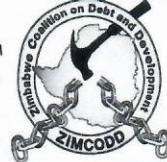


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ZIMBABWE COALITION ON DEBT AND DEVELOPMENT



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Att: **Mr. Kennedy Chokuda**
The Clerk of Parliament
Parliament of Zimbabwe
Harare

Cc: **Honourable Tendai Biti**
Chairperson
Public Accounts Committee

Honourable Felix Mhona
Chairperson
Budget, Finance and Economic Development Committee



19 February 2020

Re: Urgent Repeal of Statutory Instrument 25 of 2020.

Zimbabwe Coalition on Debt and Development (ZIMCODD) is a registered organisation whose vision is sustainable socio-economic justice in Zimbabwe.

I write on behalf of the ZIMCODD Board of Trustees, Board Members and ZIMCODD members comprising in excess of two thousand six hundred individuals, community based organisations, civil society formations, academics, rural smallholder farmers, livelihood assemblies, women and youth focused organisations; **to raise our concern over the generous tax exemptions offered to the Chinese conglomerate Huawei Technologies.**

As you may recall, Statutory Instrument (SI) 25 of 2020 recently pronounced by the Minister of Finance backdated tax exemptions granted to the Chinese Conglomerate to 2009 from 2014. We remain concerned about the timing of the exemption especially when ZIMRA is owed in excess of USD4.5 billion in unpaid taxes. Instead of making efforts to recover revenue in unpaid taxes, the Statutory Instrument portrays that the government is rewarding non-payment of taxes by the corporates.

ZIMCODD is also concerned that the country is giving away its taxing rights to China considering that Zimbabwe and China signed a Double Tax Agreement in December 2015. Under this arrangement, when a Chinese investor is exempted from paying tax in Zimbabwe, the investor will pay the equivalent amount in China. We urge the government to disclose to the public the conditions under which the government of Zimbabwe is exempting the Chinese Conglomerate. The same company, we note, is handsomely paying taxes in other jurisdictions especially in developed countries.

In our considered view, S.I 25 of 2020 is self-defeating in that it will greatly undermine ongoing efforts of domestic resource mobilisation amid high indebtedness and dwindling development aid and lines of credit from the international community. Based on ZIMCODD's 20 years of experience and expertise working on domestic resource mobilisation and taxation in general, the tax exemptions applied today have intergenerational consequences especially considering that Zimbabwe owes in excess of US\$8.2 billion to external creditors in unpaid debt.

A vision for a people based movement for sustainable economic and social justice in Zimbabwe.

With tax revenue contributing over 98% of total public revenue, government should instead further enhance taxation efforts by taxing viable Multinational Corporations and fund social service delivery.

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We also note with concern, that S.I 25 of 2020 violates section 298 (1) (b) (i) of the Constitution which provides for equity in the distribution of the burden of taxation. We trust that among other things, your esteemed office is tasked with defending and protecting the Constitution of Zimbabwe hence this appeal to set aside S.I 25 of 2020 and influence parliamentary debate on the matter.

Extended tax exemptions dating as far back as 11 years becomes a cause for concern and an act of economic injustice at a time when individual citizens are bearing the brunt of heavy taxation – among these, Paye As You Earn (PAYE), Value Added Tax (VAT) and the infamous Intermediate Transaction Tax (IMTT) (2% Tax) which currently contribute 12% to the total fiscus among other indirect taxes. The US\$1.45 billion lost in forgone revenue emanating from tax exemptions between 2011 and August 2019 exemplifies the nation's losses through tax holidays.

ZIMCODD is further worried that the government's decision in this instance may affect tax compliance rate which is currently below 30% as it sets an unhealthy precedence.

Against this background understanding, ZIMCODD makes the following submission and appeal for your consideration:

- 1) Cause the Public Accounts Committee to look into the matter and summon the relevant Minister to present an analysis of the opportunity-cost of the investment incentives extended to Huawei Technologies.
- 2) Cause the relevant Ministry to issue a public statement explaining reasons behind extended tax exemption for Huawei Technologies in the interest of public accountability. If there be other derived contractual benefits in lieu of the income tax, it is in the public interest to share existing arrangements.
- 3) Cause the matter to be brought before Parliament for debate.
- 4) Cause the Zimbabwe Revenue Authority to recover and collect income taxes due from Huawei Technologies Pvt Ltd as with any other corporate company operating in Zimbabwe.

As we write, we draw confidence and hope in your esteemed office to redress what we consider as an economic injustice leaning on the role of parliament to represent the aspirations of ordinary citizens. I trust that your esteemed office will consider our submission with the urgency that it deserves and feedback will be highly appreciated.

Yours Sincerely,



Janet Zhou

Executive Director, ZIMCODD