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Tax planning

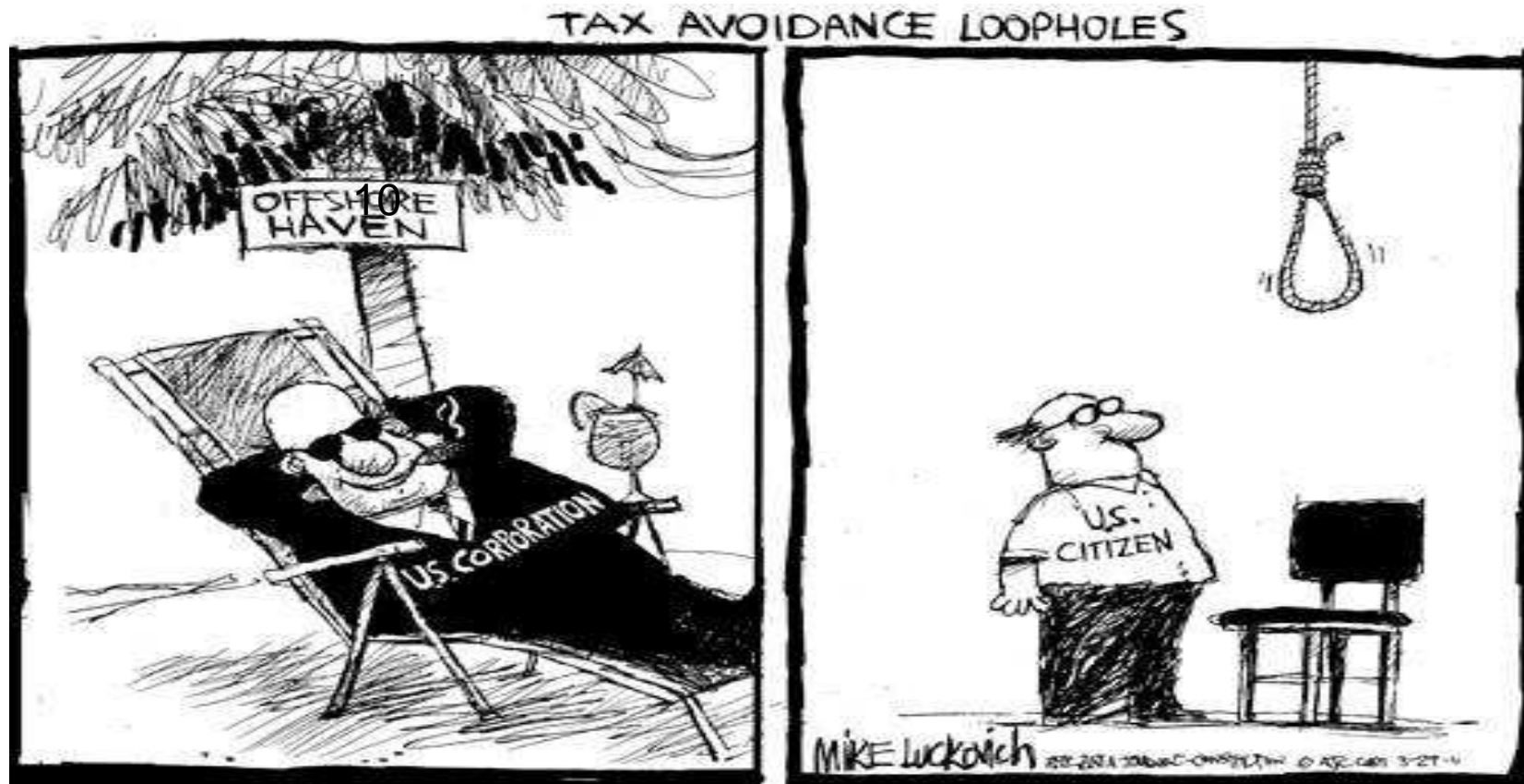
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ICAZ



Every business transaction has a tax implication

Therefore, there is need for tax planning to make use of tax avoidance provisions applicable



What is tax planning ?

is the arrangement of financial matters and taxpayer's affairs in a way that legally minimises all tax liabilities.

Tax planning requires analysis of all taxes including income tax, value added tax, capital gains tax and estate duty. A plan that reduces income tax but increases value added tax duty is not good in enough.

What is tax planning

Is it tax avoidance?

Or

Is it tax evasion?

Tax avoidance

**Is the legal arrangement
of one's tax affairs in a way
that results in no tax liabilities
or minimum tax liabilities.**

Tax avoidance examples

- **Making use of tax provisions available**
- **Making a good relationship with ZIMRA**
- **Paying all taxes on time**
- **Paying correct taxes on time**
- **Filing all tax returns on time**
- **Declaration of all and correct income**

Tax evasion

Is the illegal arrangement of one's tax affairs in a way that results in no tax liabilities or minimum tax liabilities.

This includes implementation of all strategies by taxpayers to free themselves from paying taxes without regard to law.

Tax evasion examples

- **Failure to obtain tax registrations**
- **Non-remittance of taxes**
- **Non-submission of tax returns**
- **Under-declaration of income**
- **Non-declaration of income**
- **Smuggling goods at border post**



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Cont. Tax evasion examples

- **Deducting prohibited deductions**
- **Overstatement of expenses**
- **Transfer pricing manipulation**
- **Falsification of records**
- **Misrepresentation**



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**What is the best
time of tax
planning?**

Timing

- **Good tax planning is done prior to transacting**
- **Why?**
- **Allows taxpayer to seek advice**
- **OR**
- **To obtain ZIMRA approval**
- **Before implementation**



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**Why is it difficult to
do tax planning after
transacting?**

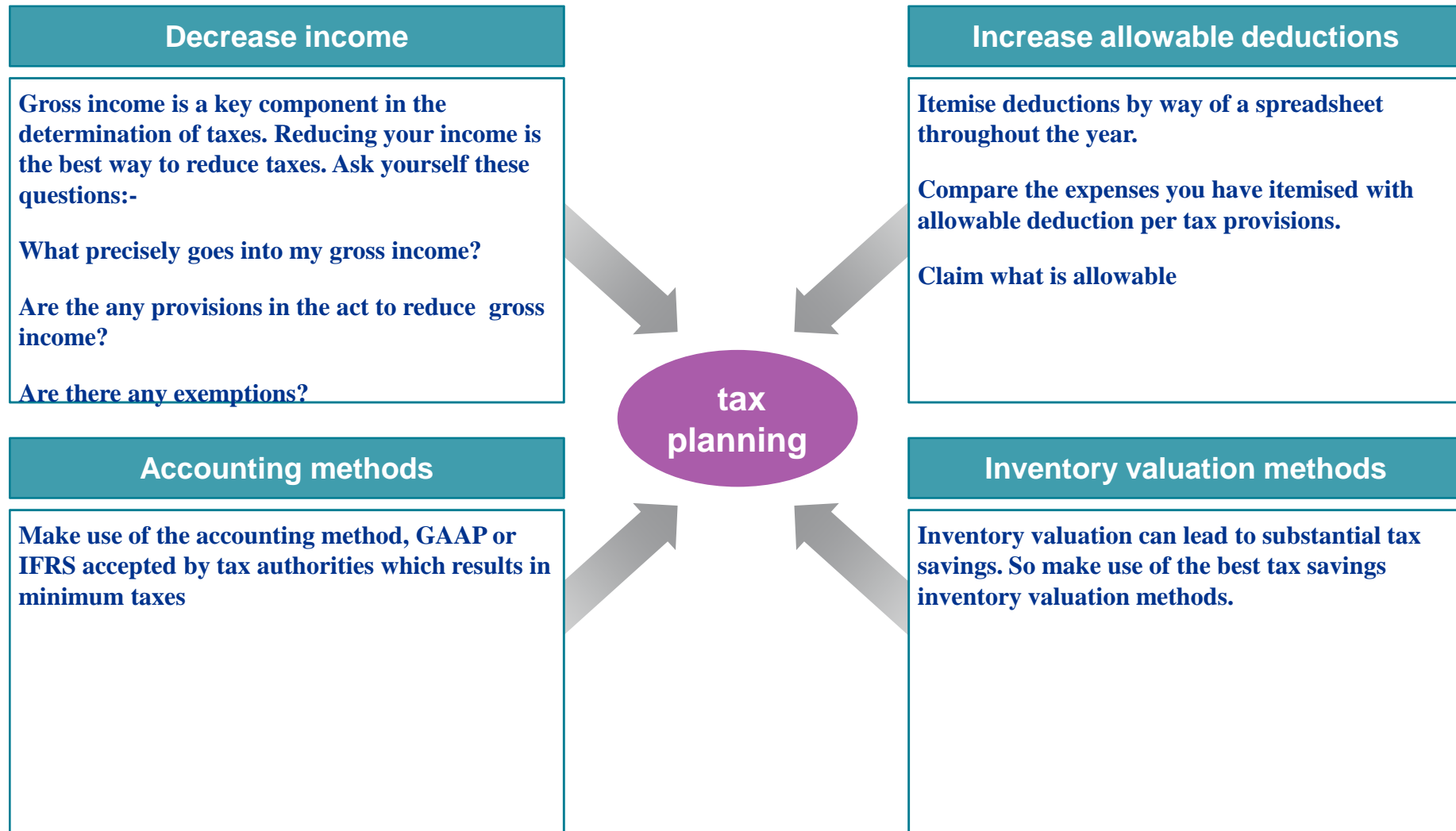
Challenges of tax planning after transacting

- The option implemented might result in maximum tax liabilities
- Whilst
- The opportunity cost could have resulted in the minimum tax liabilities
- The offence in terms of section 81 to 87 of Income Tax Act for ZIMRA to raise penalties would have been done and irreversible

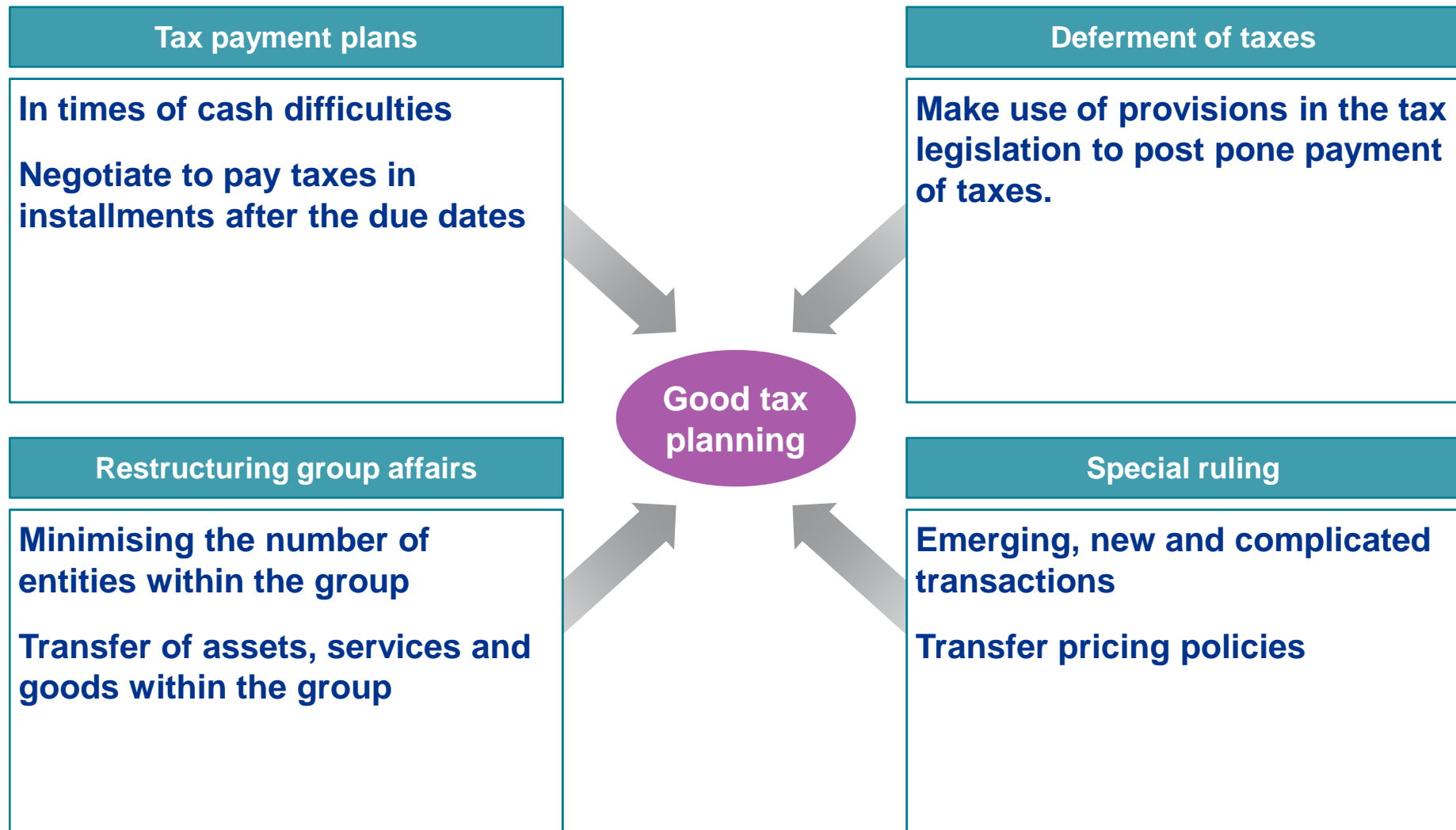
Tips for effective tax planning

- **Decrease income**
- **Increase allowance deductions**
- **Make use of credits**
- **Defer taxes if possible**
- **Make use of the accounting method**
- **Inventory valuation method**
- **Seek ZIMRA approvals**

Effective tax planning methods

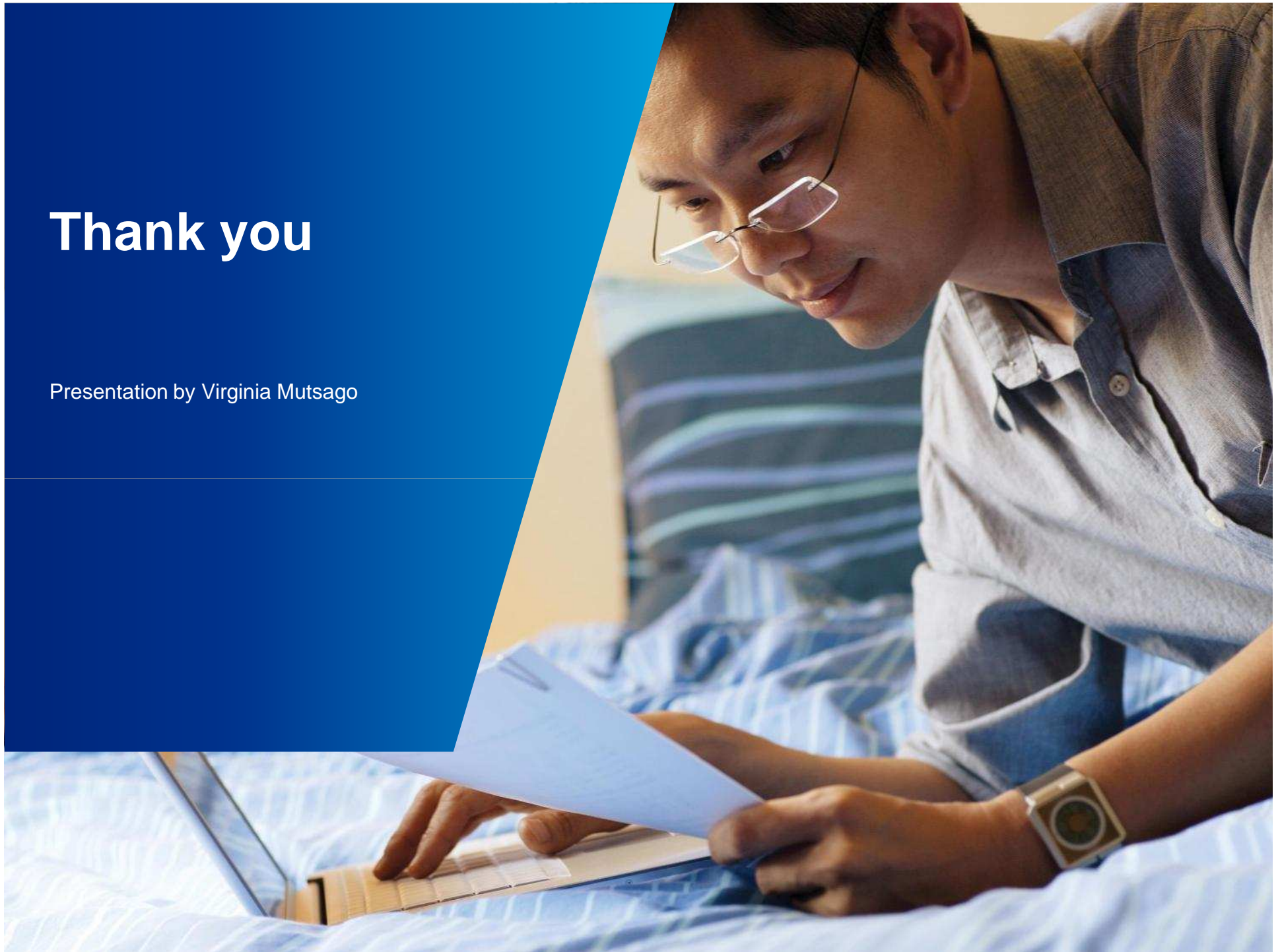


Zimra approvals used to minimise tax liabilities



Thank you

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