

Deloitte Tax Service

Zimbabwe Budget Bulletin November 2007

EARLY INFORMATION ABOUT PROPOSED CHANGES TO TAX LAW

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DISCLAIMER

This document is of a general nature only and is not intended to be relied upon as, or to be a substitute for, specific professional advice.

Except where otherwise stated, references to 1 January 2008, in the context of income tax and capital gains tax, are to the year of assessment commencing on that date.

This document is based only on the Minister's Budget Speech and the Departmental Draft of the Finance (No.2) Bill 2007. Any revisions during the passage of the legislation through Parliament will be incorporated, after promulgation, in our Budget Bulletin and Tax Guide 2007/2008.

TAXATION PROPOSALS

1. Income Tax - Individuals

1.1 Rates

- (a) From 1 January 2008, the income bands for taxable income from **employment** have been revised (as illustrated below). The AIDS levy, to be added, remains at 3%.

Taxable bands	income		Amount in band	Rate of tax	Amount of tax in band	Total tax
		\$	\$	%	\$	\$
2007 : 1 January to 30 June						
	1 to	600 000	600 000	0	0	0
	600 001 to	1 200 000	600 000	25	150 000	150 000
	1 200 000 to	1 800 000	600 000	30	180 000	330 000
	1 800 001 to	6 000 000	4 200 000	35	1 470 000	1 800 000
	6 000 001 to	18 000 000	12 000 000	40	4 800 000	6 600 000
	18 000 001 to	30 000 000	12 000 000	45	5 400 000	12 030 000
	30 000 001 and	more		47,5		
2007 : 1 July to 31 August						
	1 to	3 000 000	3 000 000	0	0	0
	3 000 001 to	6 000 000	3 000 000	25	750 000	750 000
	6 000 001 to	10 000 000	4 000 000	30	1 200 000	1 950 000
	10 000 001 to	22 000 000	12 000 000	35	4 200 000	6 150 000
	22 000 001 to	36 000 000	14 000 000	40	5 600 000	11 750 000
	36 000 001 to	50 000 000	14 000 000	45	6 300 000	18 050 000
	50 000 001 and	above		47,5		
2007 : 1 September to 31 December						
	1 to	16 000 000	16 000 000	0	0	0
	16 000 001 to	32 000 000	16 000 000	25	4 000 000	4 000 000
	32 000 001 to	48 000 000	16 000 000	30	4 800 000	8 800 000
	48 000 001 to	120 000 000	72 000 000	35	25 200 000	34 000 000
	120 000 001 to	200 000 000	80 000 000	40	32 000 000	66 000 000
	200 000 001 to	280 000 000	80 000 000	45	36 000 000	102 000 000
	280 000 001 and	above		47,5		
2008: 1 January to 31 December						
	1 to	360 000 000	360 000 000	0	0	0
	360 000 001 to	960 000 000	600 000 000	25	150 000 000	150 000 000
	960 000 000 to	2 220 000 000	1 260 000 000	30	378 000 000	528 000 000
	2 220 000 001 to	3 480 000 000	1 260 000 000	35	441 000 000	969 000 000
	3 480 000 001 to	4 740 000 000	1 260 000 000	40	504 000 000	1 473 000 000
	4 740 000 001 to	6 000 000 000	1 260 000 000	45	567 000 000	2 040 000 000
	6 000 000 001 and	above		47,5		

- (b) With regard to taxable income from **trade or investment**, see paragraph 2.1.

1.2 Personal Credits

From 1 January 2008, personal credits for elderly, blind and disabled persons are increased from \$ 120 000 to \$ 300 000 000.

TAXATION PROPOSALS

1. Income tax – Individuals (cont.)

1.3 Benefits From Employment

From 1 January 2008, the annual deemed benefits for motor vehicles are increased as follows:

	2008	2007 Sep-Dec	2007 Jan-August
Up to 1500cc	480 000 000	2 400 000	100 000
1500 cc to 2000 cc	720 000 000	4 000 000	160 000
2001 cc to 3000 cc	900 000 000	5 000 000	200 000
Over 3000 cc	1 200 000 000	6 700 000	260 000

1.4 Employees' Pension Contributions

From 1 January 2008, the maximum allowable contribution to an approved pension fund and/or retirement annuity fund is increased from \$900 000 to \$11 500 000 or 7.5% of annual emoluments, whichever is the lesser.

1.5 Taxable Income from Employment: Other Aspects

(a) Share Option Scheme

From 1 January 2008, where an amount accrues upon a sale of shares acquired under a share option scheme (not yet defined) the resultant gross income is to be “adjusted” for the inflation content. Such adjustment is calculated by applying a formula recognising the difference in the all-items Consumer Price Index at the date of the sale and at the date of the offer under the scheme.

(b) 2007 Year of Assessment

It is proposed to amend the definition in Section 2 of “year of assessment” in relation to the year ending 31 December 2007 by specifying that it consists of two periods, namely from 1 January to 30 June and from 1 July to 31 December. (This mirrors, without specifically confirming, Section 4 of Statutory Instrument 136 of 2007.)

The object is to recognise the existence of different bands of taxable income.

It is unclear, however, why there is no reference to the bands for the period 1 July to 31 August.

1.6 Bonus Exemption

From 1 November 2007, the exemption in respect of a bonus or performance-related award is increased from \$100 000 to \$ 75 000 000.

1.7 Retrenchment Exemption

From 1 January 2008, the exemption is the greater of 1 billion or one third of the retrenchment package up to a maximum exemption of 3.3 billion.

TAXATION PROPOSALS

2. Income Tax – Companies, Trusts, Individuals' Trade or Investment

2.1 Rates

From 1 January 2008 the rate of tax on taxable income of the holder of a special mining lease is reduced from 25% to 15%.

The other rates remain the same.

2.2 Quarterly Payment Dates

From 1 January 2008 the percentages of total tax due for the year of assessment beginning 1 January 2008 remain as follows:

Date due	%
25 March 2008	10
25 June 2008	25
25 September 2008	30
20 December 2008	35
	<u>100</u>

2.3 Employers' Pension Contributions

From 1 January 2008, the limit on the deduction for employers' contributions to pension funds is increased from \$900 000 to \$ 11 500 000 per employee per annum.

2.4 Capital Allowances

From 1 January 2008:

- Special Initial Allowance is 100% of cost of ranking capital expenditure;
- staff housing: where the cost of construction exceeds \$100 billion (previously \$16 million) or 50% of cost of constructing the building whichever is the lesser, will not qualify for any allowance;
- passenger motor vehicles purchased on or after 1 January 2008: any cost in excess of \$100 billion (previously \$10 million) or 50% of the cost whichever is the lesser is disregarded.

2.5 Social Development Expenditure And Funding

From 1 January 2008 the limit for a claim for payments made to or expenditure incurred in each of the following is increased from \$25 000 000 to \$20 billion:

- payments to the State for hospital and health supplies funding;
- payments to the State for school and educational supplies funding;
- payments to specified research and development institutions.

2.6 Attendance at a Trade Mission or Convention

From 1 January 2008, the limit for a claim for expenditure incurred is increased from \$1 000 000 to \$7.5 billion.

TAXATION PROPOSALS

2. Income Tax – Companies, Trusts, Individuals' Trade or Investment (cont.)

2.7 Elderly Taxpayer's Exemptions

From 1 January 2008, the respective exemptions for taxpayers over 55 years: (i) rentals; (ii) interest on a deposit with a financial institution; and (iii) interest on bankers' acceptances and other discounted instruments traded by financial institutions; have been increased from \$1 344 000 to \$3 billion per annum.

3. Withholding Taxes

From 1 January 2008 the following changes are proposed:

- an increase in the threshold for the levying of 10% tax on contracts where suppliers do not have a tax clearance certificate (ITF 263), from \$500 000 to \$500 000 000 per contract;
- From 1 October 2007 certain interest accruing from the Reserve Bank of Zimbabwe to exporters of goods and services is to be excluded from liability to residents' tax on interest. It appears that the interest concerned is that arising as a once-off overnight return where the exporting organisation chooses to sell all or part of its proceeds to the Bank.

4. Presumptive Taxes

From 1 January 2008 the presumptive taxes have been widened to include hair dressing salon operators and informal cross-border traders and the taxes relating to vehicle operators are increased. The result is as follows:

Vehicle usage	Subclass	Rate per quarter	
		2008	2007
		\$	\$
Driving school training	Class 4	50 000 000	120 000
	Class 1 and 2	200 000 000	180 000
Goods : carrying capacity -	+10 to less 20 tonnes	200 000 000	180 000
Goods : carrying capacity -	other	400 000 000	180 000
	20 tonnes +	480 000 000	300 000
Commuter omnibus : passengers -	8 – 14	75 000 000	90 000
	15 – 24	75 000 000	90 000
	25 – 36	150 000 000	180 000
	37 +	200 000 000	180 000
Taxicabs : passengers	maximum 7	75 000 000	90 000
Hairdressing salon		50 000 000	
Informal cross-border traders		10% of value	-
		for duty	-
		purposes	

TAXATION PROPOSALS

5. Rentals: for State land allocated for agricultural purposes

From 1 October 2007 rent is payable quarterly on State land allocated for agricultural purposes in respect of a Model A2 farm located in natural regions below, as follows:

Natural Region	\$Rent Per Hectare per Annum	
	2008	2007
1	380 000	28 000
2	360 000	72 000
2a	340 000	52 000
2b	320 000	80 000
3	300 000	36 000
4	280 000	28 000
5	260 000	20 000

Rent is due within 14 days after the end of the quarter to which the rental relates, and is payable to Zimra.

6. Capital Gains Tax/Capital Gains Withholding Tax

From 1 January 2008 it is proposed that:

- Capital gains tax should be paid within 30 days of the earliest the signing of the agreement or transfer of the property or receipt payment of the selling price of the specified asset.
- the depositories or agent or payee should pay the capital gains withholding tax within 30 days from the date on which the sale proceeds are received.

7. Automated Financial Transactions (ATM) tax

From 1 January 2008 the tax on ATM transactions will be increased from \$2 500 to \$25 000 per transaction.

8. Carbon Tax

From 1 January 2008 carbon tax will be increased from \$5 000 to \$100 000 per litre.

9. NOCZIM Debt Redemption Levy

From 1 January 2008 the levy is increased from \$2 500 per litre to \$25 000 per litre.

10. Stamp Duty

From 1 January 2008 the duty on cheques is increased from \$5 000 to \$50 000 per cheque.

11. Value Added Tax (VAT)

From 1 January 2008 the following are proposed:

- An increase in the registration threshold from \$60 000 000 to \$120 billion;
- Goods and services sold through an auctioneer by persons who are not registered operators would be subject to VAT;
- The list of zero-rated goods is intended to include pork.

TAXATION PROPOSALS

12. Customs And Excise Duty

It is intended to increase excise duty with effect from 1 December 2007 above the existing ad-valorem rate as follows:

Product	Current Excise Duty rate	Proposed Excise Duty Rate
Clear Beer	40%	40% + \$500 000 per litre
Beer made from sorghum	15%	15% + \$250 000 per litre
Cigarettes and Tobacco	60%	60%+ \$1 000 000 per 100

13. Estate Duty

From 1 January 2008 the blanket exclusion from dutiable amount in an estate is to be increased to \$ 25 billion and it is intended in addition to include one family motor vehicle (as well as the existing principal residential property).

14. Other

The In Duplum Rule (Prescribed Rate of Interest Act)

To encourage prompt compliance with court orders requiring the payment of sums of money the debtors' protection under the rule is to be excluded in the case of judgment debts.

Penalties and Interest

References made in the Bill to the deletion of 'penalties' and the substitution of 'interest' is unclear as to which Section this refers.

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