



## PRESS STATEMENT

### 2024 REVENUE MEASURES ON ROUTE TO MARKET, VALUE ADDED TAX AND SUGAR CONTENT ON BEVERAGES

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#### **Introduction**

1. Treasury constituted a Technical Committee to receive input from Representative Members under the umbrella body of the Confederation of Zimbabwe Industries.
2. The Committee undertook an impact analysis on the implementation of some of the measures introduced through the 2024 Budget, in particular with regards to tax compliance on route to the market, mitigation of consequences of the sugar on health through a special surtax, and a few tariff lines that were omitted on exemption from Value Added Tax, in order to cover the whole value chain that includes cotton and soya seeds to cooking oil.
3. Findings of the Committee have been presented; hence, Treasury advises on the following fine tuning of the prevailing measures that are enshrined in the Finance Act and subsidiary legislation as follows:

#### ***Route to Market***

4. Taking into consideration the need to preserve some of the pertinent arrangements for delivery of goods into the market efficiently, the legislation will be fine-tuned as follows:
  - Retailers can purchase from manufacturers as long as they have obtained a valid Tax Clearance Certificate, and are VAT registered;
  - Manufacturers are permitted to sell to institutions such as hotels, schools and other corporates, provided such clients are registered for VAT and possess a valid Tax Clearance Certificate;
  - In order to protect the quality of goods and safety of consumers, perishable products that include bread and milk products will be distributed by manufacturers directly to retailers;

- Concern was raised with regards to survival of the rural traders, since they are not registered for tax purposes. These traders will however, continue to purchase their goods from the wholesalers, hence there will not be any disruption of trade. Manufacturers will also supply direct to small traders in the rural areas;
- Where the manufacturer distributes directly to customers who are not registered for VAT, are not in possession of a valid VAT certificate and also not registered for Income Tax purposes, a 5 percent Withholding Tax shall apply;
- Companies that serve online customers are allowed to continue to transact using this method provided they are fiscalised so as to guarantee compliance to the Value Added Tax; and
- In the interest of promoting an environment conducive for healthy and efficient tax collection, local authorities are urged to issue vendors with licenses that are linked to the place of business.

### ***Special Surtax on Sugar Content***

5. Cognisant of the need to build volumes, the ***Special Surtax on Sugar Content*** on specified beverages has been adjusted to US\$0.001 /gram and will be effective on the date of gazetting.
6. For the avoidance of doubt, the Special Surtax will apply on added sugar only.
7. In addition, given the possibility of substituting sugar with sweeteners, these will be deemed as sugar for tax purposes.
8. As revealed through the consultation process, the increase in price of the beverage products should be modest, hence the tax is not expected to disrupt the market.

### ***Value Added Tax***

9. In order to ensure consistency in the Cooking Oil value chain, cotton seed and soya beans and its derivative products will be included in the VAT exemption schedule.

### ***Basic Commodities***

10. Treasury's attention has been drawn to the impending increases in prices of the basic commodities, as a result of the re-arrangement of the Value Added Tax system where some of the goods have

moved from zero rating to exemption, in line with regional practice and in the interests of revenue to the *Fiscus*.

11. Basic food items that include bread, milk, cooking oil, mealie meal, salt, sugar, flour, are exempt from Value Added Tax purposes, **hence there should be no price increases**.
12. Other basic commodities that include meat, rice, bath and laundry soap, washing powder, toothpaste and petroleum jelly have been moved to standard rating, hence, price increases **should be minimal**.

### **Statement to the market on moratorium**

13. A statement that purports to grant a moratorium by Government on the implementation of the Finance Act, as well as subsidiary legislation obtained under Statutory Instruments 248 and 249 of 2023, has been widely circulated.
14. The Legislation that is purported to have been granted a moratorium pertains to the route to the market, VAT zero rating and exemption and special surtax on sugar.
15. For the avoidance of doubt, the Ministry of Finance, Economic Development and Investment Promotion does not relay information through third parties, hence advices of the above steps that will be taken as a consequence of the consultation process.

### **Conclusion**

16. The Ministry of Finance, Economic Development and Investment Promotion wishes to take the opportunity to thank stakeholders on the valued contribution to the above process.



Hon. Professor Mthuli Ncube

**MINISTER OF FINANCE, ECONOMIC DEVELOPMENT AND INVESTMENT PROMOTION**

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