



THE Weekend Reader

"Your Weekly Read on Debt, Development & Social & Economic Justice"

#HowFar TAX JUSTICE?

The Zimbabwe Coalition on Debt and Development joined the Fight Inequality Alliance Zimbabwe in the Global Week of Action Against Inequality which started on the 15th of January and ends on the 22nd of January 2022 running under the theme, **Time to Tax the Rich** and build **People's Recovery Plans for Covid-19**. This is a global annual flagship event for the fight inequality movement worldwide. ZIMCODD seized this opportunity to call for decisive actions to address the corrosive effects of the excessive concentration of wealth in the hands of a few unaccountable elites. The corrosive effects of the over concentration of wealth and economic power in the hands of a few economic and political elites in Zimbabwe, disproportionately impacts the women, young people, and the working poor.

Zimbabwe has a tax administration system that is rigged in favor of the rich and political elites at the expense of the ordinary poor. The Government of Zimbabwe (GoZ) is operating in violation of Section 298 (1)(b)(i) of the Constitution of Zimbabwe which stipulates that the burden of taxation must be shared fairly. It has a tax system that is attractive for corruption to breed because of the perceived opportunities for illicit gains that accompany it.

The elites have the capacity to manipulate the system which the ordinary Zimbabweans cannot do. Tax officials accept or solicit bribes in exchange for lowering tax assessments and practices such as paying bribes in exchange for understating liability and avoiding registration or extorting taxpayers using threats of over-assessment. A robust tax administration system ensures collection of the right amount of tax at the right time, at a minimal cost to the government, while imposing the least burden on taxpayers. This is not happening in Zimbabwe.

Despite citizens being overtaxed, public service delivery, investment in social services and infrastructure is on the decline. Acute water shortages and poor sanitation, potholed roads, poor public education, incapacitated public hospitals and clinics are the daily lived realities of poverty-stricken Zimbabweans across the country. The Covid-19 pandemic has



exacerbated the vulnerability of women, youths, and People Living with Disabilities (PWDs). The unwillingness of the GoZ to address inequality and tax injustices is further reflected by the Finance Act No. 7 of 2021 which legalizes and operationalizes the regressive tax regime that continues to suffocate the poor.

In the quest for fair taxation in Zimbabwe, below are our demands which we made during the Week of Action Against Inequality.

1. Introduction of Wealth Tax

The government must introduce and implement a wealth tax to facilitate the redistribution of wealth from people who have too much wealth to meet the needs of the suffering majority. The consolidation of wealth and economic power in the hands of few economic and political elites in Zimbabwe, has over the years facilitated the massive transfer of public wealth and economic opportunities in the hands of the few. Public wealth and economic opportunities are pocketed by 10% of Zimbabweans at the expense of the majority 90% of citizens who are struggling to put food on the table.

2. Lifestyle Audits

ZACC together with ZIMRA must undertake and act on intensive lifestyle audits of rich Zimbabweans. The majority of the rich 10% in Zimbabwe own ill-gotten wealth. Some of them are not paying taxes. Some are engaging in corrupt deals. In 2020, the Zimbabwe Anti-Corruption Commission (ZACC) promised to conduct an intensive lifestyle audit of the rich Zimbabweans. Lifestyle audits help in the fight against corruption and reducing inequalities.

3. Pegging the 2% tax above the poverty datum line

The 2% tax must be scrapped or at least pegged above the poverty datum line which, according to ZimStats, is currently sitting at ZWL48 054 for a family of six as at December 2021. The 2% tax is choking Zimbabweans because it double and triple taxes the poor. Zimbabweans pay exorbitant taxes for all online transactions. They also pay income tax, for instance, when one receives own salary, the government collects Pay As You Earn (PAYE)]. When one purchases goods, the government collects VAT plus 2% tax and when one wants to send money to their dependents, the government again collects the 2% tax. In all this, the rich are insulated by their fat pockets.

4. Review of the Withholding Tax

The increase of Withholding Tax from 10% to 30% announced in the 2022 National Budget and assented in the Finance Act No 7 of 2021 is unjust. This is regressive in that it will increase the tax burden on the already repressed incomes of the poor. In as far as the Minister of Finance and Economic Development purports that the increase is meant to enforce compliance, the move will do more harm than good on ordinary citizens as goods and service providers will simply shift the burden of taxation to the poor consumers through price increases. This must be revised downwards