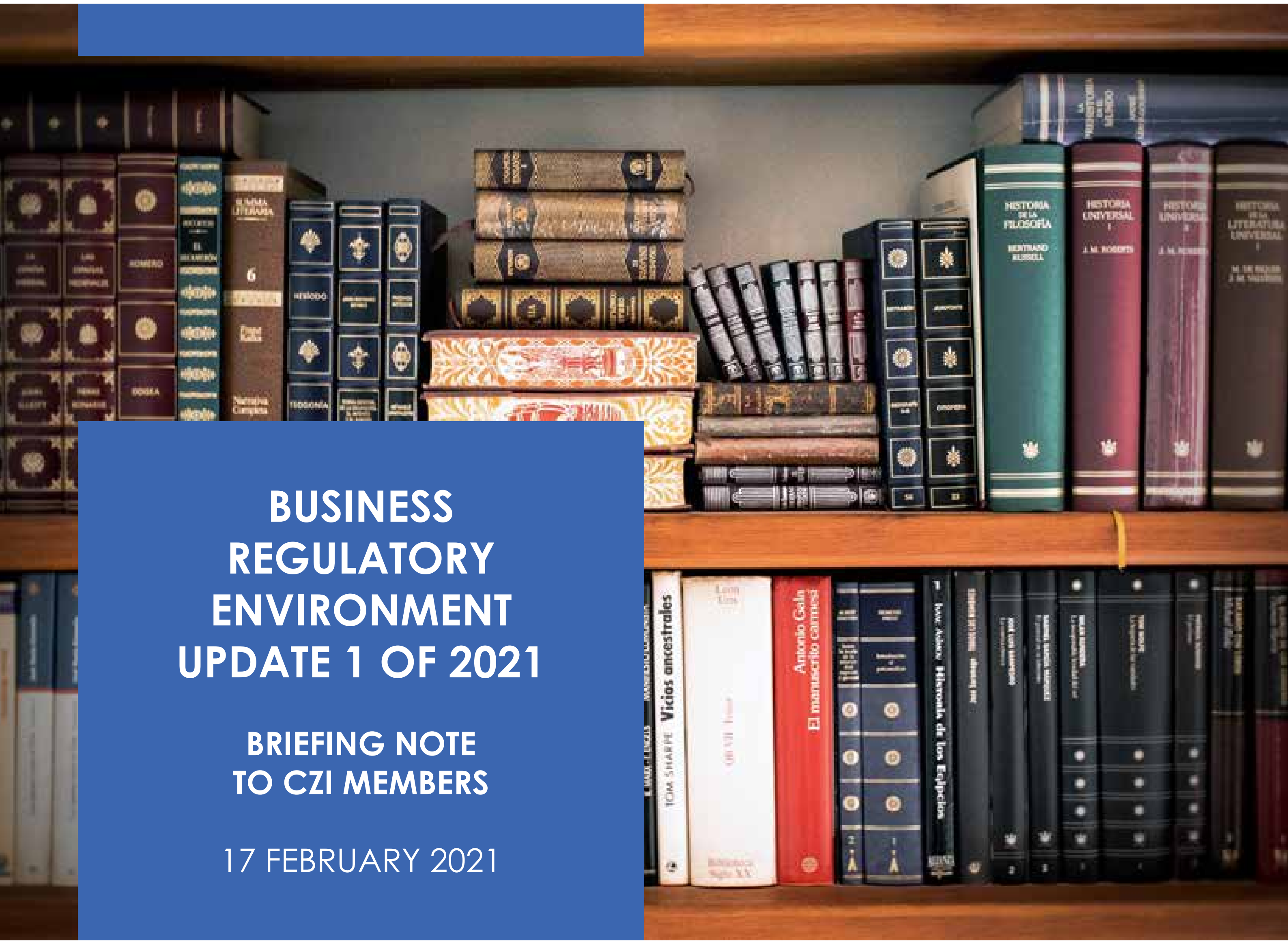
CONFEDERATION OF ZIMBABWE INDUSTRIES

Enterprise Leadership Service



BUSINESS REGULATORY ENVIRONMENT UPDATE 1 OF 2021

BRIEFING NOTE TO CZI MEMBERS

17 FEBRUARY 2021

BUSINESS REGULATORY ENVIRONMENT UPDATE

The Regulatory Environment Update informs members of new regulations, SIs, procedures, and government requirements including Municipal by-laws and the Cabinet decisions that have a bearing on companies' operations. In this bulletin, you will find:

- Bill Watch (Statutory Instruments (SIs) and Bills being promulgated, passed or currently being implemented)
- Cabinet Decision Matrix
- CZI Engagement

BILL WATCH

BILLS AND ACTS BEING PROMULGATED, PASSED OR CURRENTLY BEING IMPLEMENTED

2021 BUDGET FINANCE BILL (STATUS - BILL WAS GAZETTED ON 31 DECEMBER 2020)

The Finance (No. 2) Bill was gazetted in December 2021. This allows the Budget debate and other Budget business to go ahead.

» The purpose of the Bill is to amend the Finance Act, the Income Tax Act, the Value Added Tax Act, the Customs and Excise Act, the Toll Roads Act, the Presidential Salary and Allowances Act, the Indigenisation and Empowerment Act and the Banking Act.

» These amendments will give effect to various fiscal measures mentioned by the Minister of Finance in the National Budget Statement delivered on the 26th November, 2020, and make certain modifications to improve revenue collection and administration.

KEY CONSIDERATIONS

AMENDMENT OF SECTION 22G OF CAP. 23:04

With effect from the 1st January, 2021, section 22G ('Intermediated Money Transfer Tax') of the Finance Act (Chapter 23:04) is amended by the repeal of the proviso thereto and its substitution by

Provided that if a single transaction on which the tax is payable is equivalent to or exceeds -

a. forty million Zimbabwe dollars, a flat intermediated money transfer tax of eight hundred thousand dollars shall be chargeable on such transaction, or

b. one hundred thousand United States dollars, a flat intermediated money transfer tax of two thousand United States dollars shall be chargeable on such transactions.

2021 BUDGET FINANCE BILL (STATUS - BILL WAS GAZETTED ON 31 DECEMBER 2020)

IMPLICATIONS FOR INDUSTRY

Revision of the IMTT's limits to eight hundred thousand from fifty thousand in the current Finance Act means the 2% IMTT is now being charged on all payments, thereby affecting demand and production as consumers will be paying a double charge of the tax. This will have an effect on aggregate demand and production.

IMTT should be a tax deductible expense for formal businesses, as its aim was to tax the informal, but becomes a double tax on businesses already paying tax.

AMENDMENT OF SECTION 50A OF CAP. 23.12

With effect from the 1st January 2021, 2021 the Value Added Tax Act (Chapter 23:12) is amended in section 50A by the repeal of subsection (2) and the substitution of

a. every value added witholding tax agent shall -

b. withold the portion of the full amount of output tax specified in the changing Act from each amount to be paid to a specified operator, in the currency which the goods and services concerned were purchased.

IMPLICATIONS FOR INDUSTRY

There is need for clarity on the portion of the full amount to be withheld as this has cashflow implications for business. in the current Finance Act, the witholding tax is 30%. An increase in the witholding tax will squeeze business cashflows further compounding business operational challenges already affected by the covid-19 induced lockdowns.

THE CONSUMER PROTECTION ACT

- The Consumer Protection Act replaced the Consumer Contracts Act
- Under the provisions of the new law, unscrupulous businesspeople that engage in unfair practices that include multi-tier pricing, fraudulent offers, failure to label products properly and the disclosure of consumers' personal information to third parties will be liable for prosecution.
- Consumers are now entitled to be fully refunded for defective or sub-standard goods and can individually approach the courts for redress or refer their complaints to the Consumer Protection Commission set up in the new Act.
- The commission will enforce the Act through investigators and inspectors deployed across the country and will be aided by consumer advocacy organisations who, through a statutory instrument still to be crafted, will be designated to conduct conciliation and arbitration of disputes between parties.

IMPLICATIONS FOR BUSINESS

- Business can now be sued by consumers.
- Consumer related lawsuits may increase due to certain provisions of the Act. Thus business is being advised to familiarise with the Act and reduce the risk of exposure to related lawsuits.

CENTRE FOR EDUCATION, INNOVATION, RESEARCH AND DEVELOPMENT BILL

- The Centre for Education, Innovation, Research and Development Bill, which seeks to create a technology hub to harness and coordinate research and innovation in universities and colleges to drive Zimbabwe's modernisation and industrialisation in public and private sectors.
- the proposed law sought to provide for the establishment and function of the Centre for Education, Innovation, Research and Development that could lead to the growth of industry and job creation.
- It will provide an administrative framework for the promotion of innovation and industrialisation.
- The objective of the Bill is to coordinate and house programme-based synergies among universities, teachers' colleges, polytechnics, industrial training colleges, vocational training centres and innovation institutions in tackling national challenges for the modernisation and industrialisation of the country.

IMPLICATIONS FOR BUSINESS

- The Bill will go a long way in assisting companies in the R&D strategies.
- The centre for innovation and R&D provides opportunities for developments of PPPs joint programmes as well as commercialisation opportunities.

STATUS

- The Bill to go through the second stage of reading in the current sitting of Parliament.
- The Bill is being spearheaded by the Minister of Higher and Tertiary Education, Innovation, Science and Technology Development.
- The Parliamentary Portfolio Committee on Higher and Tertiary Education, Science and Technology Development will have an oversight of this Bill.

COMPANIES AND OTHER BUSINESS ACT (CHAPTER 24:31)

- The new Act repeals the old Companies Act, which was crafted on April 1, 1952, and incorporated provisions of the Private Business Corporations (PBC), encouraging small to medium enterprises to register and be recognised as players in the market.
- The Act is premised at curbing shortcomings in the manual registration process through the introduction of electronic registration.
- The re-registration exercise is said to be an administrative process aimed at establishing a new and updated register of companies so that inactive companies do not appear on the updated companies register.
- The deadline for re-registration is 13th February 2023.

IMPLICATIONS FOR BUSINESS

- Business needs to re-register with the registrar of companies to avoid being penalised or de-registered

STATUTORY INSTRUMENTS (SIs) AND GENERAL NOTICES (GIs)

SI 314 OF 2020 - PUBLIC HEALTH LOCKDOWN ORDER: NEW CLAMPDOWN

- In terms of section 3(2) of the Public Health (COVID-19 Prevention, Containment and Treatment Regulations [SI 77 of 2020], COVID-19 was declared to be a formidable epidemic disease until the 1st January this year. After that date all regulations and orders issued under the Public Health Act to combat COVID-19 would have fallen away. The pandemic is by no means over so SI 314 of 2020 amended section 3(2) of the regulations to remove the time-limit on the declaration. COVID-19 remains a formidable epidemic disease until the declaration is terminated by notice in the Gazette

IMPLICATIONS FOR BUSINESS

- Business not given enough time to prepare for the new measures.
- operating hours curtailed. However, they have been currently reviewed and extended.
- cumbersome and time consuming procedures to apply for exemption letters.

SI10 OF 2021
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PUBLIC HEALTH LOCK-DOWN ORDER: NEW CLAMPDOWN

In light of the recent surge in COVID-19 cases the following stiff lock-down measures which affect business were put in place by Government, among others:

1. The existing Covid-19 preventive health measures will be strictly enforced, that is to say correct wearing of face masks, social distancing, hand sanitization and temperature checks will be strictly enforced and offenders will be prosecuted.

2. Only essential services are to remain open such as hospitals, pharmacies and supermarkets, with only essential staff allowed to come to work. These services can only open at 8 am and must close at 3pm and will be subject to curfew that will start at 6 pm and end at 6 am. Operating hours and the curfew has since been extended

3. Of the other commercial services, only Part 4 lock-down order services such as mining, manufacturing and agriculture will operate as before. Other commercial services specified in Part 5 of the lock-down order, that is to say all formal businesses and registered informal traders, are still suspended until they meet WHO guidelines for them to be allowed to open.

4. Inter-provincial and inter-city transport services were restricted only to essential services and Part 4 commercial services

5. Cross-border traders remain suspended save for commercial and transit cargo related to essential and critical services.

6. Air transportation remains unhindered and will continue as before with arrivals and returning residents being required to present COVID-19 free certificates. As for land access, only returning residents and essential service drivers will be admitted subject to presentation of COVID-19 free certificates. These certificates must have been issued at least 48 hours before departure.

CABINET DECISION MATRIX

DATE	CABINET DECISION(S)	IMPLICATIONS FOR BUSINESS /KEY CONSIDERATIONS
09 Feb 2021		
	PROCUREMENT AND ROLL-OUT OF COVID-19 VACCINES » Efforts to procure other Covid-19 vaccines such as the Sputnik V (victory) from Russia, among others are underway. India, like China, has offered a donation and an option to purchase commercially and modalities for this offer are being worked out. » The private sector will also support government through a formula that allow them to keep 50% of what they procure for their employees.	» Government should be in constant communication with the private sector on the vaccination procurement processes and the roll-out programmes.
	UPDATE ON THE COVID-19 OUTBREAK » The production of PPEs and essential medicines is continuing and being complemented by imports. The enforcement of the curfew under level 4 lockdown is continuing. The lockdown restrictions will be reviewed at the end of the two weeks extension period on 15 February 2021.	» Priority in the procurement of most of the PPEs and medicines needed should be done locally to support local industry. » Government is being urged to extend the trading hours of business and widen the essential services criteria supported by adequate enterprise level covid prevention measures.
	STATE OF THE COUNTRY'S ROADS » Cabinet resolved that all roads in the country be declared a State of Disaster. The declaration will facilitate the release of resources for the repair and rehabilitation of all roads that require such works. The restorative works will cover all urban areas as well as the rural and trunk roads.	» Implementation of the policy should be in support of local construction industry and inputs required for the rehabilitation should be procured locally.
	STATUS OF THE 2020/21 AGRICULTURE SEASON » Cabinet noted that owing to good rainfalls being recorded across the country, good yields are expected. Elaborate plans are therefore, being put in place for efficient management of the 2020/21 crops, particularly from harvesting to storage. Grain dryers have been purchased in order to expedite harvesting. » Meanwhile, measures have been put in place to ensure the current shortages of the top dressing fertiliser are decisively dealt with.	» Private sector should take advantage of the expected good yields by putting in place measures and contracts that ensure that they are the first priority in securing local agriculture raw materials they need for their operations.

CZI ENGAGEMENT

1. CZI engaging authorities in the Covid-19 vaccination procurement and roll-out programmes.

2. Engaging Government in the implementation of the lockdown regulations, especially the need to ease some of the restrictions and ensure that the economic activity picks-up.

3. Seeking clarity on the Finance Bill, on the issue of the withholding tax and increase in transaction thresholds for 2% IMTT charges. CZI has always been advocating since the introduction of the 2%IMTT that it should a tax deductible expense for formal businesses, as it was aimed to tax the informal sector when it was introduced. The tax remain a double taxation on formal businesses already paying tax.

4. CZI is organising a Consumer Protection Act awareness seminar for business.

For more information
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