

The Association for Business in Zimbabwe

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Growth
&
Development

06 January 2018

The Regional Manager
Zimbabwe Revenue Authority
Mhlahlandlela Government Complex
Bulawayo

Dear Idah Tawonezvi

Ref; Obtaining Business Tax Clearance Challenges

Businesses would like to bring to the Commissioner of Taxes' attention its concerns, in particular the process of obtaining the Tax Clearances for the purposes of legal trading in Zimbabwe. As businesses we welcome and we are fully appreciative of the Ministry of Finance policies and laws which in principle ensure that businesses are tax compliant and compete on a level playing field. However the implementation of these policies and laws create an unfriendly business environment in the country. In line with the 'new economic order' as enunciated in the 2018 Government budget presentation by the Finance and Economic Development Minister Patrick Chinamasa, here below are our specific concerns:

1. Businesses have year-in-year-out faced problems in obtaining Tax Clearances in time. Whilst this challenge existed before the introduction of E-Services Platform, the continuous break-down of the On-Line Zimra platform has even worsened the situation. Good productive time is spent on a process, in our view that otherwise should administratively be simple.
2. Businesses engage Zimra through-out the year to reconcile the different tax accounts (PAYE, VAT, With-holding Tax, Income Tax), however these efforts do not achieve much because;
 - a. The appointed Liaison Officer each company deal with keeps being moved around, so he/she may begin a reconciliation process with a client, but then half way through the process, he/she gets "transferred" to another office – now a new Liaison Officer comes in and the client is not necessarily informed (as the new Liaison Officer is overwhelmed with what he has to take over) and we begin the process again.

- b. There are entries on the account that do not belong to a particular account, usually automatic processed transactions, like interest or auto-clearing – when this is raised with the Liaison Officer, it is a cumbersome process for adjustments to be made and as businesses we have to keep chasing up the Liaison Officer – in a lot of cases, when they haven't been moved off the account, they will advise that they still waiting for approval.
- c. The E-Services platform is down at the most critical times, i.e. when it's close to deadlines to file returns and the long and short of it is that the system cannot handle the traffic / volume of clients logging on at the same time – the effect of this is that businesses have to submit manual returns, which:
 - i. Defeats the Purpose of E-Services
 - ii. Zimra now have to manually enter all these returns themselves on a system they themselves probably cannot get on and they don't have the manpower for it anymore
 - iii. The Accounts are not updated and the whole process becomes overwhelming and is left for another day (which comes when Tax Clearances are required)

Recommendations

1. Zimra have a world class "Tier 1" system in SAP – used by huge corporates and other governments worldwide – so we know it's not the system per say that is the problem. Zimra need to invest in:
 - a. Infrastructure – Businesses are certain that other countries handle much larger volumes of transactions and users and it all comes to having adequate technology infrastructure in terms of powerful servers, fibre connectivity, applications etc.
 - b. Human Resource to manage the systems from a development point of view to ensure that the system is set to receive the volume of data at necessary speed and allow for the volume of users to effectively access the system
2. Liaison Officers cannot keep changing without completing their assignments and where they do have to move, a reasonable hand-over period needs to take place for smooth transition.
3. Businesses encourage Zimra Management to turnaround approval of adjustments quicker than the current turnaround time, especially where there are standard system generic issues, like incorrectly levied interest or auto-clearing transactions.
4. Renewal of Tax Clearance Process must be begin at least 3 months before the end of the year – i.e. from October of the previous year, where:
 - a. Tax Compliant clients have the ability to obtain Tax Clearances from October the previous year
 - b. Zimra to have the ability to withdraw or limit the Tax Clearance period at any time, if there are issues on the account that they cannot resolve with the client, after engaging the client.

5. When a Tax Clearance is renewed it needs to be effective from the end of the previous Tax Clearance, on the basis that Zimra are confirming that the client is Tax Compliant at this point in time and in the past, according to their system, that all issues have been resolved and their accounts are up to date – this also means that Zimra’s delays or inefficiencies will not affect the client.
6. Zimra need to “serve their clients” to ensure that they are compliant as effectively as possible, even where there is debt owed to Zimra, if there is a payment plan in place, Zimra need to work with the client to ensure the client resumes normal trade as quickly as possible, so that the client can honour their repayment to Zimra and other creditors.
7. Zimra need to change their approach from a penalty driven collection to a compliance driven collection approach, where the key performance indicator of Zimra’s performance is measured by the percentage of their revenue collected through Penalties in relation to the rest of their income collection (Taxes) – with the notion that the lower the penalty revenue collected, the more efficient they are, as it means that they collecting genuine revenue from more compliant clients, as opposed to easy targets and hiding behind “the law”.

Conclusion

Businesses are in support of the new government’s ‘business unusual approach” that seeks to turn around the Zimbabwe economy. It is our belief as businesses that genuine collaboration at a higher level between Zimra and businesses is urgently required to make the country’s business environment more attractive, not only to local investors but to foreign investors as well. ABUZ takes this opportunity to pledge its support and willingness to work with Zimra to lessen the unnecessary mistakes and down time that negatively affects businesses in Zimbabwe.

Thank you.

Victor Nyoni



ABUZ Chief Executive Officer