



*Investing in People for Social & Economic Justice*

## **ZIMCODD POSITION ON TAX DODGING PRACTICES BY INDIVIDUALS AND PRIVATE COMPANIES:**

At a time when the country is failing to finance the health sector including remuneration for nurses, ZIMRA is owed US\$ 4.2 billion in unpaid taxes. This figure far exceeds the annual tax revenue for 2017 of US\$ 3.978 billion. As of March 2018, the private sector alone contributed about (80%) of the tax debt. ZIMRA Commissioner General, Ms. Faith Mazani, indicated that tax dodging by the private sector has become a serious impediment to national development. She indicated that out of the 300,000 registered tax payers, only 25% were committed and compliant to their tax obligations, resulting in the tax burden weighing heavy on few companies and individuals.

The issue of Illicit Financial Flows (IFFs), especially by the corporate world, has robbed the nation of meaningful development as private companies are dodging taxes through various illicit means. This has been noticed over the years due to the low fiscal contributions by the revenue head. By failing to collect taxes from the private sector, ZIMRA transfers the burden to weaker economic agents, who are the ordinarily poor citizens on the basis of convenience to collect rather than the ability to pay.

ZIMCODD, as a social and economic justice coalition, is deeply concerned about the regressive nature of the Zimbabwe tax system which weighs heavily on the poor. The country has increasingly introduced additional indirect taxes in the recent years which account for the larger proportion of the income of poor people who spend more of their incomes on goods and services. This has directly impacted on their disposable incomes and increased their vulnerability to poverty. The revenue heads that contributed more to national fiscus in 2017 were VAT with the highest (@ 28%) followed by PAYE – 19% and Excise Duty – 18% whilst corporate tax stood at 12%. In the first quarter of 2018, Individual Tax collected surpassed the 2017 figures for the same period by 16.81%; Net VAT on Local Sales increased by 14.07%; VAT on imports increased by 43.95% whilst Company Tax increased by 38.77%.

The figures indicate that the general public is burdened through VAT payment and PAYE whilst the corporate world that earns huge profits is contributing less to national fiscus. The Corporate Tax revenue head increased by more than 114.4% in 2017, a significant increase which may be attributed to the Moratorium to SMEs from January to June 2017 where ZIMRA registered 12,992 tax payers.

## Recommendations

- There is need for ZIMRA to put in place stringent tax control mechanisms to curb IFFs;
- ZIMRA is celebrating the 'Zimbabwe is Open for Business' (ZOB) mantra. However, ZOB does not literally translates to improved revenue contributions by the corporate world without a meaningful transformation of the tax regime; Being open for business should never translate to 'being open for illicit financial extraction'
- Incentives in the form of tax exemptions and deductions for business entities should not be perpetuated
- In the interest of promoting transparency and accountability, the list of tax dodging private companies should be made public and face the consequences as prescribed by the law

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