



# Zimbabwe Fiscal Guide 2017/18

**Tax**

# Income tax

## Business income

Tax is levied on a source or deemed source basis. Residents are taxed on domestic-source income and certain types of foreign income. Non-residents are taxed on Zimbabwe-source income and are subject to a range of withholding taxes – some of which may be reduced in terms of a double tax treaty negotiated with the country of the recipient.

### Rates of tax

<b>Resident companies</b>	
Corporation tax:	
- general rate	25% + 3% AIDS levy
- mining companies	25%
- special mining lease	15%
manufacturing companies which export	15% if 51% of output exported. 17.5% if 41% to 50% of output exported 20% if 30% to 40% of output exported
- Licenced investor (after 5th year of operations)	25%
- Special Economic Zones licenced investor	0% for the first 5 years thereafter 15% Exempt from non-resident tax on royalties Exempt from tax on dividends Exempt from non-resident tax on fees Specialised expatriates taxed at flat rate 15%
Capital gains	20%
Dividends distributed by local company:	15%*
- To resident companies	Exempt
- To other beneficiaries including individuals	10% if from listed shares 15% if from unlisted shares
Foreign dividends	20%
Royalties	Taxed as ordinary income

<b>Resident individuals</b>	
Individual tax	0% – 50%**
AIDS levy on individual income tax	3% of tax
Capital gains	20%
Dividends	10%* or 15%*
Interest from financial institution	15%*
Royalties and fees	Taxed as ordinary income
Directors' fees (non-executive directors)	25% but initially subject to 20% WHT
Commissions	20%*

\* Tax withheld at source

\*\* Individual's Income Tax: Range of rates – (with effect from: 1.01.2014)

Non-residents	
Corporation tax	As for residents
Individual income tax	As for residents
Surcharge on individual income tax	As for residents
Capital Gains Tax	As for residents
Dividends	10%* (from listed cos) or 15%*(unlisted cos)
Royalties	15%*
Fees (whether remitted or not)	15%*
Remittances of allocable expenditure	15%*

\* Tax withheld at source

\*\* Individual's Income Tax: Range of rates – (with effect from: 1.01.2014)

## Individual's income tax: Annual table

Annual Income band (US\$ equivalent)	Rate		
up to 3600	0%		
3601 - 18 000	20%		
18 001 – 36 000	25%		
36 001 – 60 000	30%		
60 001 – 120 000	35%		
120 001 – 180 000	40%		
180 001 – 240 000	45%		
240 001 – and over	50%		
3% on tax AIDS LEVY also chargeable			

## Capital Gains Tax (“CGT”)

Capital gains on “specified assets” are taxed in terms of the Capital Gains Tax Act 1981. Broadly speaking, specified assets include immovable property and marketable securities. With effect from 1 January 2017 specified assets include any right or title to property whether tangible or intangible that is registered or required to be registered.

In determining a capital gain, deductions from sale proceeds include:

- Expenditure on the acquisition or construction of a specified asset – excluding expenditure – in respect of which an income tax deduction is allowable;
- Expenditure on additions, alterations, or improvements to a specified asset; and
- Direct selling expenses.

With effect from 1 February 2009, the inflation allowance is determined as 2.5% per year or part thereof, on cost of acquisition, construction and addition – based on the United States Dollar value of such cost of acquisition, construction or addition.

Unit trusts are exempt from capital gains withholding tax on the sale of units.

Payment of CGT must be by no later than the third working day from the date of accrual.

### CGT rates

Specified assets acquired prior to 1 February 2009 are subject to CGT at 5% on the gross proceeds.

Listed securities will be subject to withholding tax (WHT) at 1% on the gross proceeds. Listed securities which have been subjected to the 1% WHT will be exempt from the normal 20% CGT.

Immovable property acquired on or after 1 February 2009 will be subject to 15% WHT on gross proceeds. The WHT will be credited against the final 20% CGT on the actual capital gain on assessment.

## Transfer pricing and thin capitalisation

The Zimbabwe Income Tax Act [Chapter 23:06] was amended with effect from 1 January 2016 to incorporate section 98A and 98B which provide for the Commissioner General’s power to make appropriate adjustments where the arms-length principle is deemed not to have been observed. Section 98A deals with income splitting whilst section 98B deals with transactions between associates.

The Act includes a specific anti-avoidance provision dealing with specified assets which are purchased at inflated prices or sold at less than fair market price. The Commissioner of Taxes has the power to substitute the fair market price in such instances.

Deduction of interest on borrowings is restricted to the interest on the portion of debt which makes the debt/equity ratio not more than 3:1. The excess interest would be classified as a dividend and subject to the dividend withholding tax of 15%.

With effect from 1 January 2017 deduction of fees, administration and management costs paid to holding company or fellow associate companies is restricted to 1% of total allowable expenditure. Previously deduction of general administration or management expenditure paid by a subsidiary to a holding company was restricted to 1% of total allowable expenditure.

## Inheritances and donations

Estate duty is levied on the worldwide estate of every deceased person who was ordinarily resident in Zimbabwe at the time of his death. Foreign assets acquired prior to 1 January 1967 and any such assets acquired prior to the deceased becoming ordinarily resident in Zimbabwe are excluded.

The rate of duty varies from 0.02% – 5% of the dutiable estate. There is a tax free threshold of US\$50 000 before duty can be levied.

No donations or gift tax is levied.

## Transaction taxes

The standard rate of value added tax is 15% of the value of goods and services supplied or imported. Certain goods are zero rated and these are listed in the schedules to the statute.

Supply of financial services are exempt from value added tax.

With effect from 1 January 2017 the commissioner may appoint value added withholding tax agents to withhold 10% of the full amount of output from each amount to be paid to a specified operator.

## Stamp and transfer duty

Stamp duty is levied on a number of instruments specified in the Stamp Duties Act (Cap.23:09). The rate of duty varies according to the nature of the instrument involved and the value of the matter to which it relates.

## Other taxes

Tax	Basis	Rate (%)
Informal traders	rental amount payable	10%*
Small-scale miners	purchase price of precious metal or stones	0%***
Operators of taxicabs (Quarterly tax)	– seating capacity of 8-14 passengers	– US\$40 per month
	– seating capacity 15 - 24 passengers	– US\$45 per month
	– seating capacity 25 - 36 passengers	– US\$70 per month
	– seating capacity 37 or more persons	– US\$100 per month
Driving schools (Quarterly tax)	– class 4 training	– US\$100 per month
	– class 1 & 2	– US\$130 per month
Haulage trucks (Quarterly tax)	– more than 10 tons but less than 20 tons	– US\$200 per month
	– 20 tons or more	– US\$500 per month
Hair salons (Quarterly)	per quarter	US\$10 per chair per month
Restaurant/bottle stores	presumptive tax per quarter	US\$300
Cottage Industry	presumptive tax per quarter	US\$300
Tobacco levy	purchase price of tobacco on auction floor	1.5%

\* Collected by the Lessor.

\*\* Collected by the registered agent

\*\*\* effective from 01/10/2014

Tax	Basis	Rate (%)
Commercial	US\$250/quarter up to 5 passengers	01/01/2012
Waterborne	US\$500/quarter up to 6 – 15 passengers	
Vessels	US\$1 000/quarter up to 16 – 25 passengers	
(Passengers)	US\$2 000 per quarter 50 or more passengers	
Fishing rigs	US\$350 per quarter	01/01/2012

\* Collected by the Lessor.

\*\* Collected by the registered agent

## Double tax treaties and reduced rates

Country	Dividends (%) qualifying companies	Royalties, etc (%)	Technical fees
Bulgaria	10%	10%	10%
China	2.5% or 7.5% (1)	7.5%	15%
Canada	10%	10%	10%
France	10%	10%	10%
Germany	10%	7.5%	7.5%
Kuwait	5%	0%	10%
Malaysia	10%	10%	10%
Mauritius	10%	15%	n/a
The Netherlands	10%	10%	n/a
Norway	15%	10%	10%
Poland	15%	10%	10%
South Africa	5% or 10% (2)	10%	5%
Sweden	15%	10%	10%
United Kingdom	5%	10%	10%

(1) 2.5% (if holding at least 25%) otherwise 7.5%

(2) 5% (if holding at least 25%) otherwise 10%

Treaties with Democratic Republic of Congo, Iran, Malaysia, Seychelles, Serbia and Montenegro have been signed but are not yet in force. The revised treaty with South Africa is now in force with effect from 1 December 2016.

## Export and remittance incentive

Exemption from tax on premium paid by the Reserve Bank of Zimbabwe on receipts of earnings by exporters and on remittances from abroad received by individuals resident in Zimbabwe channelled through any authorised dealer.

## Investment information

### Investment rules

In general, the attitude towards foreign investment is positive. Whilst there are no sectors or regions reserved for nationals to the exclusion of foreigners, the government considers it a priority that Zimbabweans should have adequate opportunities to participate in the economy. Foreign investment is therefore not encouraged in the banking, services, retail and wholesale sectors.

Majority Zimbabwean participation in new projects is preferred. Majority foreign participation is permitted in high-priority projects but this is now subject to the 'Indigenisation Regulations' – which require that all foreign owned businesses should have 51% shareholding by Indigenous Zimbabweans.

### Investment incentives

All holders of investment certificates are eligible for the general incentives under the Act as well as the following special incentives:

- Self-employment or residence permit plus work permits for up to five expatriates if an investor invests at least US\$250 000 and employs at least 10 people
- Repatriation of dividends and profits, principal and interest of any foreign loan, management fees, royalties and net proceeds of sale or liquidation of the business
- Licensed as a tourist development zone or export processing zone
- Specific exemption from certain taxes on importation of specified machinery and equipment.

## Exchange control

Exchange control is administered by the Reserve Bank of Zimbabwe. Whilst few restrictions are imposed on imports, remittance of capital, dividends, royalties, and expatriate earnings, all require prior approval. Companies may remit 100% of after-tax profits but no remittances are permitted from retained income and any remittances should be made within 12 months of the date of the balance sheet. Approval is required for the purchase of all unlisted securities by foreigners and a maximum of 40% of any listed counter may be foreign-held.

## Residence and work permits

Foreign citizens are required to obtain work permits – which are generally granted if it can be demonstrated that a citizen is unable to perform the job.

## Annual budget announcement

The Minister of Finance generally announces the annual Budget and Taxation Proposals in November each year, for the tax year commencing on 1 January thereafter. Lately, the Minister has presented one or two interim mini budget statements to address the impact of inflation. This is expected to continue for the foreseeable future.

## Bilateral trade and agreements

Membership – WTO, ACP-EU Partnership Agreement, SADC, COMESA, Organisation of Copper Producing and Exporting Countries (CIPEC).

Trade Agreements entered into with Botswana, Mozambique, Romania, Bulgaria Iraq and Tanzania. Investment treaties entered into with Malaysia, Portugal, UK, Germany, China, Switzerland, Yugoslavia, Denmark, Netherlands, Sweden, India, Indonesia, Jamaica, Italy, Iran, Egypt and Czech Republic.

Zimbabwe is a signatory to the 1965 World Bank Convention on Settlement of Disputes between States and nationals of other States (ICSID).

## Economic statistics\*

Prime interest rate (2016)	18%
USD exchange rate	US\$1 - Z\$ not functional
Inflation rate (October 2016)	1.56%
GDP (2016)	1.7%

\*Since the adoption of the US\$ standard, appropriate statistics are unavailable

\*Z\$ not functional.

## Travel information

Visa requirements	Visas are generally required for travel into Zimbabwe (check with your local embassy)
Flights	Daily flights into Harare from South Africa and regular flights from international and regional hubs.
Inoculations	Standard requirements

## Currency

Currencies such as the United States Dollar (USD), South African Rand (ZAR), Botswana Pula (BWP), Pound Sterling (GBP), Euro (EUR), Australian dollar (AUD), Chinese yuan (CNY), Indian rupee (INR), and Japanese yen (JPY) are now used for all transactions in Zimbabwe; the policy of the Government of Zimbabwe has insisted that any attempts to reintroduce Zimbabwean currency should be considered only if industrial output improves.

## Languages

English is the official and commercial language. Other languages spoken are Shona and Ndebele.

## Official holidays

- 1 January (New Year's Day)
- 30 March (Good Friday)
- 31 March (Holy Saturday)
- 2 April (Easter Monday)
- 18 April (Independence Day)
- 1 May (Labour Day)
- 25 May (Africa Day)
- 13 August (Heroes' Day)
- 14 August (Defence Force's Day)
- 22 December (National Unity Day)
- 25 December (Christmas Day)
- 26 December (Boxing Day)



# Thank you

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