



# A CITIZEN'S PERSPECTIVE ON ZIMBABWE'S TAX REGIMES...



## **About ZIMCODD**

The Zimbabwe Coalition on Debt and Development (ZIMCODD) is a socio-economic justice coalition established in February 2000 to facilitate citizens' involvement in making public policy more pro-people and pro-poor. ZIMCODD views indebtedness, the unfair global trade regime and lack of democratic people-centred economic 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 aimed at delivering the following objectives:

- To raise the level of economic literacy among ZIMCODD members to ensure the participation of grassroots and marginalised communities in national governance processes.
- To facilitate research, lobbying and advocacy in order to influence and promote policy change.
- 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.

ZIMCODD is a member of regional and international networks working on social and economic justice. In the SADC region, it is the Host of the Permanent Secretariat of the Southern African People's Solidarity Network (SAPSN) from January 2019, whose focus is to support the development of alternatives to the current corporate led globalization with a negative impact on national and regional policies. ZIMCODD is also host to the Zimbabwe Social Forum (ZSF) aiming to develop a vibrant space for reflective thinking, democratic debate, formulation and exchange of alternative ideas in Zimbabwe and beyond.

## **Vision**

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

## **Mission**

To take action against the debt burden and socio-economic injustices through movement building and alternative policy formulation.

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## List of Acronyms and Abbreviations

Accident Prevention and Workers' Compensation Scheme	APWCS
Beijing Platform of Action	BPfA
Convention on the Elimination of All Forms of Discrimination Against Women	CEDAW
Country-by-Country Reporting	CBC
Gender-Based Violence	GBV
Intermediated Money Transfer Tax	IMTT
National Social Security Authority	NSSA
Open Budget Survey	OBS
Pay As You Earn	PAYE
Pension and Other Benefits Scheme	POBS
People With Disabilities	PWD
Rural Development Council	RDC
Southern Africa Development Community	SADC
Tax Information Exchange Agreements	TIEA
Total Consumption Poverty Line	TCPL
Value Added Tax	VAT
Water, Sanitation, and Hygiene	WASH
Zimbabwe Coalition on Debt and Development	ZIMCODD
Zimbabwe National Chamber of Commerce	ZNCC
Zimbabwe Revenue Authority	ZIMRA
Zimbabwe United Passenger Company	ZUPCO
Zimbabwean Dollar	ZWL

## Executive Summary

**Legality of Taxation:** Zimbabwe generally levies income tax on companies and individuals under the Income Tax Act [Chapter 23:06] in respect of income earned from sources within or deemed to be within Zimbabwe. The Zimbabwe Revenue Authority (ZIMRA) is the statutory body responsible for collecting and accounting for the revenue of the state. Also, Section 298 of the Constitution makes provision for the Principles of Public Financial Management. It sets out the principles that must guide all aspects of public finance in Zimbabwe.

**Types of Taxes:** Zimbabwe currently operates a source-based tax system, that is, income from a source within, or deemed to be within the country, is subject to tax unless a specific exemption is available. Also, income earned by foreign companies from a source within or deemed to be within Zimbabwe, is subject to tax whilst non-residents who do not have a place of business in Zimbabwe, may, however, be subject to withholding tax. Taxes can be direct (non-transferable taxes such as income tax paid by the taxpayer to the government) and indirect (transferable taxes where the liability to pay for the product or service can be shifted to others).

**Zimbabwe Tax Regime:** Ideally, a tax regime should be designed in a manner that achieves horizontal and vertical tax equity. However, Zimbabwe's tax regime is highly regressive as poor people are paying relatively more than the rich. For instance, the 2% tax is suppressing the budgets of poor households as it does not take into account income differences. Also, Zimbabwe's tax system is complex as it is characterized by too many tax heads with very high tax rates when compared to other countries in the region. Furthermore, due to elevated corruption and porous controls on ports of entry, tax evasion through smuggling is rife in Zimbabwe. In addition, a tax regime should be flexible, that is, the system should change with the changing circumstances in the area it is charged yet in Zimbabwe taxes remain high and increasing at a time the cost of living is skyrocketing.

**Survey Objectives:** The main object of undertaking the survey was to solicit citizens' perceptions of Zimbabwe's tax regime and use the findings to influence local and national duty bearers to enact gender-sensitive and youth-centred tax policies in Zimbabwe. The specific objectives were to identify implications of Zimbabwe's tax regime on vulnerable groups, to determine if the existing tax regime captures the realities being experienced by citizens, and proffer actionable recommendations that can be implemented by the local and central government in redressing the tax inequalities concerning particularly youth and women.

**Methodological Framework:** The survey triangulated the quantitative and qualitative research methodology. Purposive and convenience sampling were used to identify key informant interview participants according to their proximity and knowledge concerning taxation issues. The selection was then rationalised using random sampling to eliminate personal bias in selection. The targeted population for the study were the people of Matobo, Gokwe, Zvishavane, Kwekwe and Binga. The selection of the study population was based on the project catchment areas as defined in the project proposal.

**Findings:** The following were key survey findings:

- The high presumptive taxes being charged by local authorities and the central government are constraining the growth of informal businesses which in turn has a bearing on informal traders' welfare. This is because these presumptive taxes are mostly designed in a "one size fits all" fashion which disregards business operating costs as well as income differentials.
- Whilst the government has established financial institutions targeting women and youth, the cheap government loans are benefiting only the rich and connected few who could afford required collateral security. The respondents lamented about the lack of access to finance to expand their businesses despite paying taxes.
- Many citizens are not having their voices heard in the tax policy-making processes. This was unearthed by the finding that of all the survey respondents, only about 2% had attended a budget consultation meeting held either by their local authority or the central government. This poor attendance is due to government's poor dissemination of all necessary information which enables public engagement.
- Despite record collection of revenues from taxes and levies, survey respondents bemoaned poor infrastructure and unaffordability of essential public services like education, health care, housing, water, and sanitation. Consequent to this, the survey revealed that many residents are finding no reason to honour their dues to their respective local authorities.
- In rural setups like Manyoni and Dangarembizi in Gokwe, the flow of household income is erratic with the majority relying on agriculture. However, this sector is experiencing the dire effects of climate change and climate variability yet the government is failing to provide adequate food assistance and meaningfully investing tax revenues toward climate change mitigation and adaptability measures.
- The regressive tax system is making goods and services unaffordable for many citizens particularly, the rural poor. This is the case despite tax policy makers understanding that poor households have a high marginal propensity to consume. As such, the continued piling of taxes is disadvantaging the poor majority since currency depreciation and price inflation continues to erode the real value of their earnings.
- The majority of youth completing their secondary education and those graduating from tertiary institutions are facing limited employment opportunities. Discussions with small business owners show that high taxes currently in place, are increasing the cost of doing business, hence, having a negative impact on hiring thus exposing the youth to drug abuse, early marriages, and crime as coping strategies.

**Policy Alternatives:** *In light of the foregoing, there is a need for authorities to engage all stakeholders in policy formulation to ensure the development of people-centred budgets. Given the rising cost of living, there is also a need for a policy shift towards a more progressive, fair and just tax system capable of facilitating shared growth and wealth redistribution for the equitable benefit of all Zimbabweans. To reduce wealth gap between the poor and the rich, Treasury should introduce lifestyle audits and a wealth tax to ensure that the rich pay their fair share of taxes. Furthermore, there is a need to revisit the current social assistance framework and ensure that the quality and quantity of social safety nets and beneficiaries improve and increase respectively.*

## Introduction and Background

Taxes are an important tool available to the government that can be used to attain stable, inclusive, and sustainable economic growth and development. Taxes are useful in the redistribution of income and wealth from the rich people and rich communities to their poor counterparts. More importantly, taxes can help governments to promote gender equality. For instance, the Devolution Funds which are set aside from taxes collected by the government have the potential to uplift and empower women and girls, particularly those in rural areas where unpaid care work is rife. If used efficiently, tax revenues help governments to build strong social safety nets and ensure inclusive delivery of quality and affordable social services like public education, health care, housing, water, and sanitation. In Zimbabwe, these social services are the gold bar for the poor majority who have been significantly affected by the COVID-19 pandemic.

The domestic economy is estimated to be at least 60% informal with between 80-90% of citizens eking out a living in the informal sector.<sup>1</sup> The pandemic severely disrupted the informal sector as the government implemented stay-at-home orders and strict curfew hours to restrict the spread of the virus. Given the erratic nature of income flows in the informal sector, many households were plunged into abject poverty. Since 2019, the country is under siege of excessive depreciation of the local currency which is eroding the real value of salaries and also pushing prices of basics beyond the reach of many. Official statistics show price inflation closing the first half of 2022 at 191.6% in year-on-year terms.<sup>2</sup>

Apart from ZWL decline being triggered by fiscal indiscipline, heightened ZWL liquidity growth, and rent-seeking behaviours, galloping inflation is also being driven by the Russia-Ukraine war, a war that has greatly disrupted global energy and food prices.<sup>3</sup> All this is affecting many youths and women, especially those living in marginalized rural communities. The unemployed youth who constitute over 65% of the total population are now indulging in drugs, crime, early marriages, and unprotected, underpaid sex work. The situation is even dire for women and girls who are facing sexual abuse, experiencing Gender-Based Violence (GBV) and are trapped in a vicious circle of period poverty as they can not afford menstrual hygiene products.

The Treasury has projected an expenditure ceiling of a staggering ZWL927.6 billion with over 90% expected to come from tax collections.<sup>4</sup> To raise these tax revenues, the 2022 national budget extended 2021 regressive taxes such as the infamous 2% tax (Intermediated Money Transfer Tax) whilst introducing new ones like the anti-poor US\$50 Cell Phone tax. Again, in May 2022, the government introduced additional taxes and levies such as the 2% levy on US\$ Withdrawals and a 4% tax on domestic US\$ transfers. This shows that those making these economic policies are detached from the realities being faced by women and youth who largely work in the informal sector. As such, ZIMCodd engaged women and youth in Gokwe, Kwekwe, Zvishavane, Matobo, and Goromonzi to gather their perspectives on Zimbabwe's current tax system.

1 <https://www.zimbabwesituation.com/news/informal-sector-keeps-bulawayo-running/>

2 [https://zimcodd.org/?smd\\_process\\_download=1&download\\_id=5718](https://zimcodd.org/?smd_process_download=1&download_id=5718)

3 [https://zimcodd.org/?smd\\_process\\_download=1&download\\_id=5659](https://zimcodd.org/?smd_process_download=1&download_id=5659)

4 <https://techzim.co.zw/wp-content/uploads/2021/11/Budget-Statement-2022.pdf>

## Legal and International Framework on Taxation

Section 298 of the Constitution makes provision for the Principles of Public Financial Management. It sets out the principles that must guide all aspects of public finance in Zimbabwe. It provides that there must be transparency and accountability in financial matters; the public finance system must be directed toward national development, and the burden of taxation must be shared fairly. The Constitution demands that public expenditure be directed towards the development of Zimbabwe, and further requires special provisions to be made for marginalized groups and rural areas.

Zimbabwe generally levies income tax on companies and individuals under the Income Tax Act [Chapter 23:06] in respect of income earned from sources within or deemed to be within Zimbabwe. The Zimbabwe Revenue Authority (ZIMRA) is the statutory body responsible for collecting and accounting for the revenue of the state. High unemployment, the informality of the economy, skewed income and wealth disparities, and a tax regime strewn with tax incentives and tax holidays undermine revenue collection in Zimbabwe. Revenue generation through taxes is important because taxes are not only the most sustainable source of government revenues, but they are also the key building blocks for societies. Government expenditures funded by taxation are essential to guaranteeing access to basic services for all, including the poor and disadvantaged groups that face discrimination.<sup>5</sup> It is one of the most powerful tools for reducing the inequality gap between the rich and poor, domestically, between countries – and between men and women.

In accordance with international human rights standards, countries are obliged to use the maximum available resources to realize economic and social rights. Where countries don't have enough revenue to provide essential public services, it is more likely to be women who fill the gap with their effort and time, through unpaid care work, reducing the time they have for education, paid employment, rest and leisure. Fiscal justice that encompasses gender-responsive budgeting and budget monitoring at national, regional, and local levels is of crucial importance and a key element in several international protocols and frameworks such as the 1979 Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) and the Beijing Platform of Action (BPfA) from 1995. Under core human rights treaties such as these, countries acting individually and collectively, are obligated to mobilize and allocate the maximum available resources for the progressive realization of economic, social, and cultural rights, as well as the advancement of civil and political rights.

To implement their international obligation to promote, protect, and fulfil human rights, all countries are responsible for mobilizing the resources necessary to realize these rights. The collection of taxes and allocation of resources is essential to the realization of the right to development and requires efficient and equitable state action. In order to achieve equitable, people-centered development, tax systems must be progressive, transparent, accountable, and effective. Progressive taxation plays an important redistributive role, ensuring the equitable sharing of wealth.

<sup>5</sup> [https://www.ohchr.org/sites/default/files/Documents/Issues/RtD/InfoNote\\_Taxation.pdf](https://www.ohchr.org/sites/default/files/Documents/Issues/RtD/InfoNote_Taxation.pdf)

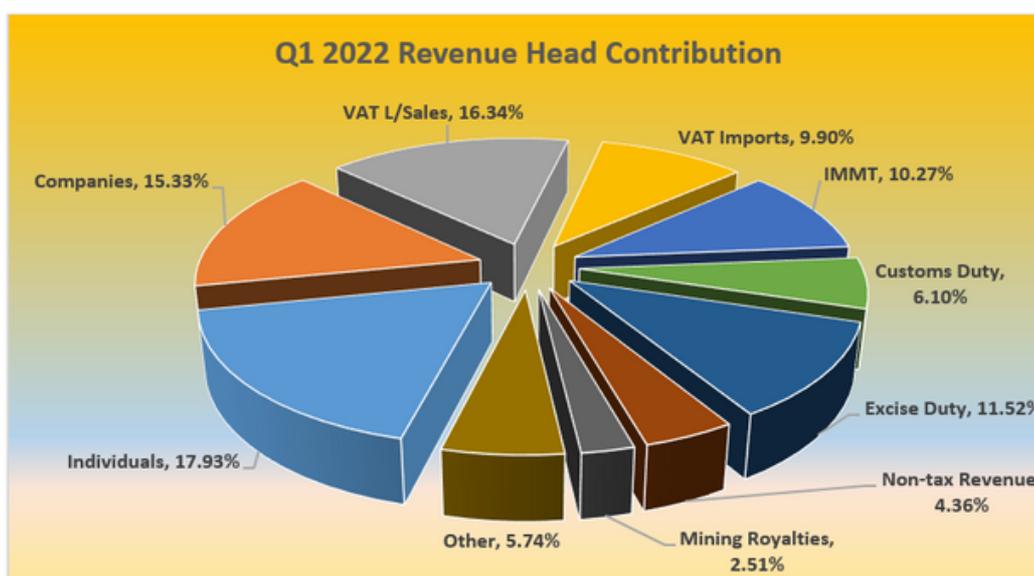
It is therefore, important to assess the impact of public spending, tax, and welfare reforms on youth and women’s rights, and take action to reduce and resolve any negative effects. Tax systems that disproportionately favour taxation of wages and indirect consumption taxes over-taxation of capital and direct taxes on property shift the tax burden towards the poor and the marginalized, and thus, fail to live up to the mandate of national and international policies and conditions that are favourable to just and equitable development.

As expounded in the United Nation’s Guiding Principles on Extreme Poverty, “Countries should make it certain that adequate resources are raised and used to ensure the realization of the human rights of persons living in poverty. Fiscal policies related to revenue collection, budget allocations, and expenditure, must comply with human rights standards and principles, in particular, equality and non-discrimination”<sup>6</sup>. To eradicate poverty, achieve the Sustainable Development Goals, and fulfil human rights commitments; countries must improve tax cooperation and fulfil their commitments to equitable development finance including those made at the Third International Conference on Financing for Development in Addis Ababa.

## Zimbabwe Tax Regime

### Types of Taxes

Zimbabwe currently operates a source-based tax system, that is, income from a source within, or deemed to be within the country, is subject to tax unless a specific exemption is available. Also, income earned by foreign companies from a source within or deemed to be within Zimbabwe, is subject to tax whilst non-residents who do not have a place of business in Zimbabwe, may, however, be subject to withholding tax. Taxes can be direct (non-transferable taxes such as income tax paid by the taxpayer to the government) and indirect (transferable taxes where the liability to pay for the product or service can be shifted to others). Various tax revenue heads exist in Zimbabwe including inter-alia corporates, individuals, Value Added Tax (VAT), Intermediated Money Transfer Tax (IMTT), royalties, and import duties.



Source: ZIMRA Q1:22 Revenue Performance Report (2022)<sup>7</sup>

- **Corporate taxes**

There are various types of corporate taxes in Zimbabwe such as income tax and capital gains tax. As for corporate income tax which is charged on profits of businesses, the government collects 24.72% which includes a standard or base rate of 24% plus a 3% AIDS Levy. Capital gains tax is a tax levied on profit from the sale of property or an investment.

- **Individual taxes**

Zimbabwe uses the Pay As You Earn (PAYE) system to collect income tax on remuneration where the employer is mandated to deduct tax from salary or pension earnings before paying out net salary or pension. The official tax table operates on an escalating scale basis, that is, the higher the earnings, the greater percentage of tax one pays on each bracket of earnings.

- **Consumption taxes**

The major consumption tax is the Value Added Tax (VAT) which is a type of tax that is assessed incrementally and is levied on the price of a product or service at each stage of production, distribution, or sale to the end consumer. Another example of a consumption tax in Zimbabwe is import (trade) duty which is charged on goods from other countries.

- **Intermediated Money Transfer Tax (IMTT)**

The IMTT is a tax charged on electronic transactions and in Zimbabwe, it is collected at the rate of 2% on the Zimbabwean Dollar (ZWL) transactions and 4% on domestic US dollar transfers.

- **Presumptive taxes**

In Zimbabwe, the Presumptive Tax legislation was introduced to broaden the government's revenue base, given the increase in informal business activities. Selected sectors of the economy such as informal traders, cross-border traders, small-scale miners, cottage industry, and restaurants are targeted to ensure the participation of informal businesses in tax payment.

## **Analysis of Tax Regimes in Zimbabwe**

Ideally, a tax regime should be designed in a manner that achieves horizontal and vertical tax equity. On one end, horizontal tax equity is a tax principle whereby equals are treated as equals hence households with the same level of income should pay an equal amount of tax.<sup>8</sup> Despite this being difficult to implement as challenges may arise in the efforts to categorize households based on their equal access to income and wealth, horizontal tax equity greatly helps in suppressing biases and discrimination based on race, gender, or profession. On the other end, vertical equity which is also referred to as the 'Ability to Pay principle' means that taxes collected should increase with an increase in income hence the rich and ruling elites are required to pay more than their poor counterparts through progressive and proportional tax rates. However, in Zimbabwe, the tax regime is highly regressive as poor people are paying relatively more than the rich.

<sup>8</sup> <https://corporatefinanceinstitute.com/resources/knowledge/finance/horizontal-equity/>

For instance, the 2% tax is suppressing the budgets of poor households amid acute depreciation of the ZWL and rising price inflation. This tax does not take into account income differences yet poor households have a higher marginal propensity to consume as they tend to spend most of their incomes on consumption.

A tax regime should be designed such that it will be hard for taxpayers to evade their tax obligations. But due to elevated corruption and porous controls on ports of entry, tax evasion through smuggling is rife in Zimbabwe. The government estimates that it is losing about US\$100 million per month (US\$1.2 billion annually) through the smuggling of gold.<sup>9</sup> There is a lack of lifestyle audits on those living lavishly (comparison of known income and the standard of living to identify gaps and indicators that someone is living above their means). Also, the existing tax system is complex as it is characterized by too many tax heads with very high tax rates when compared to other countries in the region. A survey conducted by the Zimbabwe National Chamber of Commerce (ZNCC) established that a business operating in Zimbabwe will have to make at least 51 payments for it to be considered to be compliant with its tax obligations.<sup>10</sup> Although the country witnessed an improvement in overall World Bank's Ease of Doing Business rank from 155/190 in 2018 to 140/190 in 2019,<sup>11</sup> it was ranked at 145/190 countries globally, 26/54 African countries, and 12/16 in the Southern Africa Development Community (SADC) region in terms of paying taxes during the same period. The existing tax complexities are increasing the stock of outstanding tax because about 60% of registered taxpayers are not remitting their fiscal obligations<sup>12</sup> - a clear indication of weak tax administration making it hard for taxpayers to comply.

Furthermore, a tax regime ought to be certain, where taxpayers know the exact amount they are expected to pay, when, and how to pay it. However, in Zimbabwe, the majority of citizens are not aware of the tax systems and procedures. More recently, public servants particularly, the teachers complained about the increase in unexplained deductions on their monthly salaries.<sup>13</sup> This lack of certainty promotes corruption by public officials while plunging the majority of citizens into abject poverty. In addition, a tax regime should be flexible, that is, the system should change with the changing circumstances in the area it is charged. With the rising cost of living, one would expect the government to award tax relief to economic agents. Nonetheless, Treasury continues to pile more taxes and levies on the poor populace to such an extent that the existing tax regime has become a bad fiscal instrument which is failing to redistribute income, control price inflation, and stimulate economic growth.

Therefore, there is a need for Zimbabwe to reconfigure its tax regime to ensure that it becomes progressive and proportional so that all economic agents pay their fair share. Also, there is a need to find ways to increase fiscal transparency so that taxes paid are used to bring sustainable and inclusive economic development. To attain all this, citizens' engagement is crucial in the development of a tax policy that is not detached from people's lived realities. As such, ZIMCODD undertook a survey utilizing interviews to gather citizens' perspectives on the current tax regime and how it can be re-modelled to guarantee equity and inclusivity.

<sup>9</sup> <https://www.chronicle.co.zw/us100-million-gold-smuggled-out-of-zimbabwe/>

<sup>10</sup> <https://thestandard.newsday.co.zw/2018/12/09/zims-tax-system-complex/>

<sup>11</sup> <https://tradingeconomics.com/zimbabwe/ease-of-doing-business/>

<sup>12</sup> <https://businesstimes.co.zw/zimra-overhauls-tax-penalty-regime>

<sup>13</sup> <http://www.newsdezimbabwe.co.uk/2021/02/teachers-angry-after-pay-deductions.html>

## Objectives

The main object of undertaking the survey was to solicit citizens' perceptions of Zimbabwe's tax regime and use the findings to influence local and national duty bearers to enact gender-sensitive and youth-centred tax policies in Zimbabwe. The specific objectives were to:

- identify implications of the current tax regime particularly, on vulnerable and marginalized communities.
- determine if the current tax regime captures the realities being experienced by women and youths in vulnerable and marginalized areas.
- capture the views and aspirations of youths and women on Zimbabwean tax regimes.
- proffer actionable recommendations that can be implemented by the local and central government in redressing the tax inequalities concerning youth and women.

## Methodological Framework

The survey used qualitative research methodology and triangulated the primary and secondary data sources. The secondary data was collected through review of documentaries and empirical literature. For the purpose of attaining an emic perspective on citizen's perspective on Zimbabwe tax regimes, primary data was collected through use of focus groups. This was because focus groups have long been used in researches exploring people's knowledge and shared experiences about an idea or a social phenomenon. They are useful in examining not only what people think but how they think and why they think that way.<sup>14</sup> The main benefit of using focus group methodology is that it does not discriminate against people who cannot read or write and they encourage participation from people who are reluctant to be interviewed on their own or who feel they have nothing to say.<sup>15</sup> The survey conducted five (5) focus group discussions of 10 individuals in per each group per study area. Purposive sampling technique was utilized to achieve a homogeneous sample in each group in order to capitalise on people's shared experiences. The targeted population were the people of Matobo, Gokwe, Zvishavane, Kwekwe and Binga with these areas selected based on the project catchment areas as defined in the project proposal.

## Reflections from citizens

### Zvishavane

In Zvishavane, many respondents who participated in the survey had a commendable appreciation of taxation and could name various types of taxes in Zimbabwe such as the now infamous 2% tax, customs duty, PAYE, and VAT. Also, the respondents displayed a strong appreciation of the role of taxes in Zimbabwe. Some of the roles of taxes raised by participants included inter-alia support to government developmental programmes (roads, bridges, schools, and clinics), paying remuneration for civil servants, and helping the underprivileged households and marginalized communities. The following are the findings from engagements with various social clusters:

<sup>14</sup> Morgan, D. (1988). *Focus Groups as Qualitative Research*. London: Sage

<sup>15</sup> Krueger, R. (1988). *Focus groups: A practical guide for applied research*. London: Sage

- **Informal Economy**

The Zimbabwean economy has been highly informalized due to economic mismanagement in the last two (2) decades. With the government continuing to pile more regressive taxes, the informal sector where most women, youth, and People with Disabilities (PWDs) eke out a living is becoming overstretched. The high presumptive taxes being charged by local authorities and the central government are constraining the growth of informal businesses which in turn has a bearing on informal traders' welfare. This is because these presumptive taxes are mostly designed in a "one size fits all" fashion which disregards business operating costs as well as income differentials.

- **Access to finance**

Whilst the government has established financial institutions targeting women and youth such as the Zimbabwe Women Microfinance Bank and the youth-centred Empowerment Bank, the survey established that the cheap government loans are benefiting only the rich and connected few who could afford required collateral security. For instance, of all the entrepreneurial respondents engaged in Zvishavane, none had received a concessional loan from government institutions. The respondents lamented about the lack of access to finance to expand their businesses despite paying taxes. Ironically, these taxes continue to increase in an environment where the cost of doing business is burgeoning driven by massive ZWL depreciation and rising price inflation.

- **Policy Consultations**

The survey established that many citizens are not having their voices heard in the tax policy-making processes. This was unearthed by the finding that of all the survey respondents in Zvishavane, most of them have not attended a budget consultation meeting held either by their local authority or the central government. Further interrogations revealed that the poor attendance is not emanating from the ignorance on the part of residents but the government's poor dissemination of all necessary information which enables public engagement. This finding is in sync with ZIMCODD's 2021 Open Budget Survey (OBS) report which found that the budget-making processes are largely window dressed as they lack robust participation of the public.<sup>16</sup>

- **Public service delivery**

Despite record collection of revenues from taxes and levies such as the 2% tax, fuel levies, and tollgate fees, the citizens bemoan poor infrastructure and unaffordability of essential public services like education, health care, housing, water, and sanitation. For instance, at the time of the survey, Zvishavane District Hospital had dysfunctional X-ray machines and a single operational ambulance. Also, the respondents highlighted that Zvishavane Town Council which is hiking rates and tariffs had failed to maintain local roads, construct permanent decent vending markets and resuscitate other vital public spaces like recreational facilities. Consequent to this, the survey revealed that many residents are finding no reason to honour their dues to the local authority, and this has reportedly led the town council to operate a brothel to supplement revenues.<sup>17</sup>

16 [https://zimcodd.org/?smd\\_process\\_download=1&download\\_id=5089](https://zimcodd.org/?smd_process_download=1&download_id=5089)

17 <https://www.zimbabwesituation.com/news/zvishavane-town-council-runs-brothel-to-supplement-revenue/>

## Matobo

In Matobo Rural District Council (RDC), the survey established that respondents know that they are paying taxes to both their rural council and the central government. Also, a majority of them felt that the taxes are excessive and tax revenues are not being used for intended purposes. Many respondents displayed dismay with Zimbabwe's current tax regime

- **Climate change**

In rural setups like Manyoni and Dangarembizi in Gokwe, the flow of household income is erratic with the majority relying on agriculture, a sector that is experiencing the dire effects of climate change and climate variability. The survey respondents revealed that the erratic rainfall patterns received in the 2021/22 cropping season greatly affected their harvest with most of the population now exposed to food insecurity and malnutrition. Despite this life-threatening reality amid high regressive taxes like the 2% tax, the government is failing to provide adequate food assistance to the vulnerable. It is also not meaningfully investing the collected tax revenues toward climate change mitigation and adaptability measures such as renewable energy and climate-smart agricultural practices. Concerning the former, many Wards in Matobo RDC are not connected to the national electricity grid and residents are relying on firewood, a form of fuel that leads to deforestation. This is affecting citizens, particularly, women and girls who must engage in unpaid care work of walking long distances in mountainous landscapes searching for firewood exposing them to sexual predators and snakebites.

- **Affordability of basics**

The conversations with citizens show that the regressive tax system is making goods and services unaffordable to many citizens particularly, the rural poor. This is the case despite tax policy makers understanding that poor households have a high marginal propensity to consume, that is, they spend most of their incomes on current consumption leaving little for future consumption. The elderly receiving government pension schemes are being paid paltry monthly payments which are way below poverty datum line. At the time of the survey, NSSA beneficiaries under the Pension and Other Benefits Scheme (POBS) were paid ZWL16 000 per month whilst those beneficiaries under the Accident Prevention and Workers' Compensation Scheme (APWCS) were getting ZWL21 600 against a total consumption poverty line (TCPL) at ZWL110 550 for an average household of six (6).<sup>18</sup> As such, the continued piling of taxes is disadvantaging the poor majority since currency depreciation and price inflation continues to erode the real value of their earnings. This is affecting aggregate consumer demand, a key component of economic growth and improved living standards.

- **Employment creation**

The majority of youth (youth constitute at least 65% of total population) completing their secondary education and those graduating from tertiary institutions are facing limited employment opportunities. Discussions with small business owners show that high taxes currently in place, are increasing the cost of doing business, hence, having a negative impact on hiring. Generally, small and medium businesses are regarded as engines of economic development,<sup>19</sup> creating new jobs in the economy. As such, the majority of youths and women are now indulging in drugs, early marriages, and crime as coping strategies.

<sup>18</sup> <https://twitter.com/zimstat/status/1540677230858186755/photo/2>

<sup>19</sup> <https://www.peoriomagazines.com/ibi/2014/sep/small-business-engine-economic-development>

- **COVID-19 pandemic**

The rural areas have also been severely affected by the COVID-19 pandemic. The farmers and other informal traders could not access the markets due to stay-at-home orders and strict curfew hours imposed by authorities. Also, the school calendar was disrupted for almost two (2) years inflicting pain, especially on young children. This is because there is enormous evidence based on past pandemics suggesting that disrupted schooling negatively affects learning and produces observable differences years later.<sup>20</sup> So, to cushion citizens and the economy, the government announced a ZWL18 billion Economic Recovery and Stimulus Package<sup>21</sup> in 2020 largely financed by taxes, and in 2021, COVID-19 expenditures were also tax-financed through the national budget buttressed by donor support. However, 88% of survey respondents in Matobo RDC revealed that they did not receive these relief funds despite heeding the call from the government to register their names. More so, the promised boreholes were never delivered yet many villages are relying on a single source of clean, safe, and potable water. Again, this is disproportionately exposing women and young people to COVID-19 as they spend long hours in water queues.

- **Tax evasion**

The survey established that Zimbabwe's high tax regime is forcing taxpayers especially, cross border traders to engage in tax evasion practices such as trade misinvoicing and smuggling of goods. Due to a limited fiscal space, the government is over relying on taxes to finance its entire budget. As such, high taxes encourage economic agents to cushion themselves by evading to pay their dues to the tax collector which in turn have a bearing on service delivery *ceteris paribus*.

- **Public service delivery**

After record tax revenue collection in the 2021 fiscal year, the latest ZIMRA statistics for the first quarter of 2022 (Q1:22) show that the tax collector exceeded its net revenue collection targets by 5.5%.<sup>22</sup> The RDC is also collecting levies from miners, rates as well as lease fees from its tenants. Nevertheless, the state of social service delivery is dire as schools such as the Polimagama Primary School in Ward 21 are operating with only two (2) classroom blocks for Grade 1 to 7 learners while villagers particularly, pregnant and nursing mothers are walking nearly 20 kilometres to access clinics which in turn are also not adequately equipped and staffed. This is disheartening because prenatal and postpartum maternal health is critical to a mother's physical and mental well-being and contributes to her ability to render loving, proper care to her new-born child at birth and years thereafter.<sup>23</sup> The RDC is also failing to maintain the road networks as well as to refurbish markets and provide decent working places for informal traders who are the major contributors of the council revenue base.

20 <https://hotproductshq.com/disrupted-schooling-learning-loss-will-have-effects-long-after-pandemic-say-education-experts-cbc-news/>

21 <https://startupbiz.co.zw/18-billion-stimulus-package-details/>

22 <https://www.zimra.co.zw/downloads/category/12-revenue-performance-reports>

23 <https://zimcodd.org/wp-content/uploads/2022/06/ZIMCodd-MAY-Public-Resources-Situational-Report.pdf>

## **Goromonzi**

In Goromonzi, respondents were drawn from a peri-urban community. The respondents broadly defined tax as the revenue that is collected by local councils or the central government to fund local and national budgets. Revenue collected is used for the purposes of improving and maintaining infrastructure and funding public services such as schools, emergency services, and welfare programs. The respondents gave examples of taxes such as Land Tax, Refuse tax, Cattle dipping tax, 2% IMT Tax, and income taxes among others. The following were the findings from the survey:

- **Women**

Women in Goromonzi expressed their concern that the tax systems in Zimbabwe, enshrine social norms and gender stereotypes that are discriminatory and constrain women's opportunities, their political voice, and progress towards equity. There was consensus that marginalized women are not benefiting from tax. For instance, in the health sector, the availability of medicines is a challenge in most clinics even though households are paying taxes towards funding for local clinics to buy gloves, sanitizers, and other essentials. Women felt that this is double taxation as residents are subsidizing the role of the government to provide drugs, sundries, and other essential hospital equipment. Goromonzi District has no ambulance services and cancer screening services. Also, access to clean water and sanitation remains an issue as the district needs more boreholes, toilets, and sanitary ablution facilities at growth points. Women in Goromonzi feel that there is no reason for them to contribute to the national fiscus through taxes as they do not reap the benefits.

- **Youth**

The survey established that the youth are not benefitting from the taxes they are paying. Youth lamented the lack of employment opportunities, an example given was that despite the presence of Arcadia Lithium Mine in the district, employment was given on political party lines which exclude the majority. The youth are excluded from access to finance as they are not given enough information on the tax financed Empower Bank. Although the Ministry of Youth, Sports, Arts, and Recreation is providing training skills for the youth, it is not going beyond the training to fund the projects hence, youth feel they are not benefitting from their taxes.

- **People with Disabilities**

People with Disabilities (PWD) shared the same sentiments with the youth and women as they expressed their exclusion and are not significantly benefitting from the tax system. As such, Zimbabwean tax system fails to capture the lived realities of women, youth, PWDs, and other vulnerable groups in designing tax systems. This is evidenced by a national budget that does not address the collapsed social services despite these services being the gold bar for the vulnerable groups.

## **Kwekwe**

There was a strong understanding of the existing types of taxes in Zimbabwe. The respondents defined tax as money citizens pay to the government or council to finance public expenditures. The examples given were PAYE, VAT, income tax, and import duty. There was also an understanding of what taxes should be used for. Respondents cited infrastructural development, payment of civil servants, and general administration of the country. Kwekwe residents also defined taxation as policy decisions and processes determining what, how, when, why and from whom to tax. Such processes include the collection and use of tax revenues.

- **Inclusivity**

The survey respondents expressed that the Zimbabwean tax system is selective, as it benefits the few at the expense of the majority. The examples cited include mining investors who are using unsustainable means of mineral extraction but are given tax holidays while poor citizens are languishing under the regressive tax system.

- **Policy consultations**

While the involvement of citizens in the taxation process is critical as the taxpayers and beneficiaries of tax revenues, Kwekwe residents bemoaned the lack of cohesion between the government and citizens. Only a few of group participants confirmed attending the budget consultations by authorities. As such, there is a delink between taxation and development as people are not participating in the development processes of their nation. The dysfunctionality is also evident in the collapse of service delivery as the government has failed to provide and meet the basic needs of its people using state revenues.

## **Gokwe**

In Gokwe, respondents defined tax as a fee levied by the government (central or local) or a regulatory entity on a transaction or product to finance its expenditures. Further, respondents noted that taxes are also paid at the village level to the village head to facilitate development at the community level. The groups indicated that they used to think it was a loss to pay taxes to the government but with civic education, they have come to understand that not paying taxes is a loss on their part. This is because taxpayers' money should address the needs of the people, challenges, and aspirations. Taxes also help the country with disaster preparedness, for example, responding to cyclone Idai or the COVID-19 pandemic.

- **Infrastructure**

Despite paying taxes like toll fees, the road network is inaccessible in most parts of rural Gokwe. Against this background, citizens are experiencing serious transport challenges as transport service providers including the public transporter ZUPCO, shun areas beyond Gokwe Centre due to bad roads and broken bridges. The survey established that residents are relying on private commuters who are charging exorbitant bus fares even for local travel.

- **Water, Sanitation, and Hygiene (WASH)**

With regards to WASH services, there are no toilets that are easily accessible by PWDs in many schools and townships. The respondents revealed that Manyoni Baptist clinic is covering a big catchment area comprised of 4 Wards (12, 13, 18, and 32). Yet, there is an acute shortage of medication at the clinic like family planning pills, no ambulance services, and for maternity, there are no basic provisions such as cotton wool. Women are walking at least 8km to fetch water, a situation which is however, expected to improve as 5 additional boreholes had already been pegged by the government at the time of the survey.

- **Education**

There is an acute shortage of public schools in Gokwe. For instance, in Ward 18, there are only 3 primary schools (Manyoni, Manyepa, and Nyahuni Primary Schools) and 2 secondary schools (Manyoni Secondary and Dzivarengamwi High School) which are failing to meet the growing demand from outside wards as some children are walking 10 miles to access a school. The foregoing attests to the marginalization of not only women, youth, or PWDs in Gokwe but the entire population as taxes are not being properly expended. Zimbabwe's tax regime is failing to capture the realities, needs, and aspirations of the poor majority.

## **Recommendations**

In light of the foregoing implications and citizens lived experiences with the regressive tax regime currently in place in Zimbabwe, the following recommendations are proffered:

- **Policy Consultations**

When coming up with taxation policies, there is a need to consult all stakeholders including women, the youth, PWD, and the elderly so that as taxpayers they determine how public finances should be used. Engage the affected groups in policy formulation. Also, policy consultations ensure the development of a people-centred budget which is key to inclusive and sustainable economic growth.

- **Political Responsibility**

Typically, it should be very easy for taxpayers to ascertain how much they should pay in taxes. In other words, the government should design a tax system that is easy to understand for all citizens –rural and urban, educated or uneducated, rich or poor alike. Public officials should be accountable for all taxes collected.

- **Tax relief measures**

Given the rising cost of living, there is a need for a policy shift towards a more progressive, fair and just tax system capable of facilitating shared growth and wealth redistribution for the equitable benefit of all Zimbabweans. This can include downward reviews of withholding tax which was increased from 10% to 30%, scrapping the 2% intermediated money transfer tax (IMMT) on basics, and upward review of tax-free threshold in line with inflationary patterns and currency volatility.

Tax credits and exemptions can also be applied to businesses employing vulnerable groups like women, youths, and PWDs.

- **Wealth tax**

The income gap between the poor and the rich continue to widen driven by deteriorating macroeconomic fundamentals. The wealthy have the capacity to evade taxes and bribe tax officials. As such, there is a need to introduce a wealth tax to ensure that the rich pay their fair share of taxes which is key in uplifting marginalized communities out of the poverty trap.

- **Strengthening social safety nets**

The COVID-19 pandemic, climate change and the highly inflationary environment have increased social vulnerabilities. As such, there is a need to revisit the current social assistance framework and ensure that the quality and quantity of social safety nets and beneficiaries improve and increase respectively. The review of social protection mechanisms must include complimentary programs like supporting livelihood activities in informal trading and enhance investment in key social services like health and education.

- **Lifestyle audits**

Many rich and connected individuals are taking advantage of loopholes in legislation and existing weak institutions. As such, they are not paying their fair share of tax to the government. Therefore, there is a need for the Treasury to advance and stimulate debate around random lifestyle audits for public officials and rich individuals to deter widening tax inequality.

- **Formalization**

For the past 2 decades, Zimbabwe has experienced increased informality with estimates pointing that the economy is now at least 60% informal. This has forced the government to introduce presumptive taxes, taxes that are fixed and do not consider the income differentials of taxpayers (violates the ability to pay principle). As such, there is a need to put measures to increase formalization of the economy. This allows the authorities to come up with classes of taxpayers differentiating between the rich and poor individuals, and between small, medium, micro, and large enterprises. In other words, it is relatively easy to consider tax equity issues under a formal setup while entrenching the ability to pay principle.

- **Taxpayer Education and Taxpayer Service**

The state must act in a transparent, accountable, and efficient manner with the ultimate goal of improving service delivery. Developing a social contract and enhancing the legitimacy of the state, requires improvement in the of quality of public services, transparency, and control of the public budget as well as fighting against corruption. Through taxpayer education (economic literacy) particularly, for disadvantaged women and youth and taxpayer service, citizens can be informed and educated about the tax system and assisted in their attempts to comply with the tax system.

- **Tax compliance and administration costs**

Apart from promoting voluntary tax compliance, authorities can also focus on measures that reduce taxpayers' cost of fulfilling their tax liabilities. These measures may include simplification of the tax-paying process and promoting service-oriented tax administration which includes reduction of tax forms, assisting taxpayers in filling out documents, or introducing online services.

- **Improve ability to enforce tax laws**

It is generally believed that the inability to enforce tax laws in developing nations like Zimbabwe is hinged on inefficient tax administration capacity. As such, there is a need to capacitate tax officials through training on sophisticated tax issues like profit shifting. There is also a need for bilateral, regional, and international exchange and cooperation. This may include tax information exchange agreements (TIEA) and country-by-country reporting (CBC).

## **Conclusion**

The Zimbabwe tax system which is blind to taxpayers' income differentials is largely choking the poor majority and informal sector businesses. The government continues to pile additional taxes yet the cost of doing business and the cost of living is skyrocketing driven by local currency depreciation and resultant price inflation. Despite all this, the authorities are failing to efficiently use collected taxes to ensure inclusive and sustainable economic growth and development. Hence, women and youth are disproportionately bearing the brunt of a regressive tax regime. As such, more action is needed to ensure that taxpayers pay their fair share in taxes and that taxes are used to uplift disadvantaged groups and marginalized communities.