



Grant Thornton

An instinct for growth™

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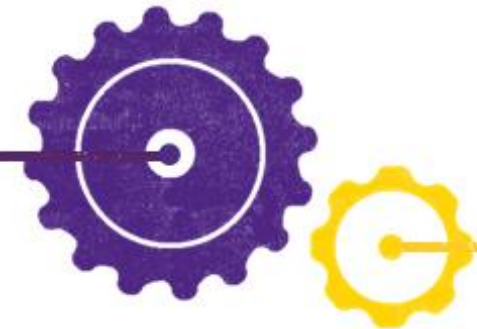
February 2016

**Presentation by:
Christina Muzerengi**



Agenda

- Tax update
- Withholding taxes
- ZIMRA tax audits



Tax Update



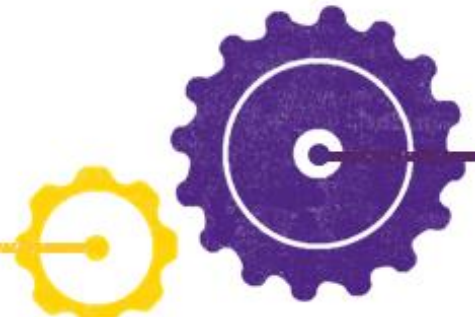
Introduction

Tax liabilities place a significant demand on a company's cash resources and as such they need to be managed more effectively than ever through :

- Effective tax compliance management
- Tax planning which includes tax efficient structures

Non-compliance results in:

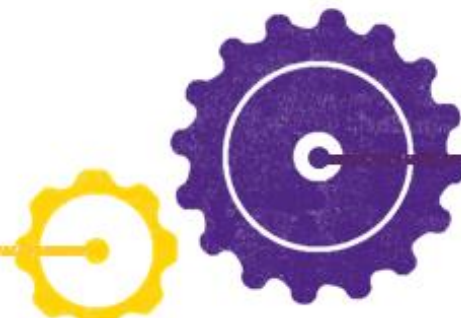
- Penalty of up to 100% of tax payable,
- Effective 28 June 2013 a \$30 penalty for each day a return remains outstanding up to the 181 days was introduced
- Interest of 10% p.a.
- Imprisonment



Public Officer

Accountable for all external communication regarding:

- Tax returns
- Letters to and from ZIMRA
- Payments of all taxes
- Information requests- ad hoc or during audits



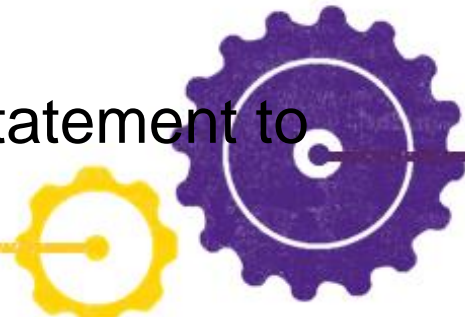
Public Officer

- ❑ Public officer required by Law (Sec 61 of ICTA).
- ❑ Appointed by company & approved by Commissioner.
- ❑ Appointed within a month of commencement of trade or establishment of office.
- ❑ The MD, Director or Secretary is the default PO.
- ❑ Advise ZIMRA of changes of Public officer within 30 days.
- ❑ A daily penalty is charged for failure to appoint PO, not exceeding Level 5.
- ❑ Public officer should be a signatory of company's bank account.



Corporate tax

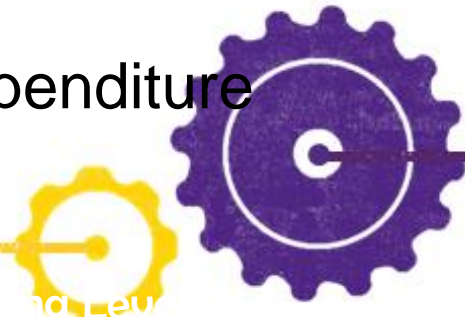
- ❑ QPD's - Q1 25/3, Q2 25/6, Q3 25/9 and 20/12.
- ❑ Final return normally submitted 4 months after year end.
- ❑ Sec 37A – all taxpayers now on self assessment - 30 April of the following year – ITF12C.
- ❑ Excluding individuals in employment.
- ❑ Dormant companies- P/O to make a sworn statement to CG.



Corporate tax

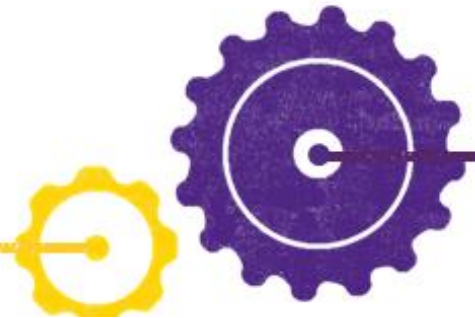
Common errors

- ❑ Failing to forecast within 10% of margin – interest
- ❑ Transfer pricing issues in transactions between related parties.
- ❑ Not observing thin capitalisation issues (limits applicable to interest and management fee).
- ❑ Expenditure – allowable and disallowable expenditure



Value Added Tax

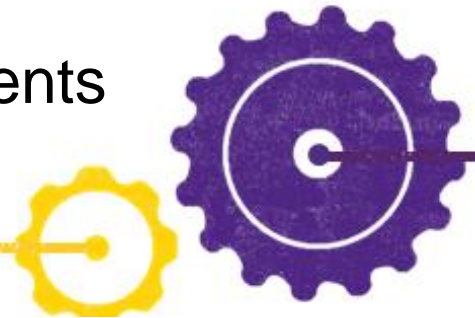
- ❑ Rates have remained the same - 15%, 0% and exempt.
- ❑ Tax categories A, B (two monthly period) and C –monthly period.
- ❑ Due date is the 25th of the following after end of tax period.



Value Added Tax

VAT Common errors:

- ❑ Reconciliation of VAT returns and financial statements
- ❑ Failure to account for VAT on post sale adjustments
- ❑ Failure to account for VAT on imported services
- ❑ Failure to account for VAT on employer benefits
- ❑ Failure to account for VAT on advance payments



Value Added Tax

VAT Common errors:

- ❑ Failure to account for VAT on sale of assets
- ❑ Prohibited deductions – VAT on pmv, entertainment
- ❑ Invalid tax invoices, import VAT, Customs duty,
- ❑ Failure to apportion input VAT where applicable.
- ❑ Failure to complete the VAT7 in full – exempt and 0% sales.



Pay As You Earn (PAYE)

- ❑ Rates have remained the same at 2015 levels
- ❑ 0% for earners below \$300 per month and a flat rate of 50% for those earning above \$20 000 per month.
- ❑ Due date is the 10th of the following month.
- ❑ ITF16 due on the or before 30 January after year end.
- ❑ All benefits in cash or in kind are subject to PAYE.
- ❑ Either on cost to employer or based on a method provided for in the Act.



Pay As You Earn (PAYE)

PAYE common errors

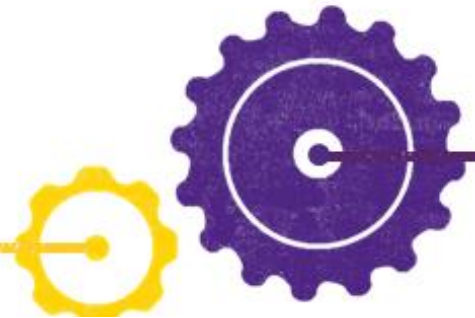
- ❑ Failure to pay PAYE on executive directors' fees.
- ❑ Failure to deduct PAYE where non executive directors are paid remuneration in addition to board fees. e.g. fuel coupons, bonds, school fees, cellphones etc.
- ❑ Failure to pay PAYE on allowances – cash or kind.
- ❑ Failure to pay PAYE on benefit accruing on vehicles sold to staff – no benefit for 55yrs and above.



Pay As You Earn (PAYE)

PAYE common errors

- Failure to take advantage of tax concessions in the Act.
- The tax concessions are in the form of tax exemptions and credits (medical, elderly).
- Failure to pay PAYE on loan benefit
- Canteen meals.
- Disguising some employees as consultants.



Update on ZIMRA E-services

ZIMRA e-services is a platform designed to facilitate electronic communication with ZIMRA.

Services that can be obtained online include:

- E-filing of returns – VAT; PAYE; Income Tax (ITF12C), CGT, Rev5, presumptive tax return.
- Account statements view
- Enquiries and queries
- Letters to and from ZIMRA
- Tax clearances
- Tax updates
- Registration for a BP # and update of client details

Update on ZIMRA E-services

Registration

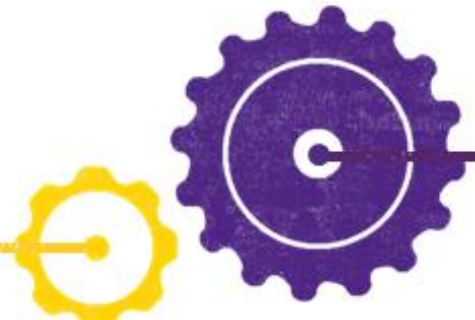
- By Public Officer.
- Each company registered separately.
- Username & password required.
- Username – email address
- After registration is confirmed, a PIN is allocated by ZIMRA.



Update on ZIMRA E-services

Registration

- Public officer to collect PIN in person from ZIMRA.
- PIN only used once to gain access to the Online Portal.
- Thereafter use username & password to access account and transact.
- All must be registered by 31 March 2016.



Update on ZIMRA E-services

- **Application for Online Tax Clearance certificate (ITF263)**

Type <http://efiling.zimra.co.zw> on your Internet browser and log in

- Click on the heading **“MANAGE SERVICES”**
- Select **“General Tax Clearance”** and Click on **“Submit”**
- Go to **“My History”**, select **“My Submissions”** and check status
- If status says **“Committed”**, click on **“View Document”** and print the tax clearance.
- If the status says **“Failed”** then contact nearest ZIMRA office for assistance.



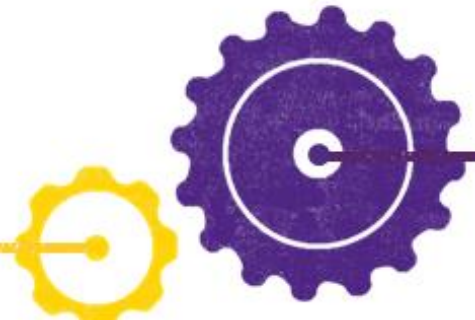
Update on ZIMRA E-services

- **Application for Online Tax Clearance certificate (ITF263)**

Note:

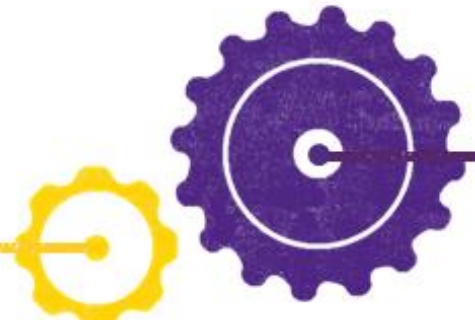
You can only be able to generate an ITF 263 under the following circumstances

- You do not owe in any tax head;
- If you owe, you have an approved payment plan;
- All you tax returns have been submitted;



Update on ZIMRA E-services

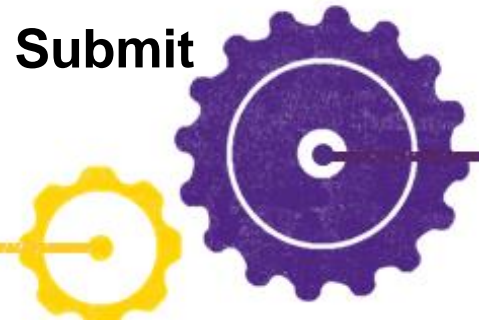
- ❑ **Online submission of returns (Income Tax ITF12C, VAT, PAYE, CGT and Presumptive Tax returns)**
- ❑ Type <http://efiling.zimra.co.zw> on your Internet Browser and log in.
- ❑ Click on the heading **“MANAGE SERVICES”**
- ❑ Select **Submissions**
- ❑ Choose the tax head that you want to submit a return for, to access the electronic return



Update on ZIMRA E-services

Online submission of returns (ITF12C, VAT, PAYE, CGT, Rev5 and Presumptive Tax returns)

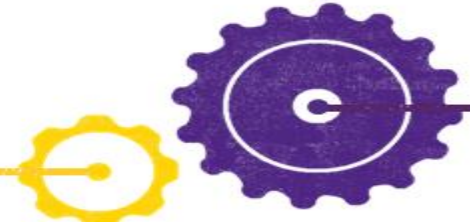
- On **Tax Period**, drill down to select the appropriate tax period.
- Complete the return.
- Click **Next** to go to the tab for attachments (for VAT returns, attach an input tax schedule in excel format **ONLY**).
- Click **Next** to go to the **Finish** tab, sign-off and click on **Submit**



Update on ZIMRA E-services

Capturing VAT

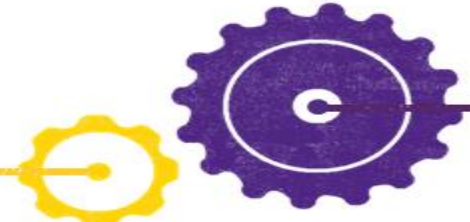
- Category C- start with the year then the month: 1601; 1602;
- Category A - 16A1, 16A2, 16A3
- Category B - 16B1, 16B2, 16B3
- Upload input tax schedules



Update on ZIMRA E-services

Capturing PAYE

- Tax periods for PAYE are 1601, 1602, etc.
- 16 = year and 01 is the month
- Due date is pre-set.
- Automatic calculation of aids levy and total tax due.



E-Services

Capturing Income Tax

- Tax periods are Yr10, Yr11, Yr12, e.t.c.
- Upload any attachments.
- Only ITF12C can be submitted online;
- Still working on the ITF12.

Benefits of e-Services

- ❑ Fast, easy and secure way to manage your taxes
- ❑ Simple one time enrolment
- ❑ Ability to view and print returns and payments previously submitted online
- ❑ Ability to apply for, view and print tax clearances online



Benefits of e-Services

- ❑ Ability to authenticate tax clearances without engaging ZIMRA.
- ❑ Available 24 hours a day.
- ❑ No need to travel to and from ZIMRA all the time.
- ❑ No need to waste precious time standing in queues.
- ❑ Improved communication between ZIMRA and taxpayers

Benefits of e-Services

- ❑ Reduction in compliance costs.
- ❑ Increased efficiency in revenue collection.

Automatic penalties and interest.

- ❑ ZIMRA has more personnel for audits.

Update on fiscalisation

- ❑ Fiscalisation refers to configuring of fiscal devices to enable them to record sales and other tax information on the read only fiscal memory at the time of sale for use by the tax authorities in VAT administration.
- ❑ Introduced in June 2010 through statutory instrument 104 of 2010 effective October 2011.
- ❑ Originally only VAT operators who qualify to register under VAT category C i.e. where required to record their sales using fiscal memory devices.

Update on fiscalisation

As provided for in Section 80 of the ITA, ZIMRA is introducing fiscal devices for all for monitoring economic transactions.

- Every registered taxpayer is affected.
- Fiscal devices are currently being issued for free.
- Required to complete a IMS01 form and a product list form.



Update on fiscalisation

- Take advantage and get one now, as they may come at a cost in future.
- ZIMRA can easily estimate VAT due from the taxpayer.
- Can be used as a case selection tool.

Update on fiscalisation

- ❑ Upon registration each taxpayer is issued with a set of invoices, credit notes and debit notes for use.
- ❑ These can be replenished online or by ordering directly with ZIMRA.
- ❑ Capable of recording discounts per item or invoice.



Update on fiscalisation

- Client are expected to comply within a week of being registered.
- Clients who have no access to the internet will be issued with dongles as well.
- Previously registered taxpayers will continue to use their old devices, and will only be connected to the ZIMRA server at a later stage.

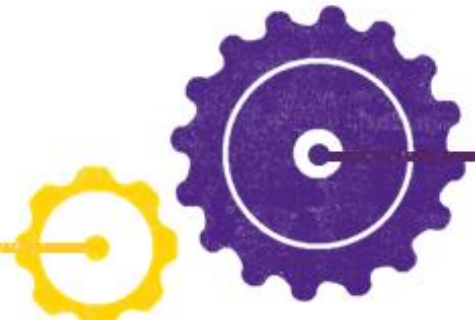


Withholding taxes



Withholding taxes

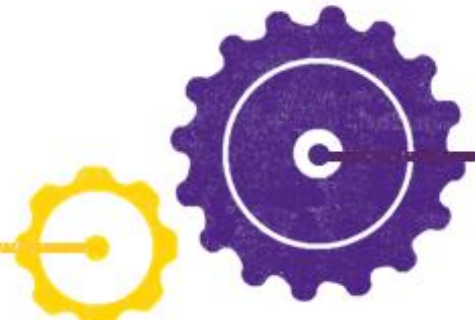
- a. 10% withholding tax on the supply of goods/ services
- b. Non Executive Directors' Fees
- c. Non Resident's Tax on Fees (NRTF)
- d. Resident's Shareholders' Tax (RST)
- e. Non Resident's Shareholders' Tax (NRST)
- f. Resident's Tax on Interest (RTI)
- g. Capital Gains withholding tax



Withholding taxes

Common errors

- Failure to deduct WHT when required.
- Failure to submit Rev5.
- Failure to obtain supplier tax clearance certificates.
- Threshold \$1000/annum cumulative.
- Failure to issue a withholding tax certificate.



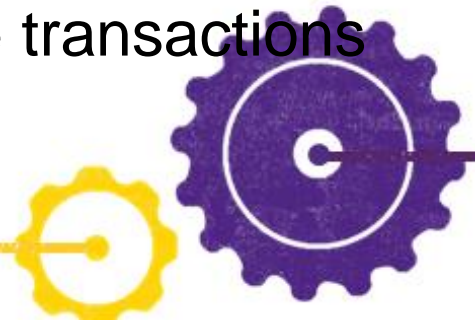
Withholding taxes

10% withholding tax on the supply of goods/ services

- In terms of Section of ITA all registered business operators are required to withhold 10% of amounts payable to any payee for services rendered or goods supplied without valid tax clearances.

Who deducts 10% Withholding Tax on tenders?

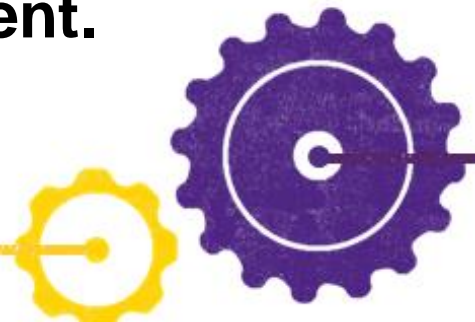
- Any person who enters into a contract of US\$1,000 and more involving a single transaction or multiple transactions should comply with this legal requirement.



Withholding taxes

Non Executive Directors' Fees

- Non executive directors are subject to withholding tax at the rate of 20% in terms of the 33rd Schedule of the ITA.
- PAYE for non-executives.
- Withholding tax on non-executive directors fees is payable to ZIMRA within **10 days from date of payment.**



Withholding taxes

Non resident tax on fees

- ❑ “**fees**” means any amount from a source within Zimbabwe payable in respect of any services of a technical, managerial, administrative or consultative nature excluding payments of to an employee.
- ❑ The general rate of withholding tax on fees is 15% subject to DTA. rate between ZW and the UK is 10%.
- ❑ All payers of non-resident fees are required to withhold the WHT and remit to ZIMRA within 10days.

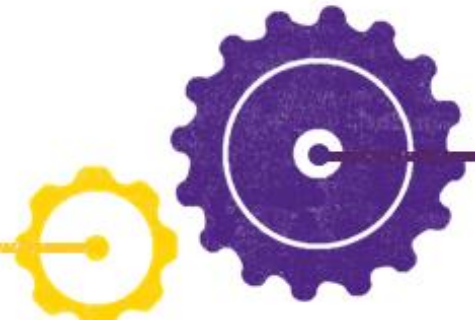


Withholding taxes

Resident tax on dividends

Applies on payment of a dividend to resident shareholders

- Withholding tax rate on dividends is 15% when paid by any other company.
- The rate is 10% if paid by a listed company.
- No tax payable on payment of dividend by a local company to another locally registered tax paying company.
- The tax is payable within 10 days from date of distribution of the dividend



Withholding taxes

Non-residents tax on dividends

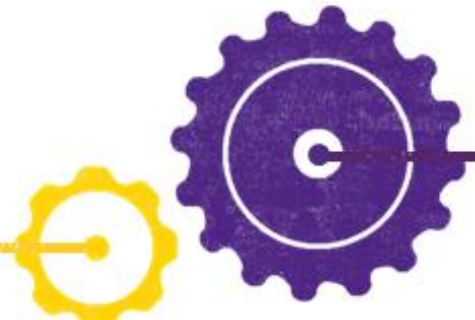
- ❑ Rate of tax is 15% when paid by any other company.
- ❑ 10% if paid by a listed company.
- ❑ The tax is payable within 10 days from date of distribution of the dividend .
- ❑ The rate can vary where there is a DTA between the countries. e.g. the rate with Botswana is 10% and UK 5% where UK company controls 25% or more of local company.



Withholding taxes

Resident's tax on interest

- interest** ” means interest from a source in Zimbabwe payable by a financial institution on any loan or deposit.
- The residents' tax on interest is payable on or before the 10th day of the month following the month in which the payment was made.



Withholding taxes

Withholding tax on royalties

- ❑ **royalties**” means any amount from a source within Zimbabwe payable as a consideration for the use of, or the right to use, any IP.
- ❑ IP includes an literature, dramatic, musical, artistic, scientific or any work which has a copyright, patent, trade mark etc.
- ❑ Amount withheld is payable to the Commissioner **within 10 days** of the date of payment



Withholding taxes

Capital gains

With effect from 1 February 2009

- ❑ Capital Gains Withholding Tax of 5% of the gross sale proceeds is payable on disposals of specified assets purchased before 1 February 2009.

With effect from 1 February 2009

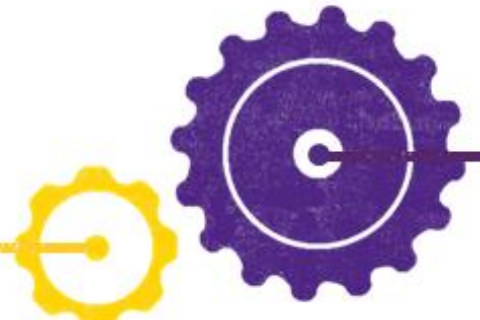
- ❑ Capital gains withholding tax of 15% payable on disposals of immovable property acquired after 1 February 2009.
- ❑ Final rate of capital gain tax calculation on disposal of immovable property is 20%.



Withholding taxes

Capital gains

- ❑ Withholding tax on unlisted marketable securities is 5%.
- ❑ Listed securities are subject to 1% withholding tax (final) on gross sale proceeds.



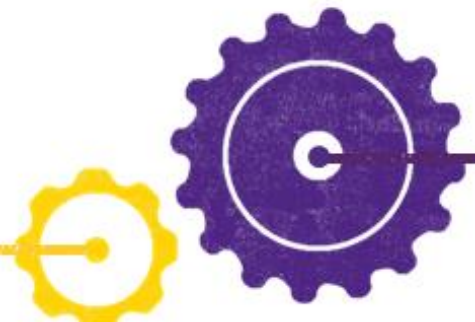
ZIMRA tax audits



ZIMRA tax audits

What triggers ZIMRA audits?

- Random sampling and analytical tools
- Whistleblowing- employees, suppliers, customers
- Counter parties audited and Zimra get leads
- History of taxpayer compliance or perceived irregularities (not submitting returns or paying taxes).
- Errors on the submitted return



ZIMRA tax audits

What triggers ZIMRA audits?

- Sector or industry audits due to nature of operations or emerging issues and transactions
- Taxpayer has been audited before
- Door to door checks to seek non compliant taxpayers.
- Third Party Verification e.g. information from CVR, RBZ
- Casual observation – news makers



Types of tax audits

Record-keeping audits/tax nets

VAT Refund Audit

Check whether tax compliant invoices were used to claim input tax and whether all taxable supplies are accounted for.

Desk audits

Small business owners are requested to provide proof of expenses claimed in their tax returns.

Types of tax audits

Payroll audit

Auditors examine compliance with PAYE regulations.

Field audits

Inspection of accounting records to examine appropriateness of tax treatment on specific items that may result in a "material" tax impact.

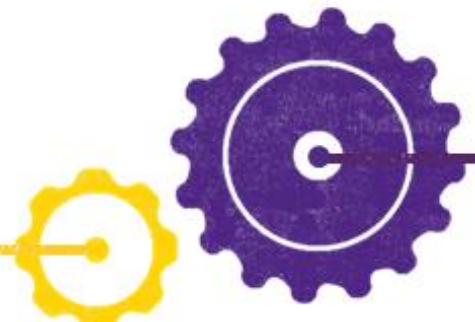
Investigation

An in depth audit, on high risk transactions or operations of large corporates sometimes with suspicions of tax evasion. Normally takes more than a year to complete.



Preparation for the audit

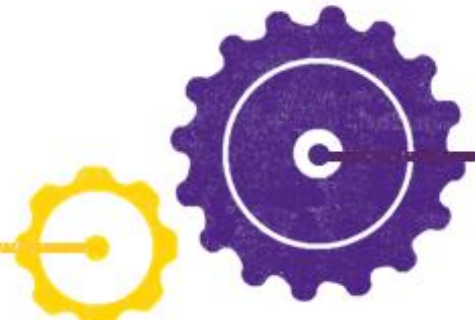
- ❑ Preparation for a tax audit.
- ❑ ZIMRA official must demonstrate authority to conduct audit and must give prior notice of field audit at least 10 business days before audit.
- ❑ ZIMRA officials must identify themselves and prove they have authority to carry out the audit.



Preparation for the audit

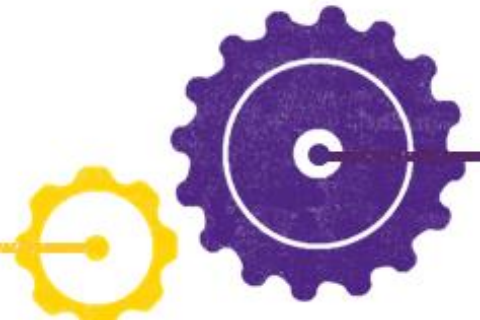
Do not:

- Refuse Zimra to enter your premises it is an offence.
- Obstruct a Zimra official from carrying out the audit or investigation.
- Refuse to give access or assistance as may be required.
- Zimra has right of access to all information, may remove copies and not originals where possible.
- If Zimra cannot obtain information burden of proof is on you to prove Zimra estimates are not correct (Section 63 of the ITA).



Your response

- Control and manage all documents in such a manner that they do not fall into the wrong hands.
- Anticipate what might be wrong with your records in all tax heads, VAT, corporate tax, PAYE, withholding taxes.
- Be objective in your assessment of the problem you may be facing.
- Relate the records to the returns you submitted.
- Seek professional help if necessary.
- No need to play hide and seek with ZIMRA.
- Be professional and avoid wasting time.



During audit

Remember:

- The officers are on duty just like you.
- Mutual respect between you and the officers is important
- Remain professional and calm.
- Answer the questions that are directed to you calmly.
- Ask for time to consult where necessary.
- Avoid getting angry and concentrate on issues.



During audit

- Ask for an extension of time to look for any missing documents.
- Have them sign off for any documents handed over.
- Obtain a regular updates on progress of the audit.
- Cooperation is the key to having early finalisation of audits.
- Have your information reviewed by your tax advisors before submitting it.



Voluntary disclosure

- Quantify any omissions you become aware of and the tax thereon.
- Prepare a reasonable payment plan taking into current tax obligations.
- A full disclosure will earn you the CG's respect and you may get the penalty remission.
- It is normally a goodwill gesture to offer a payment right away
- Audits are consuming and energy sapping



Voluntary disclosure

- Quicken the process by making a voluntary disclosure.
- That helps to cushion against penalties but not necessarily escape them.
- A voluntary disclosure will be considered voluntary when it is truthful and complete.
- Attempts to hide offence or mislead ZIMRA results in higher penalties and prosecution.

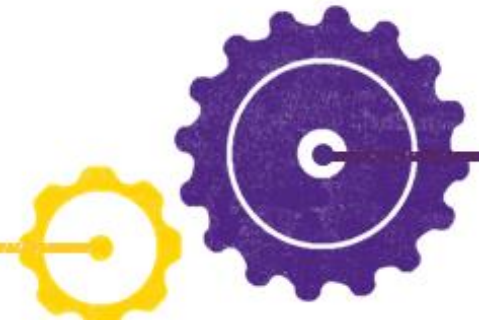
Do not:

- Attempt to bribe the officers.
- If you get the slightest opinion that the officers are soliciting, contact a higher office.

On conclusion of audit

Remember:

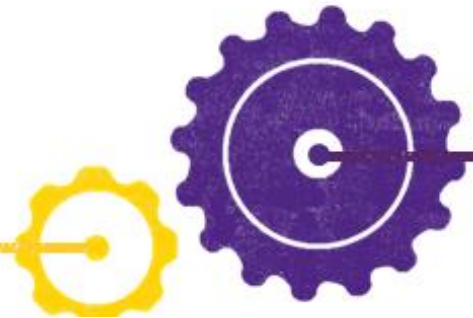
- To obtain notification of conclusion of the audit.
- To obtain an audit finding letter, including the grounds for the proposed assessment or decision .
- To respond in writing before assessment, if audit revealed material adjustments within 7 business days or within a period permitted by Zimra.
- To sign off agreed points or positions at the end of the interview/audit.



Penalties and waivers thereon

Penalty remission considerations

- Degree of voluntary disclosure
- Level of cooperation during audit
- Capacity to pay



Thank you!



Questions

