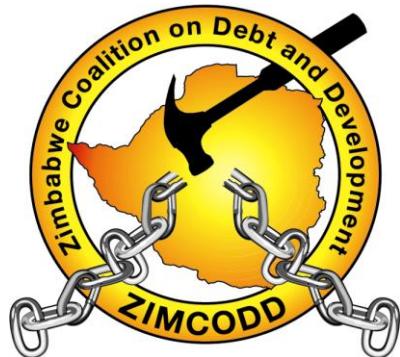


Zimbabwe Coalition on Debt and Development



Investing in people for social and economic justice

Commentary on Traveler's Rebate (Statutory Instrument Number 148 of 2015)

Background

With effect from 1 January 2016, the Government of Zimbabwe (GoZ) revised travelers rebate from \$300 to \$200 and removed rebate on travelers in public transport through Statutory Instrument Number 148 of 2015 (Customs and Excise [General Amendment] regulations (No 80). This policy is among a cocktail of measures that the government is implementing to maximize revenue collection from imports and compelling the informal cross border traders to contribute to the national fiscus. Traveler's rebate is a duty-free allowance which is granted to bona fide travelers, subject to prescribed conditions. It is divided into two categories namely total rebate and partial rebate. Total Rebate is an allowance granted on all used personal effects (articles carried upon the body). Partial Rebate is an allowance granted on goods imported by a traveler once a month on the date of his/her first entry into Zimbabwe in that calendar month on certain conditions. One of the condition is that the imported goods are for personal consumption and not for commercial purposes.

As enshrined in the new regulation, Statutory Instrument Number 148 of 2015 (Customs and Excise [General Amendment] regulations (No 80) issued by the Ministry of Finance and Economic Development, traveler's rebate of \$200 will only be granted to pedestrians and travelers using private vehicles. This means that all travelers importing goods in a transport service vehicle drawing a trailer and is used for conveyance of goods through a port of entry have no rebate and shall pay full duty. Most of the cross borders traders and travelers use public transport and very few use private cars. This implies that the tax man is targeting the majority of cross border traders to maximize revenue collection.

Implications

The rationale for these policy interventions according to the government is to curtail the abuse of the facility as well as to raise the much needed revenue for the country. Stakeholders in the informal sector view the move as a desperate measure by the government to milk the citizens to fill its dry coffers. The scrapping of rebate on travelers on public and commercial transport poses a number of challenges to the informal sector in general and traders in particular. As a social and economic justice movement, Zimbabwe Coalition on Debt and Development (ZIMCODD) is gravely concerned with the implication of this policy on the informal sector, which is one of the coalition's key clusters. Since the country is now highly informalized, (90% unemployment prevails)¹ the sector plays a critical role in terms of providing a source of livelihood for the unemployed. According to a research done by FinScope in 2013, more than 5,7 million people are employed in the informal sector. Despite the growth of the informal sector and its critical role in the national economy, there has been little policy, technical and financial support from the government.

¹ UNDP July 2015 estimates

The reduction in traveler's rebate and its removal on travelers using public transport has negative implications on the sector which is sustaining the economy and people's livelihoods. According to National Statistics Agency (ZimStats), in 2014 the informal sector contributed about 20% to gross domestic product. The reduction of the traveler's rebate had some immediate social and economic implications which meant an infringement on the public's rights. It caused delays and a lot of anxieties at the borders as the travelers were stranded in a bid to raise money for duty. The implementing agent, ZIMRA failed to notify the public (travelers) on the latest development using effective communications means.

The medium to long term implications are as follows:

1. Since most informal traders are small scale cross border traders, this policy change will stifle informal sector growth by making imports very expensive for the poorly supported informal traders. This had been one of the safety nets for the majority of citizens who are not formerly employed. The country's formal sector does not have the capacity to absorb the available human resources.
2. Small cross border transporters whose business has been directly supported by the small scale cross border traders will be elbowed out of business as travelers will opt to walk across the borders in order to enjoy the \$200 rebate available for pedestrians.
3. The move will also mean an increase in tax burden on the part of the already over taxed citizens since a lower value of imports is tax free. Despite paying full duty at the port of entry, informal traders will also have to pay taxes to their respective local authorities. This means too many taxes on one sector.
4. Poverty will increase as imports will be reduced while there is no growth of the local industry. This also poses a danger of shortages on goods on the local market. The local industry's capacity to supply the country with adequate essential commodities has remained very low.
5. While the policy intervention is meant partly to curtail the abuse of the travelers' rebate, it has the potential to promote the smuggling of goods as well as corruption as travelers seek to avoid paying heavy import duty, which implies loss of potential revenue for the country. It is better to collect little, consistently than to create loop holes for revenue leakages.

ZIMCODD Recommendations

1. Better understanding of the informal sector

ZIMRA and government authorities should make efforts to better understand the profile and perceptions of small traders in order to address the challenges that have been faced in taxing the informal sector. This could help to engage the informal traders and establish a dialogue on

tax issues thereby contributing to a “culture of compliance” and increase government revenue without over burdening the citizens.

2. Supporting the informal sector

The government should extend technical, financial and policy support to the sector as merely taxing them without the necessary support will result in the suffocation and subsequent extermination of the sector.

3. Introduction of travelers rebate

The government should consider the introduction of a trader’s rebate that allows a certain value of imports to qualify for rebate. For example on every \$500 spent on commercial goods, goods worth \$200 will be eligible for rebate. This rebate should be enjoyed by traders who are registered with the Zimbabwe revenue Authority (ZIMRA).

4. Progressive taxation

There is need for progressive tax policies that guarantee social and economic benefits to the individual tax payers in terms of social service delivery. Taxation should also be progressive in the sense that the tax rates should be affordable and the cross border traders will be able to pay.

5. Increasing tax base

There is also need to harness resources from all sectors including mining and plug all tax loop holes as well as desisting from over relying on individuals for tax payments. There should be a proper tax mix (that enables progressive contribution of individuals and cooperates) which promotes tax justice.

6. Complementing policies

There is need to strike a balance on the timing for implementing local industry revival strategies and the reduction of imports on goods that can be locally produced so that these policies can complement each other. There is a danger that if there is more focus on reducing imports whilst there is no industrial development, there can be shortages.

7. Prior notice and consultation of the informal sector

Public policies should be announced well in time with generous grace periods to avoid inconveniences that lead to the violation of people’s rights. Various communication means should be used to ensure that the information gets to the targeted audience well in time so that they can make informed decisions. In the spirit of dialogue and community of purpose stated in ZIMASSET, there is need for prior consultation with the sector i.e informal traders making an input and or argument the policy.

About ZIMCODD

The Zimbabwe Coalition on Debt and Development (ZIMCODD), is a non-profit Social and Economic Justice coalition established in February 2000 to facilitate citizens' involvement in making public policy and practice pro people and sustainable. ZIMCODD views indebtedness, the unfair local and global trade regime and lack of democratic people-centered social economic and political governance as root causes of the socio-economic crises in Zimbabwe and the world at large. Drawing from community-based livelihood experiences of its membership, ZIMCODD implements programmes targeted at:

- Educating the citizen
- Facilitating policy dialogue among stakeholders
- Engaging and acting on socio-economic governance at local, regional and global levels.

Our vision

Sustainable socio-economic justice in Zimbabwe through a vibrant people based movement.

Mission

To take action in redressing the Debt burden, Social and Economic Injustices through formulation and promotion of alternative policies to the neo-liberal agenda

Objectives

- To raise the level of economic literacy among ZIMCODD members and citizens to include views and participation of grassroots and marginalised communities.
- To facilitate research, lobbying and advocacy in order to raise the level of economic literacy on issues of debt, trade and sustainable development.
- To formulate credible and sustainable economic and social policy alternatives.
- To develop a national coalition and facilitate the building of a vibrant movement for social and economic justice.

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