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2019 BUDGET PROPOSALS

The Minister of Finance & Economic Development presented his 2019 budget proposals to the Parliament of Zimbabwe on Thursday, 22 September 2018.

We highlight below the proposed tax changes. Should you require any further clarification, please do not hesitate to contact us.

Individual Taxation

*With effect from 1 January 2019*

Employee annual tax free threshold increased by $600 to $4,200.
Top rate of tax reduced from 50% to 45% on annual amounts in excess of $240,000
PAYE calculation up to $240,000

<table>
<thead>
<tr>
<th>USD</th>
<th>Rate</th>
<th>PAYE</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 4200</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4201 to 18,000</td>
<td>20</td>
<td>2,760</td>
</tr>
<tr>
<td>18,001 to 60,000</td>
<td>25</td>
<td>10,500</td>
</tr>
<tr>
<td>60,001 to 120,000</td>
<td>30</td>
<td>18,000</td>
</tr>
<tr>
<td>120,001 to 180,000</td>
<td>35</td>
<td>21,000</td>
</tr>
<tr>
<td>180,001 to 240,000</td>
<td>40</td>
<td>24,000</td>
</tr>
<tr>
<td>240,001 plus</td>
<td>45</td>
<td></td>
</tr>
</tbody>
</table>

Corporate tax

*Foreign e-commerce and broadcasting services to Zimbabwe*

*With effect from 1 January 2019*

Income accruing to foreign domiciled satellite and broadcasting service and foreign based persons who sell goods and services via electronic commerce platforms with a minimum prescribed amount are required to pay corporate tax in Zimbabwe.

The persons must register with ZIMRA and appoint Public Officers or agents to act on their behalf.

They must also have a tax clearance certificate to enable remittance of funds.
Allowable expenditure from separate mining locations

*With effect from 1 January 2019*

Expenditure from different mining locations held by the same taxpayer for minerals forming part of an integrated process of beneficiation under the control of the taxpayer is allowable.

Directors liable for tax

*With effect from 1 January 2019*

Directors who dissolve or liquidate a company with a tax liability to avoid tax payment but subsequently form a new company to pursue the same business will be liable for the tax of the old company.

10% Tender Clearance Tax

*With effect from 1 January 2019*

10% withholding tax on tenders is not chargeable on persons whose income is subject to non-residents tax on fees, remittances or royalties.

Private schools are condoned for not withholding 10% tax for 2009 to 2017 period.

RBZ is exempted from withholding 10% tax on interest from Treasury Bills where a tax clearance certificate was not furnished.

Transfer Pricing penalties

*With effect from 1 January 2019*

The Commissioner is empowered to raise penalties in the following circumstances:

- 100% of the shortfall where there is evidence that a scheme was designed to avoid payment of tax.
- 30% of the shortfall where there is no or inadequate Transfer Pricing documents supportive of arm’s length pricing;
- 10% where the related party transactions do not meet the arms length principle.

Taxpayer is required to disclose details of transactions with related parties on the self-assessment return.

TB Income exempt from income tax

*With effect from 1 January 2019*

Financial Institution’s income from Treasury Bills specifically stated as tax free is exempt from income tax.

2% Intermediated Money Transfer Tax

*With effect from 13 October 2018*

The Minister has now formalized SI 205 of 13 October 2018 into law with minor amendments.

Value Added Tax (VAT)

Payment of VAT

*With effect from 1 January 2019*

VAT Act to be amended to allow payment of outstanding VAT in the order of principal, penalty and interest.

Supply

*With effect from 1 January 2018*

The definition of supply amended to include the supply of imported services.

Time of supply

*With effect from 1 January 2018*

Supply is deemed to take place on the earlier of:

- An invoice is raised by the supplier or the recipient in respect of that supply; or
- Any payment of consideration is received by the supplier in respect of that supply; or
- Time of removal from the place of sale of movable goods; or
- Time the recipient takes possession of immovable goods; or
- Time a service is performed.

Payment of tax in currency of collection

*With effect from 1 January 2019*

VAT, corporate tax, CGT and other taxes and penalties will be payable in the currency of collection.

Civil penalties are subject to the lower of $30 per day or level 4 penalties.

Export on unbenefticiated platinum

The collection of VAT on export of unbenefticiated platinum is postponed to 1 January 2022.

Export on raw hides

*With effect from 1 January 2019*

VAT on export of excess raw hides to be exempted on a biannual basis.
Medical Statutory Bodies
With effect from 2009 to 30 November 2018
Medical Statutory Bodies are exempted from VAT retrospectively from 2009 to 30 November 2018.

Input tax
With effect from 1 January 2019
Commissioner empowered to approve the claiming of input tax after prescribed time for good cause.

Powers of search
With effect from 1st January 2019
New section inserted in the Zimbabwe Revenue Authority Act to empower the Commissioner or an authorized officer to obtain a search warrant in respect of certain private residential premises where there is reasonable ground that they are being used for business.

CUSTOMS AND EXCISE

Payment of customs duties
With effect from 23 November 2018
Customs duty, VAT and surtax as applicable on a comprehensive list of items including motor vehicles is payable in prescribed currency
No bond notes, RTGS payments are allowed.

Excise duty on fuel
With effect from 1 December 2018
Excise duty increased by 7 cents per litre on diesel and paraffin and 6.5 cents per litre on petrol.

Sanitary ware
With effect from 1st December 2018
Customs duty is suspended for 12 months on imported sanitary ware. VAT thereon is exempted.

Cigarettes & beverages
With effect from 1st December 2018
Excise duty rate for cigarettes increased by $5 from $20 to $25 per 1 000 sticks
Imported alcoholic beverages and cigarettes pay duties in prescribed currencies
 Spotlight on Zimbabwe

Tax Facts 2018 update

Tax Facts 2018 update is a summary of relevant legislation promulgated to 12th of October 2018.

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Note: This document was compiled by EY as a source of general information and notification and should not be construed as a formal professional/legal opinion. Although reasonable skill and care is taken when providing information, EY offer no warranties or representations as to the information’s accuracy. The information provided is not intended to replace the need for an expert/ legal opinion on interpretation, application and consequences of the relevant legal, technical or regulatory provisions. EY does not accept responsibility for any loss or damage you or any third party may suffer as a result of utilizing the information provided.
**Significant Legislative Changes**

**Gazetted 12 October 2018**

**SI 205 of 2018**


The regulations increased Intermediated Money Transfer Tax to 2% of the value up to a maximum of $10 000 for transaction of $500 000 and above.

Transactions of below $10 are not subject to this tax.

The following transactions are not subject to the tax:
1. The transfer of money for the purchase and sale of all marketable securities;
2. The transfer of money for the purchase or redemption of money market instruments;
3. The transfer of money on payment of remuneration;
4. The transfer of money to or from Zimbabwe Revenue Authority for the payment or refund of any tax, duty or other charges;
5. The intra-corporate transfer of money, that is to say, transfer of money between the treasury account and any trading account held in the name of the same company;
6. The transfer of money from (but not into) specified trust accounts;
7. The transfer of money into and from nostro foreign currency accounts; and
8. The transfer of money by Government from the Consolidated Revenue Fund or from funds established in terms of section 18 of the Public Finance Management Act.
Income Tax

Individuals

Employment Income

General

Taxable income from employment is income from a true or deemed Zimbabwe source not considered to be capital in nature.

Rates of Tax

<table>
<thead>
<tr>
<th>Year of assessment</th>
<th>Segment of monthly income</th>
<th>Rate of tax within segment</th>
<th>Cumulative monthly income tax*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>01 Jan 2018 to 31 Dec 2018</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up to 300</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>301 to 1 500</td>
<td>20</td>
<td>247.20</td>
<td></td>
</tr>
<tr>
<td>1 501 to 3 000</td>
<td>25</td>
<td>633.45</td>
<td></td>
</tr>
<tr>
<td>3 001 to 5 000</td>
<td>30</td>
<td>1 251.45</td>
<td></td>
</tr>
<tr>
<td>5 001 to 10 000</td>
<td>35</td>
<td>3 053.95</td>
<td>3 053.95</td>
</tr>
<tr>
<td>10 001 to 15 000</td>
<td>40</td>
<td>6 113.95</td>
<td>6 113.95</td>
</tr>
<tr>
<td>15 001 to 20 000</td>
<td>45</td>
<td>7 341.45</td>
<td>12 455.40</td>
</tr>
<tr>
<td>Over 20 000</td>
<td>50</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

*Includes 3% Aids Levy

Expatriate employees of a licensed investor in a Special Economic Zone

15% of employment income plus 3% Aids Levy.

Taxable Income from Trade and Investment

This includes business income, rent and Zimbabwean and foreign interest other than interest that is specifically Exempt.

General and Rates of Tax

The information provided for companies on pages 5 and 6 applies to an individual’s Taxable Income from Trade and Investment.

Exemptions from Employment income

1. Bonus or performance related awards up to $1 000 in aggregate per annum;
2. 50% of the amount waived in respect of tuition and boarding fees and levies payable by a member of the teaching and non-teaching staff of a school for up to three of his children;
3. The greater of the first $10 000 of severance pay and one third of severance pay up to $60 000. Ministerial approval is no longer required;
4. Lump sum payments from a benefit or pension fund as specified in the First Schedule to the Income Tax Act [Chapter 23:06];
5. Commutation of up to one third of the pension or annuity payable by a retirement annuity fund or the whole amount of the commutation of a tax free pension or annuity payable by a pension fund, other than a retirement annuity fund;
6. The greater of the first $10,000 and one third of a commutation up to $60,000 of a tax free pension or annuity payable to an employee under 55 years of age on cessation of his employment due to retrenchment;
7. * The amount received by or accrued to an employee participating in an approved employee share ownership trust from the sale or redemption by the trust of any shares, units or other interest of the employee in the trust;
8. Medical expenses, medical treatment (including related travel), invalid appliances and the cost of approved medical aid society contributions paid by an employer for an employee, his spouse, minor children and dependents;
9. Rewards paid by the Commissioner General for information leading to the recovery of taxation revenue;
10. Allowances for accommodation and transport and grants of quarters or housing for staff of district hospitals or rural clinics owned, operated or sponsored by a religious body or a rural district council.

Special Concessions for Taxpayers Aged 55 and Over

Exemptions from Resident Tax on Interest
- First $3 000 of interest on deposits with financial institutions;
- First $3 000 of income from treasury bills and other discounted instruments traded by financial institutions.

Exemptions from Income Tax
- First $3 000 of rental income;
- Any amount payable by an approved pension fund (as defined);

Benefits Arising from Employment

General

The value of a benefit is generally calculated as the difference between the amount the employee pays for the benefit and the cost to the employer of the provided benefit if higher. In the case of occupation or use of quarters, residence or furniture the benefit is based on the value to the employee of the benefit enjoyed less the amount paid by the employee.

Motor vehicles

The monthly benefit, based on the deemed cost to the employer, is as follows:

<table>
<thead>
<tr>
<th>Engine capacity</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 1500 cc's</td>
<td>300</td>
</tr>
<tr>
<td>1501 to 2000 cc's</td>
<td>400</td>
</tr>
<tr>
<td>2001 to 3000 cc's</td>
<td>600</td>
</tr>
<tr>
<td>3001 cc's and above</td>
<td>800</td>
</tr>
</tbody>
</table>
Income Tax Individuals (continued)

A benefit arises on the sale or disposal of a motor vehicle to an employee, who is under 55 years of age, during or on termination of his employment. The benefit is the market value of the vehicle at the date of sale or disposal less the price charged to the employee. For a vehicle purchased by the employer before 1 January 2009, the market value is the final value of the vehicle carried forward in the financial statements for the year in which the new currency system was introduced.

Loan benefits
Taxed as a benefit is the shortfall between actual interest charged on loans exceeding $100 and interest calculated at LIBOR plus 5% per annum.

Awards of assets and rights
The market value of an asset or right awarded to an employee is a benefit subject to income tax (PAYE) upon unconditional accrual.

The sale to an employee of shares at a price of less than market value is a payment of remuneration in kind subject to income tax (PAYE).

The value of the remuneration in kind is the difference between market value and the purchase price.

Shares acquired pursuant to an employee share option scheme
The sale of shares to an employee pursuant to a share option scheme is remuneration subject to income tax (PAYE).

*Note: this does not refer to any amount that is exempt in terms of Exemption 7 on page 3.

The amount that is taxable is the difference between the sale value of the shares at the time of exercise of the share option by the employee and the price at which the shares were offered to the employee, augmented by an inflation allowance.

The amount that accrues to the employee is subject to PAYE as the share option itself is a perquisite of his employment.

If the shares were offered before 1st February 2009 pursuant to a share option scheme the employee suffers PAYE of 5% of the market value of those shares prevailing on the date of the exercise of the option after 1st February 2009.

Where shares acquired by an employee under a share option scheme are disposed of by the employee on a date after exercising the option for more than the value of the shares prevailing on the date of exercising the option, the difference that is not subject to PAYE, is subject to Capital Gains Tax in the hands of the employee and has nothing to do with the employer.

Waiver of tuition and boarding fees and levies payable by teaching and non-teaching staff of any school
The benefit to the employee is the amount waived in respect of any child of the employee who is a student at any school.

50% of the benefit in respect of the employee’s first three children is exempt from tax.

Tax Credits
The following amounts are deductible from taxes payable before calculating the Aids levy.

Blind/disabled persons and persons aged over 55
- Monthly $75

Medical
- Approved medical aid society contributions 50%
- *Invalid appliances and shortfalls 50%

*No credit if the taxpayer is not resident at any time during a year of assessment.

PAYE
Any resident or non-resident employer, who employs one or more members of staff whose gross pay including benefits and allowances, exceeds $300 per month or the daily, weekly or annual equivalent, is required to register with the relevant Regional Manager of Zimra, withhold PAYE from employees and remit PAYE to Zimra by the 10th of the month following the deduction.

Partnerships, organizations and companies which have a head office or principal place of business in Zimbabwe are required to register as employers on behalf of their branches or divisions.

Employers are responsible for under deductions as well as late payment of PAYE.

Personnel employed by a single employer for the full fiscal period are taxed on the Final Deduction System whereby PAYE will be a final tax on employment income for the employee who will then not be required to complete tax returns unless they also received taxable income from trade and investment.

Only personnel employed by more than one employer during a fiscal period or employed for part of a fiscal period and all individuals who receive pensions or annuities or taxable income from trade and investment are required to complete and submit annual tax returns (ITF1).

Employers are required to submit an annual summary in the form of an ITF16 return by 31 January annually.

The Commissioner is empowered to recover from employees or non-executive directors the PAYE and tax on non-executive directors’ fees paid on their behalf by public entities or specified bodies or associations.
Interest and Penalties

For late submission of employer and employee returns the Minister is permitted to prescribe a penalty of up to $30 per day for the first 181 days from the due date of submission.

Penalties of up to 100% of the unpaid tax can be imposed on the employer.

Interest is charged at 10% per annum for each month or part thereof during which the tax and penalties remain unpaid.

Interest on unpaid penalties commences on settlement of the unpaid tax.

Companies

(Also applies to trade and investment income of individuals)

General

Taxable is income from a true or deemed Zimbabwe source not considered to be capital in nature.

With effect from January 2017, companies not resident in Zimbabwe are liable to local taxes if they carry on business in Zimbabwe through a permanent establishment in Zimbabwe. A comprehensive definition similar to the one provided by most treaties has now been introduced.

Non-residents carrying on business in Zimbabwe are subject to taxation on all taxable income, wherever arising, attributable to their permanent establishment in Zimbabwe.

Definitions of micro, small or medium enterprises or businesses are based on the definition in Section 2 and the Fourth and Fifth Schedules to the Small Enterprises Development Corporation Act (Chapter 24:12)

Rates of Tax

Normal Taxable Income 25%*

Special Rate Income (No Aids Levy unless specified by*):

- BOOT and BOT projects: (Companies and Trusts only)
  - First 5 years 0%
  - Second 5 years 15%
  - Thereafter 25%*

- Investors in export processing zones licensed before January 2007 25%

- Industrial park operators 25%

- Foreign company dividends (taxed gross) 20%

- Mining
  - Other than Special Mining Lease Operations 25%*
  - Special Mining Lease Operations 15%*

- Plus Additional Profits Tax for special mining leases only

- Taxable income arising from exported output of manufacturing operations conducted in Zimbabwe by companies who export a specified percentage, by quantity or volume, of their annual manufacturing output*.

Specified percentage of manufacturing output exported

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>31% to 40%</td>
<td>20%</td>
</tr>
<tr>
<td>41% to 50%</td>
<td>17.5%</td>
</tr>
<tr>
<td>51% to 100%</td>
<td>15%</td>
</tr>
</tbody>
</table>

*Manufacturing output is defined as any process of production which substantially changes the original form of, or substantially adds value to, the thing or things constituting the product;

Taxable income arising from exported goods and services of an investor, licensed with a qualifying degree of export orientation, in a Special Economic Zone declared in terms of the Special Economic Zones Act [Chapter 14:34]

- First 5 years 0% or exempt
- Thereafter 15%

Note: The tax status of the project awaits clarification.

Operations in approved tourist development zones 25%

Pension Funds exempt

*+ 3% Aids levy

Exemptions & Restrictions

Existing

Exemptions

The receipts and accruals specified in the Third Schedule to the Income Tax Act [Chapter 23:06].

Restrictions

The exemption from income tax of dividends accruing to a person from a company incorporated in Zimbabwe is restricted to exclude deemed dividends arising from

*Restricted Tax Deductible Expenditure-General items 2 & 3 (on page 6)

New backdated exemptions

From 1 June 2016

Premiums paid by the Reserve Bank of Zimbabwe pursuant to the Export and Foreign Remittance incentive scheme on receipts of earnings by exporters and on remittances from abroad to Zimbabwe resident individuals via Authorized Dealers in terms of the Exchange Control Act [Chapter 22:05]

New exemptions

From 1 January 2018

Taxable income of a power generation project licensed in terms of the Energy Regulatory Authority Act [Chapter 13:23] for the first five years after 1 January 2018.

Thereafter subject to taxation at the specified rate of 15%.

Note: The tax status of the project awaits clarification.
Provisional Tax (QPD’s)

Percentages of the estimated income tax due on business and investment income for each year is payable as follows:

- 25 March: 10%
- 25 June: 25%
- 25 September: 30%
- 20 December: 35%
- 100%

Taxpayers are required to submit a cumulative (ITF12B) return on each payment date.

Interest is charged at the rate of 10% per annum for each month or part thereof during which the tax in excess of 10% of the annual liability remains unpaid.

The Commissioner is empowered to reduce or waive any interest payable in specified circumstances including interest on shortfalls resulting from an underestimate of up to 10% of the amount due.

On application an SME may voluntarily register as a taxpayer and only account for provisional tax in advance on business income on a monthly basis.

Self-Assessment

All taxpayers, other than individuals in receipt of employment income only, are required to register, calculate the tax due or refundable and electronically submit a Self-Assessment Return (ITF12C) to Zimra before 30 April of the year following the end of the year of assessment.

Interest and Penalties

Penalties of up to 100% of the additional tax payable can be imposed for offences arising from default or omission of income. These can be increased, for second offences, to 200% of the additional tax payable.

Interest on unpaid taxes and penalties is charged at 10% per annum for each month or part thereof during which the tax and penalties remain unpaid.

Interest on unpaid penalties commences on settlement of the unpaid tax.

For late submission of ITF12C returns the Minister is permitted to prescribe a civil penalty of up to $30 per day for the first 181 days from the due date of submission.

Individuals and companies

Restricted Tax Deductible Expenditure

General

1. With effect from 1 January 2018 expenditure or losses incurred on goods, services or benefits that will be used or relate to any subsequent year of assessment will be deductible proportionately in the year of assessment to which the goods services or benefits relate.

2. *Expenditure administration and management incurred in favor of any company or local branch of a foreign company of which the taxpayer is an associated enterprise. The excess expenditure over 1% of the total other tax deductible expenditure is disallowed and where the recipient of the service is non-resident is taxed as a deemed dividend.*

   *The deemed dividend is subject to Resident or Non-Resident Shareholders Tax payable by the company deemed to have paid the dividend (refer Withholding Tax page 10)*

3. *Thin capitalization – expenditure servicing debt in excess of three times equity - is disallowed and taxed as a deemed dividend.*

   *The deemed dividend is subject to Resident or Non-Resident Shareholders Tax payable by the company deemed to have paid the dividend (refer Withholding Tax page 10).*  

   Equity is defined as issued and paid up capital, unappropriated profits, unrealised and realised reserves, and interest free loans from shareholders.  

   Excluded from this disallowance is:
   - The cost of servicing debt due by a local company from locally domiciled, registered or incorporated financial institutions or any ordinarily resident person where the contracting parties are not associated with each other and have not colluded for the purpose of avoiding the disallowance.
   - The cost of servicing debt arising from borrowings advanced as loans for the benefit of the State as certified by the Minister of Finance and Economic Development.

4. Costs of attending trade conventions and missions restricted to $2 500 per annum;

5. Cumulative cost of leasing a passenger motor vehicle restricted to $10 000;

6. Voluntary annuity to retired former employees, other than domestic workers, restricted to $500 per annum per employee and further reduced by pensions paid to them from the employer's pension fund.

Donations

Deductibility is restricted on donations to:

- a hospital operated by the State, a local authority or religious organization for expenditure, approved by the Minister responsible for health, on the purchase of medical equipment, procurement of drugs, the construction of extensions and maintenance.

Restricted to $100 000 p.a.
Tax Time
Restricted Tax Deductible Expenditure (continued)

- a research institution approved by the Minister responsible for higher and tertiary education. Restricted to $100 000 p.a.
- a school operated by the State, Local Authority or religious organization for expenditure, approved by the Minister responsible for education, on the purchase of education equipment, the procurement of books or other educational material, the construction of extensions and maintenance. Restricted to $100 000 p.a.
- a Local Authority for infrastructural development approved by the Minister responsible for Local Government. Restricted to $50 000 p.a.
- the Public Private Partnership Fund. Restricted to $50 000 p.a.
- the Destitute Homeless Persons Rehabilitation Fund. Restricted to $50 000 p.a.

Note: Deductibility from employment or business income is unrestricted for donations to The National Scholarship Fund, The National Bursary Fund and charitable trusts or welfare organizations administered by the Ministers responsible for social welfare or health.

Contributions to Pension Funds

Maximum annual deduction for contributions to approved Pension and retirement annuity funds (RAF).

Members
Pension funds and RAF’s
Lower of: 7.5% of annual emoluments and $5 400

Employers
Maximum per employee $5 400
Employers’ lump sum contributions to a pension fund are tax deductible provided the claim is supported by an actuarial certificate and a certificate from the Minister of Finance and Economic Development confirming that the contribution will result in the fair distribution of increased pensions or benefits to past or present members of the pension fund without discrimination or prejudice to any class of person.

Capital allowances

Miners
In lieu of special initial, wear and tear and investment allowances taxpayers who carry out mining operations are entitled to a capital redemption allowance in respect of capital expenditure on exploration and development operations which include buildings, motor vehicles, works and equipment, shaft sinking, expenditure on preliminary development, surveys, boreholes, administration and loan financing during non productive periods. Allowances and deductions in respect of capital expenditure and losses resulting therefrom are ring fenced and only claimable against mining income from two or more locations to which they relate that are inseparable or substantially inter dependent.

Capital Redemption Allowance

<table>
<thead>
<tr>
<th>Capital Expenditure</th>
<th>Allowance based on cost from the date of commencement of production and the annual cost thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Special Mining Lease Operators (SML) %</td>
</tr>
<tr>
<td>Exploration costs</td>
<td>100</td>
</tr>
<tr>
<td>Development costs</td>
<td>25</td>
</tr>
<tr>
<td>Restricted costs per unit</td>
<td>$150 000</td>
</tr>
<tr>
<td>School, hospital, nursing home or clinic</td>
<td>*(SML restriction increased from $10 000 from 1 January 2018)</td>
</tr>
<tr>
<td>Staff housing - school, hospital, nursing home or clinic - other*</td>
<td>$10 000</td>
</tr>
<tr>
<td>(SML restriction increased from $10 000 from 1 January 2018)</td>
<td></td>
</tr>
<tr>
<td>Passenger motor vehicles</td>
<td>$10 000</td>
</tr>
</tbody>
</table>

The options relating to the claiming of capital allowances can be summarized as follows:

- 100% of the expenditure incurred in the year of assessment - allowed in all cases (restricted to 25% per annum for special mining lease operators); or
- the total cost of capital expenditure spread over the estimated remaining life of the mine in annual (but not necessarily equal) instalments - allowed to mine owners and companies tributing a mine; or
- a fair and reasonable sum as determined by the Commissioner - allowed to a company or any other person that does not own the mine;
- the total capital expenditure incurred to the date production commences is allowed in the year that it commences for all new mines;
- allowances and deductions in respect of exploration expenditure incurred before the commencement of mining operations is restricted to six years.
Taxpayers can elect to carry forward the exploration expenditure and claim it once mining operations commence;
- recoupments are taxable on the disposal of mining assets referred to above and are not restricted to allowances claimed.
Other mining matters
- Income tax losses from mining operations can be carried forward indefinitely;
- Legislated royalties paid by miners are no longer specified deductions.

Other tax payers

<table>
<thead>
<tr>
<th>Capital Expenditure</th>
<th>Special Initial * % cost</th>
<th>Wear &amp; Tear* % cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Buildings</td>
<td>-</td>
<td>2.5</td>
</tr>
<tr>
<td>Industrial Buildings</td>
<td>25</td>
<td>5</td>
</tr>
<tr>
<td>Farm Improvements</td>
<td>25</td>
<td>5</td>
</tr>
<tr>
<td>Staff Housing</td>
<td>25</td>
<td>5</td>
</tr>
<tr>
<td>Tobacco Barns</td>
<td>25</td>
<td>5</td>
</tr>
<tr>
<td>Railway Lines</td>
<td>25</td>
<td>5</td>
</tr>
<tr>
<td>Articles, Implement etc.</td>
<td>25</td>
<td>10 to 33.3**</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- passenger</td>
<td>25</td>
<td>20**</td>
</tr>
<tr>
<td>- all other vehicles</td>
<td>25</td>
<td>20 to 33.3**</td>
</tr>
</tbody>
</table>

*Claimable by election in the year in which the assets are first brought into use and 25% claimable in each of the three subsequent years.
SIA for Licensed investors in Special Economic Zones and Small and Medium Enterprises (SME’s) is 50% in the first year and 25% in each of the two subsequent years.
For definition of SME refer page 5, Income Tax - Companies - General
Wear & Tear claimed where no SIA election made.
**Reducing Balance

Export Market Development Expenditure
An additional 100% of export market development expenditure is allowed as a tax deduction. To qualify expenditure must not be of a capital nature and must be wholly or exclusively incurred in seeking opportunities to export goods from Zimbabwe or in creating or increasing demand for exports.
Such expenditure includes:
- Research into or obtaining information relating to external markets;
- Research into the packing or presentation of goods for sale outside Zimbabwe;
- Advertising goods or otherwise securing publicity outside Zimbabwe;
- Soliciting business and participating in trade fairs outside Zimbabwe;
- Investigating or preparing information, designs, estimates or other material for the purpose of submitting tenders for the sale or supply of goods outside Zimbabwe;
- Bringing prospective buyers to Zimbabwe;
- Providing samples of goods to persons.

“Goods” is defined as anything that has in Zimbabwe, been manufactured, produced, grown, assembled, bottled, canned, packed, graded, processed or otherwise dealt with in such a manner as the Commissioner General may approve.

Deductible amounts relating to the provision of technical advice to groups of out grower farmers or small or medium enterprises by Anchor Companies
An additional 50% is allowed as a deduction for expenditure as, specified in regulations by the Minister, incurred by an Anchor Company related to agronomic advice and marketing services and inputs the company contractually provided to a group of out grower farmers or small or medium enterprises in return for delivering produce to or on behalf of the Anchor Company.
An additional 50% of the expenditure is allowed as a deduction from his taxable income.

Deductible Amounts Relating to Indigenization
The following amounts relating to indigenization in compliance with the Indigenization and Economic Empowerment Act [Chapter 14:33] are deductible:
- Contributions or donations during a year of assessment to an approved community share ownership trust or scheme established by the taxpayer;
- Deductible in equal annual instalments over the period of the loan is the value of a loan to buy shares by a corporate taxpayer to an aspirant shareholder (Vendor Financed Loan) repayable by means of dividends foregone by the taxpayer on those shares; and
- Interest payable in a year of assessment by an indigenization partner on any loan advanced to purchase shares in the company of which he or she is an indigenous partner.
Transfer Pricing
Transfer pricing legislation endorses the arm’s length principle and imposes documentary obligations on taxpayers. The legislation covers transactions between all connected persons; applying to both domestic and international Transactions. These new provisions are aligned with transfer pricing principles developed by the Organization for Economic Cooperation and Development (OECD); therefore the law recognizes OECD manuals on the subject as relevant sources of interpretation.

These new rules enable Zimra to adjust transactions which are concluded on terms inconsistent with the arm’s length principle. Such adjustments have the potential to create additional tax liabilities for the parties involved. The new legislation accepts the following 5 methods as a basis of determining the comparable arm’s length price for a transaction:
- Comparable Uncontrolled Price Method
- Resale Price Method
- Cost plus Method
- Transactional Net Margin Method
- Transactional Profit Split Method
Any other method will be accepted by the Commissioner General under circumstances where the approved methods (listed above) do not create a reliable comparable figure and the alternative method does. Taxpayers are not required to apply more than one of the approved methods when determining the arm’s length price on a given transaction. The Commissioner is restricted to the method chosen by the taxpayer, provided the taxpayer has satisfied the requirements of the law.

The law establishes the concept of the arm’s length range, this being an acceptable range of prices, margins or profit shares that have been reached after the application of one of the approved transfer pricing methods to a number of uncontrolled transactions. Under this law, taxpayers who engage in transactions with associates must generate and maintain relevant transfer pricing documentation. Although it is not mandatory for the documentation to be submitted, it is in the taxpayers’ best interest to keep relevant and appropriate documentation.

The new law recognizes the potential of double taxation which may occur as a result of Zimra adjustments hence the law facilitates corresponding adjustments for both domestic and International transactions where necessary.

Other Direct Taxes

Presumptive Taxes
General
Presumptive tax is payable by informal traders, operators of taxicabs, omnibuses, goods vehicles, driving schools, licensed and unlicensed bottle stores and restaurants, hairdressing salons, cottage industries, commercial waterborne vessels and fishing rigs. Interest is charged at 10% per annum per month or part Thereof during which the tax remains unpaid.

Rates of Tax
Informal traders
(Defined as non-filing cross- border traders whose gross annual Income does not exceed $6 000).
Cross border traders
10% of the value for duty purposes of the commercial goods imported. Payable at the port of importation.
Other traders
10% of the rent paid to a local authority for residential property or 10 % of the rent paid to any person in respect of the premises from which the trade is carried out. Recovered by the lessor and payable to Zimra within 30 days of collection. A 100% penalty is imposed on unpaid tax.

Monthly rate of tax
($)

Operators of taxi cabs and omnibuses
Carrying capacity
Under 7 25 per vehicle
8 to 14 40 per vehicle
15 to 24 45 per vehicle
25 to 36 70 per vehicle
Over 36 100 per vehicle

Operators of goods vehicles
Carrying capacity
10 to 20 tonnes (without trailers) 200 per vehicle
10 to 15 tonnes (including trailers) 500 per vehicle
Over 20 tonnes 500 per vehicle

Operators of driving schools
Tuition classes
Class 4 vehicles only 100 per unit
Class 1&2 vehicles alone or together with other classes 130 per unit

Operators of hairdressing salons 10 per chair

Operators of licensed and unlicensed bottle stores and restaurants 70 per unit

Operators of cottage industries 70 per unit
### Presumptive Taxes

**Monthly rate of tax ($)**

<table>
<thead>
<tr>
<th>Carrying capacity (including cabin crew)</th>
<th>Monthly rate of tax ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 6</td>
<td>60 per vessel</td>
</tr>
<tr>
<td>6 to 15</td>
<td>100 per vessel</td>
</tr>
<tr>
<td>16 to 25</td>
<td>200 per vessel</td>
</tr>
<tr>
<td>26 to 49</td>
<td>350 per vessel</td>
</tr>
<tr>
<td>Over 49</td>
<td>450 per vessel</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operators of fishing rigs</th>
<th>Monthly rate of tax ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>80 per vessel</td>
</tr>
</tbody>
</table>

Monthly taxes supported by Rev 5 returns are payable by the operator to Zimra within 10 days of the end of the month.

For late submission of returns the Minister is permitted to prescribe a penalty of up to $30 per day for the first 181 days from the due date of submission.

### Withholding Taxes

#### Contract Payments (ITF263)

Amount to be withheld from payments to residents or non residents relating to obligations to provide goods or services during a year of assessment in terms of a single contract with an aggregate value of $1 000 or more unless a valid clearance certificate (ITF263) is provided by the payee.

Exempt from this tax are payments:
- Of delictual claims to the State or a statutory corporation
- In terms of employment contracts
- In terms of a sale to a shop or consumer contract (unrelated to immovable property) where the seller or supplier is dealing in the ordinary course of business and the purchaser or user is not.
- By auctioneers and contractors to or on behalf of growers for the purchase of auction floor or contract tobacco in terms of contractual arrangements with a contractor in which the contractor provides or finances the purchase of inputs for the benefit of the grower in return for the grower selling his or her tobacco to the contractor.

Withholding tax on contract payments is payable before the 10th day of the month following that in which the payment is made.

From 1 February 2009 the payer is entitled to recover from the payee the principal amount of the tax that he failed to withhold and pay to Zimra within 24 months from the date the payment should have been withheld and paid to Zimra.

However the period of 24 months commences from 1February 2009 where the payer failed to recover the tax from the payee prior to that date.

The penalty and the interest on the overdue payment are not recoverable or tax deductible.

The rate of tax to be withheld from payments to non resident artistes or entertainers contracted to perform in Zimbabwe.

Both taxes withheld can be offset against assessed income tax payable for the relevant year of assessment.

Any excess is refundable on assessment

**Note:** Licensed investors in Special Economic Zones are exempt from both of these taxes.

#### Resident and Non-Resident Shareholders’ Tax

Withheld from dividends paid to individuals, partnerships and non resident companies:

- Quoted companies 10%
- All other companies 15%

The rate of tax for non-residents can be reduced in accordance with a double taxation treaty.

Resident Shareholders’ Tax is payable within 10 days of the payee being paid or becoming entitled to the dividend.

Non-Resident Shareholders’ Tax is payable within 30 days of the earlier date of the distribution of the dividend or the shareholder becoming entitled to the dividend.

**Note:** Licensed investors in Special Economic Zones are exempt from both shareholder taxes.

Deemed dividends resulting from thin capitalization and expenditure on fees, administration and management (Refer to page 6 Restricted Tax Deductible Expenditure items 2 & 3) are subject to Resident or Non-Resident Shareholders Tax payable on self-assessment by the company deemed to have paid the dividend.

#### Resident Tax on Interest

Withheld from interest paid by banks, building societies, the Reserve Bank and other financial institutions (including unit trust managers, asset managers and collective investment schemes) on loans and deposits and income from Treasury Bills, Bankers Acceptances and instruments traded by financial institutions.

- Interest on fixed term deposits for at least 90 days 5%
- Other interest and income 15%

This is a final tax on the gross income that is exempt from income tax.

Interest on deposits with a tenure of more than 12 months payable by financial institutions is exempt from both Resident Tax on Interest and Income Tax.

(Refer to page 3 for Special Concessions for Taxpayers Aged 55 and over).
Property and Insurance Commission 20%
Withheld from commission paid to resident and non-resident freelance agents who are not registered as employees. This income qualifies as business income and tax withheld is deductible from income tax chargeable on business income that includes the Commission.

Non-Executive Directors Fees 20%
Withheld from payments to resident and non-resident Non-executive directors who are not subject to PAYE. This income is exempt from Non-Resident Tax on fees, qualifies as business income and tax withheld is deductible from income tax chargeable on business income that includes the fees.

Non-Resident Tax on Technical, Consultancy, Administrative and Managerial Fees for Qualifying Services and Royalties 15%
The withholding tax is a final tax unless the fees or royalties are subject to income tax when the withholding tax is applied to reduce the income tax liability. There is no refund where the withholding tax exceeds the income tax liability. The rate of tax can be reduced in accordance with a double taxation treaty.

Foreign agents’ fees for export marketing services that do not exceed 5% of the “free on board value” of the exported goods are exempt from this tax. The exemption is subject to confirmation of acquittal of the CD1 forms for the exported goods.

Note: Non-executive directors and licensed investors in Special Economic Zones are exempt from these taxes.

Non-Resident Tax on Remittances by a branch to a Foreign Head Office 15%
Payment, penalties and interest
Unless specified above all other withholding taxes are payable to the Commissioner General within 10 days of the payee being paid or becoming entitled to the payment of interest, fees, commission, royalty or remittance.

Penalties of up to 100% of the unpaid tax can be imposed.
Interest is charged at 10% per annum for each month or part thereof during which the tax and penalties remain unpaid.

Interest on unpaid penalties commences on settlement of the unpaid tax.

Double Taxation Agreements (DTA’s)
The date of entry into force has not been gazetted for DTA’s with Congo, Iran, Kuwait and Namibia.
DTA’s with Tunisia, Indonesia, Seychelles, Tanzania and Zambia are awaiting ratification.

Negotiations with Jamaica are still in progress.

The effect of DTA’s in force is to override tax legislation in both the countries concerned.

DTA’s are complex and various terms and conditions are imposed before benefits, preferences, exemptions and concessions extended by each treaty can be claimed.

If a resident of either country is taxed in both countries on the same income, in specified circumstances, the following concessionary withholding tax rates could be applied.

<table>
<thead>
<tr>
<th>Country of residence</th>
<th>Non-Resident Shareholders Tax (refer note below)</th>
<th>Non-Resident Tax on Fees (excluding directors fees)</th>
<th>Non-Resident Tax on Royalties</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Normal %</td>
<td>Reduced %</td>
<td>%</td>
</tr>
<tr>
<td>Botswana</td>
<td>10</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Canada</td>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>China</td>
<td>7.5</td>
<td>2.5</td>
<td>N/A</td>
</tr>
<tr>
<td>Congo*</td>
<td>15</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>France</td>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Germany</td>
<td>15</td>
<td>10</td>
<td>7.5</td>
</tr>
<tr>
<td>Iran*</td>
<td>15</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Kuwait*</td>
<td>10</td>
<td>0-5</td>
<td>N/A</td>
</tr>
<tr>
<td>Malaysia</td>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Mauritius</td>
<td>15</td>
<td>10</td>
<td>N/A</td>
</tr>
<tr>
<td>Namibia</td>
<td>10</td>
<td>5</td>
<td>N/A</td>
</tr>
<tr>
<td>Netherlands</td>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Norway</td>
<td>15</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Poland</td>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>South Africa</td>
<td>10</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Sweden</td>
<td>15</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>15</td>
<td>5</td>
<td>10</td>
</tr>
</tbody>
</table>

* Date of entry into force not yet gazetted.

Note on concessionary normal and reduced NRST rates
Concessionary DTA rates do not differentiate between dividends from listed and unlisted companies. These are subject to local statutory rates of 10% and 15% respectively.

Normal and reduced concessionary rates quoted above are the effective concessionary treaty rates based on the local statutory unlisted rate or the effective concessionary treaty rate where the statutory rate is lower than the normal or reduced rate.

For listed shares the reduced statutory rate of 10% is substituted for the recorded reduced rate where the former exceeds the recorded rate.

For France and Malaysia the reduced rate is only available where the recipient holds directly at least 15% of the capital of the company paying the dividends.

For Iran there is no restriction.
Double Taxation Agreements (continued)

For Kuwait
- the rate is reduced from 10% to 0% where the recipient is a government of a contracting state or any political subdivision or local authority thereof, a governmental institution created in the public law of a contracting state or an entity established in a contracting state all the capital of which has been provided by the contracting state.
- the rate is reduced from 10% to 5% where the recipient is a company beneficially owning at least 25% of the company distributing the dividend.

For other countries the reduced rate for NRST is only available where the recipient is a company beneficially owning at least 25% of the company distributing the dividend.

Levies (including mining royalties)

Agricultural levies

Livestock Development Levy
From 13 October 2017
1 cent payable by the hatchery for each day old chick produced.
1 cent payable by the buyer for each litre of raw milk purchased.
$10 payable by the abattoir for the fifth quarter of each head of beef cattle slaughtered.
The levies are payable to the Agricultural Marketing Fund by producers of day old chicks, buyers of raw milk and abattoirs slaughtering of beef cattle and are due no later than the seventh day of the month following the month to which the levies relate.
Interest or surcharge imposed by the Agricultural Marketing authority and any offences liable to a $300 fine or imprisonment for a period not exceeding 6 months or both.

Tobacco Levy
Withheld by auctioneers from payments to the buyers and sellers of auction tobacco and by the contractor from payments to the growers of contract tobacco based on the total amount payable under the agreement of sale or contract.
Levy on purchase and sale of auction tobacco recovered from growers and buyers 1.50%
Levy on sale of contract tobacco recovered from growers only 0.75%
Payable to Zimra by the auctioneer or contractor within the prescribed period.

Employment levies
(Levies based on the total monthly direct cost of employment excluding levies)

Manpower Planning and Development Levy 1%

National Social Security Authority
Monthly contribution of 3.5% payable by both the employer and employee based on the first $700 of basic earnings of each employee who is a citizen of or ordinarily resident in Zimbabwe (except State employees and domestic workers).
Payable to Nssa by the 10th of the following month.

Standards Development Fund Levy 0.5%
Payable by employers to The Standards Development Fund quarterly by the 15th of the month following the quarter’s end.

Financial levies

Automated Financial Transactions Tax
Per transaction $0.05
With effect from 14 March only transactions that exceed $10 are subject to this tax.
The tax is payable to Zimra by the financial institution by the 10th of the month following the date of the transaction.

Intermediated Money Transfer Tax
Per transaction $0.05
With effect from 14 March 2018 only transactions that exceed $10 are subject to this tax.
With effect from the 13 October 2018 the rate of tax is increased to 5% of the value of each transaction with certain exemptions as specified under SI 205 of 2018 on page 2.
The tax, which can be recovered from the transferee or transferor, is payable to Zimra by a financial institution or a provider of mobile banking services by the 10th of the month following the date of the transaction.

Insurance and Pension’s Commission Levies
The levies have not been increased since 12 February 2016.
Details available on request.
With effect from 23 March 2018 a levy was introduced for micro insurance companies.

Securities and Exchange Commission Levies
Recovered by debt and other securities dealers and payable to the Securities and Exchange Commission weekly by close of business based on a percentage of their weekly values of purchase, sales and exchanges of debt and listed marketable securities.

Levied on Investors

Platform levy
Stock Exchange 0.10%
Securities Exchange 0.012%
Depository Levy
Debt securities 0.01%
Other securities 0.10%
Investor Protection Levy
Debt securities 0.003%
Securities and Exchange Commission levy
Debt securities 0.01%
Other securities 0.16%

Levied on Service providers
Payable to the Securities and Exchange Commission monthly by the tenth day of the following month based on a percentage of their monthly gross income.
Registered Central Securities Depository levy 0.5%
Licensed Securities (Custody) Company levy 0.5%
Licensed Securities (Transfer) Company levy 0.35%

Stamp Duty
Cheques
Per cheque $0.05
Broker's purchase notes
Percentage of purchase consideration 0.25%
Other stamp and transfer duties are imposed on insurance policies, registration of bonds and deeds relating to the acquisition of immovable property. Details available on request.

Mining Royalties
Payable to ZIMRA before the 10th day of the month following the month the proceeds from which the royalties were deducted are received.
Based on the gross fair market value of the mineral produced

Diamonds (other than sales to local diamond manufacturer at a discount equivalent to the value of the royalty) 15%
Other precious stones 10%
Gold
- small scale miners 1%
- other miners whose value of annual output has not increased over that for the previous year of assessment 5%
A reduced rate is applied to the increase in value of output over that for the previous year of assessment 3%
Any refund due will be offset against the royalty payable for the following year of assessment.
Platinum 2.5%
Precious metals 4%
Chrome 5%
Other base metals 2%
Industrial metals 2%
Coalbed methane 2%
Coal 1%

Capital Gains Tax (CGT)

General
Capital Gains Tax arises on disposal of specified assets. Specified assets comprise listed and unlisted marketable securities, immovable property, rights or title to residential, commercial or industrial stands, membership interests in condominiums and tangible or intangible property requiring registration in terms of Mines and Minerals Act [Chapter 21:05], Patents Act [Chapter 26:03], Trade Marks Act [Chapter 26:04], Industrial Designs Act [Chapter 26:02], Copyright and Neighbouring Rights [Chapter 26:05], Brands Act [Chapter 19:05], Geographical Indications Act [Chapter26:06], Integrated Circuit Layout Designs Act [Chapter 26:07] Act (No.18 of 2001).
With regard to rights and membership interests the whole amount received or accruing to a transferor as a result of the relinquishment of a membership interest in a condominium or the transfer of rights in a serviced or unserviced residential, commercial or industrial stand, with or without registration of title, is deemed to be a disposal of a specified asset.

Exemptions and Concessions
Existing exemptions
Exemptions specified in Section 10 of the Capital Gains Tax Act [Chapter 23:01]

Note: Capital Gains Withholding Tax paid relating to an exempt gain is refundable.
Concessions
For persons over 55 years old
- disposal of Principal Private Residence
- first $1 800 of gains on disposal of listed and unlisted shares.

Rates of Tax
Disposals of specified assets purchased before 1 February 2009 5%
(Based on the gross sale proceeds or the amount of Capital Gains Withholding Tax withheld whichever is the greater.)
Disposals of specified assets (excluding listed marketable securities) purchased after 1 February 2009 20%
(Based on the capital gain after deduction of an inflationary Allowance of 2.5% per annum on cost from the date of acquisition to the date of disposal.)
Listed marketable securities 1%
(Based on the gross sale proceeds.)
Regardless of the date of purchase the Capital Gains Tax withheld on disposal becomes a final tax.
Capital Gains Tax (continued)

Payable
Tax, supported by a CGT1 return is payable within 30 days from the date of
- disposal under suspensive conditions
- transfer of title
- assessment,
or
before the third working day from the date of the first payment against the purchase price whichever is the earlier date.

Interest and Penalties
Penalties of up to 100% of the unpaid tax due can be imposed.
Interest accrues from 30 days after the tax becomes due and is charged at 10% per annum for each month or part thereof during which the tax and penalties remain unpaid.
Interest on unpaid penalties commences on settlement of the unpaid tax.
For late submission of the CGT1 return the Minister is permitted to prescribe civil penalties of up to $30 per day for the first 181 days from the due date of submission.

Capital Gains Withholding Tax

General
Withheld from funds held by a depositary on behalf of a party to a sale of specified assets on behalf of the seller. Depositaries include registration officials, conveyancers, legal practitioners, estate agents, building societies, stockbrokers, financial institutions and any representative of parties to a sale of specified assets. Cedents of land originating from a land development scheme and any person who mediates an acquisition or relinquishment of membership interest in a condominium qualifies as a depositary and is required to withhold Capital Gains Withholding Tax and issue certificates to obtain tax clearance before registration of the cession or relinquishment of membership.

Rates of Tax
Based on the gross sale proceeds of:
Specified assets purchased before 1 February 2009
- listed marketable securities 1%
- other 5%
Specified assets purchased after 1 February 2009
- listed marketable securities 1%
- unlisted marketable securities 5%
- immovable property 15%

Payable
Before the third working day from the date a payment was made against the purchase price.

Interest and Penalties
Penalties of up to 15% of the unpaid tax due can be imposed.
Interest accrues from 30 days after the tax becomes due and is charged at 10% per annum for each month or part thereof during which the tax and penalties remain unpaid.
Interest on unpaid penalties commences on settlement of the unpaid tax.

Clearance certificate
The following can only be registered or recorded once a capital gains tax clearance certificate has been issued by Zimra:
- Transfer of immovable property.
- Cessions of subdivisions of land acquired from a land developer.
- Rights of occupation or timesharing interest in a property held under sectional title.
- Transfers of tangible or intangible property require registration in terms of specific legislation.
- Transfers of unlisted shares where no depositary is involved.
- Subdivisions of land acquired from a land developer or his cessionary.
- Transfer of rights of occupation or a timesharing interest in a property held under sectional title.

Estate Duty
The family home, one family vehicle and the first $50 000 of the remaining value of an estate is duty free, thereafter duty is charged at the rate of

5%

Indirect Taxes

Value Added Tax (VAT)

General
VAT registered operators whose annual value of taxable supplies is at least $240 000 are required to record their transactions through electronic registers or electronic signature devices.
This requirement has been extended to all businesses. Zimra is providing electronic registers to small businesses free of charge.
Electronic registers are to be capable of issuing credits and debit notes, providing detailed transactional information on invoices and interfacing with the Zimra server.
Value Added Tax (continued)

A civil penalty of up to $25 per point of sale, per day is charged for failure to fiscalise.
A similar penalty is imposed on approved suppliers of electronic signature devices and fiscalised or non-
fiscalised electronic registers who fail to supply them within six weeks of an order with payment in full.
Linking of fiscal devices to the Zimra server to be interfaced by 31 December 2017.
A civil penalty of $25 per day, up to a maximum of 181 days, will be imposed for non-compliance.
Appeals can be lodged for any decision of the Commissioner or assessment issued in connection with the above.

Rates of Tax

Standard rate 15%
All supplies of goods and services are subject to VAT at the standard rate unless specifically exempt or zero rated.

Export of unbeneﬁciated Hides 75 cents/kg or 15% of export value whichever results in the higher tax yield.
A prescribed quota of Hides is exempt from 1 March to 31 May 2018

Export of unbeneﬁciated Lithium 5%

Export of unbeneﬁciated Platinum
To 31 December 2018 Nil
From 1 January 2019
Export of Platinum from a local plant built producing
- concentrate 5%
- concentrate and smelted matte 2.5%
- concentrate, smelted matte with a refinery capable of recovering base metals 1%

Export of cut and uncut Dimensional Stone
- uncut 5%
- cut 2.5%

Zero rate
Includes exports in general, agricultural inputs, speciﬁed basic uncooked foodstuffs, medicines on prescription, animal feed, speciﬁed live animals, day-old chicks, fiscalised electronic tax registers and memory devices, electricity supplied to domestic consumers, services (excluding accommodation) provided to Tourists by operators of facilities designated in terms of the Tourism Act [Chapter 14:20], boarding houses and backpacker lodges, and hunting safari operators and supplies of gold to Fidelity Printers and Refiners.
Certain zero rated local and imported supplies were brieﬂy reclassiﬁed as standard rate for the first 15 days during February and subsequently reclassiﬁed as exempt supplies later in the same month.

Exemptions
Include fuel, protective clothing in the form of gumboots, gloves and raincoats, unmanufactured tobacco, soya meal, poultry, other than day-old chicks, milk, eggs, vegetables, fruit, rice, margarine, ﬁnancial services, medical services, long term residential leases, transport of fare paying passengers by road and rail and piped water supplied by councils.

With effect from 1 January 2017 (backdated)
Exemption of services provided by a banking institution registered or required to be registered in terms of the Banking Act [Chapter 24:20]

Deductions
Recoverable from Zimra is input VAT incurred for the purpose of making taxable supplies.
Not recoverable from ZIMRA is VAT payable on the hire, importation and purchase of passenger motor vehicles, VAT payable on the export of platinum and hides and VAT on inputs that are not deductible from taxable income, such as entertainment and subscriptions to social and recreational clubs.

Thresholds
Based on the annual value of taxable supplies:
Compulsory registration $60 000
Class C Registrants $240 000
Based on value:
Minimum refund $60
Input tax claim with no valid invoice $10

Payment
VAT for each tax period is payable to Zimra with a VAT 7 return before the twenty ﬁfth day of the month following the end of a tax period.

Interest and Penalties
Interest is charged at 10% per annum for each month or part thereof in which the tax remains unpaid and penalties of up to 100% of the unpaid tax can be imposed.
100% additional tax is charged when one does or omits to do anything with intent to evade tax or illegally obtain a refund.
Payments are applied first to the penalty then to the interest and lastly to the capital amount or additional tax.
For late submission of the VAT 7 return the Minister is permitted to prescribe civil penalties of up to $30 per day for the ﬁrst 181 days from the due date of submission.
Value Added Withholding Tax

General
Rate of Tax
The tax is introduced from 1 January 2017.
The Commissioner appointed Value Added Withholding Tax Agent (VAWTA) is required to withhold the prescribed amount of tax from any payment to a registered operator specified by the Commissioner in a General Notice.
The VAWTA withholds from the payment the prescribed amount of VAT charged by the specified operator and remits it to Zimra on or before 15th of the following month.
The tax withheld by the VAWTA is offset against the specified operators’ VAT payment for the month following the month in which the amount was withheld.

Rate of Tax
5% of the value of the taxable supplies included in the payment to specified operators.

Excise Duty

Second hand vehicles
Change of ownership of any second hand vehicle, as defined, cannot be registered without evidence that specific amounts of Special Excise Duty, based on the age and engine capacity of the vehicle, have been paid by the purchaser.
Details of rates available on request.
Exemptions include transfers of second hand vehicles
- by way of inheritance;
- to private voluntary organizations;
- between companies under the same control in a scheme of reconstruction;
- between spouses;
- between parents and their children.

Airtime
10% special excise duty is imposed on airtime consumed by a subscriber through a cellular telecommunication system or other electronic communications service.