

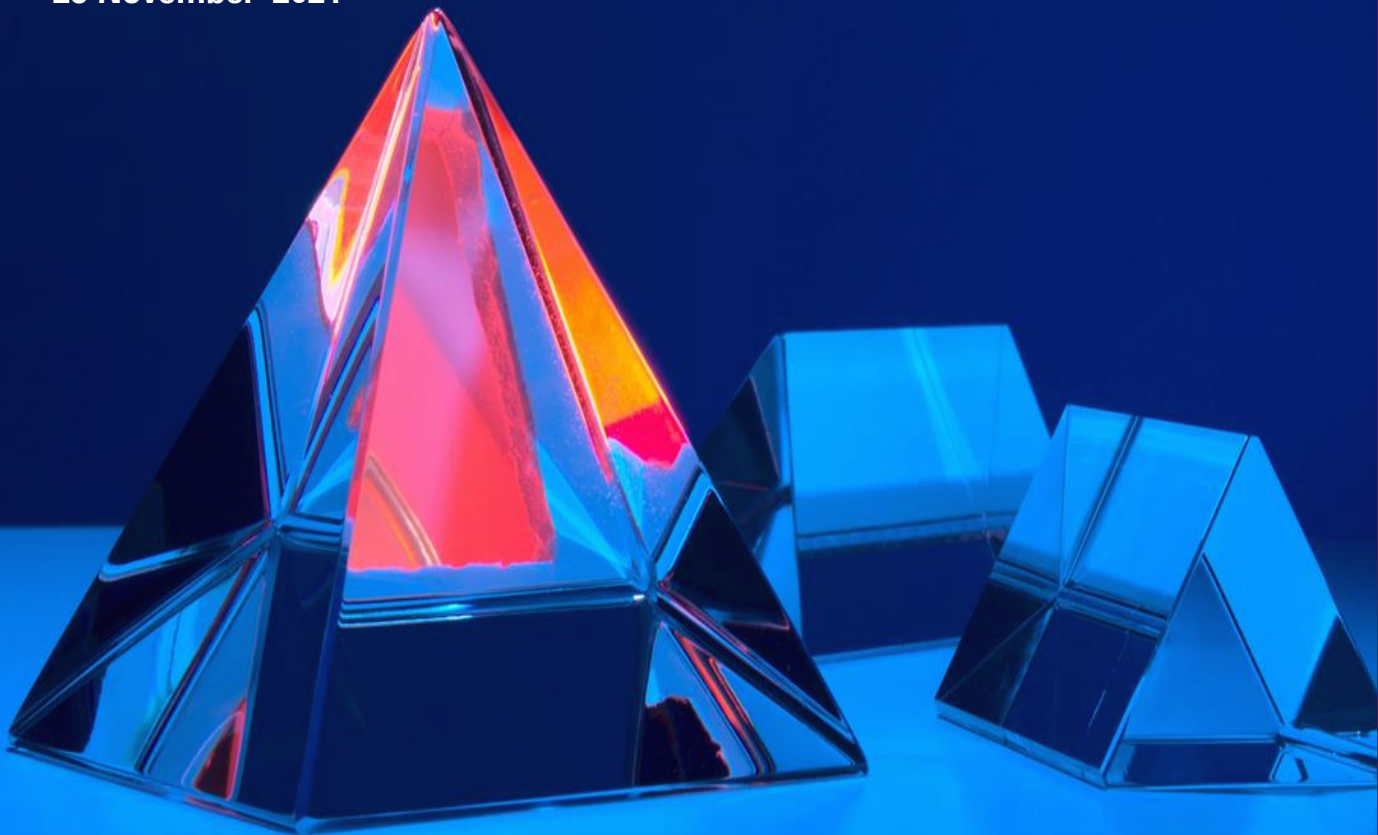


2022

National Budget Highlights

KPMG
Zimbabwe

25 November 2021



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Overview

On Thursday 25 November 2021, the National Budget was presented by the Honourable Mthuli Ncube, Minister of Finance and Economic Development. The budget theme is "**Reinforcing Sustainable Economic Recovery and Resilience**".

This summary includes the key tax highlights from the 2022 National Budget Statement (the "Statement") and the related draft Finance Bill (the "Bill"). There are some proposals included in the Statement which have not been included in the Bill. There are also inconsistencies between the Statement and the Bill where we have then included the position as presented in the Bill which is still to be promulgated into law. A more detailed document including all tax related changes will be issued at a later date including any necessary clarifications.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Vinay Ramabhai

Partner

Revenue Enhancement Measures

Customs Duty

- Introduction of 5% levy on the value of imported dairy products.
- 20% of the net premiums collected on Motor Vehicle Insurance for foreign registered vehicles to be used for assisting road accident victims.
- Pre-owned motor vehicles no longer eligible to be placed in bonded warehouses.
- Pre-owned motor vehicles currently held in bonded warehouses to be duty paid by the 31st of May 2022.

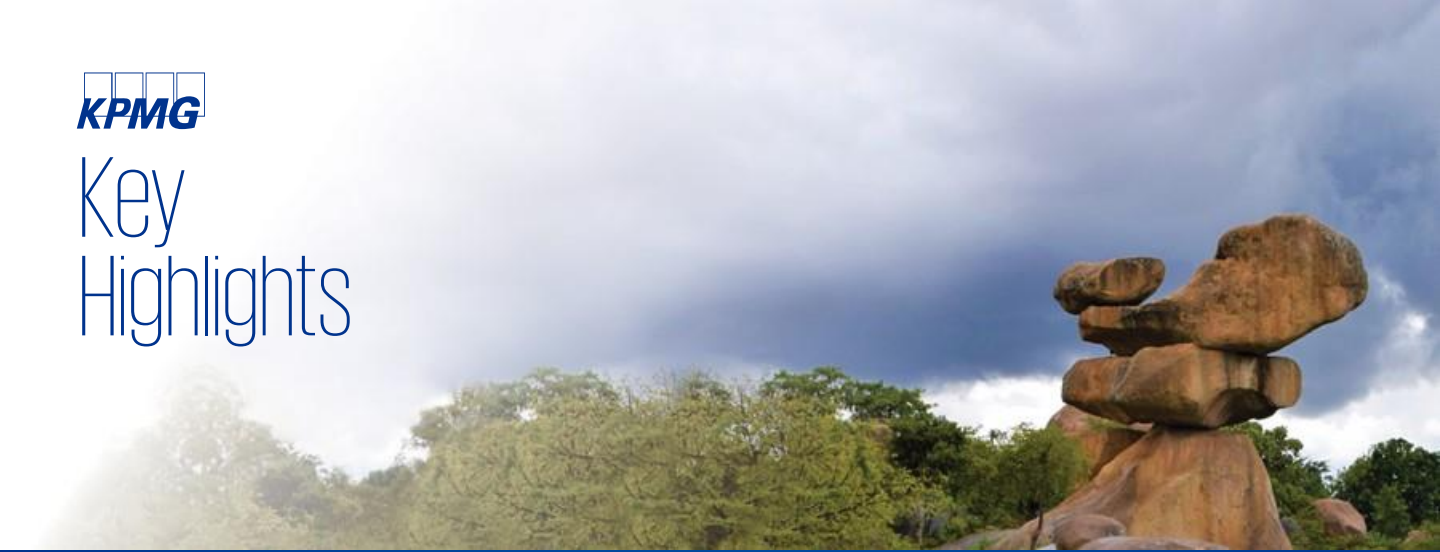
Excise Duty

- Estimated assessments may be raised for non-declaration or false declaration of excise duty or surtax on manufacturing of commodities.
- Increase excise duty on cigarettes from 20% + US\$5/1000 cigarettes to 25% + US\$5/1000 cigarettes.

- Introduction of flat rate of excise duty on energy drinks at a rate of US\$0.05/litre or the local currency equivalent.
- Excise duty on excisable products such as telephone, airtime, data and preowned motor vehicles to be levied in the currency of trade.

Capital Gains

- Clarification of US\$ and ZWL\$ CGT calculations for specified assets acquired pre-February 2019; CGT being 5% of gross capital amount.
- Restrictions on the deductions for calculating capital gains.
- Changes are w.e.f. 22 February 2019.



Revenue Enhancement Measures

Mining Royalties

- Agents authorised to deduct mining royalties now expanded to include financial institutions.
- Calculation of royalty for PNG metals **concentrate** revised from 2,5% of:
 - Gross (100%) fair market value of mineral produced to 80% of the international price of the refined mineral.
- Calculation of royalty for PNG metals **matte** revised to 2,5% of 85% of the international price of the refined mineral.
- Calculation of royalty for **gold** revised from a percentage of the gross fair market value of the mineral produced to the invoice value determined by Fidelity Printers.
- Calculation of royalty for **diamonds** revised from 10% for diamonds sold at discount and 15% for diamonds sold to local manufacturers of gross fair market value of mineral

produced to the invoice value as determined by MMCZ.

VAT

- Definition of “tax invoice” or “fiscal tax invoice” revised to a fiscal tax invoice provided by a registered operator and printed by a fiscalised electronic register or fiscal memory device used by a registered operator w.e.f. 1 January 2022.
- Tax invoices generated before 31 December 2021, may be claimed no later than 31 March 2022.
- Taxpayers not compliant with fiscalisation requirements will no longer be issued with a tax clearance certificate.

Employees’ and Pensioners’ Welfare

- Definition of advantage expanded to include 30% of the value of airtime and data granted to employees.

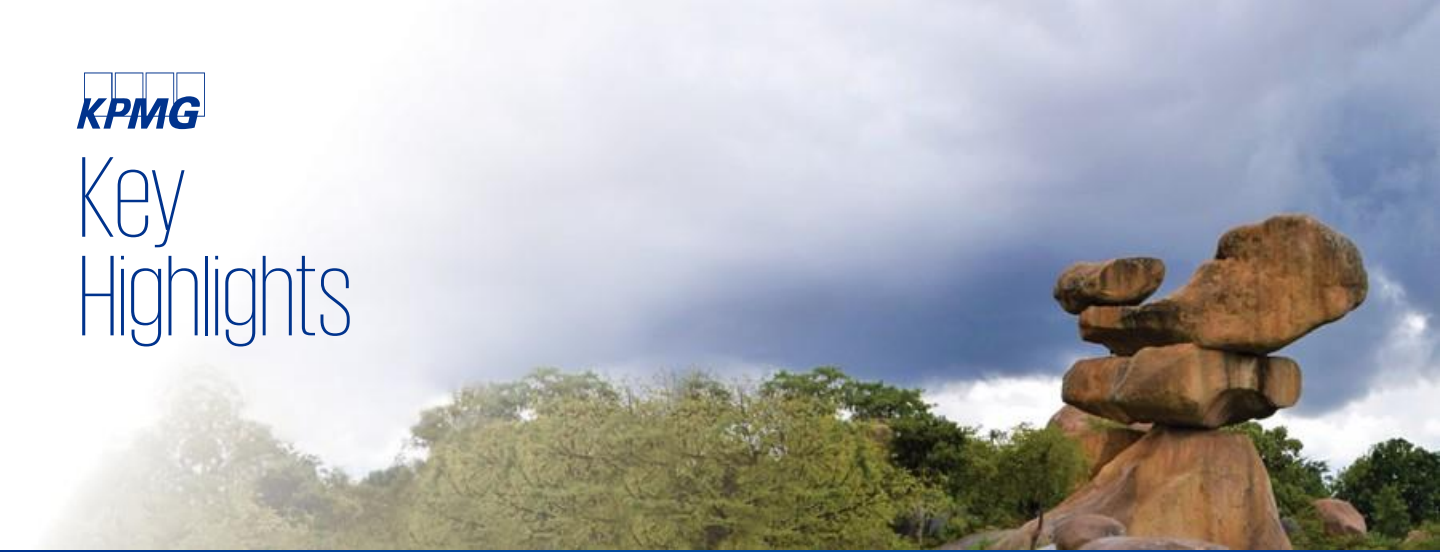
Revenue Relief Measures

Income Tax

- Donations to medical institutions run by government, religious institutions and local authorities limited to US\$100,000 or equivalent at the prevailing auction rate w.e.f. 1 January 2022.
- A tax credit of US\$50 per month for each additional employee who is physically challenged, who has served not less than 12 consecutive months earning a wage equal to or above the minimum taxable threshold w.e.f 01 January 2022.
- Auctioneers to file a return for amounts withheld on Tobacco auction floors w.e.f. 1 January 2022.
- All payments relating to directors and fees paid to board members of statutory corporations are excluded from the definition of remuneration w.e.f 1 January 2022.
- Non - executive directors fees on which withholding tax has been accounted for is excluded in the definition of remuneration w.e.f. 1 January 2022.

Withholding taxes

- Threshold for withholding tax on tenders reviewed from ZWL\$80,000 to ZWL\$120,000 or US\$1,000.
- Budget Statement includes a proposal to increase withholding tax on tenders from 10% to 30%.
- Presumptive tax for operators of commercial water borne vessels now chargeable in US\$ on a quarterly basis.
- IMTT exemption list expanded to include transfer of funds from Carbon Tax Sinking Fund account.



Revenue Relief Measures

Employees' and Pensioners' Welfare

- Increase in monthly tax free thresholds from ZWL\$10,000 to ZWL\$25,000 and US\$70 to US\$100.
- Annual tax free bonus threshold increased from ZWL\$25,000 to ZWL\$100,000 and US\$320 to US\$700. (w.e.f. 1 November 2021)
- Tax free portion of retrenchment packages increased from the greater of ZWL\$50,000 or one-third of up to ZWL\$240,000, to the greater of ZWL\$400,000 or one-third of up to ZWL\$2million. The foreign currency tax free portion remains at greater of US\$3,200 or one-third of up to US\$15,100. (w.e.f. 1 November 2021)
- Tax free interest income for individuals above 55 years on instruments traded by financial institutions now ZWL\$240,000 or US\$3,000.
- Allowances for Rural District Councillors now exempt from Income Tax.

Optimising Value of natural Resources

- Mining sector – new reporting conditions to ZIMRA and Ministry of Mines in order to apply for tax rebates and VAT deferment.

Developing and Supporting Productive Value Chains

- Incorporated companies provided a rebate on import capital equipment duty free. Minimum cost of equipment is US\$10,000.
- Dairy sector - suspension of duty on importation of milk powder extended by 2 years.
- Tourism sector – suspension of duty on import of motor vehicles by safari operators extended for 2 years.
- VAT exemption of accommodation and other tourist services extended by 12 months w.e.f. 01 August 2021.



Contact Us

For enquiries relating to this publication, please contact any of the following KPMG professionals:



Vinay Ramabhai

Audit and Tax Partner
+263(0) 242 302 600
+263(0) 782 403 877
vramabhai@kpmg.com



Stella Ali

Assistant Manager
+263(0) 242 302 600
+263(0) 773 555 813
stellahali@kpmg.com



Virginia Mutsago

Manager
+263(0) 242 302 600
+263 (0) 772 419 753
vmutsago@kpmg.com



Robert Kamangira

Assistant Manager
+263(0) 242 302 600
+263 (0) 772 653 100
rkamangira@kpmg.com



kpmg.com/socialmedia



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