Tax Alert

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Various issues need to be brought to your attention at this time of the year in view of recently issued Statutory Instruments (SI) as well as some practices that are in place within ZIMRA.

1. Fiscal Registers/Devices

i. A Statutory Instrument has been gazetted giving effect to a penalty of $25 per day per point of sale where qualifying VAT operators have not complied with the installation of fiscal devices as from 1 January 2012. This penalty will apply to devices needed at each point of sale. A cap has been set at 181 days in respect of the penalty per device ($ 4,525). Zimra may waive the penalty in whole or in part in certain circumstances.

ii. In addition to the penalty mentioned above, Income Tax Clearances (ITF 263s) are not being issued unless operators have complied with the installation of the fiscal devices.

iii. The Commissioner General may issue a formal extension of time in which to activate a fiscal device in exceptional circumstances. Where one has been issued penalties for late installation should be waived and ITF 263s may be issued.

2. VAT

The date for paying VAT has been altered to the 25th of the month following a trading period. This is effective from 1 January 2012, therefore the January 2012 VAT will become payable on 25 February 2012 etc. Note that the December 2011 VAT is still due to be paid on 20 January 2012.

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3. 25% Surtax

i. In order to protect local agriculture and industry, the Minister of Finance announced in last year's Budget Speech which various imports were going to be subjected to a 25% surtax on value for duty purposes (VDP), in addition to normal Customs duties.

ii. In brief, these items include: double cab motor vehicles, refrigerators, geysers, freezers and colour TVs, as well as certain food items. Many specific food items are detailed in the Notice, but in summary these include; cereals, poultry products, dried/fresh/tinned fish (freshwater), milk, cream, cheese, eggs, potatoes and various other fresh, frozen or preserved farm produce, fruit juices, biscuits, ice cream, minerals, beer, wines, cider, spirits, various toiletry items, shoe polish, footwear, etc.

iii. Exemptions, in terms of Trade Agreements, have been made on imports originating in Malawi, Namibia and Botswana.

iv. During months of low local agricultural production the tariffs on food products may be suspended.

v. Motor vehicles more than five years old will continue to have this surtax imposed.

vi. Importers do not pay VAT on the surtax at the time of importation. However, VAT will need to be included on the full selling price of the goods when sold to customers.

4. Customs and Excise Duties

i. Various items of clothing listed increase the duty rate from 40% plus US$1,50 per kg to 40% plus $3.00 per kg.

ii. Various basic essential items that previously had the duty suspended are now liable to duties once again. A few of them (rice, flour and salt) have reduced rates for pre-packed importations. Bulk importations have been set between free and 5% (for flour), whilst pre-packaged are between 5% and 15%.

5. Travellers rebate

The US$300 traveller's rebate, limited to once per calendar month, no longer applies to a number of goods when travellers are coming into Zimbabwe. These goods include goods for commercial purposes, shoes, clothing, blankets, refrigerators and stoves.

6. Interest on Quarterly Payments (QPDs)

i. ZIMRA are going back to what they did in 2009 and 2010; calculating interest on the underpayment of various QPDs. We assume that this process will be applied in 2011 once the tax returns have been submitted in April.

ii. ITF 263s are not being issued unless any calculated interest has been paid.

7. Tax Clearances (ITF 263s)

i. ITF 263s need to be replaced with new ones as from 1 January 2012. Where these are not held, customers will need to withhold 10% of the invoiced amount and to pay this to ZIMRA on or before the tenth day of the following month.

ii. Where such amounts have been withheld, ensure that documented evidence is received from your customers that will enable you to obtain a tax credit from ZIMRA against future tax payments, including future QPDs.

iii. Be as accurate as possible when forecasting this year's QPDs in order to avoid similar problems in future.

8. NSSA

Contributions have increased to 4% of pensionable emoluments, with a monthly cap set at 4% of US$1,000 (i.e. the maximum monthly contribution for each employer and employee is $40).

Please do not hesitate to contact us for any assistance in any of the above matters.

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