



Investing in People for Social and Economic Justice

Press Release

SI 2020-025 Income Tax (Exemption from Income Tax) (Huawei Technologies Co., Ltd.) (Amendment) Notice, 2020 (No. 1)

It is regrettable that the Government of Zimbabwe has updated SI 25 of 2020 exempting Chinese telecommunications giant, Huawei Technologies from paying income tax. The old Statutory Instrument SI 227 of 2019 exempted Huawei from paying income tax since August 2014. This has now been backdated to December 2009. The government, through the Ministry of Finance and Economic Development has indicated that the Income Tax (Exemption from Income Tax) (Huawei Technologies Co., Ltd.) Notice, 2019, published in Statutory Instrument 227 of 2019, are amended in Section 2 by the deletion of the words “With effect from the 26th August, 2014” and substitution with the words “With effect from the 30th December, 2009.”

Causes for concern

- The income tax exemption violates Section 298 (1) (b) (i) of the Constitution which states that “the burden of taxation must be shared fairly.” It is therefore worrisome that the government has decided to give the foreign monopoly tax exemption backdating 11 years ago when the same government is milking the ordinary citizen through the unpopular and unjust 2% Intermediated Money Transfer Tax, among a host of other retrogressive taxes;
- ZIMCodd is gravely concerned by the unscrupulous trend of bypassing Parliament which is the constitutionally mandated law-making institution. Between January 2019 and January 2020, 311 Statutory Instruments were decreed by individual Ministers with the blessing of Cabinet. Systematically, the Executive is usurping powers of the Legislature and by default, power of the electorate. It is a cause for concern that at this pace, democratic accountability is gradually being eroded and replaced by dictatorial tendencies by the Executive;



www.zimcodd.org



@ZIMCodd1



ZimcoddZimcodd



zimcodd@zimcodd.co.zw

- The move supports the trending discourse of state capture by the elite as this Statutory Instrument is protecting the interests of a foreign monopoly prejudicing the country of the much-needed revenue to invest in basic social service delivery that will see millions in the country escape from the poverty cycle;
- Instead of exempting Huawei Technologies from paying income tax, the government should be more concerned with how its domestic resource mobilisation can be further enhanced by taxing rich companies so that the welfare and developmental interest of the poor who are already reeling under the heavy burden of taxation are met;
- The government's income tax exemption is therefore not in the spirit of tax justice, constitutionalism, and progressive taxation in Zimbabwe; and
- ZIMCODD is concerned that by instituting preferential treatment on Huawei Technologies, the Minister of Finance is violating the principle of comparative treatment among economic players/investors at the same time setting a bad precedence for other would-be investors as there is high likelihood that more investors will claim equal treatment.

Recommendations

- The government must immediately repeal the said Statutory Instrument and respect Section 119 (3) of the national constitution which clearly states that “all institutions and agencies of the State and government at every level are accountable to Parliament”;
- In the interest of constitutionalism and the rule of law, the government must submit its intentions to exempt Huawei from paying income tax to Parliament and it will be the role of the legislature to consult the public, debate and scrutinise this intention and see whether it serves the collective aspirations of Zimbabweans; and
- The government must always be guided by the 4 Rs that speak to tax justice in the country: **raise** revenues equitably, **redistribute** income and wealth to address poverty and inequality, **reprice** goods and services – especially critical in the context of health and climate problems and **representation** of taxpayers as citizens.

