2026 NATIONAL BUDGET ANALYSIS & REVIEW

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PREAMBLE

The Chamber acknowledges the presentation of the 2026 National Budget Statement on 27 November 2025, themed "**Enhancing Drivers of Economic Growth and Transformation Towards Vision 2030**." We appreciate the Government of Zimbabwe for its continued engagement of the private sector and other key stakeholders in the national budgeting process. This sustained consultation reflects Government's recognition that private enterprise is central to economic transformation, job creation and export growth. We further commend ongoing reforms - particularly the rationalisation of regulatory fees, investments in infrastructure, modernisation of revenue systems, and measures to durably stabilise the macroeconomic environment - which are critical foundations for competitiveness and investor confidence.

As a body representing business in Zimbabwe, the Chamber remains committed to constructive dialogue anchored in evidence-based policy proposals. Our submissions build on real sector experiences across manufacturing, mining, commerce, services and education, among others, and reflect the urgent need to deepen formalisation, align fiscal and monetary policy, strengthen institutions, and unlock productive capacity. We present this analysis in the spirit of partnership and national progress, with a firm belief that strong collaboration between Government and the private sector is essential for driving inclusive and sustainable growth as Zimbabwe enters into the second phase of the National Development Strategy and advances toward upper-middle-income status under Vision 2030.

OVERVIEW OF THE FISCAL FRAMEWORK

The 2025 fiscal framework shows a narrow and volatile revenue base, heavy dependence on tax receipts, rapid growth in domestic arrears, and persistent questions about public financial management. Revenues through September 2025 exceeded year-to-date targets but full year outturns still indicate a small deficit. Public debt rose to US$23.4 billion or 44.7 percent of nominal GDP, with external arrears and domestic arrears eroding fiscal credibility and crowding out private sector liquidity. Large variances in vote utilisation, unverified outstanding payments, and repeated late contractor payments point to systemic weaknesses in budget execution, procurement and cash management.

The policy choice for 2026 is stark. Raising taxes risks choking already fragile businesses and formalisation efforts. Cutting waste and tightening expenditure management is necessary, but it should be done transparently, swiftly and in ways that protect growth-critical capital spending. A credible debt and arrears resolution strategy, immediate reforms to procurement and payment discipline, and a focused program to broaden the tax base are urgent priorities.

Expenditure Patterns and Vote Utilization Variances

By 30 September 2025 MDAs had utilised, on average 56 percent of allocations, but when adjusted for exchange rate outturns the utilisation rises to 75 percent. Certain MDAs show extreme overutilisation: Transport 267 percent, Office of the President and Cabinet 124 percent, National Housing and Social Amenities 166 percent. Conversely, crucial economic ministries such as Industry and Commerce and Foreign Affairs and International Trade used only 23 percent of their votes.

The pattern is dysfunctional. Overutilisation in some line ministries combined with underutilisation in strategic ministries implies weak prioritisation and poor cash planning. It also suggests that some ministries disburse faster, perhaps through off-budget instruments, while others face procurement bottlenecks or cash pipeline interruptions. The result is ceremonial budgeting where appropriation ceilings no longer reflect real resource allocation during execution.

The Ministry of Finance, Economic Development and Investment promotion should immediately tighten reallocation rules and require MDAs to submit revised cash plans for consideration for supplementary budgeting purposes. A hard rule on quarterly utilisation targets with remedial measures for underperforming ministries should be introduced by the Parliament of Zimbabwe.

The projected end-year deficit of US$140.1 million is small relative to GDP, but once domestic arrears (US$9.8 billion) and unverified outstanding payments (US$1.7 billion) are considered, the effective fiscal gap is far larger. The proposal to verify and convert verified claims into non-negotiable instruments payable through 2030 effectively pushes a large fiscal burden into the medium term and raises the risk of perpetual arrears. The 2026 fiscal estimates targeting revenues of 16.9 percent of GDP and total expenditures of about US$9.5 billion assume continued revenue momentum and better expenditure discipline. This is plausible but fragile. The fiscal deficit for 2023 was estimated at about 14% of GDP by the World Bank, contrary to the Ministry of Finance, Economic Development and Investment Promotion's report of it being contained within 3% of GDP. The unverified outstanding payments points to lack of discipline and would explain the rapid depreciation of the ZWL in 2023 leading to its subsequent collapse/abandonment in 2024.

Large unverified claims are a red flag for weak procurement records, poor project monitoring, and probable misallocation. Using non-negotiable instruments to defer payment merely hides rather than resolves the underlying governance failure. Delayed payments to contractors also reduce private sector liquidity and increase the cost of doing business.

Domestic arrears to service providers of US$1.28 billion present severe liquidity and credibility problems. Domestic debt grew by roughly US$900 million between July and September 2025, showing rapid accumulation of short-term obligations. High arrears signal both cash flow pressures and governance gaps. External arrears impede re-engagement with creditors and concessional financing. Growing domestic debt and government securities outstanding of US$5.33 billion crowd out private borrowing and raise the risk premium for the private sector. The combination of arrears and large unverified liabilities undermines trust in public finances.

Immediate forensic audits of large projects are required, with independent verification and public disclosure of findings. Only verified claims should be prioritised for settlement and non-negotiable instruments should be backed by realistic cash flow plans. Misconduct or fraud identified in audits should trigger administrative or criminal referrals.

Tax Policy Trade-Offs

The budget raises the perennial question of whether revenue should be increased or expenditures cut. Given that tax revenue is 96 percent of total revenue and the formal tax base is narrow, raising rates or adding new taxes would risk reducing formal sector competitiveness, discourage investment, and exacerbate informality. The alternative of cost containment, stronger PFM amidst excessive unverified expenditures, and recovery of leakages is preferable. The 2026 budget should prioritise expenditure rationalisation, procurement reform and tax base broadening measures such as digitalisation, e-invoicing and better integration of bank and mobile money data with ZIMRA.

Regulatory/License Fee Reductions versus Recent Tax Measures

Government has undertaken regulatory fee and licensing reviews that reduce compliance costs, which is commendable. However, if tax collections are increased at the same time through base broadening or new measures, the net impact on businesses could be neutral or negative depending on design. The optimal path is to consolidate fee rationalisation as part of a broader competitiveness package while ensuring that any revenue measures are growth friendly.

Through the Finance Act, the private sector is eagerly waiting for the gazetting of the Cabinet pronouncements regarding the approved reviews of licenses, fees and levies.

Action Plan for the Remainder of 2025 and 2026

- Publish a clear and time bound debt and arrears resolution strategy that distinguishes verified from unverified claims and sets a payment calendar through 2030 for validated liabilities.
- Undertake immediate forensic audits of large projects with public disclosure of results and financial reconciliations.
- Enforce a strict 90 day contractor payment rule subject to Treasury oversight and publish MDA payment performance quarterly.
- Protect capital expenditure with a minimum floor of 30 percent of total expenditure and ringfence maintenance budgets for critical infrastructure.
- Introduce mandatory electronic procurement and contract publication across all MDAs over a defined threshold.
- Strengthen revenue administration through digitalisation: e-invoicing, real time bank and mobile money reporting to ZIMRA, automated VAT refunds and risk-based audits.
- Refrain from broad tax rate increases. Instead, prioritise administrative measures to broaden the tax base, and capture digital and cross-border economic activity.
- Implement a fiscal transparency package: publish monthly cash flows, quarterly audited arrears reports, and a half-year budget execution report to Parliament.
- Establish a cross-government anti-leakage taskforce with private sector representation to reclaim customs, smuggling and transfer pricing losses, and to recommend rapid policy reforms.
- Phase in any changes to tax expenditures or newly proposed capital allowance rules with grandfathering for existing investments and a minimum transition period of three years.

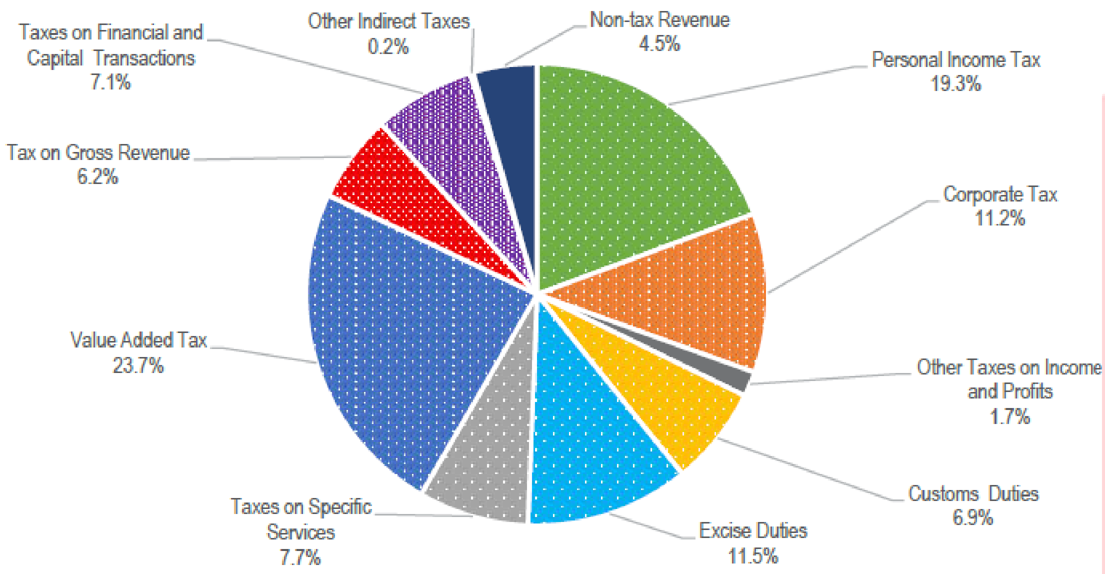
ANALYSIS AND REVIEW OF THE PROPOSED MEASURES

IMTT Review and VAT Rate Increase

Reducing the IMTT on ZiG transactions from 2.0 percent to 1.5 percent, making IMTT deductible for corporate income tax purposes, and simultaneously increasing the standard VAT rate by 0.5 percentage points is a poor policy mix. Because at least 80 percent of transactions occur in US dollars, the majority of IMTT revenue will continue to be generated by the unchanged 2 percent on foreign currency transactions. The net fiscal effect, therefore, is likely to be positive for Treasury, but the distributional and macroeconomic consequences are perverse. Making IMTT deductible transfers part of the incidence from businesses to the fiscus without removing the tax distortion that penalises digital, formal payments. Increasing VAT by 0.5 percent broadens the inflationary pass-through to households and firms and risks reversing tentative gains in disinflation.

IMTT currently makes a material contribution to revenue. On an annual basis it has accounted for around 8 percent of total tax receipts, although it did not feature among the top five revenue heads by September for the 2025 Fiscal Year as depicted on Figure 1. The discrepancy between the annual share and the year-to-date ranking suggests strong intra-year volatility in IMTT receipts and possible timing effects linked to commodity cycles and exchange rate movements. VAT remains the largest single tax contributor. The main revenue heads in 2025 are VAT at 23.7 percent of total revenue, personal income tax at 19.3 percent, excise at 11.5 percent, corporate tax at 11.2 percent and customs duties at 6.9 percent. A VAT rate increase of 0.5 percentage points will raise VAT collections in a mechanical way, but the amount raised will be concentrated on final consumers and disproportionately felt by low- and middle-income households.

Figure 1: Revenue Contribution by Revenue Head

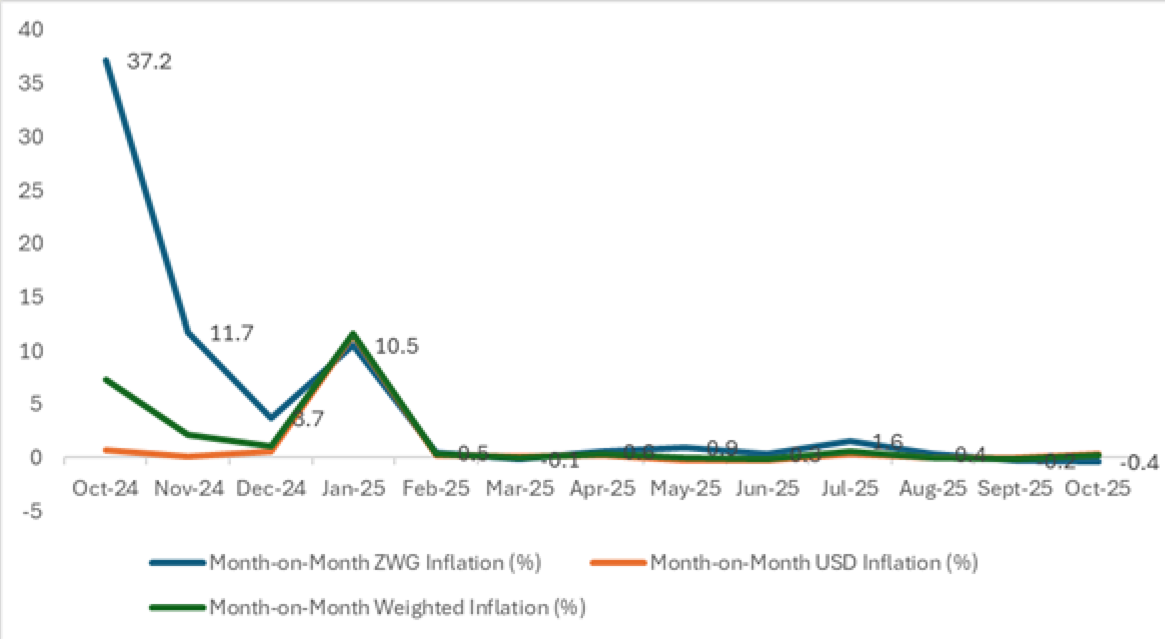


Source: Ministry of Finance, Economic Development and Investment Promotion (2025)

Because about 80 percent of transactions are in USD, Treasury's revenue exposure is heavily skewed toward the USD IMTT rate. Holding the USD IMTT at 2 percent while reducing the ZiG rate to 1.5 percent will, therefore, cause only a small loss in IMTT receipts, and may even raise net receipts when combined with continued high volumes of USD transactions. Making IMTT deductible reduces corporate tax liabilities by an amount equal to the IMTT paid. That reduces effective IMTT net of tax relief but does not remove the gross price wedge that the IMTT imposes on every electronic transaction.

October 2025 data show tentative improvement in headline inflation but persistent currency-driven pressures. Month-on-month ZiG inflation was negative in October as depicted on Figure 2, while USD monthly inflation remained positive. Annual inflation is still elevated: ZiG year-on-year was 82.7 percent in September and USD year-on-year was 13% percent in October. The weighted annual inflation eased from 25.1 percent in September to 16.8 percent in October. With this fragile disinflation path, a VAT increase is strongly inflationary because VAT hits the final retail price and will be passed through rapidly in a dollarised economy. The regressive nature of VAT means poorer households lose more purchasing power. The IMTT cut on ZiG will have negligible disinflationary effect because most transactions are USD denominated and the USD IMTT remains unchanged.

Figure 2. Month-on-Month Inflation (ZiG versus USD)



Source: RBZ (2025)

Making IMTT deductible is likely to increase the nominal margins of some firms but will not prevent firms from passing the transaction tax onto consumers. Deductibility reduces corporate tax revenue but does little to reduce the transaction cost wedge. In short, the package shifts some tax incidence toward the fiscus, raises consumption taxes that are inflationary, and leaves the structural distortion intact.

IMTT is a turnover-style tax on payments that discourages digital and bank-mediated transactions. Reducing the IMTT rate on ZiG slightly and making it deductible may encourage some formal firms to record transactions in ZiG to benefit from the lower rate and the deduction, but in practice the bulk of trade and payments will remain dollarised because of trust, availability and pricing. The net behavioral risk is that firms will continue to prefer cash and off-platform settlements for USD transactions to avoid IMTT altogether. This reduces deposit mobilisation and undermines monetary policy transmission. The reform, therefore, locks in a tax that structurally penalises the shift to a cashless, banked economy. *The Chamber proposes the following:*

1. The treasury should not increase the standard VAT rate. A 0.5 percentage point VAT rise at this fragile stage of disinflation will be materially inflationary and regressive. Treasury should avoid substituting a narrower transaction tax distortion with a broad-based consumption tax that weakens demand and erodes purchasing power.

2. Make IMTT abolishment transitional and targeted. The political imperative is to ease IMTT burdens thus, adopt a time-bound roadmap to phase it out. Deductibility for corporate income tax purposes is welcome - allowing IMTT paid to be deductible against corporate income tax only for fully tax-compliant businesses. The Finance Act, once reviewed, should clearly reflect how this would be

administered, whether it would be at the discretion of the Commissioner General or preferably, stipulated in law.

The current package of a marginal IMTT reduction on ZiG combined with VAT escalation and deductibility does not resolve the core problem that IMTT is a cascading transaction tax. Because the economy is heavily dollarised, Treasury will likely collect similar revenue in aggregate, but at the cost of preserving a distortion that penalises digital payments, reduces deposit formation, and impedes monetary policy effectiveness. The better path is to commit to a credible, time-bound phase out of IMTT while strengthening tax administration, protecting vulnerable households and avoiding VAT increases that would reverse disinflation progress.

Cotton to Clothing Value Chain

The proposed increase of customs duty to 40% plus US$2.50 per kilogram on selected polyester staple fibres and dyed woven fabrics, together with their removal from the Clothing Manufacturers Rebate, presents serious risks to the competitiveness and stability of the entire cotton to clothing value chain. Current domestic textile capacity is very limited. Only two mills are operating, producing a narrow range of fabrics at low and inconsistent volumes. They cannot meet the quantity, variety or quality required by local clothing manufacturers, contrary to what has been reported to justify the imposition of the duty.

The proposed tariff structure targets raw and intermediate inputs rather than finished imports. This will immediately raise production costs for garment manufacturers, reduce their competitiveness, trigger higher retail prices, weaken demand for local clothing and potentially force closures. Because fabrics vary widely in weight, finish and construction, applying a uniform 40% plus US$2.50 per kilogram duty will create uneven and unpredictable cost burdens. It also introduces high incentives for misclassification, smuggling and informal trade, since customs codes do not accurately capture the diversity of fabrics.

Raising duties on fabric inputs will not strengthen the textile sector if garment manufacturers lose orders or shrink production. The clothing industry is the largest employer in the value chain. If fabric becomes more expensive or unavailable, downstream job losses are likely to exceed any temporary gains for textile producers. This contradicts the goal of building an integrated value chain.

A formal study commissioned by the Ministry of Industry and Commerce, currently underway through CTC and NCC, is assessing the actual capacities and bottlenecks across the entire value chain. These tariff proposals were introduced before the study was concluded and without broad stakeholder consultation. Implementing them now risks locking the country into an inappropriate and harmful policy direction based on incomplete information. *The Chamber proposes the following*:

1. Suspend implementation of the proposed tariff increases until the ongoing capacity study is completed and validated.

2. Base any future tariff adjustments on verified evidence of local capacity and only where domestic supply can reliably meet commercial requirements.

3. Protect the value chain by targeting finished garment imports, not fabric inputs, to avoid raising production costs for local manufacturers.

4. Maintain the Clothing Manufacturers Rebate until a comprehensive tariff and industrial strategy is agreed by all value chain stakeholders.

5. Consider a phased and conditional approach to adjusting tariffs, tied to milestones in domestic textile capacity, pricing and quality.

6. Strengthen customs enforcement and classification capacity before altering fabric tariffs to minimise misclassification and leakage.

The proposed tariff changes are premature and carry high economic risks. They will raise costs for clothing manufacturers, reduce competitiveness, and undermine employment across the value chain. ZNCC supports a deliberate and evidence-based approach that follows the outcomes of the ongoing study and aligns tariff policy with realistic domestic capacity.

Tiered Royalty Regime for Gold

The introduction of tiered gold royalty rates uniform across all categories of miners is well intentioned, but its impact will be shaped by the reality that small-scale and artisanal miners contribute roughly 65% of Zimbabwe's gold deliveries to Fidelity Gold Refineries. While harmonising royalties removes long-standing arbitrage between "small-scale" and "large-scale" categories, it also risks pushing more production into informality if not paired with structural reforms. Many small-scale miners already operate with thin margins, limited capital, and rudimentary technology. When royalties rise with global prices, these miners may view formal channels as less attractive - especially when informal buyers can offer better prices and instant cash. In such an environment, royalty hikes alone will not yield the expected revenue gains, and could unintentionally worsen smuggling and under-declaration.

Our proposal is that the country has to adopt the tiered royalty structure only for medium and large-scale producers, while introducing a transitional, lower, fixed royalty rate for registered small-scale miners for about 24 months. During this transition:

- Support formalisation through simplified registration, mobile buying centres, and guaranteed fair pricing indexed to international benchmarks.
- Establish a Gold Compliance and Traceability Programme to curb smuggling and channel output into formal markets. The proposal (Par. 860) to introduce regulated, traceable investment-grade gold products should combine digital mine-to-market tracking, mandatory registration of gold buyers, and biometric tagging of artisanal producers.
- Provide small-scale miners with access to equipment leasing schemes, safer mining technology, and gold-backed production loans.

The proposed approach preserves fiscal gains from high global prices without destabilising the segment that produces most of Zimbabwe's gold.

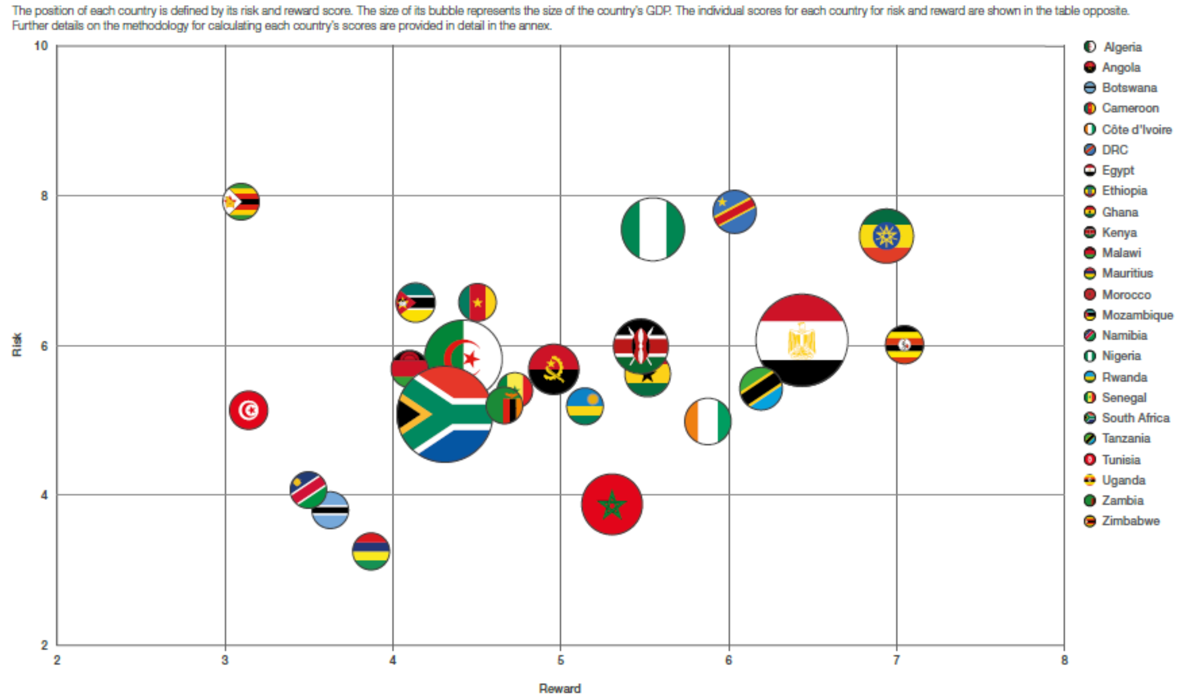
Limitation of Losses Carried Forward

The proposal to limit the utilisation of carried-forward losses to 30% of taxable income per year seeks to address a long-standing structural weakness in Zimbabwe's mining fiscal regime: the ability of companies to perpetually defer tax obligations through both legitimate and artificial losses. In principle, the

Government is correct that indefinite, full loss offsetting reduces fiscal predictability. However, the underlying problem is not simply the size of accumulated losses, but the weak enforcement environment that allows some operators to manufacture paper losses through aggressive tax planning.

Historically, Zimbabwe's mining sector has been susceptible to under-reporting of mineral output, mispricing through opaque related-party transactions, and incomplete enforcement of existing legislation. For example, although the transfer pricing regulations require annual TP returns, enforcement has been weak, with very few TP audits conducted, minimal penalties, and no clear framework for operationalising the Domestic Minimum Top-Up Tax (DMTT). In the absence of robust monitoring, multinationals can shift profits abroad through inflated management fees, intercompany loans, hedging contracts, and marketing arrangements routed through low-tax jurisdictions. These practices reduce taxable income, even when mines are physically productive and profitable. The Figure below shows that Zimbabwe is the country with the highest risk in Africa coupled with the lowest reward, thus making it the least competitive country to attract investment. No wonder the majority of the FDI is being channelled into the mining sector where transparency and accountability is limited.

Figure 3: African Countries' Risk-Reward Scores



Source: Control Risks and Oxford Economics Africa (2025)[1]

Yet the proposed 30% cap risks penalising compliant companies - particularly new or capital-intensive ventures such as PGM, lithium, iron ore, and large-scale gold operations - where genuine losses occur due to long gestation periods. With the proposed cap, Zimbabwe would become one of the least competitive mining jurisdictions regionally, compared with Botswana (75% loss cap), South Africa (80%), and Tanzania (70%). This may deter exploration, delay expansions, and raise the cost of capital at precisely the moment Zimbabwe is trying to deepen beneficiation and domestic value chains.

[1] https://www.oxfordeconomics.com/africa-risk-reward-index-2025/

The real challenge, therefore, is not simply the quantum of losses claimed, but the accuracy, honesty, and verifiability of those losses, which depends on strong monitoring systems, not blunt restrictions. The Chamber proposes the following:

1. Implement a moderate regional-standard cap (70%) instead of 30%. This aligns Zimbabwe with competitive markets while still preventing unlimited profit deferral.
2. Strengthen enforcement rather than over-restrict loss utilisation. This includes:
    a. Mandatory output measurement using calibrated digital systems (scales, flow meters, weighbridges), integrated with ZIMRA, MMCZ, and Mines Ministry monitoring.
    b. Adoption of international pricing benchmarks (LME, Metal Bulletin, Shanghai Metals Market) to prevent mineral under-invoicing. The 2026 Budget Statement (Par. 665) proposed to introduce the Quoted Price Method as the primary transfer pricing rule for mineral exports.
    c. Proactive transfer pricing audits, beginning with high-risk groups, with dedicated TP audit units and annual public reporting.
    d. Full operationalisation of the Domestic Minimum Top-Up Tax (DMTT) to ensure large multinationals pay at least a minimum effective rate.
    e. A risk-based compliance regime where persistent offenders face stricter loss limits.
3. Apply the 30% limit only to companies failing risk-based audits. Compliant firms should not be punished for the behaviour of a minority. This approach encourages honesty and reduces disputes.
4. The set off of such assessed losses carried forward against current year taxable income may not exceed the higher of US$100,000 and 70 percent (whichever is higher) of the current year taxable income before the application of the set-off. The rule should not apply to assessed capital losses, which in most cases remain fully available for set-off against capital gains.
5. Phase in the new regime over 3 years with clear transitional rules. This avoids destabilising current investments and supports predictable financial planning.

A blanket 30% limit on the carry-forward of mining losses is too blunt and too constraining for a sector characterised by long investment cycles and high upfront capital costs. The central issue is weak enforcement of existing laws, including transfer pricing, production monitoring, and TP return requirements - not the mere existence of loss carry-forwards earnings.

Deductibility of Capital Expenditure

The proposal seeks to shift Zimbabwe's mining tax regime from immediate full deductibility of capital expenditure to life-of-asset amortisation. The Treasury is correct in noting that immediate expensing accelerates tax deductions, often pushing corporate tax revenues far into the future. Because mining projects are capital-intensive and long-lived, full expensing means the State may collect minimal corporate tax for many years, even when mines are profitable in operational terms. This creates pressure on public finances, especially where fiscal planning assumes early revenue streams. Moreover, in the absence of strong monitoring, some operators may classify non-capital or inflated costs as qualifying capital expenditure to deepen tax deferral.

However, the context matters. Mining is a high-risk sector, with long exploration cycles, heavy sunk costs, volatile commodity prices, and substantial financing needs. For many investors, immediate expensing is not merely a tax incentive but a crucial investment enabler, especially in emerging markets where access to capital is constrained. Zimbabwe already competes with mining jurisdictions offering incentives such as accelerated depreciation (South Africa), additional investment allowances (Botswana), and tax stability agreements (Zambia). A shift to spreading capital allowances over the life of an asset, if not calibrated carefully, risks raising the cost of capital, delaying exploration and expansion, and weakening competitiveness relative to regional peers.

Another concern is the timing. The mining sector is currently driving most foreign investment into Zimbabwe, particularly in lithium, PGMs, and gold. Introducing slower capital allowances in 2026, without transitional protections or investment stability clauses, may generate uncertainty for projects already in development. Investors value predictability; changes that affect investment cash flows should be phased in to preserve confidence.

The challenge is not simply that capital allowances are too generous. It is that Zimbabwe lacks strong cost-verification systems, enabling some operators to inflate or misclassify capital expenditure. Combined with weak project audits, inconsistent reporting, and inadequate enforcement of transfer pricing rules, this means the State often cannot distinguish genuine capital investment from aggressive tax planning.

In well-regulated systems, accelerated deductions are allowed because revenue authorities can reliably verify costs. In Zimbabwe, verification systems lag behind best practice, creating fiscal risks for the State. If the Government of Zimbabwe wishes to reform capital deductibility while protecting investment competitiveness, a calibrated and phased approach is essential.

1. Adopt a regional-standard depreciation model, not full-life amortisation. Best practice in mining jurisdictions:
   - Botswana: 25% straight-line per year
   - South Africa: accelerated 100% over 4 years (40% + 20% + 20% + 20%)
   - Zambia: 25% per year
   - Zimbabwe could adopt: 40% year 1, then 20% annually for the next three years. This preserves early cash flow support while providing a steady fiscal revenue profile.
2. Apply the new rules prospectively, with grandfathering for existing projects. Investments already committed under the old regime should retain their terms to avoid retroactive taxation.
3. Introduce mandatory capital expenditure audits in partnership with ZIMRA, Mines Ministry, and MMCZ. This creates a strong verification firewall against inflated or misclassified costs.
4. Require large mines to submit capital expenditure reports signed by accredited independent auditors. This aligns with international practice for high-risk, high-value sectors.
5. Consider stability clauses for strategic minerals. These ensure predictable tax terms for long-life investments such as lithium and PGMs.

The intent to reduce fiscal risk and improve predictability is sound, but the proposed shift to life-of-asset capital allowances may significantly weaken Zimbabwe's competitiveness if implemented in a rigid manner. A balanced approach - regional-standard accelerated depreciation, stronger cost-verification systems, transitional protections, and targeted enforcement - would strengthen fiscal outcomes while preserving investment appetite during a critical phase of national industrialisation under NDS2.

Export Tax on Un-Beneficiated Minerals

The Chamber unequivocally supports the strategic intent of the Export Tax on Un-Beneficiated Minerals. The tiered structure, which imposes a 10% levy on raw lithium ore and concentrate while exempting processed lithium sulphate, is a precisely targeted and correct policy to catalyze domestic value addition. This measure directly aligns with the national objectives of the National Development Strategy 2 and Vision 2030.

Our support for this strategic goal, however, requires us to highlight critical operational flaws that threaten its success. The primary issue is timing. Implementing this tax in January 2026 precedes the establishment of sufficient local beneficiation capacity. Zimbabwe still lacks the necessary conditions to locally produce battery-grade lithium such as electricity and sulphuric acid

Furthermore, the requirement to pay this tax exclusively in foreign currency undermines the policy's coherence and places a disproportionate burden on exporters. This mandate signals a lack of confidence in the local currency's stability, contradicting the much purported broader macroeconomic wins. Exporters are already obligated to surrender 30% of their foreign exchange earnings and pay for critical inputs like electricity in foreign currency. Adding a full foreign currency tax liability of 10% further depletes the funds available for the massive capital investments in beneficiation infrastructure that the government is trying to encourage.

Therefore, our position is not against the export tax, but for its successful implementation. We recommend a phased introduction of the tax (by end of 2027, depending on domestic processing capacity), synchronized with the confirmed commissioning of key beneficiation plants, improvement in the supply of electricity by both IPPs and ZESA, and a revision of the foreign currency payment rule to prevent it from hampering the strategic objective of building a domestic processing industry.

2% Corporate Social Responsibility Levy

The proposal to impose a 2% Corporate Social Responsibility Levy on coal on top of the Export Tax, while consistent with the treatment of other minerals, is fundamentally flawed and contradicts the principles of a predictable and growth-oriented fiscal regime. This levy is not an incentive but a punitive surcharge that ignores the existing obligations of coal mining companies. These entities already contribute to national development through Corporate Income Tax of 25% and, critically, voluntarily undertake significant community development projects - building schools, clinics, and infrastructure in their areas of operation. Also, the coal mining companies contribute significantly to the community under the Community Share Ownership Trusts and through royalties paid to local authorities. This levy does not introduce a new responsibility; instead, it confiscates capital, effectively double-taxing companies for the social development they are already delivering. The funds from royalties and deposits into Trusts should be used for their intended purposes and to the benefit of the communities.

Furthermore, the economic impact will be counterproductive. The coal sector is a strategic linchpin for national energy security and provides affordable power for industry. By increasing the cost of production, this levy will force these costs onto consumers, directly increasing the price of electricity. This will fuel inflation and erode the competitiveness of every Zimbabwean business and household that relies on affordable power, ultimately undermining the broader goals of economic growth and transformation under

Vision 2030. Therefore, for the sake of fiscal fairness, energy stability, and national economic competitiveness, this proposed levy should be withdrawn.

Cash Withdrawal Levy

The proposal to introduce a progressive levy on foreign currency cash withdrawals, while aimed at enhancing transparency and formalizing the economy, is a fundamentally flawed and counterproductive measure that penalizes formal banking.

The Government's diagnosis of the problem - widespread reliance on cash undermining tax collection - is accurate. However, the prescribed remedy is misdirected. This levy does not address the root causes of cash preference, which are the cost of digital transactions, the lack of universal acceptance of digital payments, network unreliability, and a deep-seated lack of trust in the financial and monetary system. Instead, it punishes individuals and businesses for accessing their own legitimate funds from the formal banking system, unfairly taxing them.

This measure is a direct and significant increase in the cost of commerce. The proposed progressive levies of 2% and 3% must be viewed not in isolation, but as a cumulative burden on top of existing banking charges, which already include ATM access fees of 2% to 3.5%. For a corporate entity withdrawing US$10,001, the total cost would now include a 3% levy (US$300.03) plus standard bank fees, making the total cost of access potentially exceed 6% of the principal. This acts as a steep tax on liquidity and working capital, which will inevitably be passed on to consumers through higher prices, fueling inflation.

Furthermore, the policy is likely to achieve the opposite of its intended effect. Rather than driving the economy toward digitalization and financial inclusion, it will incentivize disintermediation from the formal banking sector. Businesses and individuals will continue to hoard cash outside the system, settle larger transactions in physical cash to avoid the levies, and rely more heavily on informal financial channels. This will reduce the very deposit base that banks rely on for lending, constrict credit availability, and ultimately shrink the formal economy it seeks to tax.

The Chamber's position from 2022 remains valid: this levy signifies a focus on short-term revenue collection at the expense of fostering a competitive business environment. Instead of penalizing the use of the formal banking system, the Government should focus on the foundational reforms that would make digital payments more attractive: ensuring stable and affordable internet connectivity, strengthening cybersecurity, incentivizing the adoption of Point-of-Sale systems, and, most critically, building lasting confidence in the stability and utility of the financial platforms. *This levy is not a solution to informality; it is a catalyst for it.*

Rental Income Tax

The Chamber acknowledges the government's objective to enhance revenue collection and formalize economic activity within the rental sector. The proposal to mandate property registration and compel landlords to act as tax collection agents identifies a significant gap in the current presumptive tax framework. However, the proposed method of implementation is administratively cumbersome, disproportionately punitive, and risks undermining the stability of the commercial property market. The following are the areas of contention:

- Excessive Burden on Landlords: The proposal transforms property owners into uncompensated tax auditors and withholding agents for the state. The requirement to submit quarterly tenant registers and occupancy lists, coupled with the liability to withhold 10% presumptive tax from informal tenants, places a significant compliance burden on landlords, many of whom lack the administrative capacity for such reporting.
- Cumulative Fiscal Pressure: This new administrative regime on rental income must be viewed in conjunction with the existing 2% Property Tax on the capital value of properties. While these taxes target different bases, their cumulative effect represents a substantial increase in the fiscal pressure on the real estate sector, which could deter investment in property development.
- The Premises Closure Power is Counterproductive: Empowering ZIMRA to temporarily close premises is a disproportionately blunt enforcement tool. This measure punishes not only the non-compliant landlord but also all tenants operating legally on the premises, leading to unnecessary business disruption, job losses, and damage to the economy. Enforcement should be targeted at the offender, not the property itself.

To achieve the government's goal more effectively and fairly, we propose a shift from a punitive model to a simplified, compliance-oriented framework.

1. Implement a Tiered, Simplified Tax System: Replace the complex withholding requirement with a graduated flat tax on gross rental income. For example:
   - Tier A (Low Income): Annual rent < US$10,000 → 5% final tax.
   - Tier B (Medium Income): Annual rent US$10,000 - US$50,000 → 15% tax with simplified filing.
   - Tier C (Large Operators): Annual rent > US$50,000 → Full income tax on net profit.
2. Develop a Centralized Digital Registry: Mandatory registration should be facilitated the TaRMS portal, eliminating the need for cumbersome quarterly paper submissions.
3. Replace Closures with Graded Financial Penalties: Enforce compliance through a clear schedule of financial penalties for non-registration and late filing. The power to close a premises should be a last resort, requiring a court order for cases of persistent criminal evasion, not an administrative tool.
4. Launch an Amnesty and Awareness Campaign: A six-month tax amnesty for registration and a public information campaign would encourage voluntary compliance and smooth the transition to the new system.

Enhancing the Efficiency of the Value Added Tax

The proposed measures to enhance VAT efficiency are introduced into a system struggling with profound administrative failures. While the goal of improving compliance and revenue collection is valid, these proposals will exacerbate existing burdens on businesses without addressing the core issues that cripple the VAT system's functionality.

1. Splitting of Supplies for VAT Purposes

The proposal to standard-rate all goods and services from mixed supplies is a blunt instrument that ignores operational reality. This measure will create immense administrative complexity for sectors like healthcare, hospitality, and education, forcing them to implement new, arbitrary billing systems. More critically, it will lead to a significant increase in consumer prices for essential services. By charging output VAT on formerly exempt supplies, businesses will create a hidden sales tax that cascades through the economy. This contradicts the fundamental VAT principle of taxing only final consumption and will fuel inflation.

This proposal dangerously expands the scope of output VAT liabilities in a system where the government is already chronically delayed in processing input VAT refunds. Businesses will be forced to pay more tax upfront while their own refund claims remain stuck in a backlog, worsening the severe liquidity crisis.

2. VAT on Imported Services

The move to explicitly require foreign currency payment for VAT on imported services, backed by penalties, is technically sound but practically unfair. This measure fails to acknowledge that the current confusion stems from a history of legislative instability and conflicting signals. To impose penalties for non-compliance with a rule that has been ambiguously presented is punitive. It does not solve the underlying problem but merely shifts the entire burden of compliance onto the taxpayer.

This strict enforcement of liabilities stands in stark contrast to the government's own failure to meet its obligations. ZIMRA aggressively pursues interest and garnishes accounts for late USD payments, while simultaneously withholding millions in owed VAT refunds. This creates a fundamentally inequitable environment where the state's demands are immediate, but its repayments are indefinitely delayed.

3. Rationalization of Zero-Rating and Exemptions

The rationalization measures largely consist of removing reliefs, which will increase the cost base for key sectors. Shifting these to standard-rated status imposes a heavy and unnecessary cash flow cost on business acquisitions and restructuring, directly discouraging investment.

Standard-rating tourism services and financial services for corporates harms the competitiveness of vital export and support sectors. The increased costs will be passed through the entire economic value chain.

While aimed at affordability, exempting inputs is a poorly designed tool. It blocks manufacturers from recovering input VAT, embedding tax within their production costs and creating the very inefficiencies a modern VAT system is meant to eliminate. A zero-rating approach would be far more effective.

Underpinning all these proposals is the unaddressed crisis of VAT refund delays. The government's inability to process and pay refunds in a timely manner represents a massive, interest-free loan forcibly extracted from the business sector. It fundamentally breaks the VAT mechanism, turning it from a tax on consumption into a punitive levy on business activity itself.

The proposed VAT changes are overwhelmingly focused on increasing revenue collection for the Treasury while ignoring the catastrophic administrative failures that currently define the system. Before introducing new complexities and liabilities, the government should first demonstrate a commitment to fixing the basics: implementing a transparent, timely VAT refund system, allowing cross-currency offsets, and ceasing punitive enforcement against businesses to whom it owes money. Without these foundational reforms, these new measures will only further strain liquidity, discourage investment, and undermine any remaining trust in the tax system.

Tax Incentives for a 24-Hour Economy

The proposal to introduce targeted tax incentives for manufacturers operating on a 24-hour cycle is a strategically sound and welcome intervention. It correctly identifies the critical issue of under-utilized capital infrastructure, which constrains industrial output, increases unit costs, and limits job creation. By offering measures such as additional tax deductions, accelerated wear-and-tear allowances, and import duty concessions, the policy directly tackles the financial viability of extended operations. This approach is well-designed, as it links incentives to demonstrable incremental production and employment, ensuring that fiscal support translates into tangible economic gains and a stronger return on investment for the private sector.

However, the success of this initiative is entirely contingent on addressing its foundational barrier: the unreliable energy supply. The proposal itself acknowledges that "energy... concerns are a key barrier," yet tax incentives alone cannot overcome persistent load-shedding. For this policy to be effective, it should be part of a coordinated, cross-governmental strategy that prioritizes a significant and immediate boost to grid electricity supply. Without guaranteed power, the cost of running generators will simply erode the value of any tax credit, rendering the incentives meaningless. Therefore, complementary reforms are essential, including prioritizing reliable power for participating industrial zones and fast-tracking approvals for private power generation.

While the fiscal framework is a positive step towards a more productive economy, its impact will be limited without solving the energy crisis. The government should concurrently execute a robust plan to increase base-load power generation and stabilize the national grid. Only with this dual-pronged approach - combining smart tax incentives with reliable electricity - can the vision of a viable 24-hour economy be realized.

Tax Deductibility of Interest on Bank Deposits

The proposal to allow financial institutions to claim interest expenses on customer deposits as a tax-deductible expense is a critically important and welcome correction. This measure directly addresses a long-standing grievance that fundamentally distorted the taxation of the banking sector. The previous disallowance of these expenses, under Section 16(1)(o) of the Income Tax Act, violated the core principle of taxing net income by ignoring a bank's most significant and legitimate operational cost - the interest it pays to mobilize the deposits that form the very foundation of its lending business. This practice artificially inflated taxable profits, leading to an unfairly high effective tax rate and discouraging financial intermediation.

The Chamber's submission correctly identified the severe negative impacts of this policy, including increased operational costs, reduced competitiveness, and a weakening of the national savings culture. By reversing this provision, the government is taking a decisive step towards restoring fairness and rationality to the tax treatment of the financial sector. This change will enhance the sector's ability to attract deposits, lower its cost of capital, and ultimately support more affordable lending to productive sectors of the economy. The inclusion of safeguards against transfer pricing and base erosion is prudent and aligns with international best practices, ensuring the policy is not abused while still achieving its primary objective.

2025 Departmental Finance Bill

We welcome the proposals contained in the 2025 Departmental Draft Finance Bill, that is the repeal of Section 234(2a) ("Goods in Transit") of the Customs and Excise Act [Chapter 23:02]. This provision currently imposes duty and levies on fuel in transit. Its removal is a progressive step that will significantly enhance Zimbabwe's competitiveness as a regional transport and logistics hub.

We also note with appreciation the progress towards achieving financial closure for the Chirundu Border Post upgrade, anticipated during the first quarter of 2026. It is essential, however, that the final financial structure ensures user fees that are regionally benchmarked and not prohibitive, in order to preserve the efficiency and attractiveness of the route.

Regulation and Oversight of the Shipping, Clearing and Forwarding Industry

We support efforts to strengthen order, accountability, and professionalism within the Shipping, Clearing and Forwarding industry. In this regard, we reiterate the need for the establishment of a dedicated regulatory body specifically mandated to oversee Clearing Agents. The current proposal by ZIMRA to regulate Clearing Agents through the Public Accountants and Auditors Board (PAAB) remains untenable for the following reasons:

1. **Jurisdictional Mismatch**

   The PAAB Act regulates the accounting and auditing professions. The core functions of Clearing Agents, Customs compliance, tariff classification, valuation, rules of origin, and supply chain logistics, do not fall within PAAB's statutory mandate. Compelling Clearing Agents to register with PAAB constitutes an overreach and creates a regulatory framework inconsistent with the enabling legislation.

2. **Operational Infeasibility**

   Compliance with PAAB requirements would, in effect, require Clearing Agents or their staff to qualify as accountants. This is both impractical and irrelevant to the Customs-specific competencies required in our industry. Such a requirement would severely disrupt operations and undermine the sector's capacity to facilitate trade.

3. **Departure from International Best Practice**

   Internationally, the Customs broking profession is regulated by specialized Customs authorities or independent trade and logistics regulatory bodies, not accounting boards. The PAAB-based model departs from global norms and risks introducing unnecessary barriers to trade.

Zimbabwe Electronic Single Window

We commend the Minister's directive to make participation in the Zimbabwe Electronic Single Window mandatory for all Ministries, Departments and Agencies (MDAs) with effect from 1 January 2026. The decision to withhold budget disbursements from non-compliant MDAs is a necessary enforcement mechanism to ensure full adoption of the platform. This measure will substantially enhance trade facilitation, improve inter-agency coordination, and strengthen the efficiency of cross-border processes.

Support for Road Infrastructure Development

The proposal to grant an indefinite Corporate Income Tax exemption to Infralink (Pvt) Ltd (a subsidiary of ZINARA) creates major fiscal and governance risks. The exemption has no sunset clause, gives one company (categorically private) a permanent competitive advantage, and locks Government into an open-ended loss of tax revenue. This approach violates core tax policy principles and would set a damaging precedent.

The measure is also impossible to administer effectively. There is no clear framework to verify whether Infralink's projects genuinely qualify for the exemption. Given historical weaknesses in road funds administration and financial oversight, the risk of inflated costs, unverifiable expenditure claims, and weak audit trails is extremely high. Zimbabwe's institutions are not equipped to monitor such a discretionary, company-specific tax holiday.

A better approach is a sector-wide, time-bound incentive, tied to strict verification. Government should allow all qualifying private toll road operators to deduct 100% of certified road maintenance and rehabilitation costs, under National Project Status, with a five-year sunset clause. This encourages investment, preserves fairness across the sector, protects revenue, and ensures Parliament can review the incentive's impact before renewal

Liberalisation of Gold Trading

The proposal to liberalize gold trading represents a transformative and strategically astute reform that moves Zimbabwe's economic policy in a profoundly positive direction. By creating a legal framework for regulated, investment-grade gold products, the government is taking a crucial step to formalize a significant portion of the economy, enhance financial inclusion, and bolster macroeconomic stability.

The core strength of this proposal is its shift from a restrictive, control-oriented approach to an enabling, market-based one. Allowing authorized dealers and individuals to legally possess and transact in certified gold bars unlocks the immense value currently held in unproductive, informal gold hoards and physical foreign currency. This does not merely create a new investment asset; it lays the foundational infrastructure for a more resilient financial system following the halt in Gold Coins issuance. This opens the door for the private sector to innovate, potentially developing private sector-led gold-backed digital tokens, exchange-traded funds, and other instruments.

However, the success of this visionary reform is entirely contingent on its implementation. The proposed criminal penalties for tampering with gold bars are a necessary safeguard to ensure trust and integrity. For this market to flourish, the certification process for gold bars should be internationally credible, transparent, and beyond reproach. Furthermore, the regulatory framework for the resulting financial products - especially gold-backed digital units - should be clear, robust, and developed in close consultation with the financial sector to manage risks without stifling innovation. If executed with precision, this policy has the potential not just to create a new asset class, but to build a parallel, efficient, and gold-backed financial rail that enhances the nation's monetary sovereignty and economic agility.

CONCLUSION

The 2026 National Budget Statement presents a complex and contradictory fiscal landscape, marked by several commendable, forward-looking reforms - such as the liberalization of gold trading and the professionalization of the customs sector - that are critically undermined by a simultaneous reliance on punitive, short-sighted revenue measures. While proposals to incentivize a 24-hour economy and correct the tax treatment of bank interest point toward a growth-oriented mindset, this direction is severely compromised by the retention of distortionary taxes like the IMTT, the introduction of a higher VAT rate, and a series of sector-specific levies that collectively increase the cost of doing business, stifle investment, and fuel inflation. Ultimately, the budget's failure to decisively shift from a high-cost, enforcement-heavy revenue model to a simplified, equitable, and predictable tax system risks perpetuating the very cycles of informality, liquidity crises, and low competitiveness it aims to resolve.