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ZIMBABWE

THE 2022 NATIONAL BUDGET SPEECH

“Reinforcing Sustainable Economic Recovery and Resilience”

Presented to the Parliament of Zimbabwe

on November 25, 2021

By

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Harare

MOTION

1. Mr Speaker Sir, I move that leave be granted to present a Statement of the Estimated Revenues and Expenditures of the Republic of Zimbabwe for the 2022 Financial Year and to make Provisions for matters ancillary and incidental to this purpose.
2. This is in compliance with section 103(1) of the Constitution as read with section 7(2)(a) of the Public Finance Management (General) Regulations of 2019.

INTRODUCTION

3. Mr Speaker Sir, allow me to thank the President—His Excellency, Dr. E.D. Mnangagwa for his leadership and guidance in formulating this Budget.
4. I also want to express my appreciation to the Honourable Vice President, Dr. C.G.D.N. Chiwenga, fellow Cabinet Ministers, Line Ministries, Departments and Agencies for their valuable input into the process.
5. Special recognition goes to yourself, Honourable Speaker, for your leadership in steering the Honourable Members of this August House in undertaking nationwide consultations and

clearly presenting the views of the people through various Portfolio Committees, in particular the Portfolio Committee on Budget, Finance and Economic Development.

6. Mr Speaker Sir, allow me to also extend my gratitude to development partners, civic society, professionals, business organisations and individuals, whose input helped in shaping this Budget.
7. This Budget, is a People’s Budget as it responds to the various issues raised by stakeholders through the consultative process. Key among the issues raised include the need for prioritisation of agriculture financing, infrastructure development, social services delivery, upscaling of social protection programmes including care to people living with disabilities, the need for predictability and consistency of fiscal and monetary policies.
8. I have heeded the call by citizens and made provisions in this Budget.
9. Mr Speaker Sir, allow me now to turn to the 2022 Budget itself, which is presented under the theme “*Reinforcing Sustainable Economic Recovery and Resilience*”.
10. Borrowing from Alain de Botton, a Swiss-born British philosopher and Author, “*A good half of the art of living is*

resilience". Therefore, the 2022 National Budget will seek to attain the following:

- Strengthening macro-fiscal stability;
- Consolidating the Agriculture Food Systems Transformation Strategy that seeks to guarantee food security;
- Advancing the policy on value chains and value addition for purposes of job creation and growth;
- Enhancing public service delivery including social protection and infrastructure development;
- Strengthening governance;
- Continue with the reengagement process; and
- Climate change mitigation and energy security.

11. Before turning to the above issues, a review of global and domestic economic developments during 2021 and beyond will assist in contextualising the 2022 Budget.

GLOBAL AND REGIONAL OUTLOOK

12. Mr Speaker Sir, the global economy is projected to grow by 5.9 % in 2021, 4.9% in 2022 and is expected to average 3.3% over the medium term. This growth is dominated by advanced economies which are expected to recover early from the COVID-19 pandemic situation due to policy support interventions and opening of global value chains, (**Slide 2**).

13. The Sub-Saharan Africa is expected to grow by an average of 3.7% in 2021, lower than the global growth rate of 5.9%, amid COVID-19 restrictive measures, slow vaccination programmes, limited fiscal space and growing debt burden, (**Slide 3**).

OVERVIEW OF THE DOMESTIC ECONOMY

14. Mr Speaker Sir, domestic GDP growth for 2021 is estimated to remain strong at 7.8%, mainly on account of the good 2020/21 agriculture season, higher international mineral commodity prices, stabilising macroeconomic environment and better management of the COVID-19 pandemic, (**Slide 4**).
15. In 2022, the economy is projected to grow by 5.5%, underpinned by higher output in mining, manufacturing, agriculture, construction, as well as accommodation and food services (tourism) sector. The 2022 growth projection is, however, subject to risks relating to the future path of the pandemic and its impact on key sectors of the economy.

Inflation

16. Mr Speaker Sir, annual inflation was on a downward path during the greater part of the year to 54.5% as at October 2021 compared to 471.3% recorded during the same period last year, underpinned by a tight fiscal and monetary stance, (**Slide 5**).

17. However, the parallel market premiums and market indiscipline always presents challenges on efforts of containing inflation.
18. Mr Speaker Sir, let me quote from Henry Hazlitt, an American journalist, "*Inflation is not only unnecessary for economic growth. As long as it exists it is the enemy of economic growth*". Therefore, Government, is rigorously implementing necessary interventions such as the review of the current foreign currency auction system, further tightening of monetary policy and curbing of malpractices in the financial sector, to ensure that inflation is back on the desired path.

Financial Sector and Monetary Policy

19. Mr Speaker Sir, the Central Bank is implementing a three-pronged policy approach of conservative monetary targeting framework, supported by prudent management of the exchange rate through the auction system, as well as measures to maintain and sustain the current financial sector stability. The financial sector is sound.
20. Going forward, the conservative monetary targeting framework will be strengthened to ensure that money supply in the economy is maintained at levels consistent with the economic growth and inflation targets and in line with the national budget assumptions and 2022 macro-economic projections.

Balance of Payments

21. Mr Speaker Sir, the country's external sector position remains strong, with the current account continuing to be in surplus. Preliminary estimates show that the current account balance slightly narrowed, from a surplus of US\$688.2 million in the first nine months of 2020, to a surplus of US\$684.4 million for the same period in 2021, (***Slide 6***).

22. Merchandise exports increased by 19.2% to US\$4.1 billion in the first nine months of 2021, from US\$3.4 billion in 2020, spurred by increases in agriculture and mineral exports, while manufactured exports remained flat, (***Slide 7***).

23. Merchandise imports increased to US\$4.2 billion in the first nine months of 2021, representing a 27.3% increase from US\$3.3 billion for the comparable period in 2020, driven by increases in fuel, machinery and raw material imports.

24. The increase in imports was reflective of the growing economy and foreign currency availability on the auction system. Diaspora remittances have remained strong boosting current account position (***Slide 8***).

BUDGET PERFORMANCE AND OUTLOOK

25. Mr Speaker Sir, the state of our public finances are sound and consistent with the 2021 Budget objectives and targets.
26. Revenue collections during the first nine months to September 2021 amounted to ZW\$317.4 billion against a projection of ZW\$291.5 billion, resulting in a positive variance of ZW\$25.8 billion (8.9%), and are now expected to reach ZW\$495.01 billion (16.6% of GDP) by December 31, 2021, **(Slide 10 & 11)**.
27. Mr Speaker Sir, total expenditures for the same period amounted to ZWL\$351.7 billion against a target of ZWL\$305.3 billion, resulting in an expenditure overrun of ZWL\$46.3 billion (15.2%). Projected expenditure to year end amounts to ZWL\$509 billion (17% of GDP), mainly on account of Covid-19 related expenditures, increased outlays on grain procurement, as well as other development expenditures, on Infrastructure projects. **(Slide 12 & 13)**.
28. As a result, the budget deficit for the first 9 months stood at ZWL\$32.8 billion and is now expected to end the year at ZWL\$14 billion (0.5% of GDP).

Public Debt

29. Mr Speaker Sir, the total public debt as at end September 2021 amounted to US\$13.7 billion, comprising of public external

debt of US\$13.2 billion, which now include blocked funds from RBZ, and domestic debt of US\$532 million, (*Slide 14*).

Development Partners Support

30. Mr Speaker Sir, Development Partners continue to play a pivotal role in supporting Government's efforts towards the implementation of NDS1 programmes and projects.
31. During the period January to September 2021, the country received development assistance amounting to US\$647.6 million, of which US\$401.7 million was from bilateral partners and US\$245.9 million from multilateral partners. A further US\$202.4 million in development assistance is projected during the fourth quarter of 2021, (*Slide 15*).
32. In 2022, support from the development partners is projected at US\$764.7 million, mainly towards health, agriculture, social protection and governance, (*Slide 16*).

THE 2022 MACRO-BUDGET FRAMEWORK

33. Mr Speaker Sir, consistent with a growth projection of 5.5% in 2022, total revenue collections are projected at ZWL\$850.7 billion (16.8% of GDP).

34. On the other hand, expenditures in 2022 are projected at ZWL\$927.3 billion (18.3% of GDP). Total recurrent spending will constitute 13.4% of GDP, while capital programmes will take up 5% of GDP. Employment costs will be contained at about 6.7% of GDP or 36.7% of revenues, **(Slide 17)**.
35. Mr Speaker Sir, the 2022 budget financing requirement/ deficit is projected at ZWL\$76.5 billion, to be financed through issuance of Government securities, utilisation of the country's SDR allocation and external loan disbursements. This deficit constitutes 1.5% of GDP.
36. Mr Speaker Sir, you may recall that under the General Allocation of SDR456 billion, (equivalent to about US\$650 billion), Government of Zimbabwe in August 2021, was allocated SDR677.4 million (US\$958 million equivalent) from the International Monetary Fund (IMF).
37. Part of this SDR allocation will be used to finance the Budget exclusively for social sectors, namely: health, education; productive sector value chains and infrastructure investment and boosting reserves. **(Slide 18 & 19)**.

Fiscal Policy Thrust

38. In consolidation of macroeconomic stability, a prudent fiscal policy complimented by tight monetary policy is being pursued under the 2022 Budget. This entails containing expenditures within the Budget, non-recourse to Central Bank financing, continuation of monetary targeting and improving the foreign currency auction system.

THE 2022 VOTE APPROPRIATIONS

39. Mr Speaker Sir, the proposed estimates for 2022 (including Constitutional and Statutory Appropriations) is ZWL\$927.3 billion (18.3% of GDP), **(Slide 20)**.
40. The amount, however, falls far short of requests submitted by line Ministries, Departments and Agencies (MDAs) and presented during the 2022 Budget Hearings, which were in excess of ZWL\$2.7 trillion.
41. The proposed vote appropriations prioritise projects and programmes drawn from NDS1 and are supportive of infrastructure investments and public service delivery.

Agriculture, Water, Climate and Rural Development

42. Mr Speaker Sir, the thrust under Agriculture is to surpass the 2021 production levels through implementation of the key tenets of the Agriculture Recovery Plan, **(Slide 21)**.
43. Based on the current agriculture financing model, Government will finance the Productive Social Protection Scheme for crop and livestock (support towards vulnerable households) while banks will fund the private sector, through the National Enhanced Agriculture Productivity Scheme (NEAPS), with Government providing guarantees where necessary.
44. Consequently, an allocation of ZWL\$124 billion to Ministry of Lands, Agriculture, Water, Climate and Rural Development is provided under this Budget, targeted towards the following interventions:
- Grain production and grain purchase;
 - Horticulture;
 - Business Advisory and Extension Services;
 - Agriculture Research and Colleges;
 - Animal Disease Prevention and Control;
 - Agricultural Engineering and Mechanisation;
 - Water and sanitation;

- Irrigation development; and
- Rural Development.

Mining

45. Mr Speaker Sir, the country will continue to leverage on its mineral resources in order to achieve the desired US\$12 billion mining industry by 2023, **(Slide 23)**.
46. In support of this, the Budget has a provision of ZWL\$3 billion to the Ministry of Mines and Mining Development for implementation of the following programmes and activities, among others:
 - Amendment of Mines and Minerals Act Amendment;
 - Operationalisation of the Cadastre System;
 - Mining Exploration;
 - Decentralisation of Operations;
 - Opening of Closed Mines;
 - Hiring and Capacitating Mining Extension Officers;
 - Establishment of Gold Service Centres; and
 - Mineral Value addition and Beneficiation.

Industry

47. Mr Speaker Sir, the 2022 Budget seeks to facilitate a shift towards production of high value manufactured products which contribute more to output, export earnings and create decent jobs. Additionally, the thrust is on enhancing local production and productivity, through domestication of value chains, including domestic raw materials.
48. I, therefore propose to allocate ZWL\$3.9 billion to the Ministry of Industry and Commerce towards the following programmes and projects, among others:
- Capacitation of the Industrial Development Corporation;
 - Industrial Upgrading;
 - Zisco Steel Revival; and
 - Value Chain Development.

Tourism and Environment

49. Mr Speaker Sir, the tourism sector was most affected under the COVID-19 conditions and will require more support for its recovery. Hence, implementation of the National Tourism Recovery and Growth Strategy is receiving higher priority under 2022 Budget.

50. Therefore, an allocation of ZWL\$3.7 billion to the Ministry of Environment, Climate, Tourism and Hospitality Industry, which should also cater for implementation of climate change mitigation measures.

Youth, Sport, Arts and Recreation

51. Mr Speaker Sir, the 2022 Budget seeks to leverage on the youth demographic dividend for higher economic growth by providing an enabling environment through establishment of incubation hubs, training and interactive centres.
52. The 2022 Budget allocation to the Ministry of Youth, Sport, Arts and Recreation of ZWL\$7.8 billion targets rehabilitation and upgrading of sporting facilities as well as youth entrepreneurship initiatives such as “youth in mining” and “youth in agriculture”.
53. This also includes extending the Youth Employment Tax Exemption (YETI), and capitalisation of the EmpowerBank which should create opportunities for productive activities for our youths and hence, reduce idleness and incidences of drug abuse. A budget allocation is being set aside to deal with drug abuse challenges.

Women, Small and Medium Enterprises Development

54. Mr Speaker Sir, capitalisation of empowerment institutions such as Women Development Fund, Community Development

Fund, Zimbabwe Women's Microfinance Bank, and Small and Medium Enterprises Development Corporation (SMEDCO) are critical in achieving gender inclusivity. In addition, the free sanitary wear programme will be expanded.

55. In furthering the empowerment drive and inclusive society, the Budget has a provision of ZWL\$4.7 billion for the Ministry of Women Affairs, Community, Small and Medium Enterprise Development for interventions tailor made to meet the needs of women and SMEs.

Infrastructure

56. Mr Speaker Sir, the country's aggressive drive and commitment towards infrastructure development has resulted in completion of several projects in almost all sectors, largely utilising our domestic resources and notwithstanding current challenges emanating from the COVID-19 pandemic.
57. The 2022 Budget provides an overall infrastructure spending plan of ZWL\$156.4 billion to support mainly ongoing projects. An amount of ZWL\$10.9 billion has been set aside for capitalisation of State-Owned Enterprises whilst ZWL\$23.5 billion is earmarked for capacitation of line Ministries in order to enhance public service delivery.

Transport

58. Mr Speaker Sir, the thrust in 2022 is to continue to modernise the transport network, with particular focus on completion of on-going projects.
59. Therefore, the Budget allocates ZWL\$60.8 billion to the Ministry of Transport and Infrastructure Development for the following key programmes:
- Road rehabilitation and development;
 - Modernising technologies on tollgates;
 - Upgrading of railway infrastructure;
 - Capitalisation of Air Zimbabwe;
 - Upgrading and rehabilitation of airports; and
 - Upgrading of border posts.

Energy

60. Mr Speaker Sir, unreliable and inconsistent power supply continues to undermine economic growth and recovery.
61. Key priority areas during 2022, therefore include completion of Hwange 7 & 8 expansion, undertake rehabilitation and maintenance of the old thermal power stations, as well as crowd in private sector investment, the Independent Power Producers (IPPs).

62. Also critical is Rural Electrification Programme that seeks to extend the grid to under-served areas.
63. Therefore, the 2022 Budget allocates ZWL\$3.9 billion to the Ministry of Energy and Power Development. This will be complemented by loan financing and ZESA own resources.

Housing

64. Mr Speaker Sir, consistent with the NDS1 strategic objective, aggressive housing delivery will rely on Government cooperation with private players. Emphasis will be on applying new modern and cost-effective alternative building technologies and designs that are resilient to climate change and affordable, which conforms to local planning standards and building codes. The densification model will be employed whilst the Smart City Concept already adopted, will be cascaded to other critical areas.
65. With regards to institutional housing focus, will be on continued provision of adequate and conducive working space for public servants through rehabilitation and upgrading of existing facilities, construction of office buildings, as well as purchase of properties in critical cases.

66. In this regard, a total of ZWL\$29 billion is being allocated for various institutional accommodation projects and a further ZWL\$500 million for recapitalisation of the National Housing Fund. The Ministry of National Housing and Social Amenities has been allocated an amount of ZWL\$10.1 billion to spearhead housing development and provision of social amenities.

Local Government

67. Mr Speaker Sir, ageing infrastructure, coupled with increasing population makes it imperative that we invest in new water supply sources and sewer infrastructure for our urban areas.

68. To this end, through conditional grants, a total of ZWL\$2.1 billion will be availed to urban and rural local authorities.

69. Furthermore, through the inter-governmental fiscal (devolution) allocation, an amount of ZWL\$42.5 billion, being 5% of total revenues, will be disbursed to all local authorities for implementation of impactful community infrastructure projects.

70. The Ministry of Local Government and Public Works has been allocated ZWL\$24.3 billion to spearhead provision of public office space and local governance.

Information Communication and Technology

71. Mr Speaker Sir, investing in ICT has become critical given the huge demand and use of ICT services in the digital world and the COVID-19 era.
72. Therefore, the 2022 National Budget is allocating ZWL\$3.3 billion to the Ministry of Information Communication and Technology to implement various projects which include: improving coverage and access to broadband infrastructure, deployment and installation of smart e-Government systems, as well as expansion of network to marginalised communities.

Education

73. Mr Speaker Sir, the demand for education services covering primary, secondary and higher & tertiary levels have been growing over the years. However, this has not been matched with infrastructure development and the necessary human capital.

Primary and Secondary Education

74. To implement the ministry's priority projects, an amount of ZWL\$124.1 billion is being allocated to the Ministry of Primary and Secondary Education under the 2022 National Budget.

Higher and Tertiary Education

75. To support interventions under institutions of higher learning, an amount of ZWL\$35.5 billion is being allocated to the Ministry of Higher and Tertiary Education, Innovation, Science and Technology Development.

Health and Well-being

76. Mr Speaker Sir, despite the current efforts towards revitalisation of our health sector and successful roll out of COVID-19 vaccination programme, it is apparent that gaps still exist in the health delivery system attributed to shortage of medicines, critical infrastructure and equipment.
77. Therefore, priority in 2022 will be on rehabilitation, upgrading and construction of healthcare infrastructure, including provision of medical equipment, ambulances and operational vehicles. Further, Government will increase fund for medical consumables, hiring of additional medical personnel and reviewing salaries and wages.
78. Consequently, the 2022 National Budget has allocated, ZWL\$117.7 billion to the Ministry of Health and Child Care which represents 12.2% of the Budget.

Social Protection

79. Mr Speaker Sir, “*development is about transforming the lives of people, not just transforming economies*” (Joseph Stiglitz: American economist and public policy analyst). Hence, Government will continue to prioritise support towards social protection programmes such as Productive Social Protection Scheme, Basic Education Assistance Module, Support to the elderly, those living with disabilities and children in difficult circumstances, foster homes.
80. Therefore, the 2022 National Budget allocates ZWL\$19.5 billion to the Ministry of Public Service, Labour and Social Welfare towards upscaling social protection programmes.

Information, Publicity and Broadcasting Services

81. Mr Speaker Sir, the media is at the centre of citizen and state interaction. Therefore, an allocation of ZWL\$2.7 billion has been set aside for the Ministry of Information, Publicity and Broadcasting Services towards image building, international engagement and re-engagement programmes, as well as upgrading of transmission infrastructure and digital migration project.

Foreign Affairs and International Trade

82. Mr Speaker Sir, our foreign missions play a critical role in portraying the country's image and a gateway for international relations. The welfare of staff at our missions has largely been addressed save for accommodation and tools of trade. However, the current state of facilities at our missions, as well as the welfare of the embassy staff needs to be improved.
83. The 2022 National Budget, therefore, allocates ZWL\$14.9 billion to the Ministry of Foreign Affairs and International Trade for operations, procurement of tools of trade, including vehicles, and to address critical infrastructure requirements at our embassies and chanceries.

Peace and Security

84. Mr Speaker Sir, the prevailing peace and security is important for sustainable economic development and must be preserved at all cost.
85. Government will continue to capacitate the Security Organs of the State to ensure that our security services are fully funded to enable them to effectively execute their mandate of reducing crime in order to create a conducive environment for development.

86. An amount of ZWL\$49.4 billion is being allocated to the Ministry of Home Affairs and Cultural Heritage and ZWL\$61.5 billion for the Ministry of Defence and War Veterans Welfare.

Justice Delivery

87. Mr Speaker Sir, Government is committed to effective and efficient delivery of justice. Hence, an allocation has been made for construction, upgrading and rehabilitation of court facilities as part of decentralisation programme of justice service delivery system. This also includes institutional housing for prison staff and prison facilities.
88. An amount of ZWL\$22.7 billion has been set aside for the Ministry of Justice, Legal and Parliamentary Affairs.

Governance

89. Mr Speaker Sir, the overarching objective on governance is to improve public and justice service delivery, rule of law and uphold national unity, peace and reconciliation as building blocks for achieving equitable and sustainable national harmony and development.
90. Therefore, the 2022 Budget has set aside resources to capacitate independent Commissions to enable them undertake their Constitutional mandates as follows:

- Zimbabwe Media Commission ZWL\$510 million;
- Zimbabwe Gender Commission, ZWL\$497.6 million;
- Zimbabwe Human Rights Commission, ZWL\$403.9 million;
- National Peace and Reconciliation Commission, ZWL\$441.3 million;
- Zimbabwe Anti-Corruption Commission, ZWL\$931.7 million;
- Zimbabwe Electoral Commission, ZWL\$11.6 billion;
- National Prosecuting Authority, ZWL\$1.6 billion and
- Land Commission, ZWL\$1.8 billion.

Support to Parliament

91. Mr Speaker Sir, Government recognises the critical role of parliament as the absolute Legislative Authority and its oversight role on Government activities. In this regard, ZWL\$14.6 billion has been allocated for Parliament to enable the House conduct its business in an effective and efficient manner, covering the following:

- Constituency Development Fund;
- Construction of Constituency Information Centres;
- Sessional expenses; and
- Constituency visits.

92. The allocation also caters for the welfare of Members of Parliament, that includes salaries, pensions and medical expenses, transport services and research.

Enhancing Efficiencies in the Public Service

Compensation of Employees

93. Mr Speaker Sir, Government recognises the role of human capital in the provision of public services. However, recent inflation developments have eroded disposable incomes of employees. In response, Government is making efforts to restore the value of salaries for public servants, beginning with the 2021 bonus payment in United States dollars.

94. In 2022, an amount of ZWL\$340 billion (41% of revenues or 6.7% of GDP), has been set aside for the wages and salaries for public servants and pensions. Resources have also been set aside to support the following:

- Harmonisation of Conditions of Service;
- Social Security;
- Public Service Pension Fund Scheme;
- Personal Issue Vehicles;
- Civil Service Housing Fund;

- Public Service Training Centres; and
- 2022 Population and Housing Census.

Tax Policy and Administration Measures

95. Mr. Speaker Sir, I am proposing revenue measures that seek to maintain fiscal stability through stimulating growth of productive sectors, enhancing revenue collection, providing relief and simplifying tax administration in order to improve the doing business environment.

Support to Industry

Rebate of Duty Facilities

Transparency and Accountability in the Utilisation of Rebate Facilities

96. Mr. Speaker Sir, Government has over the period 2009 to date availed tax rebates and Value Added Tax (VAT) deferment to manufacturing, mining, tourism, agriculture, transport, energy and health sectors.
97. Whereas the primary function of tax laws is to mobilise resources, Government spending has, however, also been executed through tax preferences targeted at lowering production costs. Provision of such concessions reduces

the amount of tax revenue that would otherwise have been collected.

98. Unlike other spending programs, tax revenue forgone through concessions is not subject to appropriation. For purposes of enhancing transparency and accountability of the Budget, an Annex outlining the value of goods and revenue forgone during the period 2016 to August 2021 from granting of various tax concessions to productive sectors has been provided.

Observations on Operations of Corporates Granted Various Rebates

99. Whereas availing of tax rebates and VAT deferment has gone a long way to enhance productivity, issues of concern observed during beneficiary company tours include the following among others:

- False declaration of minerals produced;
- Export of unpolished granite;
- Non submission of monthly returns to the Ministry responsible for Mines and Mining Development;
- Environmental degradation;
- Lack of corporate social responsibility such as community schools, hospitals, water and housing suitable for human

habitation especially in the mining sector;

- Non-provision of safety wear for employees;
- False declaration of physical addresses; and,
- Transfer of capital equipment to a new site without ZIMRA approval.

100. Mr. Speaker Sir, in order to enhance transparency and accountability in the administration of rebate facilities and address the deficiencies that have been identified, I propose to include the following provisions in the transparency report that should be filed by applicants, as follows:

- ZIMRA certified tax payment for the period prior to application;
- For exporting companies, CD1 Form discharged for the period prior to application;
- Corporate social responsibility executed;
- Activities to protect the environment against degradation; and
- In the case of mining, submission of monthly returns to the Ministry responsible for Mines and Mining Development.

Rebate of Duty on Capital Equipment Imported for Use in Specified Industries

101. In order to assist the retooling of companies, Government,

in 2016, introduced a *Rebate of Duty* on capital equipment imported for use in specified industries which include mining, manufacturing, agriculture and energy.

102. Cognisant of the wide usage of such capital equipment by productive sectors, and the need to ease the cost of doing business, I propose to provide duty free importation of the capital equipment through the tariff regime.
103. Furthermore, I propose to strengthen the provisions governing the facility in order to minimise loopholes in administration through the following measures:
 - Companies applying for the rebate of duty facility should be incorporated;
 - No third-party companies shall be granted rebate of duty. These include tribute agreements and hired suppliers or contractors;
 - A minimum threshold of US\$10 000 of the value of equipment is required for processing a *Rebate*.

Dairy Industry

Suspension of Duty on Milk Powder

104. Government support to the dairy sector over the years has

triggered a positive response towards development of the dairy industry. Since the beginning of the year, investment across the value chain amounted to US\$20 million.

105. In order to augment the supply of raw milk, mindful of the need to revitalise the dairy industry, I propose to extend duty suspension on minimum quantities of milk powder for the year 2022.
106. As a quid pro quo, dairy processors are expected to increase support to out-grower schemes with a view to build the stock of dairy herd, in order to increase raw milk production.

Dairy Revitalisation

107. In line with interventions proposed in NDS1 to improve performance in the dairy value chain, I propose to introduce a levy of 5% on the value of imported dairy products.
108. The funds will be ring-fenced for re-capitalising the *Dairy Revitalisation Fund*, targeted at growth and development of the dairy sector by increasing the national dairy herd, enhancing competitiveness of the dairy sector, support modernisation and standardisation of local milk production.
109. Funds will be disbursed from the *Consolidated Revenue Fund*

to smallholder farmers at a concessionary interest rate, in order to ensure sustainability of the *Fund*, as well as optimising growth of the sector.

110. Furthermore, in order to guarantee growth of the sector, a minimum of 80% of the funds should be utilised towards procurement of the dairy herd.

Tourism Industry

Suspension of Duty on Motor Vehicles imported by Safari and Tour Operators

111. I propose to extend suspension of duty on motor vehicles imported by the Safari and Tour Operators for a further 2 years, beginning 1 January 2022.

Revenue Enhancing Measures

Excise Duty

112. In order to benchmark excise tax rates with the practice in the region, thereby curbing illicit flows and also mobilize additional revenue to the *Fiscus*, I propose to increase excise duty on cigarettes from 20% + US\$5.00/1000 cigarettes to 25% + US\$5.00/1000.

113. I, further, propose to introduce a flat rate of excise duty on energy drinks at a rate of US\$0.05/litre, or the local currency equivalent.

Non-Communicable Diseases Fund

114. Incidences of non-communicable diseases, in particular, cancer, diabetes and hypertension are on the increase.
115. Additional funds generated from the review of excise duty on cigarettes and energy drinks will be ring-fenced and appropriated from the *Consolidated Revenue Fund*, towards treatment and support of cancer, diabetes and hypertension patients through the *Non-Communicable Diseases Fund*.

Motor Vehicle Insurance Pool

116. Mr Speaker Sir, the *Motor Insurance Pool* was established in terms of the Road Traffic Act to provide third party temporary cover to motorists entering into Zimbabwe. The insurance policy, thus, applies on foreign registered motor vehicles, excluding motor vehicles covered by the COMESA *Yellow Card Insurance Scheme*.
117. Due to the low claims ratio, surplus funds accumulated in the Pool are, however, distributed to participating short-term

insurance entities, hence, I propose to redirect 20% of the premium to the *Consolidated Revenue Fund* for assistance to victims of accidents.

Levy on New Cellular Telephone Handsets

118. Mr. Speaker Sir, whereas imported cellular handsets attracts modest customs duty of 25%, the funds realised, however point to evasion of the customs duty due to the nature of the items which can easily be concealed.
119. In order to curb tax evasion, I propose to introduce a levy of US\$50 which will be collected prior to registration of new cellular handsets by Mobile Network Providers.
120. However, where duty would have been paid, the Zimbabwe Revenue Authority will provide a refund of the levy within 30 days of receipt of payment from the mobile network operator

Tax Relief Measures

Tax-Free Threshold on Personal Income

121. In order to provide relief to taxpayers and also boost aggregate demand for goods and services, I propose to adjust the tax-free threshold from ZWL10 000 to ZWL30 000 and also adjust

the tax bands to end at ZWL500 000, above which a marginal tax rate of 40% will apply, with effect from 1 January 2022.

122. I, further, propose to review the tax-free threshold on income accruing in foreign currency from US\$70 to US\$100 with effect from 1 January 2022. Other foreign currency tax bands remain unchanged.

Bonus Tax-Free Threshold

123. I also propose to review the local currency tax-free bonus threshold from ZWL25 000 to ZWL100 000 and the foreign currency tax-free bonus threshold from US\$320 to US\$700, with effect from 1 November 2021.

Taxation of Retrenchment Packages

124. Government recognises that a number of employees have been retrenched as employers adopt cost rationalisation strategies, in response to the negative effects of the COVID-19 Pandemic.
125. In order to preserve the value of retrenchment packages, I propose to review the non-taxable portion of the local currency tax-free threshold from the greater of ZWL50 000 or 1/3 of the retrenchment package, whichever is higher, up to a maximum

of ZWL240 000, to the greater of ZWL400 000 or 1/3 of the retrenchment package, whichever is greater, up to a maximum of ZWL2 million, for income earned in local currency.

126. This measure takes effect from 1 January 2021.

Tax Credits for Employing Physically Challenged Persons

127. The NDS1 thrust is to protect vulnerable groups through new interventions and enhancement of existing programmes, since people living with physical challenges face significant barriers to employment.

128. I, therefore, propose to introduce a tax credit of US\$50 or local currency equivalent per additional employee recruited per month for corporates that employ physically challenged persons. The credit will, however, be limited to a maximum of US\$2 250 per year of assessment.

129. This measure takes effect from 1 January 2022.

Tax Administration

VAT Fiscalisation

130. The fiscalisation programme has gone through different stages culminating in the current phase where taxpayers are

expected to fiscalise and interface their devices to facilitate real time transmission of data to ZIMRA for audit purposes.

131. The current rate of compliance to fiscalisation across all categories of registered taxpayers is low. The low level of compliance has exposed tax administration to fraudulent VAT claims that undermine revenue collections, among other misdemeanours.
132. In order to mitigate the risk of understating revenue, as well as enhance transparency, thereby safeguarding *Fiscal* revenues, I propose that only fiscalised tax invoices will be used for input tax claims.
133. Furthermore, no *Tax Clearance Certificate* will be issued to registered operators whose devices are not interfaced to the ZIMRA server.
134. These measures take effect from 1 January 2022.

Payment of Excise Duty in Foreign Currency

135. Whereas excise duty in foreign currency is payable on alcoholic beverages, tobacco and cigarettes, other excisable products that include telephone airtime, data and pre-owned motor vehicles are liable to excise duty in local currency.

136. In order to ensure fairness and equity in the tax treatment of excisable products, excise duty will be levied in the currency of trade.

Warehousing of Pre-Owned Motor Vehicles in Bond

137. Current legislation provides for the warehousing and securing of goods in appointed and licenced bonded warehouse facilities, without payment of duty, subject to other prescribed conditions.

138. Goods imported into bonded warehouses must be cleared within a maximum period of 2 years.

139. Pre-owned vehicles imported into bond constitute idle capital which can otherwise be productively utilised. In other cases, funds for the purchase of such vehicles are obtained on the parallel market, thereby perpetuating speculative and arbitrage opportunities.

140. I, therefore, propose to preclude importation of pre-owned motor vehicles from goods that can be imported into bond.

141. I, further, propose that, in the case of pre-owned vehicles that are already in bonded warehouses, such vehicles should be entered into consumption within 6 months beginning

1 December 2021, failure of which such vehicles shall be forfeited to the State.

Legislative Amendments

VAT on Accommodation and Visitors' Services

142. In support of efforts to boost local tourism following the slow-down in international tourist arrivals due to the COVID-19 pandemic, Government waived VAT payable by domestic tourists for accommodation and visitor services within the framework of the COVID-19 *Economic Recovery and Stimulus Package* for a period of 12 months.
143. I propose to extend the VAT exemption on accommodation and visitor services consumed by domestic tourists by a further 12 months with effect from 1 August 2021.

Tax Exemption on Councillors' Allowances

144. Mr Speaker Sir, allowances paid to Councillors appointed in terms of the Urban Councils Act are exempt from tax.
145. However, allowances paid to councillors appointed in terms of the *Rural District Act* are liable to tax.
146. In order to ensure equity and fairness in the taxation of similar allowances, I propose to extend the income tax exemption to

allowances paid to councillors appointed in terms of the Rural District Councils Act.

CONCLUSION

147. In conclusion, this 2022 National Budget seeks to buttress the growth trajectory established in 2021, and enable the economy to build resilience against shocks, including the COVID-19 pandemic.
148. We endeavour to execute the Budget without wastages, delays and with timeliness.
149. The Budget implements the NDS1 objectives which are being carefully monitored and evaluated through the Implementation and Evaluation Framework.
150. And with a unity of purpose and productive cooperation, Vision 2030 is attainable, as buttressed by *Proverbs 21 verse 5*, which says “*The plans of the diligent lead surely to abundance but everyone who is hasty comes only to poverty*”.
151. Mr Speaker Sir, I finally commend the 2022 National Budget to this August House in compliance with the law, and it is accompanied by the following documents:

- *The 2022 National Budget Statement;*
- *NDS1 Programmes and Projects Investment Plan (2021-25);*
- *2022 Infrastructure Investment Plan;*
- *The 2022 Citizen's Budget;*
- *The Estimates of Expenditure (Blue Book);*
- *Draft Finance Bill;*
- *Draft Appropriation Bill; and*
- *Statement on Public Debt.*

I thank you

Hon. Prof. Mthuli Ncube

Minister of Finance and Economic Development

25 November 2021

