells them to purchasers. The term "disposable plastic bags" means a bag for the carriage of goods made of plastic or other non- biodegradable material produced from non-renewable resources.
- **Exemption From Withholding Tax on Tender for Suppliers of Recyclable Plastics:** The exemption from 30% Withholding Tax, for suppliers of recyclable plastics who have aggregate sales below USD5000 per annum.
- **Exemption From Withholding Tax on Tender for Smallholder Farmers:** The exemption from 30% Withholding Tax, for cattle sales by smallholder farmers who have aggregate sales below USD5000 per annum.
- **Income Tax Exemption for Mortgage Finance:** Building societies and financial institutions to be exempted only on receipts and accruals from mortgage finance. Currently the exemption of building societies is not limited to receipts and accruals arising from mortgage finance. "Mortgage finance" means the provision of loans for the acquisition of immovable property for residential purposes, which loans are secured by the collateral of that immovable property.
- **Income Tax Rate for Licensed Investors:** The increase of income tax rate for licensed investors for the 5 years of operation to 15% from 0% with effect from 1 January 2025. The tax holiday (0%) being currently enjoyed to expire end of 2025
- **NRTF on Payments By Licensed Investors:** The removal of exemption from non-resident tax on fees (NRTF) on payments made by licensed investor to a non-resident person and introduction of 10% NRTF.
- **Non resident of Tax on Remittance Licensed Investors Payments:** The removal of exemption from non-resident tax on remittances (NRTRem) on payments made by licensed investor to a non-resident person and introduction of 10% NRTRem.
- **Definition of Non-resident Person for Purposes of NRTF:** This is amended to include a trust whose trustee or the majority of them are not ordinarily resident or domiciled in Zimbabwe, a company or other corporate entity incorporated or domiciled outside Zimbabwe (even if registered as a foreign company in Zimbabwe), or a subsidiary of such a company or entity incorporated in Zimbabwe and a licensed investor whether domiciled in or outside Zimbabwe. It appears that payments by resident persons to Permanent Establishments in Zimbabwe, Subsidiaries of foreign entities in Zimbabwe, licensed investors and trustees as aforesaid are subject to NRTF. Also, the definition of a non resident partnership or syndicate is revised to require at least 50% of the partners to be ordinarily resident or domiciled outside Zimbabwe as opposed to the current 100% of the members.

Capital Gains Tax Measures

- **Capital Gains Withholding Tax on Listed Marketable Securities:** This is reduced from 2% to 1% of the gross value of the price at which the security is sold with effect from 1 January 2025. This is a final tax.
- **Special Capital Gains on Transfer of Mining Rights:** This is chargeable at a rate of 20% of the transaction value on transactions that took place after 31 December 2023, amending the effective date of commencement of tax from transactions carried out 10 years before 1 January 2024.

Employment Tax

- **Employment Tax Rates:** The rates in respect of the ZIG income reviewed (the USD tax tables remain the same). A minimum income subject to tax rate of 20% fixed at ZWG2,800 per annum and a rate of 40% to apply to annual earnings exceeding ZWG84,000.
- **Prescribed Interest Rate in Statutes:** The LIBOR rate is replaced by the Secured Overnight Financing Rate (SOFR). Inadvertently SOFR applies on foreign currency loans given to employees as fringe benefit.

Valued Added Tax

- **Local VAT Remittance Date:** Revision of date of remitting local VAT and Excise Duty by manufacturers of excisable products and beverages that have Special Surtax on Sugar Content to ZIMRA from the 25th of the following month to the 15th of the following month.
- **VAT on Imported Services Remittance Date:** This is reviewed from the 25th of the following month to within 15 days of time of supply.
- **Automatic VAT Registration for Tenders:** Persons supplying taxable goods and services with a minimum value of US\$25,000 through tender to provide proof of VAT registration and include VAT in the purchase price. The Procurement Regulatory Authority of Zimbabwe, Government Ministries and Departments and any other company or organisation procuring such items to submit a return to the Commissioner General detailing tenders awarded during the preceeding month by the 10th day of the following month.
- **VAT Deferment on Capital Equipment:** Extended to the energy sector with effect from 1 January 2025
- **VAT on Liquefied Petroleum Gas:** Exempt Liquefied Petroleum Gas from VAT with effect from 1 January 2025.

Minerals and Royalties

- **Royalty Base:** Mineral royalties to be payable on any mineral or mineral-bearing ore. The Finance Minister empowered to designate any mineral as subject to royalties.
- **Quarry stones mineral designation:** Quarry stones designated as a mineral with 0.5% royalty rate. Coal royalty extended to all types.
- **Revision of Royalty Rates on Certain Minerals:** Uniform royalty rate of 2% to apply on all types of coal regardless of where sold and royalty rate on cut and uncut dimensional stones reduced from 2% to 0.5%.
- **Royalty Deemed a Tax:** The definition of tax in the Income Tax Act to incorporate mineral royalty thereby allowing the Commissioner to waive any penalties on unpaid royalties and permit an objection to be filed for mineral royalties matters in terms of Income Tax rules. *(Note the change may inadvertently affect deductibility of royalty since current law prohibits income tax deduction of tax on income of taxpayer (s 16 (1)(d) of the ITA)).*
- **Date Mineral Sale:** All minerals except PGMs and gold are deemed sold at contract value or delivery value on the date the purchaser receives the product whichever is higher.



Customs and Excise Duty

- **Suspension of Duty on Imported Public Service Buses:** To terminate the suspension of duty facility on the importation of public service buses.
- **Suspension of Duty on Inputs into Production of Motor Vehicles:** To suspend duty on semi-knocked down kits for motor vehicles for a period of 2 years beginning 1 January 2025.
- **Customs Duty on Electric Motor Vehicles:** Customs duty on electric motor vehicles to be reduced from 40% to 25%. This covers buses, passenger and goods transport vehicles, with only electric motor for propulsion use. *Effective date 1 January 2025.*
- **Duty Rebate on Solar Powered Charging Stations:** Duty rebate extended to equipment imported by Approved Operator and used for electrical vehicle solar-powered charging stations. *Effective date 1 January 2025.*
- **Suspension of Excise Duty on Raw Wine:** The Minister proposes a ring-fenced suspension of duty facility of 100,000 litres of raw wine per annum for a period of 2 years beginning 1 January 2025.
- **Imposition of Duty on Medical Equipment:** Reintroduction of Duty on COVID-19 medical products namely Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol. or higher; hydrogen Peroxide, whether or not Solidified with Urea, other wadding, gauze, bandages and similar articles (for example, dressings, adhesive plasters, poultices), impregnated or coated with pharmaceutical substances or put up in forms or packings for retail the list is not inclusive. *Effective date 1 January 2025.*
- **Excise Duty on Beverages Sugar Content Tax:** The special surtax on beverages sugar content on cordials to be reduced from USD0,001 per gram to USD0.0005 per gram: *Effective date 1 January 2025.*
- **Duty Rebate for Licensed Investors:** Licensed investors duty rebate on imported inputs and capital equipment under SEZ to be aligned to the new Degree of Export Orientation.

Tax Administration

- **Tax Registration of Emerging Sector:** Mandatory registration for Corporate and Personal Income Tax for the operators in (Table 1). Tax transact through POS machines and maintain records otherwise quarterly payment of taxes: The ZIMRA is further empowered to temporarily close businesses that fail to adhere to the mentioned requirements

Table 1

Proposed Quarterly Corporate Tax Payments Non-Compliant Taxpayers

Spare Parts Dealers	US\$9 000
Car Dealers	US\$15 000
Grocery and Kitchenware Merchandisers	US\$9 000
Fabric Merchandisers	US\$12 000
Clothing Merchandisers/Boutiques	US\$12 000
Hardware Operators	US\$15 000
Lodges	US\$5 000

- **Virtual Fiscalisation of Micro and Small Enterprises:** Implementation of Virtual Fiscalisation on VATABLE transactions of Micro and Small Enterprises below VAT registration threshold during the first quarter of 2025.
- **Prohibition of Lending to Non-compliant Taxpayers:** Financial insitutions are prohibited from lending to a corporate or any legal person any loan above USD20,000 during uninterrupted period of 12 months in the absence of valid tax clearance certificate. In breach thereof a penalty of 5% of the credit or total credit advanced and interest apply. The Commissioner is empowered to issue written disclosure notice to the financial insitution to request details of the loan portfolio for the period of twelve months preceding the date of service of the disclosure notice or any other information relating to lending exceeding the prescribed limit. Managers and every member of the governing board to be liable to level 14 fine and in default for imprisonment if the financial institution fails to give access or make a disclosure as required by the ZIMRA. The Banking Secrecy provisions do not apply in respect of client information shared with the ZIMRA.
- **Registration of Mining Title:** Mining title or rights registration permitted permitted only for individual and justric persons registered for taxes.
- **Currency of 2024 Second QPD:** The legislation to be amended to provide clarity that taxpayers were given as option the payment of 2024 Second QPD in proportion to the currency of trade.
- **Seizure of Storage Devices, Stock in Trade and Cash:** The Commissioner is empowered to seize any cash at the disposal of any non-compliant taxpayer, provided the tax debt would have exceeded six months, any device with the capacity to store information, as well as stock in trade, in an endeavor to recover tax debts.
- **Currency of 2024 Second QPD:** The legislation to be amended to provide clarity that taxpayers were given as option the payment of 2024 Second QPD in proportion to the currency of trade.
- **Penalty for Late Submission of Returns:** A USD30 per day penalty for late submitted returns to apply. The ceiling on the maximum number of days on which the penalty will accrue appears removed.
- **Remittance of Tax Revenue by Financial Institution:** The period during which financial institutions can hold government revenue collected by them is reduced from 48 hours to 24 hours. The interest rate on the delayed ZWG remittance is reduced from 200% to the Bank Policy Rate plus 5%. *Effective date 1 January 2025.*

- **Tax Registration of Emerging Sector:** Mandatory registration for Corporate and Personal Income Tax for the operators in (Table 1). Tax transact through POS machines and maintain records otherwise quarterly payment of taxes: The ZIMRA is further empowered to temporarily close businesses that fail to adhere to the mentioned requirements
- **Submission of Returns:** Tax returns to be submitted to ZIMRA at least 5 days before tax payment date.
- **Taxpayer Single Account:** All tax revenues to be accounted for through a taxpayer's single account thereby confirming the taxpayer's single account as per the TaRMS.
- **Disposal of Abandoned Goods:** The time for the disposal of abandoned goods that have been seized and kept at State warehouses is reduced to not more than 14 days from 90 days, from the date of seizure.
- **Goods Deemed Smuggled:** Certain products are deemed smuggled and are to be seized, payment of duty and penalty enforced unless there is documentary proof showing customs duty was paid. The goods include Alcoholic & non-alcoholic Beverages, Cement, Clothing & footwear, Dairy products, Diapers, Electrical appliances, cables & accessories, Ploughs & parts thereof, Processed meat, Rice & Pasta, Sugar, Tyres & motor spare parts and Washing powder and Detergent. The Commissioner is to provide to Treasury a monthly report of Post Clearance Audits accounting for the smuggled goods and revenue recovered.
- **Support for Film, Television and Content Creators:** To incentivise the film production industry through several tax incentives, in consultation with stakeholders.
- **New definitions of licensed investor:** To exclude any such investor which, within any special economic zone, produces, imports or exports petroleum and petroleum products, or produces, imports or exports any mineral or mineral-bearing product.
- **Qualifying Degree of Export-Orientation:** Amended to export level of at least 80% from 100% of licensed investor's goods and services and 100% of its income should be derived from the manufacture of goods or the provision of services within its Special Economic Zone.
- **Repeal of Zimpbabwe Dollar in Statutes:** Replacement of ZWL with the tern'local currency'" to align with the introduction ZWG.



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