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Tel: [263] [4] 794478 Fax & Messages [263] [4] 793592
E-mail: veritas@mango.zw

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Act No. 8 of 2007
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FINANCE ACT, 2007

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1. Short title.

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INCOME TAX

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ACT

To make further provision for the revenues and public funds of Zimbabwe and to provide for matters connected therewith or incidental thereto.

ENACTED by the President and the Parliament of Zimbabwe.

PART I

PRELIMINARY

1 Short title

This Act may be cited as the Finance Act, 2007.

PART II

INCOME TAX

Amendments to Chapter I of Finance Act [Chapter 23:04]

2 New section substituted for section 3 of Cap. 23:04

The Finance Act [*Chapter 23:04*] is amended by the repeal of section 3 and the substitution of—

"3 Regulations

(1) The Minister responsible for finance may make such regulations as he or she may consider necessary or expedient for the administration of this Act and the better carrying out of its purposes.

(2) Regulations made in terms of subsection (1) may amend or replace any rate of tax, duty, levy or other charge that is charged or levied in terms of any Chapter of this Act, and the rate as so amended or replaced shall, subject to subsection (3), accordingly be charged,

levied and collected with effect from the date specified in such regulations, which date shall not be earlier than the date the regulations are published in the *Gazette*.

(3) If any provision contained in regulations referred to in subsection (2) is not confirmed by a Bill which—

- (a) passes its second reading stage in Parliament on one of the twenty-eight days on which Parliament sits next after the coming into operation of the regulations; and
- (b) becomes law not later than six months after the date of such second reading;

that provision shall become void as from the date specified in the instrument as that on which the rate of tax, duty, levy or other charge shall be amended or replaced, and so much of the rate of tax, duty, levy or other charge as was amended or replaced, as the case may be, by that provision shall be deemed not to have been so amended or replaced."

3 Amendment of section 14 of Cap. 23:04

Section 14 ("Income tax for periods of assessment after 1.4.88") (2) of the Finance Act [Chapter 23:04] is amended by the repeal of paragraph (a) and the substitution of-

(a) the following, with effect from the period beginning on the 1st January, 2007, and ending the 30th June, 2007, of the year of assessment beginning on the 1st January, 2007—

"(a) in the case of a person other than a company, a trust or a pension fund, at the specified percentage of each dollar of each of the following parts of his or her taxable income from employment-

- (i) so much as does not exceed six hundred thousand dollars;
- (ii) so much as exceeds six hundred thousand dollars but does not exceed one million two hundred thousand dollars;
- (iii) so much as exceeds one million two hundred thousand dollars but does not exceed one million eight hundred thousand dollars;
- (iv) so much as exceeds one million eight hundred thousand dollars but does not exceed six million dollars;
- (v) so much as exceeds six million dollars but does not exceed eighteen million dollars;
- (vi) so much as exceeds eighteen million dollars but does not exceed thirty million dollars;
- (vii) so much as exceeds thirty million dollars;"

(b) the following, with effect from the period beginning on the 1st July, 2007, and ending the 31st August, 2007, of the year of assessment beginning on the 1st January, 2007—

"(a) in the case of a person other than a company, a trust or a pension fund, at the specified percentage of each dollar of each of the following parts of his or her taxable income from employment-

- (i) so much as does not exceed three million dollars;
- (ii) so much as exceeds three million dollars but does not exceed one six million dollars;

- (iii) so much as exceeds six million dollars but does not exceed ten million dollars;
 - (iv) so much as exceeds ten million dollars but does not exceed twenty-two million dollars;
 - (v) so much as exceeds twenty-two million but does not exceed thirty-six million dollars;
 - (vi) so much as exceeds thirty-six million but does not exceed fifty million dollars;
 - (vii) so much as exceeds fifty million dollars;";
- (c) the following, with effect from the period beginning on the 1st September, 2007, and ending the 31st December, 2007, of the year of assessment beginning on the 1st January, 2007—
- "(a) in the case of a person other than a company, a trust or a pension fund, at the specified percentage of each dollar of each of the following parts of his or her taxable income from employment-
- (i) so much as does not exceed sixteen million dollars;
 - (ii) so much as exceeds sixteen million dollars but does not exceed thirty-two million dollars;
 - (iii) so much as exceeds thirty-two million dollars but does not exceed forty-eight million dollars;
 - (iv) so much as exceeds forty-eight million dollars but does not exceed one hundred and twenty million dollars;
 - (v) so much as exceeds one hundred and twenty million dollars but does not exceed two hundred million dollars;
 - (vi) so much as exceeds two hundred million dollars but does not exceed two hundred and eighty million dollars;
 - (vii) so much as exceeds two hundred and eighty million dollars;".

4 Amendment of section 22B of Cap. 23:04

With effect from the 1st October, 2007, section 22B ("Automated financial transactions tax") of the Finance Act [*Chapter 23:04*] is amended by the deletion of "fifty dollars" and the substitution of "two thousand five hundred dollars".

5 Amendment of section 22C of Cap. 23:04

With effect from 1st October, 2007, section 22C ("Presumptive tax") of the Finance Act [*Chapter 23:04*] is amended by the repeal of—

- (a) paragraph (c) and the substitution of—
- "(c) operators of taxicabs for the carriage of passengers for hire or reward having seating accommodation for not more than seven passengers, nine million dollars per quarter year for each such taxicab so operated; or";
- (b) paragraphs (h) and (i) and the substitution of—
- "(h) operators of goods vehicles having a carrying capacity—

- (i) of more than ten tonnes but less than twenty tonnes, twenty-four million dollars per quarter year;
- (ii) of ten tonnes or less but which is driving one or more trailers resulting in a combined carrying capacity of more than fifteen tonnes but less than twenty tonnes, twenty-four million dollars per quarter year;
- (iii) of twenty tonnes or more, forty-eight million dollars per quarter year;
- (i) operators of driving schools providing driving tuition—
 - (i) for class 4 vehicles only, eighteen million dollars per quarter year.
 - (ii) for class 1 and 2 vehicles (whether or not in addition to providing driving tuition for other classes of vehicles), twenty-four million dollars per quarter year."

6 Amendment of section 22E of Cap. 23:04

With effect from the 10th September, 2007, section 22E ("Carbon tax") (1) of the Finance Act [*Chapter 23:04*] is amended by the deletion of "one hundred dollars per litre" and the substitution of "five thousand dollars per litre".

7 Amendment of section 22H of Cap. 23:04

With effect from the 10th September, 2007, section 22H ("NOCZIM debt redemption levy") of the Finance Act [*Chapter 23:04*] is amended by the deletion of "sixty dollars per litre" and the substitution of "two thousand five hundred dollars per litre".

8 Amendment of Schedule to Chapter I of Cap. 23:04

The Schedule ("Credits and Rates of Income Tax") to Chapter I of the Finance Act [*Chapter 23:04*] is amended in Part II with effect from the initial dates of the following periods of the year of assessment beginning on the 1st January, 2007, namely, the period beginning on the 1st January, 2007, and ending the 30th June, 2007, and the period beginning on the 1st July, 2007, and ending on the 31st August, 2007, and, the period beginning on the 1st September, 2007, and ending on the 31st December, 2007, respectively, by the deletion of the items relating to the level of taxable income and the substitution of-

"Section"	Level of taxable income 1/1/07 – 30/6/07	Specified percentage %
14(2)(a)(i))	Up to \$600 000	0
14(2)(a)(ii)	\$600 001 to \$1 200 000	25
14(2)(a)(iii)	\$1 200 001 to \$1 800 000	30
14(2)(a)(iv)	\$1 800 001 to \$6 000 000	35
14(2)(a)(v)	\$6 000 001 to \$18 000 000	40
14(2)(a)(vi)	\$18 000 001 to \$30 000 000	45
14(2)(a)(vii)	\$30 000 001 and more	47.5

<i>Section</i>	<i>Level of taxable income 1/7/07 – 31/8/07</i>	<i>Specified percentage %</i>
14(2)(a)(i))	Up to \$3 000 000	0
14(2)(a)(ii)	\$3 000 001 to \$6 000 000	25
14(2)(a)(iii)	\$6 000 001 to \$10 000 000	30
14(2)(a)(iv)	\$10 000 001 to \$22 000 000	35
14(2)(a)(v)	\$22 000 001 to \$36 000 000	40
14(2)(a)(vi)	\$36 000 001 to \$50 000 000	45
14(2)(a)(vii)	\$50 000 001 and above	47.5

<i>Section</i>	<i>Level of taxable income 1/9/07 – 31/12/07</i>	<i>Specified percentage %</i>
14(2)(a)(i))	Up to \$16 000 000	0
14(2)(a)(ii)	\$16 000 001 to \$32 000 000	25
14(2)(a)(iii)	\$32 000 001 to \$48 000 000	30
14(2)(a)(iv)	\$48 000 001 to \$120 000 000	35
14(2)(a)(v)	\$120 000 001 to \$200 000 000	40
14(2)(a)(vi)	\$200 000 001 to \$280 000 000	45
14(2)(a)(vii)	\$280 000 001 and above	47.5".

9 New Chapter inserted in Cap. 23:04

With effect from the 1st October, 2007, the Finance Act [*Chapter 23:04*] is amended by the insertion after Chapter VIII of the following Chapter—

"CHAPTER IX¹

RENTALS FOR STATE LAND ALLOCATED FOR AGRICULTURAL PURPOSES

40 Interpretation in Chapter IX

In this Chapter—

"holder", in relation to an offer letter, means the holder of an offer letter who has indicated that he or she has accepted the offer of an A2 farm described in the letter but who is not yet a party to a land settlement lease;

"land settlement lease" means a ninety-nine year lease of a Model A2 farm;

"lessee" means the lessee under a land settlement lease;

"Model A2 farm" means a farm allocated by the State under the Commercial Farm Settlement Scheme administered under the Agricultural Land Settlement Act [*Chapter 20:01*];

¹ *Note by Veritas:* New Chapter should be Chapter X. There is already a Chapter IX, containing sections 40 and 41 and dealing with Customs and Excise, inserted by section 41 of Act 8/2005. Section numbers of the new Chapter also require adjustment to accommodate the existing sections 40 and 41.

"Natural Region" means a Natural Region specified in section 3 of the Rural Land (Farm Sizes) Regulations, 1999, published in Statutory Instrument 419 of 1999, or any other law that may be substituted for those regulations;

"offer letter" means a letter issued by or on behalf of the Minister responsible for the Gazetted Land (Consequential Provisions) Act [*Chapter 20:28*] (No. 8 of 2006) that offers to allocate an A2 farm to the person to whom the letter is addressed;

"quarter" means a period of three months ending on the 31st March, 30th June, 30th September and 31st December in each year;

"rental" means a rental payable in terms of this Chapter.

41 Rentals payable in respect of Model A2 farms

(1) Every lessee and every holder of an offer letter in respect of a Model A2 farm located in the Natural Region shown in the first column of the Schedule shall pay to the State on a quarterly basis the rental indicated opposite thereto in the second column.

(2) For the purpose of calculating the amount of rental due in any quarter, the appropriate amount indicated in the second column shall be divided by four and multiplied by the hectareage of the Model A2 farm as indicated in the land settlement lease or offer letter:

Provided that in applying this subsection, any fraction of a hectare that is less than half a hectare shall be disregarded, and any fraction of a hectare that is more than half a hectare shall count as one hectare.

(3) In the case of a lessee, the rental specified in the Schedule and applicable to a Model A2 farm located in the Natural Region in which the lessee's farm is located shall be substituted for the rental specified in the lessee's land settlement lease, or, where the rental consists of two components, one relating to the rental for the farm and another to the purchase of any improvements thereon, the rental specified in the Schedule shall be substituted for the first-mentioned component of the rental specified in the land settlement lease.

(4) If the holder of an offer letter obtained the offer letter after the date of commencement of the Finance Act, 2007², the full rental shall be payable in respect of the quarter during which he or she obtained the offer letter.

(5) No later than fourteen days after the end of the quarter for which the rental is due, the lessee or holder of an offer letter shall pay the rental to such officer and at such place as is notified in the *Gazette* or in writing to the lessee or the holder by the Minister responsible for the Gazetted Land (Consequential Provisions) Act [*Chapter 20:28*] (No. 8 of 2006).

(6) For the avoidance of doubt it is declared that subsection (5) applies to a lessee notwithstanding anything to the contrary in a land settlement lease.

(7) The Minister responsible for the Gazetted Land (Consequential Provisions) Act [*Chapter 20:28*] (No. 8 of 2006) shall cancel the offer letter of any holder thereof who fails to pay rentals for three consecutive quarters:

² Note by Veritas: 19th October 2007.

Provided that if the holder of the offer letter tenders payment of the full amount of rentals due within thirty days after receiving written notice of cancellation of his or her offer letter, the offer letter shall not be deemed to have been cancelled.

(8) The provisions of a land settlement lease concerning the cancellation of the lease shall apply in the case of the failure by a lessee to pay any rentals.

(9) The amount of all rentals paid by the holder of an offer letter who becomes a lessee shall be deducted from any amount required to be paid by him or her in terms of the land settlement lease as arrear rentals from the time the holder occupied the Model A2 farm to which the lease relates.

SCHEDULE TO CHAPTER IX (Section 41)

RENTALS PAYABLE BY LESSEES AND OFFER-LETTER HOLDERS OF A2 FARMS

<i>Natural Region</i>	<i>Rental</i>
1	\$28 000 per hectare <i>per annum</i>
2	\$72 000 per hectare <i>per annum</i>
2a	\$52 000 per hectare <i>per annum</i>
2b	\$80 000 per hectare <i>per annum</i>
3	\$36 000 per hectare <i>per annum</i>
4	\$28 000 per hectare <i>per annum</i>
5	\$20 000 per hectare <i>per annum</i> ".

Amendments to Income Tax Act [Chapter 23:06]

10 Amendment of section 8 of Cap. 23:06³

Section 8 ("Interpretation of terms relating to income tax") (1) of the Income Tax Act [Chapter 23:06] is amended in the definition of "gross income" with effect from the year of assessment beginning on the 1st January, 2007, in paragraph (f)II—

- (a) in proviso (xi) by the deletion of "or in respect of the year of assessment beginning on the 1st January, 2007, and any subsequent year of assessment," and the substitution of "in respect of the period beginning on the 1st January, 2007, and ending on the 30th June, 2007, and 31st August, 2007, 31st December, 2007, of the year of assessment beginning on the 1st January, 2007,";
- (b) by the insertion after proviso (x) of the following proviso—
 - "(xi) in the case of a motor vehicle in respect of the period beginning on the 1st September, 2007, and ending on the 31st December, 2007, of the year of assessment beginning on the 1st January, 2007, and any subsequent year of assessment, the cost to the employer shall be deemed to be the following—

³ Note by Veritas: These amendments appear to result in two provisos numbered (xi).

- (a) two million four hundred thousand dollars, in the case of a motor vehicle whose engine capacity does not exceed one thousand five hundred cubic centimetres;
- (b) four million dollars, in the case of a motor vehicle whose capacity exceeds one thousand five hundred cubic centimetres but does not exceed two thousand cubic centimetres;
- (c) five million dollars, in the case of a motor vehicle whose capacity exceeds two thousand cubic centimetres but does not exceed three thousand cubic centimetres;
- (d) six million seven hundred thousand dollars, in the case of a motor vehicle whose capacity exceeds three thousand cubic centimetres;

and such deemed cost shall be reduced proportionally where the period of use of the motor vehicle is less than the year of assessment;”.

11 Amendment of Thirteenth Schedule to Cap. 23:06

With effect from the period beginning on the 1st September, 2007, and ending the 31st December, 2007, of the year of assessment beginning on the 1st January, 2007, the Thirteenth Schedule ("Employees' Tax") to the Income Tax Act [*Chapter 23:06*] is amended—

- (a) in paragraph 1 ("Interpretation") (1)—
 - (i) by the repeal of the definition of "auction rate";
 - (ii) by the insertion of the following definition—

""Exchange Control (Exchange Rate) Direction" means the Exchange Control (Exchange Rate) Direction, 2002, published in Statutory Instrument 223 of 2002, or any other enactment that may be substituted for the same;";
- (b) in paragraph 3 ("Employers to withhold tax") (1a)—
 - (i) by the repeal of paragraph (a) and the substitution of —

"(a) convert such remuneration into the Zimbabwe dollar equivalent at the rate of exchange fixed in terms of the Exchange Control (Exchange Rate) Direction (in the case of remuneration denominated in a foreign currency other than the United States dollar, the international cross rate of exchange of that currency for the United States dollar prevailing on the day of the conversion shall apply); and";
 - (ii) in paragraph (c) by the deletion of "at the auction rate referred to in paragraph (a)" and the substitution of "at the rate of exchange referred to in paragraph (a)".

PART III

STAMP DUTIES

12 Amendment of Schedule to Chapter II of Cap. 23:04

With effect from the 1st October, 2007, the Schedule ("Stamp Duty on Instruments and Other Matters") to Chapter II of the Finance Act [*Chapter 23:04*] is amended in item 3 by the deletion of "100 00" and the substitution of "5 000,00".

PART IV

CUSTOMS AND EXCISE

13 Amendment of section 115 of Cap. 23:02

With effect from the 6th September, 2007, section 115 ("Conversion of foreign currency and payment of duty in foreign currency in certain cases")⁴ of the Customs and Excise Act [*Chapter 23:02*] is amended by the repeal of subsections (2) and (3) and the substitution of—

"(2) The Minister may, notwithstanding section 41 of the Reserve Bank of Zimbabwe Act [*Chapter 22:15*] or anything provided by or under the Exchange Control Act [*Chapter 22:05*], require every person, including a resident of Zimbabwe, who imports any item of goods (hereinafter in this section called a "luxury item") designated by the Minister by notice in a statutory instrument to be a luxury item, to pay any duty and value-added tax payable on such item in United States dollars (in the case where the value or cost of any luxury item is expressed in the currency of a foreign country, other than the United States dollar, the value or cost shall be converted to United States dollars at the international cross rate of exchange of that currency for the United States dollar prevailing on the day of the conversion).

(3) In calculating the duty payable on any luxury item, the value for duty purposes and the duty and import or value-added tax payable shall be calculated in the same way as for

⁴ *Note by Veritas:* Previous wording of section 115 was as follows:

115 Conversion of foreign currency and payment of duty in foreign currency in certain cases

(1) When the value or cost of any imported goods, or any element that is required to be included in such value or cost, is expressed in the currency of a foreign country, it shall be converted to the currency of Zimbabwe at the selling rate for that foreign currency, as designated by the Commissioner in consultation with the Reserve Bank of Zimbabwe, applicable as a customs rate at the time the goods concerned were entered in terms of this Act:

Provided that where one or more special rates in addition to the general rate at which the Zimbabwe dollar may be exchanged for United States dollar are specified in the Exchange Control (Exchange Rate) Direction, 2002 (Statutory Instrument 223 of 2002) or in any other statutory instrument amending or replacing that Direction, the Minister may, by instruction to the Commissioner published in the Gazette, determine that a special rate shall apply in respect of certain goods specified in the instruction.

(2) The Minister may, notwithstanding section 41 of the Reserve Bank Act [*Chapter 22:15*] or anything provided by or under the Exchange Control Act [*Chapter 22:05*], require every person, including a resident of Zimbabwe, who imports any item of goods (hereafter in this section called a "luxury item") declared by the Minister by notice in a statutory instrument to be a luxury item, to pay any duty and import or value-added tax payable on such item in United States dollars, Euros or any other currency denominated under the Exchange Control (General) Order, 1996 (Statutory Instrument 110 of 1996).

(3) In calculating the duty payable on any luxury item, the value for duty purposes and the duty payable shall be calculated in the same way as for goods that are not luxury items, except that the Zimbabwe dollar duty and import or value-added tax thus arrived at shall be converted at the general rate referred to in the proviso to subsection (1) into United States dollars, Euros or any other currency denominated under the Exchange Control (General) Order, 1996 (Statutory Instrument 110 of 1996):

Provided that where any amount of duty and import or value-added tax thus payable may require payment to be made in coins, the Commissioner is authorised to increase or reduce the amount to the nearest figure to enable payment to be made in notes only.

goods that are not luxury items, except that the Zimbabwe dollar duty and value-added tax arrived at shall be converted at the general rate referred to in the proviso to subsection (1) into United States dollars:

Provided that where any amount of duty and import or value-added tax thus payable may require payment to be made in coins, the Commissioner is authorised to increase or reduce the amount to the nearest figure to enable payment to be made in notes only.

(4) Section 39 applies to luxury items as it applies to other goods in the event of default of entry thereof, except that, notwithstanding section 41 of the Reserve Bank of Zimbabwe Act [*Chapter 22:15*] or anything provided by or under the Exchange Control Act [*Chapter 22:05*], bids at a sale by public auction of luxury items conducted in terms of section 39(2), together with payment of the duty and import or value-added tax due and all charges of removal and warehouse rent, shall be made in United States dollars, Euros or any other currency denominated under the Exchange Control (General) Order, 1996 (Statutory Instrument 110 of 1996):

Provided that where a foreign currency other than the United States dollar is used for the purposes of this subsection, the duty and import or value-added tax due shall be calculated by converting that foreign currency into United States dollars at the international cross rate of exchange of that currency for the United States dollar prevailing on the day of the conversion."
