



# The Zimbabwe 2019 National Budget

**Budget Highlights  
and Tax Summary**

22 November 2018



# Overview

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The Honourable Mthuli Ncube, Minister of Finance and Economic Development, presented the 2019 National Budget on Thursday, 22 November 2018. The theme of the 2019 National Budget is **“Austerity for Prosperity”**

This summary includes the key proposals from the 2019 Budget Statement. We have also included a summary of key existing tax provisions.

These 2019 Budget Statement proposals are still to be promulgated into law.

The release of the Transitional Stabilisation Programme in early October 2018 provided a prelude to the theme of policies and budget allocations expected to be proposed in the 2019 budget. The approach proposed to address the fiscal imbalance had been set as a combination of policies to increase revenues and reduce Government expenditures.

The introduction of the 2% Intermediated Money Transfer Tax (“IMTT”) in October 2018 was the first step in increasing Government revenues. The “sacrifice” required by all during this stabilisation period has certainly been felt in the private sector with the expectation of sacrifices in the public sector through significant government expenditure containment measures.

In addition, to protect foreign investment and exporter income earnings, the formal separation of FCA Nostro and FCA RTGS bank accounts was also announced in October 2018.

The subsequent market reaction resulted in the highest official year on year inflation figure, since 2009, of 20.85% for October 2018, and highlights the need to address the currency debate. This includes the extent to which products continue to be subsidised by the Government and the extent to which these subsidies are funded by the private sector, primarily through the requirement for exporters to allocate percentages of their export earnings to the Reserve Bank of Zimbabwe and the Banking sector at the mandated RTGS/Bond to US\$ rate of 1:1.

The key policy proposals announced in the 2019 National Budget are included in this document.

**“Underpinning the thrust of the Transitional Stabilisation Programme tax policy is movement towards sustainable taxation, reduced penalties and interest, also nurturing businesses to enhance capacity to pay their tax dues, and remaining operational in order to produce, export, and create employment...”**

Source: Transitional Stabilisation Programme

# Key Changes

## Revenue measures

- Clarification of tax exemption on interest income earned on treasury bills
- Amendments to the 2% IMTT exemptions list
- Deemed taxable income for satellite broadcasting services and electronic commerce platform providers
- Reduction in employment tax rates
- Extension of joint and severally liable tax obligations for directors in certain circumstances
- Revision of duties and extension in rebates in the productive sectors
- Publication of tax penalty loading model
- Payment of taxes in underlying currency
- Increase in excise duty for fuel and cigarettes
- Payment of duty in foreign currency for specified goods including motor vehicles
- Requirement for filing annual transfer pricing return and documentation
- Amendment of definition of time of supply which will result in earlier payment of VAT



## Controlling expenditures

- 5% reduction in basic salaries of senior civil servants
- 13<sup>th</sup> cheque to be restricted to basic salary
- Rationalisation of foreign service missions
- Retirement of the youth officers
- Introduction of biometric register for civil servants in 2019
- Privatisation of parastals
- Management of government vehicle fleet



## Currency /Macro economic

- Gradual movement towards a more efficient and optimal foreign currency allocation including establishment of a foreign currency committee
- Large scale gold miners to retain 55% of foreign currency earned
- Two Bilateral Investment Promotion and Protection Agreements (BIPPA) awaiting signature and twenty two BIPPAs under negotiation

# Corporate Tax

## Transfer Pricing

### “Requirement for filing annual Transfer Pricing return and documentation”

With effect from 01/01/19 transfer pricing changes proposed include the following:

- The requirement to file an annual transfer pricing related return.
- ZIMRA to provide guidelines for transfer pricing documentation requirements.
- Penalties for non-compliance with transfer pricing legislation are:
  - 10% of the shortfall tax liability where taxpayer was in compliance with 35th schedule and contemporaneous transfer pricing documentation.
  - 30% of shortfall tax liability on non-compliance with 35th schedule or non-existence of contemporaneous transfer pricing documentation.
  - 100% of shortfall tax liability on tax evasion and deliberate postponement of tax liability where no transfer pricing document exist.

### Voluntarily wound up companies

- With effect from 01/01/19, where companies are voluntarily wound up to

avoid the payment of taxes, it is proposed that the directors be jointly and severally liable for tax liabilities.

### Interest accruing from Treasury Bills

“The receipts and accruals of financial institutions in the form of income from treasury bills which were issued specifying that there are tax free are exempt from income tax.”

### Satellite Broadcasting Services and Electronic Platform Service Provider

“Deemed taxable income for foreign satellite broadcasting services and electronic commerce platform providers”

- With effect from 01/01/19, any amount receivable, by or on behalf of either a satellite broadcasting service or an electronic commerce platform located outside Zimbabwe, from a person resident in Zimbabwe is deemed to be from a source within Zimbabwe and will therefore be subject to tax in Zimbabwe.
- A satellite broadcasting service provider or any person who delivers goods or services through an electronic commerce platform in receipt of revenue in excess of an annual amount to be specified by the Minister shall be required to appoint

- a public officer resident in Zimbabwe and register with ZIMRA for tax purposes.

### Withholding tax on contracts and tenders

- Exemption from withholding tax on contracts for schools that have accumulated arrears from failure to withhold tax for a period of six years ended 31/12/17.
- Exempting the Reserve Bank of Zimbabwe from the requirement of administering withholding tax on contracts in relation to interest payments accruing from Treasury Bills during the period of 01/02/09 to 30/11/18.
- Exemption on withholding of 10% for payments to non-residents.

### Mining

- With effect from 01/01/19, the definition of the capital expenditure has been extended to clarify that capital expenditure claimed must be in respect of two or more mining locations which are held by same taxpayer and ZIMRA is satisfied that the mining operations conducted are inseparable or interdependent where minerals produced at these locations are part of integrated process of beneficiation under the control of the taxpayer.

# Intermediated Money Transfer Tax

“As this is a transactional tax, the net impact on the local value chain is expected to be considerably greater than the 2% as it is compounded with each transaction.”

Intermediated Money Transfer Tax (“IMTT”) is an electronic transaction tax administered by financial institutions, including mobile money operators.

## Monetary Policy

Prior to the Monetary Policy Statement of 01/10/18, the IMTT was calculated at the rate of US\$0.05 for each transaction exceeding US\$10.

IMTT has been amended by Statutory Instrument 205 of 2018, effective from 13 October 2018, and is now calculated at the rate of US\$0.02 on every dollar transacted (2%).

The tax is charged on transactions greater than US\$10 and a maximum limit has been set at US\$10 000 for transactions greater than or equal to US\$500 000.



## Exemptions

- The transfer of money for the purchase or sale of marketable securities;
- The transfer of money for the purchase or redemption of money market instruments;
- The transfer of money on payment of remuneration;
- The transfer of money to or from the Zimbabwe Revenue Authority (“ZIMRA”) for the payment or refund of taxes;
- The intra-corporate transfer of money, that is to say, transfer of money between the treasury account and any trading account held in the name of the same company;
- The transfer of money from (but not into) specified trust accounts (trust account required under Legal Practitioners Act, Estate Agents Act and Estate Administration Act);
- The transfer of money into and from nostro foreign currency accounts;
- The transfer of money by Government from the Consolidated Revenue Fund or from funds established in terms of the Public Finance Management Act;
- The transfer of money to any pension fund or to beneficiaries of such a fund; and
- The transfer of money for the procurement, production or sale (wholesale or retail) of a petroleum product by a petroleum company licensed.

The following are additional proposed exemptions to IMTT noted in the Finance Bill 2019;

- The transfer of money between an individual’s mobile wallet account and his or her bank account;
- The transfer of money from a medical aid society registered in terms of the Medical Services Act to a medical service provider in settlement of a claim for services rendered by that provider;
- The transfer of money in the form of insurance premiums
  - by insurance brokers to insurance companies; and
  - by insurance companies to reinsurers, retro-cessionaires and asset managers registered in terms of the Asset Management Act; and
- The transfer of money to producers, sellers or exporters of minerals by the Minerals Marketing Corporation of Zimbabwe pursuant to the Minerals Marketing Corporation Act; and
- The transfer of money to a successor company of the Zimbabwe Electricity Supply Authority from a trust fund credited with prepayments for electricity made by customers of the company using a mobile banking service.

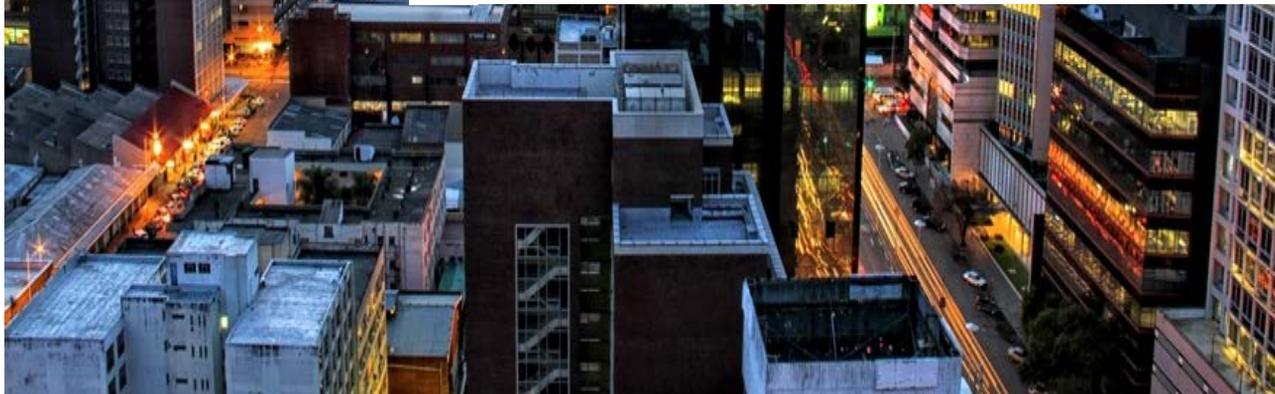
# Employees Tax

## PAYE

### “Reduction in employment tax rates.”

With effect from 01/01/19, the following changes have been made in respect of income from employment:

- The tax free threshold has been reviewed from US\$3 600 to US\$4 200 per annum or US\$300 to US\$350 per month.
- The Upper Income tax band remains at US\$240 000 per annum or US\$20 000 per month, above which income is taxed at the marginal rate of 45%, down from 50%.



### 2019 Annual tax tables

US\$	US\$	US\$	%	US\$
0 -	4 200	0%	-	-
4 201 -	18 000	20%	of excess over	3 600
18001 -	60 000	2 760 + 25%	of excess over	18 000
60 001 -	120 000	13 260 + 30%	of excess over	36 000
120 001 -	180 000	31 260 + 35%	of excess over	60 000
180 001 -	240 000	52 260 + 40%	of excess over	120 000
240 001 -	and over	76 260 + 45%	of excess over	240 000

### 2018 Annual tax tables

US\$	US\$	US\$	%	US\$
0 -	3 600	0%	-	-
3 601 -	18 000	20%	of excess over	3 600
18001 -	36 000	2 880 + 25%	of excess over	18 000
36 001 -	60 000	7 380 + 30%	of excess over	36 000
60 001 -	120 000	14 580 + 30%	of excess over	60 000
120 001 -	180 000	35 580 + 40%	of excess over	120 000
180 001 -	240 000	59 580 + 45%	of excess over	180 000
240 001 -	and over	86 580 + 50%	of excess over	240 000

# Value Added Tax

## Time of supply

### “The time of supply of goods or services has been revised”

- The bill includes an effective date of 01/01/18 although we believe this is an error and should be 01/01/19.
- The definition of the time of supply of goods or services has been extended to be the earlier of any one of the following;
  - Invoicing for the goods or services; or
  - Receipt of the consideration (payment) for the goods or services; or
  - Removal of a moveable good from the place of sale; or
  - At the point in time that the recipient takes possession of an immoveable property; or
  - At the point in time that the service is performed

## Prescription period

- The Commissioner may allow for the extension of time to claim the deduction of input tax, where the prescribed 12 months have lapsed if the taxpayer can show good cause for the delay in claiming to the satisfaction of the Commissioner.

## VAT payment

- It was clarified that VAT shall be remitted in the currency in which it was collected. Furthermore, VAT on importations shall be paid in the prescribed currency with the exception of cases where the imported goods were paid for with bond notes and coins or non-nostro bank transfers.
- Furthermore;
  - Where VAT was paid for in a different currency from which the goods or services were paid for, VAT shall be paid for in the same currency as the goods.
  - Where VAT was paid for using bond notes and coins whilst the price of the goods or services was paid for in foreign currency, VAT shall be payable in foreign currency.
  - Where VAT was paid for in foreign currency whilst the goods or services were paid for in bond notes and coins then VAT shall remain payable in foreign currency.

## Failure to remit payment

- The penalties for failing to pay VAT in the underlying currency in which it was received will be set at 100% of the VAT payable and will be payable in the prescribed currency concerned.

Where one does not settle the above amount within the stipulated period, without just cause, ZIMRA will levy civil penalties at a rate of US\$30 a day up to a maximum of US\$5 430.

## Statutory medical regulatory authorities

- Proposed exemption of Medical Statutory Bodies from the requirement to charge and remit VAT for the period 2009 to 30/11/18.
- Post 01/12/18 the Medical Statutory Bodies will be required to charge VAT as per current legislation provisions.

## Export tax on raw hides

- Exemption of export tax on the sale of projected excess raw hides on a bi-annual basis with effect from 01/01/19.

## Export tax on un-beneficiated platinum

- The tax on exportation of un-beneficiated platinum has been further postponed to 01/01/22.

## Imported services

- The supply of imported services has been extended to include services supplied to locally registered entities by foreign counterparts whose services are not eligible to claim input tax as they are foreign supplies.
- Although the effective date is stated as 01/01/18, we are of the view that the effective date should be 01/01/19 in alignment with the deeming provision changes in the Income Tax Act.

# Customs Duty and Excise

“Payment of duty in foreign currency for specified goods including motor vehicles”

## Excise duties have been amended as follows:

- **Cigarettes:** increased from US\$20 to US\$25 per 1000 sticks
- **Fuel:** increased by 7 cents per litre for diesel and paraffin, and 6.5 cents per litre for petrol

## Vehicles

- **Tourism Industry:** Rebate of duty on 75 new buses with a carrying capacity of 8 to 55 passengers including the driver.
- **Motor Industry:** Rebate of duty on the outstanding quota of buses extended by one year. A further one hundred 60-seater buses to be imported at 5% customs duty.
- Customs duty, import VAT and surtax on imported motor vehicles is payable in foreign currency with effect from 23/11/18, but this excludes commercial vehicles and vehicles for physically disabled persons.

## Rebates

The following industry rebates have been proposed with effect from 01/01/19

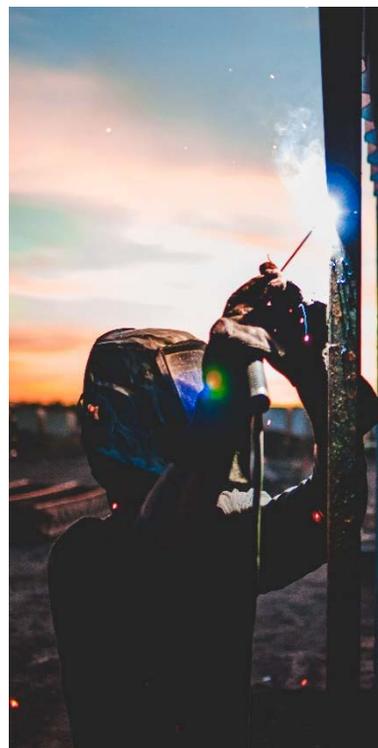
- **Clothing Industry:** The list of fabrics, not locally produced, qualifying for rebate of duty has been increased for clothing manufacturers.
- **Dairy Industry:** Quantities of ring fenced full cream and skimmed milk powder increased for approved dairy companies.
- **Baking Industry:** Rebate of duty on the importation of wheat gluten, bakers fats, seed mix, calcium propionate, Vitamin C and Ascorbic acid.
- **Poultry Industry:** Rebate of duty on importation of fertilized eggs by approved chicken breeders.
- **Fertiliser Industry:** Rebate of duty on specified raw materials for the manufacture of fertiliser and also rebate of duty on 10000 tonnes of ammonium nitrate fuel oil fertiliser.
- **Furniture Industry:** List of raw materials qualifying for rebate increased and list of approved manufacturers expanded.
- **Pharmaceutical Industry:** List of raw materials qualifying for rebate increased.
- **Wine Industry:** Rebate of duty increased from 90,000 litres to 175,000 litres.

## Rebates (continued)

- All beneficiaries of rebates to provide annual reports on the benefits achieved, failure of which the rebates will be withdrawn and rebated duty becomes due and payable.

## Consumers rebates with effect from 01/01/19

- **Sanitary wear:** Rebate of duty and exemption of VAT on sanitary wear for twelve months.
- **Physically challenged persons:** the rebate of duty on related accessories or equipment has been extended (includes contact lenses and frames for corrective spectacles, and braille watches).





# Key current tax provisions



# Income Tax - Key provisions

## Restrictions on the deductibility of fees between associated companies and payment of WHT on deemed dividends

The deduction of interest on borrowings continues to be restricted to the interest on the portion of debt up to the point where the debt to equity ratio is 3:1.

“equity” means issued and paid-up capital, unappropriated profits, reserves, realised reserves and interest-free loans from shareholders.

This restriction is not applicable where the debt has been contracted with an unrelated local financial institution.

The excess interest is deemed to be a dividend and subjected to the dividend withholding tax ('WHT').

Dividend WHT is at a rate of 10% and 15% for listed and unlisted companies, respectively.

The restrictions applicable for the deductibility of general and administrative fees between parent companies and their subsidiaries had been extended to cover fees between associated companies with effect from 01/01/17. The term 'fees' is not defined under the Income Tax Act. Subject to clarification from ZIMRA, this restriction would be applied to all fees between associated companies. The excess fees are deemed to be a dividend.

With effect from 01/01/17:

WHT on the deemed dividend is payable in accordance with the self assessment provisions of section 37A, and no longer upon the written notification by the Commissioner.

Such dividends are not excluded from the exemptions previously provided in respect of dividends paid between local companies.

## Export and remittance incentive

Export and foreign remittance incentives paid by the Reserve Bank of Zimbabwe, through any authorised dealer, are exempt from income tax.

Currently, the export and foreign remittance incentive is 5%, with the exception of the following:

- 12% for tobacco farmers.
- 10% for large scale gold miners.

## Transfer Pricing

The 35th schedule, which was effective from 01/01/16, outlines the preferred methods of determining the arm's length basis of transactions.

## Prepayments

Prepayments made for goods, services and benefits that will be utilised in any subsequent year will not be allowed as a deduction in the determination of taxable income.

Consistent with this restriction, amounts received that constitutes prepayments will only be included as part of the gross income in the year of assessment in which the

goods, services or benefits are provided, and if provided in stages or batches, included proportionately in the returns for the years of assessment in which the goods, services or benefits are so provided.

## Exemptions

The following income is exempt from income tax:

- Residential mortgage finance income (building societies and other financial institutions).
- Accruals to Investor Protection Fund.
- Receipts of Insurance and Pensions Housing Company.
- Interest on loans to small scale gold miners.

## Charitable institutions

The receipts and accruals of income from trade and investment not being applied in promoting the objects of an ecclesiastical, charitable or educational institution are taxable with effect from 01/01/16, unless they meet the requirements and register under section 26 of the Companies Act.

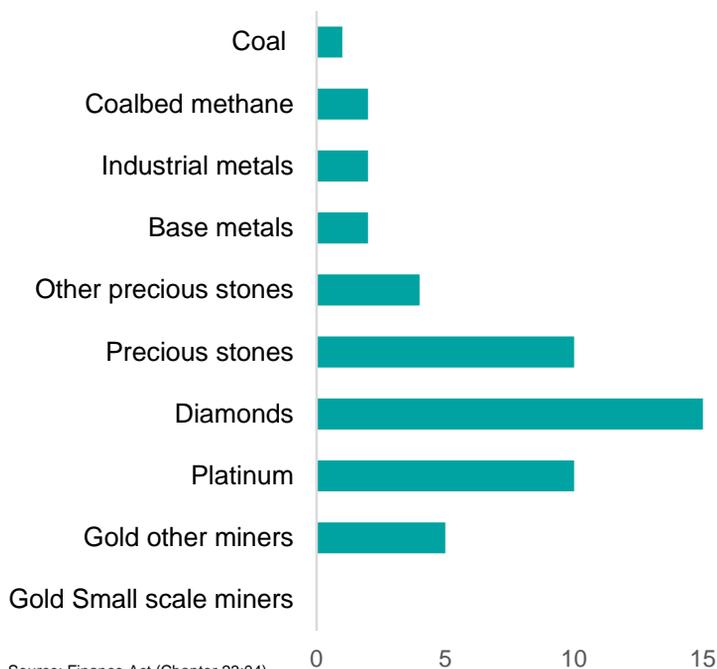
This is possible where any profits are applied to the objects of the organisation which are considered to be in the interests of the public or any section of the public.

# Corporate Tax

Capital allowances	Note	Special Initial Allowance (SIA)	Wear and Tear Allowance	Notes
<b>Asset</b>				
Farm improvements	(1)	25%	5%	(1) 25% SIA in year of purchase in respect of movables and 25% SIA in year of construction in respect of immovables. In subsequent years, accelerated wear and tear of 25% on original cost.
Industrial building	(1)	25%	5%	
Railway lines	(1)	25%	5%	(2) Includes permanent schools, nursing homes, hospitals and clinics. Cost of each school, nursing home, hospital and clinic no longer restricted.
Staff housing	(2) (3)	25%	5%	
Articles, implements & machinery		25%	10%	(3) From 1 January 2009 a unit of staff housing costing not more than US\$25 000 and a building comprising units, none of which costs more than US\$25 000, qualify for capital allowance of US\$10 000 per unit.
Motor vehicles	(1) (4)	25%	20% to 33.33%	
Commercial building	(1)	25%	2.5%	(4) Allowances for passenger motor vehicles limited to US\$10 000 in respect of the asset purchased after 1 January 2009.
Computer software	(5)	25%	-	
Mining equipment and related capital expenditure	(6)	100%	-	(5) Computer software acquisition and development costs are now capitalised over 4 year period.
Pre-production mining expenditure	(6)	100%	-	
Environmental restoration/ mining rehabilitation costs	(6)	100%	-	(6) Presented assuming the allowances are claimed under the New Mines Method.

Source: Finance Act (Chapter 23:04) and Income Tax Act (Chapter 23:06)

## Mining royalty rates



Source: Finance Act (Chapter 23:04)

### Notes

- Mining royalties are not tax deductible.
- The royalty rate on gold produced by large scale producers was reduced from 7% to 5% with effect from 1 October 2014.
- With effect from 2015, incremental gold production, as compared to the prior year, is subject to a reduced royalty rate of 3%.

# Corporate Tax

Current tax rates				Notes
	Note	2018	2017	
Individuals: Income from trade and investment	(1)	25%	25%	(1) Plus 3% AIDS levy (the standard rate and 3% AIDS levy also apply to a Trust (excluding estate, insolvent estate or the estate of an individual under legal disability).
Companies and Trusts	(1)	25%	25%	(2) Applicable for first five years.
Approved BOOT and BOT arrangement	(2) (3) (4)	0%	0%	(3) Thereafter 15% for the next five years.
Industrial park developer	(2) (4)	0%	0%	(4) Thereafter 25% for the next five years.
Licensed investor	(2) (4)	0%	0%	(5) Exporting thresholds: 30% - 40% taxed at 20%; 41% - 50% taxed at 17.5%; above 51% taxed at 15%.
Special mining lease	(1)	15%	15%	(6) Currently suspended.
Mining companies and mining trusts	(1)	25%	25%	
Pension funds	(6)	15%	15%	
Operator of a tourist facility in approved tourist development zone	(2) (4)	0%	0%	
Exporting manufacturing companies	(1) (5)	15%	15%	

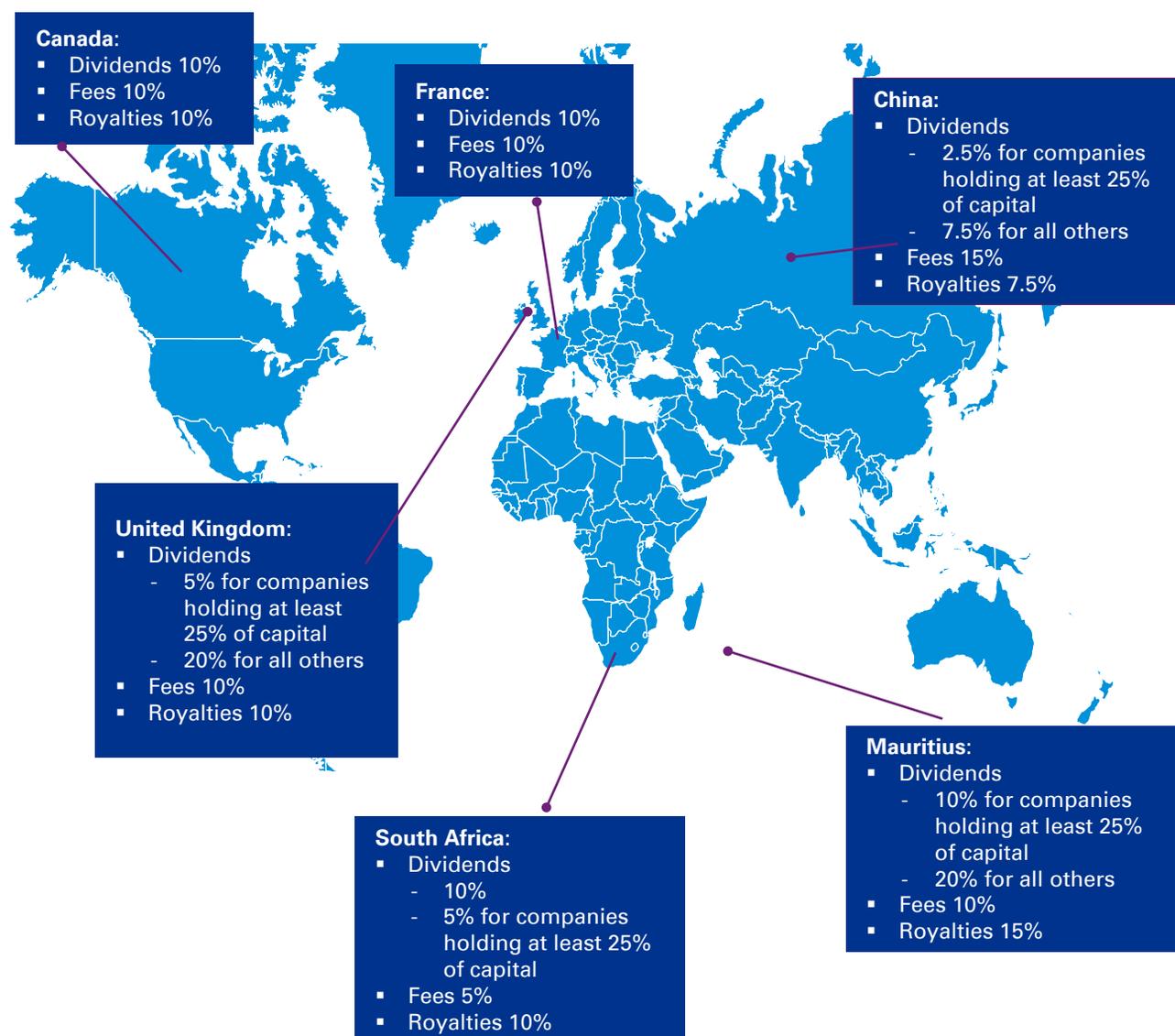
Source: Finance Act (Chapter 23:04).

Special Economic Zones (SEZ's)		%
Tax on SEZ's		
For SEZ Corporate Income Tax rate at 0% for the first 5 years, thereafter at 15%.		0% first 5 years thereafter 15%
Exemption for Special Economic Zone ("SEZ") from Non-Residents Withholding Tax on Fees.		0%
Exemption for SEZ from Residents Shareholder's Tax and Non-Resident Shareholder's Tax.		0%
Exemption for SEZ from Non-Residents Tax on Royalties.		0%
Special Initial Allowance for SEZ on capital equipment at the rate of 50% of cost in year one and thereafter 25% in each of the subsequent two years.		50% year 1 there after 25%
Specialised expatriate staff of SEZ taxed at a flat rate of 15%.		15%

Source: Finance Act (Chapter 23:04)

# Corporate Tax

## Withholding tax rates (%)



Source: Income Tax Act (Chapter 23:06) and Finance Act (Chapter 23:04)

# Individual Income Tax

## Employment income

The income tax bands, by which rates of tax are charged, in respect of income from employment are presented below.

The maximum tax free bonus remains at US\$1 000 or below.

The tax free commutation in respect of a severance package will be the higher of US\$10 000 or 1/3 of the severance package, up to a maximum of 1/3 of an amount of US\$60 000.

Rental income and interest from discounted instruments and deposits earned by elderly persons is exempt from income tax up to a maximum of US\$250 per month in respect of each class of income.

Tax free portion in respect of pension commutation received from the Consolidated Revenue Fund or pension fund other than a retirement annuity fund by a person below the age of fifty five years will be the higher of US\$10 000 or 1/3 of the commutation, up to the maximum of 1/3 of US\$60 000.

## Tax credits

US\$75 credit for elderly persons (aged 55 and above).

US\$75 credit for disabled person (any portion of these credits not used by a married person shall be allowed as a deduction from the income tax of his or her spouse).

50% of cost tax credit for medical expenses and medical society contributions (individual and family).

50% of cost credit for invalid appliances, including spectacles.

## Employment benefits

Unless specifically provided for in the Income Tax Act, fringe benefits are taxed in the hands of the employee based on the cost to the employer.

The deemed taxable amount of motoring benefits ranges from US\$3 600 to US\$9 600 per year, depending on the engine capacity of the motor vehicle.

A 'holiday home' benefit is calculated based on the open market rental that would have been charged for the holiday accommodation.

## Employment benefits (continued)

50% of teaching and non-teaching school staff incentives (specifically tuition fees, levies and boarding fees) are exempt from tax on fringe benefits (for up to 3 children).

Interest on loans for education, technical training or medical treatment for the employee, their spouse or child is not subject to income tax.

A deemed fringe benefit arises where the interest charged on loans or advances is lower than LIBOR plus 5% per annum where the loan exceeds US\$100. The benefit is calculated as the differential between the actual interest charged and interest calculated at LIBOR + 5%.



# Value Added Tax

## VAT registration and compliance

The threshold for registering for VAT is turnover of US\$60 000 per annum.

The period within which the final VAT remittances and returns are to be filed is the 25th day of the month following the end of the tax period.

## Tourism

VAT on foreign tourists was introduced from 1 January 2015 whereby all local tourism operators are to levy 15% on foreign tourists.

## VAT Withholding tax

Commissioner may appoint value added withholding tax agents to withhold 5% (prior to 01/01/18 the rate was 10%) of the full amount of output from each amount to be paid to a specified operator. ZIMRA appoint specific agents that will be required to withhold the VAT Withholding tax ("VAT WHT"). The payee can claim the VAT withholding tax as VAT input tax provided a withholding tax certificate is issued by the payer.

## Imports

VAT on importation of goods will be calculated on the value for duty purposes plus any duty levied in respect of the importation of such goods.

## Exports

VAT on export of unbeneficiated chrome remains at 20%. Export of unbeneficiated hides is subject to VAT at US\$0.75 per kg.

VAT on the export of unbeneficiated platinum will be subject to VAT at a rate of 15%, suspended until 01/01/22.

## VAT Input claim

Claiming of input tax to the extent to which the goods or services are used for purposes of making taxable supplies. No input tax claim can be made for any costs related to exempt supplies. Where the intended use of the goods or services is for both taxable and non-taxable supplies, appropriate apportionment should be applied according to the VAT provisions.

## Change of use

An adjustment will arise where goods or services which would have been supplied to or acquired, manufactured or produced by a registered operator for the purpose of making taxable supplies (zero or standard rated) and such

goods are subsequently applied or used wholly or partly for making non-taxable supplies.

## Financial services

Financial services are exempt from VAT.

The definition of financial services includes any service provided by or on behalf of the banking institution registered or required to be registered in terms of the Banking Act.

Commission earned from the buying and selling of short term insurance policies by brokers and agents of insurance and reinsurance firms is subject to VAT with effect from 01/09/15. Short term insurance includes, but is not limited to, business assets insurance, motor vehicles, personal and home insurance.



# Other key provisions

## Stamp duty

Stamp duty is levied on insurance policies or certificates or any other document which is in the form of a guarantee, fidelity, security or surety bond, at rate of US\$0.05 for every dollar worth of premiums paid up to a maximum of US\$100 000.

## Fiscalisation and fiscal devices

All VAT registered operators are required to have fiscalised devices to record taxable transactions. The effective date for the fiscalisation programme is the 01/01/17.

## Capital Gains Tax

Capital gains on “specified assets” are taxed in terms of the Capital Gains Tax Act. Broadly speaking, specified assets are defined as immovable property, marketable securities and any right or title to property, whether tangible or intangible, that is registered or required to be registered. To avoid double taxation, transactions which are subject to income tax are excluded from the scope of the CGT Act. In determining the capital gain, deductions from sale proceeds include:

## Capital Gains Tax (continued)

- Expenditure on the acquisition or construction of a specified asset excluding expenditure in respect of which an income tax deduction is allowable;
- Expenditure on additions, alterations, improvements to a specified asset;
- Direct selling expenses; and
- An allowance of 2.5% per annum of the cost of acquisition and construction and subsequent additions, alterations and improvements from the date such costs were incurred to the date of sale.

## Provisions

Specified assets acquired prior to 1/02/09 are subject to CGT at 5% on the gross proceeds.	5%
Sale of listed securities are subject to withholding tax (WHT) at 1% on the gross proceeds. Securities which have been subjected to the 1% WHT will be exempt from the normal 20% CGT.	1%
Sale of unlisted securities are subject to WHT at 5% on gross proceeds.	5%
Immovable property acquired on or after 1/02/09 is subject to 15% WHT on gross proceeds. The WHT will be credited against the final 20% CGT on the actual capital gain on assessment.	20%
Sale or disposal of shares to an indigenisation partner or community share ownership trust or scheme is exempt from CGT.	0%
Donations of housing units to any local authority, approved employee share ownership trust or community share ownership trust or scheme are now exempt from Capital Gains Tax.	0%
Payment of CGT must be by no later than the 3rd working day of the date of accrual.	



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