

Monthly Tax Update

March 2025





March 2025 MTU

- › Keeping businesses and individuals well-informed on current tax issues and adding value for all. Each month, we analyze the most recent changes in tax rules—including new legislation, pivotal case law, and critical announcements or interpretations from Revenue Authorities—to ensure relevance in today's business climate.

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Upcoming Events 2025

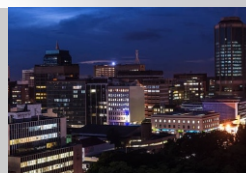
Income Tax Seminar



16 April 2025



Cresta Lodge, Msasa



Executive Tax Summit Africa



09-12 April 2025



Southern Sun Cape Sun,
Cape Town, South Africa



9th Annual Tax Conference



11-14 June 2025



Elephant Hills Resort,
Victoria Falls



7th Tax Summer School



09-12 October 2025



Troutbeck Resort,
Nyanga



9TH ANNUAL TAX CONFERENCE

"Navigating the Evolving Tax Landscape"



11-14 June 2025



Elephant Hills Resort, Victoria Falls



Speakers



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Conference Fees Per Person (USD)

	Full Package	Own Transport	Conference Only	Deadline
Early Bird	2,150	1,860	1,370	15/04/25
Standard	2,260	1,950	1,460	23/05/25
Late	2,430	2,100	1,550	06/06/25

*Full Package includes conference fee, travel costs, accommodation, meals and activities

*5% Discount for MTU Members

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INCOME TAX SEMINAR



16 APRIL 2025 (08:30AM - 1PM)



CRESTA LODGE, MSASA



The income tax filing deadline is approaching. Join us for practical guidance on accurate tax computation and settlement to minimise penalties and interest, manage tax adjustments and build defensible files to strengthen your audit trail and maximise shareholder value.

TOPICS FOR DISCUSSION

- Practical Income Tax Computation in Multi-Currency Trading
- QPDs Computation and Settlement as per Finance Act 2 of 2024
- Guidance on Tax Adjustments after Functional Currency Switch
- Capital Allowances Computation in Multi-currency Trading
- Preparation of 2024 Income Tax and Transfer Pricing Returns
- TaRMS Returns Filing of Active and Dormant Companies
- Transfer Pricing and Value Shifting Arrangements to Watch for
- Interest and Management Fees Adjustments and Tax Settlements
- Deferred Tax and Selected IFRS/IAS Reporting Differences
- Fiscal Tax Invoices, Prescribed Values and Other Adjustments
- Building Working Paper File and Defendable Positions

INVESTMENT PER DELEGATE:

CPD: 6 HOURS

Non-MTU Subscribers: US\$120

MTU Subscribers: US\$100



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Celebrating

10

Years of Tax Excellence

2.1 Capital Gains Tax Interest Rates.

SI 22 of 2025, effective 19 March 2025, sets the rate of interest for unpaid capital gains tax. It fixes the rate for local and foreign currency at the Bank Policy Rate plus 5% and 10%, respectively. The same rates apply to refunds of overpaid capital gains tax if not processed within 60 days, unless due to taxpayer errors. SI repeals Statutory Instrument 211 of 2022.

» Decision Impact

Aligns capital gains tax interest rates with monetary policy changes, reinforcing compliance and timely refund processing.

2.2 Tariff Adjustments on Plastic Bags and Tropical Wood.

SI 23/2025, effective 19 March 2025, amends the Customs and Excise (Tariff) Notice, 2022 by revising duty rates for disposable plastic carrier bags and tropical wood products. It increases the duty on tropical and other wood products under headings 4418.21.00 and 4418.29.00 from 10% to 40%. It introduces new classifications for plastic bags under commodity codes 3923.29.10 and 3923.29.90, maintaining the 15% duty.

» Decision Impact

Raises import costs for wood products while maintaining consistent tariffs on plastic goods, likely impacting pricing and market competitiveness.

2.3 Customs and Excise Duty Interest Rates

SI 24 of 2025, effective 19 March 2025, amends the Customs and Excise (General) Regulations, 2001. It sets the prescribed interest rate on outstanding customs and excise duties at the Bank Policy Rate plus 5% and 10% for local and foreign currency, respectively. The SI repeals SI 280 of 2019.

» Decision Impact

Aligns interest rates on unpaid customs and excise amounts with current monetary policy, increasing financial exposure for non-compliance.

2.4 Replacement of ZWL and VAT Interest Rates

SI 25 of 2025, effective 19 March 2025, amends the VAT (General) Regulations by aligning interest provisions with monetary policy. It replaces references to "Zimbabwe dollars" with "local currency" and adjusts the interest rate on overdue VAT to the Bank Policy Rate plus 5%, replacing the previous 25% rate.

» Decision Impact

SI ensures consistency in VAT interest calculations and aligns tax obligations with prevailing monetary policy.

2.5 Income Tax Interest Rates

SI 26 of 2025, effective 19 March 2025, sets the interest rate on unpaid or overpaid income tax at the Bank Policy Rate plus 5% for local currency and 10% for foreign currency. Refunds not processed within 60 days will accrue interest unless the delay is due to taxpayer errors on returns. The SI repeals SI 282 of 2019 and SI 212 of 2022.

» Decision Impact

Aligns income tax interest rates with monetary policy to enhance compliance and timely tax payments.



3.1 Corporate Rescue not Immune from Tax Clearance Requirements

Case: Pacific Cigarettes Company (Pvt) Ltd vs ZIMRA & Another (99 of 2025) ZWHHC 99	
Summary of facts	<ul style="list-style-type: none"> • Pacific Cigarettes Company entered corporate rescue under the Insolvency Act [Chapter 6:07], placing its affairs under a Corporate Rescue Practitioner (CRP). • The company applied for a Tax Clearance Certificate (TCC) from ZIMRA, which was denied due to outstanding tax arrears. • ZIMRA stated that tax debts must be settled before issuing TCC, citing Public Notice 91/2023 and the Revenue Authority Act [Chapter 23:11]. • The corporate rescue practitioner contested ZIMRA's position in court, seeking a declaration that ZIMRA cannot enforce tax debt payment during corporate rescue and must issue TCC despite outstanding taxes.
Jurisdiction	<ul style="list-style-type: none"> • High Court of Zimbabwe, Harare
Issues	<ul style="list-style-type: none"> • Whether the corporate rescue process prevents ZIMRA from denying a TCC based on outstanding tax debts. • Whether TCC is a right for a company under corporate rescue, • Whether the matter was truly urgent, or Pacific Cigarettes delayed action.
Decision Date	<ul style="list-style-type: none"> • 18 February 2025
Decision	<ul style="list-style-type: none"> • ZIMRA's preliminary objection is dismissed and the case proceeds on an urgent basis. • Corporate rescue does not automatically exempt a company from tax compliance, but the issue requires further legal examination. • The matter will be heard on urgent roll, and costs will be decided later.

Facts

Pacific Cigarettes Company entered corporate rescue under the Insolvency Act [Chapter 6:07], placing its operations under the management of a Corporate Rescue Practitioner (CRP). The company sought a TCC from ZIMRA, but this request was denied due to outstanding tax arrears. ZIMRA maintained that a TCC could only be granted if all tax obligations were cleared, referencing Public Notice 91/2023 and Section 34C(1)(f) of the Revenue Authority Act. The CRP contested ZIMRA's stance, asserting that corporate rescue regulations suspend debt enforcement, thus allowing the company to obtain a TCC despite its tax liabilities. It filed an urgent court application, arguing that the denial jeopardized its ability to operate. ZIMRA opposed this application, contending that corporate rescue does not exempt a company from fulfilling tax obligations. The High Court was tasked with assessing the legality of ZIMRA's refusal and the urgency of the situation.

Competing Arguments

Pacific Cigarettes' Arguments	
Corporate rescue prevents ZIMRA from denying a TCC	<ul style="list-style-type: none"> • That Insolvency Act [Chapter 6:07] suspends enforcement of debts, including tax liabilities, during corporate rescue. • That ZIMRA's refusal to issue a TCC amounts to indirect enforcement of tax debts, which is unlawful under corporate rescue protections. • That ZIMRA cannot enforce tax collection during corporate rescue, therefore, it must issue TCC despite outstanding taxes.
A TCC is a right or not for a company under corporate rescue	<ul style="list-style-type: none"> • That a TCC is necessary for businesses to operate legally and meet regulatory requirements. • That denying TCC effectively forces the company to cease operations, which contradicts the purpose of corporate rescue. • That the company should not be penalized for financial distress, as corporate rescue is meant to facilitate recovery, not further restrict business activity.
Whether the matter was truly urgent	<ul style="list-style-type: none"> • That without TCC, the company faces stock shortages, an inability to trade, and loss of contracts, leading to financial collapse. • That urgency was not self-created; the need for a 2025 TCC only arose in January 2025, meaning the company acted within a reasonable timeframe. • That the court must intervene immediately to prevent commercial ruin and protect the integrity of corporate rescue proceedings.

ZIMRA'S Arguments'	
Corporate rescue prevents ZIMRA from denying a TCC	<ul style="list-style-type: none"> • That Revenue Authority Act [Chapter 23:11], particularly Section 34C(1)(f), requires that all tax obligations be settled before issuing a TCC. • That Insolvency Act does not override tax compliance laws, meaning corporate rescue does not exempt a company from tax clearance requirements. • That refusal to issue a TCC is an administrative decision, not an enforcement action, so it does not violate corporate rescue protections.
A TCC is a right or not for a company under corporate rescue	<ul style="list-style-type: none"> • That issuance of TCC depends on compliance with tax laws, and corporate rescue does not create an exemption. • That allowing tax-defaulters under corporate rescue to obtain TCCs would undermine the integrity of tax administration. • That other companies comply with tax laws to obtain TCCs, so granting Pacific Cigarettes special treatment would be unfair.
Whether the matter was truly urgent	<ul style="list-style-type: none"> • That company was aware of its tax obligations since 2023 but only took legal action in January 2025, making urgency self-created. • That many businesses operate without a TCC, so the claim that the company will collapse without one is exaggerated. • That instead of approaching the court, the company should have made payment arrangements or negotiated a tax settlement with ZIMRA.

Court Reasoning and Decision

Corporate rescue prevents ZIMRA from denying a TCC	<ul style="list-style-type: none"> • That Insolvency Act [Chapter 6:07] provides a moratorium on debt enforcement but does not override tax compliance laws. • That refusal to issue a TCC is an administrative function, not a debt enforcement action, meaning ZIMRA acted lawfully. • That a balance must be struck between corporate rescue protections and tax administration integrity.
A TCC is a right or not for a company under corporate rescue	<ul style="list-style-type: none"> • That the Revenue Authority Act establishes clear requirements for obtaining a TCC, and corporate rescue does not create an exemption. • That Issuing a TCC without tax compliance would set a dangerous precedent, potentially undermining tax enforcement. • That, however, the denial of a TCC could significantly harm the corporate rescue process, necessitating further legal scrutiny.
Whether the matter was truly urgent	<ul style="list-style-type: none"> • That company acted within a reasonable timeframe, as the need for a 2025 TCC only arose in January 2025. • That without TCC, the company risks losing suppliers, contracts, and business operations, making the issue commercially urgent. • That the urgency was not self-created, as the company attempted to engage with ZIMRA before approaching the court.
Decision	<ul style="list-style-type: none"> • That ZIMRA's preliminary objections are dismissed, and the case must proceed on an urgent basis. • That the question of whether corporate rescue laws override TCC requirements must be fully addressed at the hearing. • That the case should be set for urgent hearing, and costs were reserved to be decided later.

» Decision Impact

The ruling emphasizes that legislative provisions in other Act do not override the tax laws. Additionally, it clarifies that Tax Clearance Certificate issuance is a compliance-based privilege, not an automatic right.

4.1 Aligning Currency of Settlement- 2024 QPDs

Income tax is payable in US\$ on foreign currency taxable income since 2009. The Finance Act 2 of 2024 however provides for 2024 first QPD to be paid in currency of trade, and the rest of the QPDs to be paid 50:50 in foreign and local currency when the proportion of foreign currency income is at least 50%. Yet the Finance Act 7 of 2024 provides that taxpayers who did not comply with the 50:50 requirement, i.e. who paid their Second QPD fully in foreign currency, or in the proportion of currency of trade, are deemed to have complied with the law for that period and are to be assessed accordingly. The settlement of third and fourth QPDs on a 50:50 basis if foreign currency trading was at least 50% of total trading is unequivocal. Meanwhile, the foreign currency tax liability payable in local currency is to be converted using the exchange rate prevailing on the QPD payment date.

Why It Matters

Taxpayers must align their QPDs with the law before filing 2024 ITF12C to avoid penalties and interest. Tax paid in the wrong currency may be refunded or offset against future tax liabilities.

4.2 Rejection by FDMS of Physically Compliant Invoices.

Invoice validation errors in FDMS are on the rise. The errors include invoice numbers duplication, mandatory buyer details omission, incorrect VAT or sales values, unrecognized currency codes etc. These errors are causing automatic rejection of input tax claims. The first step in resolving the issues is to ensure the physically held invoice is compliant with the law. Check whether the invoice was printed by a fiscalised electronic register or fiscal memory device used by a registered operator and that it has an electronic signature, QR code, and other features outlined in s20(4) of the VAT Act. When all these requirements are met, there is a legitimate claim for input tax despite mismatch in FDMS. You should engage your suppliers to reach out to their fiscal system provider to liaise with ZIMRA to correct the data transmission mistakes whilst enforcing your input tax claim against ZIMRA.

Why This Matters

Ensuring that invoices are submitted correctly is essential for avoiding compliance risks and safeguarding VAT claims, considering an increasingly digital tax environment. FDMS also enforces strict sequencing of receipt global numbers; any skipped or duplicated numbers lead to validation failure.

4.3 Tax Relief for Sale under Suspensive Conditions

Where immovable property is sold under conditions that allow ownership to pass only after full payment is received, reliefs are granted under both Income Tax and Capital Gains Tax Acts. The sale is deemed, under both Acts, to have accrued on the date the agreement is signed, thereby triggering immediate tax liability, despite the full proceeds remaining outstanding. To ease the tax burden, the law allows a deferred taxation mechanism by granting a notional deduction for the unpaid portion of the proceeds. The relief is then brought into the tax computation in the following assessment year, based on the paid portion of the proceeds. However, if the agreement is ceded, cancelled, assigned, or otherwise disposed of, the relief ceases, and untaxed amounts become taxable immediately.

Why This Matters

Relief removes the cash inflow burden on taxpayers that would otherwise strain liquidity and undermine transaction economics.

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4.4 PAYE Issues of Concessionary School Fees

When private educational institutions provide concessionary school fees to employee parents, such concessions are deemed taxable benefits under the Income Tax Act. However, 50% of this discount as applying on the first three children of an employee-parent is tax exempt. The provisions apply to teachers and non-teaching staff (e.g., bursars, groundsman, security guards at the school) equally. It does not matter if the benefit is granted by the same school or another school where the child of the employee is attending. The school must be defined and enacted under the Education Act (Chapter 25:04) for the 50% exemption to apply.

Why It Matters

Misclassifying concessionary school fees may lead to unexpected PAYE liabilities for both employers and employees. Proper classification ensures accurate payroll tax compliance and avoids penalties.



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5.1 Double Stamping Consignment Notes.

Effective 17 March 2025, all exporters and clearing agents must attach a double-stamped consignment note, waybill, bill of lading, or Form No. I as authority to load, in terms of Section 63(1) of SI 154 of 2001. Non-compliance may result in delays in cargo movement. (Public Notice 18 of 2025)

» Decision Impact

Ensures proper export documentation and reduces the risk of cargo clearance delays.



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