

2019 NATIONAL BUDGET HIGHLIGHTS



ZIMBABWE

BUDGET THEME

"Austerity for Prosperity"

BUDGET THRUST

Macro-fiscal stabilisation for 'Triple S Growth' - Strong, Sustainable and Shared. Growth drivers will be:

- Food security and protection;
- Human capital development;
- Private sector led growth;
- Institutions and governance;
- Voice and accountability;
- Globalisation; and
- Peace and Security.

FISCAL CONSOLIDATION MEASURES

Key fiscal policy measures:

- Reduction of the fiscal deficit
- Treasury bill issuances only for budget deficit financing;
- Discontinue quasi fiscal operations;
- Eliminate overdraft with the Central bank save for 5% meant for smoothing cashflow management;
- Public Service rationalisation;
- Other cost savings through efficiencies;
- Strengthening of the PFM system; and
- Revenue mobilisation measures.

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Key complementary monetary policy measures

- Targeting broad money supply growth in line with targeted inflation;
- Building foreign reserves and credit lines, as part of the strategy for the value preservation under the multi-currency system;
- Establish a strong inclusive framework for Foreign Currency Allocation; and
- Gradual exit from exchange controls to market based mechanisms for foreign currency allocation.

Structural and supply side measures:

- Support to productive sectors of agriculture, mining, manufacturing and tourism;
- Ease of doing business reforms;
- Public Enterprises reforms;
- Labour law reforms;
- Establishment of one stop investment services centre;
- Respect of property rights and international treaties;
- Improving on accountability;
- Human capital development; and
- Advancing re-engagement.

ECONOMIC PERFORMANCE

- Gross Domestic Product growth in 2019 at about 3.1%, driven by Mining (7.5%) distribution, hotels and restaurants at (5%), Transport and Communication (4%) and Agriculture (3%);
- In 2019, inflationary pressures are expected to stabilise;

Total revenues for 2019 are projected at US\$6.6 billion of which: -

- Tax revenue amounting US\$6.04 billion;
- Non-tax revenues of US\$162 million; and
- Retentions of US\$400 million.

Total expenditures for 2019 are projected at US\$8.16 billion of which: -

- Employment Costs US\$4.05 billion;
- Capital expenditure US\$2.02 billion 6.4% GDP; and

Budget deficit of US\$1.57 billion or 5% of GDP.

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Gross Domestic Product by Industry (%)

	2018	2019	2020	2021
GDP by Industry Growth Rates	4.0	3.1	7.5	7.7
Agriculture and forestry	12.4	3.0	18.8	12.7
Mining and quarrying	13.0	7.5	9.3	9.8
Manufacturing	1.7	2.5	5.3	3.5
Electricity and water	3.2	2.6	2.0	33.0
Construction	7.7	3.0	16.1	6.8
Distribution, Hotels and restaurants	5.6	5.0	10.0	8.3
Transportation and communication	3.1	4.0	9.8	10.9
Financial, banking and insurance activities	0.5	3.0	3.3	7.1
Government public administration, education and health	-0.8	0.3	0.3	0.8
Administrative and support service activities	0.1	-1.5	0.2	0.0
Education and training	-4.6	1.2	0.4	1.0
Human health and social work activities	7.6	4.3	0.0	2.7
Private's education and health	-1.7	2.0	0.3	1.5
Households-related services	-0.7	-0.1	2.2	5.3
Real estate activities	5.5	-1.1	4.2	14.8
Other service activities	-4.1	0.9	1.1	-0.2

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Macroeconomic and Fiscal Framework

	2017 Est	2018 Prj	2019 Prj	2020 Prj	2021 Prj
National Accounts					
Nominal GDP at market prices (US\$M)	22041.3	24582.2	31558.9	35961.1	42757.7
Real GDP Growth (%)	4.7	4.0	3.1	7.5	7.7
Inflation (Annual Average) %	0.9	8.3	22.4	9.4	7.9
Inflation (End Period) %	-3.4	25.9	5.0	5.5	5.8
Fiscal Account					
Total Revenue Incl Retained Revenue	3869.9	5296.8	6598.2	7493.9	8562.7
Total Revenue Excl Retained Revenue (US\$M)	3869.9	5296.8	6199.3	6944.6	8002.4
Total Revenue (% of GDP)	18.0	21.5	19.6	19.3	18.7
Tax Revenue (US\$M)	3627.7	5017.0	6037.1	6761.3	7815.5
Corporate Income Tax (US\$M)	484.7	754.0	783.8	885.7	903.4
Personal Income Tax (US\$M)	729.0	851.0	971.0	1097.2	1319.1
Other Direct Taxes (US\$M)	203.0	271.0	294.7	333.0	369.7
Customs Duties (US\$M)	295.1	438.0	484.7	527.7	588.3
Excise Duties (US\$M)	675.9	894.0	943.8	1066.5	1287.8
Value Added Tax (US\$M)	1075.3	1501.0	1696.8	1817.4	1953.8
Other Indirect Taxes (US\$M)	164.7	308.0	862.3	1033.8	1393.4
Non-Tax Revenue (US\$M)	242.2	279.8	162.2	183.3	186.9
Total Expenditure Incl Retentions	6390.0	8161.4	8164.3	8977.8	9822.5
Total Expenditure Excl Retained Revenue (US\$M)	6390.0	8161.4	7765.3	8428.5	9262.2
Total Expenditure (% of GDP)	29.0	33.2	24.6	23.4	21.7
Employment costs (US\$M)	3376.0	3854.5	4050.1	4365.4	4674.0
Employment costs (% of GDP)	15.3	15.7	12.8	12.1	10.9
Use of goods and services (US\$M)	1063.9	869.0	1036.0	1010.1	1168.1
Interest (US\$M)	204.0				
Domestic (US\$M)	139.2	359.0	351.1	511.5	469.9
Foreign (US\$M)	64.8	316.0	322.2	470.5	430.2
Provincial Councils and Local Authorities (US\$M)	-	-	310.0	347.2	400.0
Capital Expenditure and net Lending (US\$M)	1746.2	3087.9	2018.2	2194.3	2550.2
Capital Expenditure and net Lending (% of Total Expenditure)	27.3	37.8	27.1	27.2	28.8
Overall balance (US\$M)	-2576.7	-2,864.6	-1,566.1	-1,483.9	-1,259.8
Overall balance (% of GDP)	-11.7	-11.7	-5.0	-4.1	-2.9
Financing (US\$M)	2576.7	2865.4	1566.1	1483.9	1259.8
Domestic (US\$M)	2523.3	2239.5	822.3	1059.5	931.2
Bank Financing (US\$M)	1690.6	2537.0	417.1	623.1	59.0
Non-bank domestic financing (US\$M)	832.7	-297.5	405.2	436.4	872.2
External (US\$M)	53.4	-14.8	-172.6	-175.6	-171.5
Financing to be arranged (US\$M)	-	-	916.4	600	500
Total Financing Requirement	2,413.4	6,122.9	6,469.3	2,677.4	2,018.8

Source: Ministry of Finance and Economic Development

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2019 ESTIMATES OF EXPENDITURES (US\$)				
Vote Appropriations	Employment Costs	Operations and Maintenance	Capital Expenditure	Total
Office of the President and Cabinet	124,576,000	90,796,000	79,328,000	294,700,000
Parliament of Zimbabwe	10,013,000	49,594,000	41,406,000	101,013,000
Public Service, Labour and Social Services	7,243,000	70,808,000	3,150,000	81,201,000
Defence and War Veterans	386,939,000	120,100,000	39,900,000	546,939,000
Finance and Economic Development	102,367,000	128,260,000	85,414,000	316,041,000
Audit Office	2,693,000	4,000,000	1,070,000	7,763,000
Industry and Commerce	2,641,000	9,914,000	35,000,000	47,555,000
Lands, Agriculture, Water, Climate and Rural Resettlement	90,292,000	45,296,000	853,710,000	989,298,000
Mines & Mining Development	4,775,000	5,000,000	5,670,000	15,445,000
Environment, Tourism and Hospitality Industry	1,756,000	14,300,000	22,080,000	38,136,000
Transport and Infrastructural Development	9,652,000	4,200,000	385,330,000	399,182,000
Foreign Affairs and International Cooperation	15,126,000	28,864,000	12,100,000	56,090,000
Local Government, Public Works and National Housing	22,096,000	55,315,000	102,475,000	179,886,000
Health and Child Care	455,458,000	159,499,000	79,510,000	694,467,000
Primary and Secondary Education	1,048,402,000	47,000,000	36,920,000	1,132,322,000
Higher & Tertiary Education, Science and Technology Development	289,844,000	26,638,000	64,360,000	380,842,000
Women Affairs, Community and Small and Medium Enterprises Development	10,361,000	11,700,000	22,710,000	44,771,000
Home Affairs and Cultural Heritage	431,663,000	49,750,000	36,409,000	517,822,000
Justice, Legal & Parliamentary Affairs	91,558,000	54,000,000	10,050,000	155,608,000
Information, Publicity and Broadcasting Services	2,262,000	1,800,000	41,130,000	45,192,000
Youth, Sport, Arts and Recreation	25,305,000	13,500,000	14,690,000	53,495,000
Energy & Power Development	2,361,000	1,200,000	12,450,000	16,011,000
Information Communication Technology and Cyber Security	1,212,000	7,000,000	9,700,000	17,912,000
Judicial Services Commission	13,888,000	3,500,000	10,250,000	27,638,000
Public Service Commission	266,726,000	7,792,000	4,760,000	279,278,000
Council of Chiefs	180,000	1,530,000	3,492,000	5,202,000
Human Rights Commission	1,750,000	1,435,000	150,000	3,335,000
National Peace and Reconciliation Commission	742,000	1,000,000	721,000	2,463,000
National Prosecuting Authority	5,289,000	2,500,000	300,000	8,089,000
Zimbabwe Anti-Corruption Commission	1,403,000	3,800,000	1,200,000	6,403,000
Zimbabwe Electoral Commission	8,481,000	5,000,000	840,000	14,321,000
Zimbabwe Gender Commission	732,000	1,118,000	150,000	2,000,000
Zimbabwe Land Commission	1,690,000	7,300,000	1,500,000	10,490,000
Zimbabwe Media Commission	296,000	1,454,000	250,000	2,000,000
TOTAL	3,439,772,000	1,034,963,000	2,018,175,000	6,492,910,000
Debt Service: Interest Bill	0	351,114,000		351,114,000
Pension	594,100,000	0		594,100,000
Other Constitutional and Statutory Appropriations	16,237,000	1,000,000		17,237,000
Provincial Councils and Local Authorities		310,000,000		310,000,000
Total Expenditure & Net Lending	4,050,109,000	1,697,077,000	2,018,175,000	7,765,361,000
Repayment of Loans				2,550,300,000
Total Expenditure & Net Lending including Loan Repayment	4,050,109,000	1,697,077,000	2,018,175,000	10,315,661,000

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REVENUE MEASURES

Support to Industry

- Extension of suspensions and *Rebate of Duty Facilities* to various industries.

Revenue Enhancing Measures

- Increase excise duty on cigarettes from US\$20 to US\$25 per 1000 sticks.
- Introduce customs duty on motor vehicles and other selected goods in foreign currency.
- Companies that collect VAT or any other taxes in United States dollars or any other currency to remit VAT using the same mode of payment.
- Increase Excise Duty by 7 cents per litre on diesel & paraffin and 6.5 cents on petrol to reduce the arbitrage opportunities.

Tax Relief Measures

- Review the tax-free threshold from US\$300 to US\$350 and further widen the tax bands from US\$351 to US\$20,000, above which income is taxed at the highest marginal tax rate of 45%.
- Provide for further exemptions from the 2% *Intermediated Money Transfer Tax*.
- Suspend customs duty and also exempt from VAT, sanitary wear products for a period of 12 months.
- Suspension of customs duty on selected goods used by the physically challenged persons.
- Redirect 5% of *Third Party Insurance Cover* to an Accident Compensation Fund.
- Government Ministries and Departments to remit all revenue collected into the *Consolidated Revenue Fund*.

Legislative Amendments

- Review Transfer Pricing legislation and guidelines.

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- Extend the transit timeline for trucks carrying abnormal loads from 3 to 5 days from date of arrival at the port of entry.

Tax Administration

- Review the *Whistle Blower Facility* to provide, among other measures, clarity on the nature of information that informants must supply before being entitled to a reward.
- Publish a *Penalty Loading Model* which informs taxpayers on the level of penalties.

