

Zimbabwe presents 2020 mid-term budget proposals

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Zimbabwe's Minister of Finance & Economic Development presented the 2020 mid-term budget review to the Parliament on 16 July 2020.

This Alert summarizes the proposed fiscal changes as presented in the Minister's speech and the Finance Bill 2020.

Corporate Tax

Payment of tax in foreign currency

For purposes of tax, every transaction shall be deemed to have been concluded in the United States Dollar (US\$) only, unless the taxpayer provides documentary proof to the satisfaction of the Commissioner that the transaction was carried out in local currency.

Mining royalties

With effect from 1 January 2010

The following are deemed to be agents of the Commissioner General for purposes of collecting royalties on the sale of minerals.

- ▶ All minerals except gold; the Minerals Marketing Corporation of Zimbabwe (MMCZ) or any person authorized by them to export such minerals in its own right.
- ▶ Gold: MMCZ or any person authorized by them to export such minerals in its own right. *(We believe that this is a drafting error as MMCZ is not the authorized agent for the sale of gold).*

With effect from 22 February 2019

Royalties on proceeds from the export of minerals that are received in foreign currency shall be paid in foreign currency to the extent that the amounts from which the royalties are withheld are foreign currency amounts.

The late payment of royalties now attracts interest imposed by the Minister through a Statutory Instrument. Under special circumstances, the Commissioner may allow the payment of the royalties in installments without charging interest.

The Commissioner can serve a notice to any person who has not paid a royalty and demand a primary civil penalty of twice the royalty amount.

In case of defaulting, after seven days, the Commissioner can impose a secondary civil penalty of US\$30 a day up to a maximum of 181 days. Continued defaulting may result in prosecution and a conviction leading to a level 10 fine or imprisonment of up to six months or both such fine and imprisonment.

With effect from 1 January 2021

Calculation of the gross fair market value of a mineral for the purposes of deducting a royalty shall not include expenses incurred on beneficiation, processing or in the production of the mineral.

Nonresident shareholders' tax (NRST)

With effect from 1 August 2020

Rates of withholding tax on dividends paid to nonresident shareholders are as follows:

- ▶ Shares listed on the Zimbabwe Stock Exchange – 10%
- ▶ Shares listed on the Victoria Falls Securities Exchange – 5%
- ▶ Unlisted shares – 15%

Intermediated Money Transfer Tax (IMTT) of 2%

With effect from 1 August 2020

The collection of the IMTT has been extended to include transfers of foreign currency by banks and mobile money operators.

The tax-free thresholds in local and foreign currency are ZWL300 and US\$5, respectively.

Transactions of amounts exceeding ZWL2.5 million and US\$100,000 attract a flat rate of tax of ZWL50,000 and US\$2,000, respectively.

Requirement to submit tax returns for satellite broadcasters and e-commerce service providers

Satellite broadcasting service providers or electronic commerce operators are obliged to pay tax in foreign currency and submit returns on a prescribed form quarterly on the following dates:

- ▶ 1st Quarter - 25 March
- ▶ 2nd Quarter - 25 June
- ▶ 3rd Quarter - 25 September
- ▶ 4th Quarter - 20 December

Penalties payable by the local representative

The local representative who fails to pay the tax on behalf of the foreign person shall pay nonresidents' tax on e-commerce payments to the Commissioner as well as penalties of up to 100%. The Commissioner may remit the penalties where there was no intent to evade the payment of the tax.

Exempt income

With effect from 1 August 2020

The receipts and accruals of the Victoria Falls Securities Exchange is exempt from income tax.

With effect from 1 January 2021

The receipts and accruals of any Special Purpose Vehicle initially wholly owned by the Infrastructure Development Bank of Zimbabwe that offers shares to private contractors for the construction of student accommodation at any public university shall be exempt from tax.

Capital Gains Tax (CGT)

Exemptions

With effect from 1 August 2020

Proceeds from sale of shares or other marketable securities listed on the Victoria Falls Securities Exchange are exempt from CGT.

Individual Tax

With effect from 1 August 2020

The employee monthly tax-free threshold is increased from ZWL2,000 to ZWL5,000 per month. The foreign currency one remains at US\$70 per month.

The 40% marginal rate is applicable on income above ZWL100,000 or US\$3,000 per month. It currently applies on income above ZWL50,000.

The US\$ amounts remain unchanged.

ZWL		Rate (%)
1	- 5,000	0
5,001	- 15,000	20
15,001	- 30,000	25
30,001	- 60,000	30
60,001	- 100,000	35
100,001 & above		40

Year of assessment

For the year beginning 1 January 2020 the year of assessment shall be split into two periods:

- ▶ 1st Period - 1 January 2020 to 31 July 2020
- ▶ 2nd Period - 1 August 2020 to 31 December 2020

a) COVID-19 risk allowance

For a period of 12 months commencing 1 April 2020, health workers will not pay any taxes on their COVID-19 risk allowances.

b) COVID-19 donations

Companies that make COVID-19 donations now get tax deductions of the equivalent of US\$100,000.

Next Steps

Entities should review the changes to assess the impact as well as ensure compliance and avoid tax leakages.

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