

ZIMBABWE INVESTMENT AUTHORITY



Exploring Investments In Zimbabwe

1.0 Country Profile

1.1 Introduction

The Republic of Zimbabwe is an independent country in Southern Africa, well endowed with mineral, agricultural and other resources, which have created opportunities for the growth of resource-based industrial activities. Foreign investment is most welcome, especially where it will generate export earnings, create employment, lead to the transfer of technology and skills, and provide access to foreign markets.

1.2 General Data

Total Area	390 757 square kilometres
Land size:	386 670 square kilometres
Water:	4 087 square kilometres
Capital City:	Harare
Commercial Language:	English
Other Languages:	Shona and Sindebele
Currency:	Zimbabwe Dollar (ZW\$)
Climate:	Subtropical climate. Rain season Nov-March
Population:	+_12 million
Politics:	Zimbabwe is a democratic state governed by the three arms of government namely: The Executive, Legislature and the Judiciary. These arms are independent of each other as enshrined in the doctrine of "rule of law" which is at the core of democratic governance in the country. Zimbabwe has held elections for parliamentarians every 5 years from 1980 when it attained independence from Britain and Presidential elections every 6 six years from 1987 when the Unity Accord was signed. From 2008 both parliamentary and presidential elections will now be held concurrently after every 5 years.

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- Labour force:** The majority of the Zimbabwean labour force is educated to at least 4 years of secondary education. Labour rates are very competitive in comparison with the rest of the world. The country also boasts of an abundance of skilled, semi-skilled and unskilled labour. The majority of the labour force can read and write English in addition to their vernacular languages
- Infrastructure:** Good quality roads and rail link on 1067mm gauge (54kg per metre according to UICE Class B) to all major cities and neighbouring countries, and there are 3 international airports. There is adequate provision of electrical power (hydro and thermal), postal and telecommunication services, which are continually being upgraded.
- Access to markets:** Zimbabwe's membership to the following Organizations ensures access to world markets:
- Regional:**
- Southern Africa Development Community (SADC)
 - Common Market for East and Southern Africa (COMESA)
- International:**
- ACP (EU/Convention)
 - General System of Preferences (GSP)
 - World Trade Organization (WTO)
 - World Intellectual Property Organization (WIPO)
 - African Regional Intellectual Property Organization (ARIPO), which has its secretariat in Harare.
- Zimbabwe is also a member of the Eastern and Southern Africa (ESA) group of nations negotiating for a freer trade agreement with the EU under Economic Partnership Agreements (EPAs) as a successor to the Lome Convention

2.0 Economy

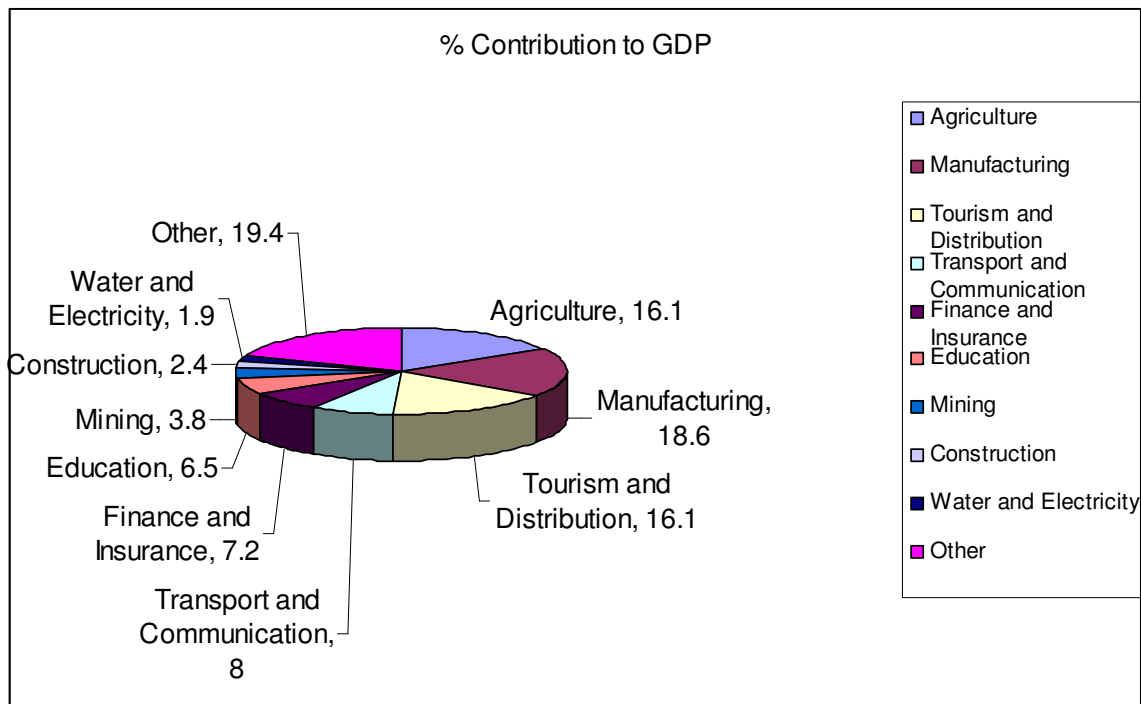
The economy is essentially agricultural-based, but has strong mining, tourism, services and manufacturing sectors. In fact the economy has a highly diverse industrial base that provides investors with a plethora of opportunities.

2.1 Contribution to GDP by Sector

Agriculture, Manufacturing, Finance and Insurance, Tourism and Distribution and Mining, among others, are the major economic sectors with a contribution of more than 60% to GDP as shown by the table and pie chart below.

Economic Sector	% Contribution to GDP
Agriculture	16.1
Manufacturing	18.6
Tourism and Distribution	16.1
Transport and Communication	8.0
Finance and Insurance	7.2
Education	6.5
Mining	3.8
Construction	2.4
Water and Electricity	1.9
Other	19.4
Total	100

Source: RBZ Mid- Year Monetary Policy Statement 1 October 2007



2.2 Five Reasons to Invest in Zimbabwe

2.2.1 Abundant Natural Resources

Zimbabwe has a wealth of exploitable resources in the form of:

- Agricultural output, vast timber plantations and natural forests
- A wide range of minerals that include; gold, platinum, coal and diamonds among others that are under exploitation with discoveries of new ones being made all the time.
- A diverse wildlife in the country's many parks and sanctuaries.

2.2.2 Availability of Educated and Competitive Labour

- Both skilled and semi-skilled labour easily available.
- Majority of labour educated to at least four years of secondary schooling.
- Highly disciplined with a strong work ethic.
- Liberal labour regulations based on a collective bargaining system between employers and employees

2.2.3 Well Developed Infrastructure

Zimbabwe has got a relatively well developed infrastructure in the form of:-

- Well maintained road and rail network connecting it to Zambia, South Africa, Mozambique and Botswana.
- An upgrading telecommunication system.
- Adequate provision of power.
- Adequate social infrastructure such as schools, clinics and recreational amenities

2.2.4 Access to Regional and World markets

Zimbabwe is a member of:

Regional organizations

- Southern African Development Community (SADC)
- Common Market for East and Southern Africa (COMESA)

International organizations

- ACP (Lome Convention)
- World Trade Organization (WTO)

2.2.5 Investment Agreements

Zimbabwe is signatory to the following treaties and bilateral Investment Protection Agreements:-

- Multi-Lateral Investment Guarantee Agency
- Overseas Private Investment Corporation
- International Convention on Settlement of Investment Dispute
- New York Convention on the enforcement of Foreign Arbitral Awards
- United Nations Convention on International Trade Law

Bilateral Protection Agreements signed with:-

Malaysia; Mozambique; China; Portugal; Switzerland; Egypt; Netherlands; Yugoslavia; Germany; India; Indonesia; Jamaica; Portugal; United Kingdom; Yugoslavia; Denmark; Italy; France

Other bilateral treaties are currently being negotiated.

2.3 Investment Opportunities

Sector	Opportunity	
Manufacturing	Textiles	Cotton ginning, spinning, weaving, finishing textiles and knitting products
	Clothing & Footwear	Making wearing apparels and footwear
	Chemicals	Fertilisers, insecticides, pesticides, paints, varnishes, soaps, detergents, inks, glues, polishes, pharmaceuticals, industrial chemicals, petroleum products, rubber and plastic products
	Wood & Furniture	Saw milling, wooden products, furniture and fixtures
	Metal & Metal products	Machinery and equipment, radio and communication equipment
	Technology	Information processing, computer assembly, solar technology and consumer electronics
Mining	Mining	Prospecting and mining of various minerals including gold, coal, diamond, granite and platinum (of which Zimbabwe has the second largest reserves in the world after South Africa) Opportunities also exist in the beneficiation of the minerals e.g. cutting and polishing of diamonds, jewellery manufacturing and tile manufacturing from black granite. Quarrying and mineral exploration
Tourism	Infrastructure Development	Construction of hotels and lodges in designated Tourism zones
	Tourism services	Running and operating tourist facilities e.g. in the South East of the country

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Agriculture	Agro-processing	Zimbabwe as an agro-based economy provides abundant opportunities abundant for investment in value addition in the agriculture sector, for instance, meat processing, fish processing, food processing, fruit juice manufacturing, horticulture and floriculture, processing of cotton lint, cigarette manufacturing sugar milling and timber processing.
	Primary Agriculture	Primary production of food and cash crops, Primary horticulture, game, wild life ranching, livestock, Poultry farming, fishing and fish farming
Services	Construction	Medium priced residential accommodation, Commercial and industrial buildings (industrial parks, factory shells & office accommodation
	Infrastructure	Development of Toll roads, building and upgrading of airports, construction of dams and bridges, building of power generation & transmission facilities, construction and upgrading of telecommunication facilities. The government of Zimbabwe also invites the private sector into joint ventures in the Public Private Partnerships (PPPs), while investors can also participate in Build Operate and Transfer (BOT) and Build Own Operate and Transfer (BOOT) investment structures. BOT & BOOT structures qualify for tax concessions as shown under the incentives section.
	Transport	Road haulage, tourist transport, car hire and taxis

3.0 Procedures for foreign investors

3.1 Process of company registration

All companies in Zimbabwe have to be registered by the Registrar of Companies under the Companies Act or the Private Business Corporation Act. Upon successful registration, the company obtains a Certificate of Incorporation. Only the locals are allowed to operate under the Corporation Act as private businesses such as sole trader.

The process of company registration involves the submission of an application form CR12 to the Chief Registrar of companies. This form enables the Chief Registrar to conduct a name search at a fee within 14 days and cause company name reservation from the options submitted. The applicant then submits a Memorandum and Articles of Association in the name of the reserved company. Incorporation of the Company follows. This may take up to three weeks.

3.2 Process of Investment Project Approval and Registration

All **new** foreign investment into Zimbabwe requires an Investment License issued by the Zimbabwe Investment Authority upon successful approval of a project proposal submitted to the Authority. A completed application form (ZIA 1) acts as the project proposal. The application forms are available and can be collected from the ZIA offices or down -loaded from the ZIA website (www.zia.co.zw)

3.2.1 Licence Fee structure

A processing fee of US\$500 non-refundable shall be paid on submission of the application and the US\$2500 shall be paid when the licence is issued.

3.3 Residence, Visa/Work Permits requirements

3.3.1 Visas and Residence permits

Visas are not required for certain listed countries available from the Department of Immigration and in other cases; visas may be applied for in advance of arrival from the Zimbabwe Embassy and Trade Missions. Investors who:

- Invest not less than US\$1 million in a project approved by the ZIA will qualify for permanent residence on application.
- Invest at least US\$300 000 in a sole business venture in a project approved by ZIA will qualify for a residence permit for 3 years at the end of which permanent residence may be granted.
- Invest US\$100 000 in a joint venture, approved by the ZIA, with a local or permanent resident of Zimbabwe will qualify for a 3 year residence permit at the end of which permanent residence may be granted.

3.3.2 Work permits

Any foreigner wishing to take up employment in Zimbabwe must first be in possession of a valid work permit. Immigration regulations permit local companies to employ foreigners under temporary work permits. Such permits are issued by the Department of Immigration, at their discretion, upon application by the company, which should provide proof that the requisite skill cannot be sourced locally. The foreigner will only be permitted to work within the capacity for which that specific permit was issued. Spouses and minors may reside in Zimbabwe provided that they do not take up employment.

3.4 Exchange Control Regulations

3.4.1 Foreign capital inflows

Foreign investors and visitors may bring an unlimited amount of foreign currency into the country. Foreign investors may bring equity into the country in the form of cash or machinery and equipment. Foreign investors are not permitted to capitalize, as part of equity; raw materials, technical and licensing fees and other services.

3.4.2 Repatriation of Investment

The Zimbabwean Government guarantees the repatriation of 100% of the original capital investment in the case of disinvestment.

- Up to 100% of dividends from net after tax profit may also be remitted.
- Investors who become permanent residents may not remit their dividends without prior approval of the Exchange Control Authorities.

3.4.3 Foreign Currency Accounts (FCAs)

Corporate and individual FCAs may be opened with local commercial banks. Export proceeds are eligible for credit to a corporate FCA but unutilised amounts are required to be drawn-down into local currency as prescribed by the Exchange Control Authorities.

3.4.4 Borrowing

- **Local:** no restrictions on local borrowing for working capital
- **Foreign:** all companies operating in Zimbabwe are free to borrow offshore provided such loans are transacted through an authorised dealer. All external loans require External Loans Coordination Committee (ELCC) approval
- Financing of capital projects can only be undertaken using funds injected from outside of Zimbabwe, or by utilising retained earnings

3.4.5 Transfer of Technology

Companies in receipt of technology know how and licenses are permitted to remit royalties and license fees in respect of agreements concluded with technical partners. Agreements require initial approval by Exchange Control after which payments may be made for the next five years. Thereafter, renewal applications must be made. Remittances are restricted to, in the case of:

- Management, technical and administration agreements 2% of net turnover
- Royalties 5% of net turnover

4.0 Taxation

4.1 General Taxation

Rates are as follows:

Corporate tax rate	30%
Aids levy (on tax payable)	3%
Foreign dividends (taxed gross)	20%
Double Taxation Agreements (DTA’s)	

The percentage of withholding tax where DTA’s exist is restricted as follows:

Country	Dividends	Interest	Royalties	Technical Fees
Bulgaria	10% (2)	10%	10%	10%
Canada	10% (2)	15% (3)	10%	10%
France	10% (2)	10%	10%	10%
Germany	10% (2)	10%	7.5%	7.5%
Malaysia	10% (2)	10%	10%	10%
Mauritius	10% (2)	10%	15%	0%/20%
Netherlands	10% (2)	10%	10%	10%
Norway	15% (2)	10%	10%	10%
Poland	10% (2)	10%	10%	20%
South Africa	(1)	10%	20%	20%
Sweden	15% (2)	10%	10%	10%
UK	5% (2)	10%	10%	10%

(1) Shares listed on Zimbabwe Stock Exchange (ZSE): 5% withholding tax
Shares not listed on ZSE : 10% withholding tax

(2) Only on shareholding or voting power, by a company, of at least 25%,
otherwise rates remain as in (1).

(3) Zimbabwe’s rate, being lower, remains at 10%.

(4) Non-residents tax on remittances remains at 20% in all instances.

4.2 Capital Allowances

Asset Category	Special Initial Allowance: % of Cost
Industrial Buildings	50
Farm Improvements	50
Articles, Implements etc	50
Passenger Motor Vehicles (up to a prescribed maximum amount)	50
All other vehicles	50

The taxpayer may elect to use either the “Special Initial Allowance” (SIA) for assets acquired by him or “Wear & Tear”. Where the SIA is elected, 25% accelerated wear and tear (on straight-line basis) is allowed for the following 2 years.

Farmers

Boreholes	100%
Fencing	100%
Water conservation works	100%

The taxpayer may elect to use either the “Special Initial Allowance” (SIA) for assets acquired by him, or “Wear & Tear”. Where the SIA is elected, 25% accelerated wear and tear (on a straight-line basis) is allowed for the following 2 years

Losses

Any assessed loss may be carried forward for a maximum of 6 years. The exception is a mining company, which may carry forward losses indefinitely.

4.3 Taxation of branches

A branch does not constitute a legal persona, and thus is not liable to tax in its own right. The branch profits will be consolidated into the profits of the company as a whole, which will be subject to tax in the company’s hands.

4.3.1 Foreign

Since Zimbabwean income tax is source-based, generally business profits accruing to a foreign branch situated in Zimbabwe, as a result of business operations in Zimbabwe, will be subject to Zimbabwean income tax.

Where the country of residence does not have a DTA with Zimbabwe, all profits from a Zimbabwean source will be subject to income tax in Zimbabwe. Where the country of residence of the foreign-incorporated company has a Double Taxation Agreement (DTA) with Zimbabwe, and:

- The branch in Zimbabwe operates through a “permanent establishment”, and then the profits will be taxable in Zimbabwe in terms of the DTA.
- The branch does not operate through a permanent establishment; the profits will be payable only in the foreign country.

4.3.2 Taxation of Joint Ventures

A joint venture does not constitute a legal persona. Each participating company/individual is subject to income tax on its share of the joint venture’s taxable income.

4.3.3 Taxation of Partnerships

A partnership is not assessed for income tax as a company, but each partner is liable to income tax in his individual capacity on his/her share of taxable income.

4.4 Value added Tax

VAT to be remitted on or before the 20th day of the month following the end of the tax period

4.4.1 VAT registration Thresholds

	2006	2007
	Z\$	Z\$
Compulsory	A prescribed threshold (amount) as per Zimbabwe Revenue Authority (ZIMRA)	
Voluntary	(Registered operators whose turnover is below the threshold)	

4.4.2 Valued Added Tax

- 15% for luxury goods, motor vehicles and office equipment.
- 15% for consumables and services including hotel accommodation.
- 15% for the supply of electricity by the Zimbabwe Electricity Supply Authority.

4.4.3 Products Charged VAT at 0%

- Export of goods from Zimbabwe to an address in an export country
- Basic foodstuffs such as uncooked meat, uncooked fish, mealie-meal, milk and milk products
- Sale by a farmer of some of unprocessed agricultural produce
- International transport services provided by a registered operator.

4.4.4 Exemptions from VAT

- Educational services
- Medical services
- Supply of any accommodation in a dwelling

4.5 Capital Gains Tax

Capital Gains tax is raised on gains from a Zimbabwean source made on the sale of immovable property and marketable securities. Transactions, which are subject to Income Tax, are excluded from the scope of Capital Gains Tax, thereby eliminating the possibility of double taxation. There is no provision for setting capital losses against taxable income and vice versa.

4.5.1 Rates of Capital Gains Tax (CGT)

Capital gains are generally taxed at rate of 20%. Capital Gains is exempted on the disposal of the principal private residence of a person who is 55 years and above.

4.5.2 Exemptions from Capital Gains Tax

Such exemptions include:-

- Sale of stock and bonds in respect of loans to the State, State-owned Company, local authority or statutory corporation.
- Realization by an executor of specified assets forming part of a deceased estate.
- Sales of Zimbabwean assets by life insurers.

4.5.3 Allowable Deductions include

- Cost of acquisition of specified assets sold.
- Cost of additions, alterations or improvements to specified assets sold.
- An annual inflationary allowance on the above-mentioned costs determined using CPI rates
- Selling expenses such as legal fees, conveying fees, brokerage, advertising, etc.

4.5.4 Transfers where no CGT is payable

Subject to the proviso that the taxpayer makes an election before the end of the year of assessment in which the transfer takes place, the capital gains tax liability may be postponed until the date the property is sold to a third party. Such transfers include:

- Transfer of specified assets within groups of companies under the same control
- Transfer of specified assets between spouses
- Transfer of Business property of an individual to a company under his control.

Roll-over relief is available on the sale of:-

- A principle private residence.
- A business property used for the purposes of trade.

4.6 Levies and Customs Duty

4.6.1 Tobacco Levy

Both sellers and buyers of auction tobacco are liable to pay a levy of 5% of the price of tobacco sold/bought on auction floor in Zimbabwe.

4.6.2 Excise Duty

Excise duty is levied on locally manufactured and imported goods such as alcoholic beverages, tobacco products, soft drinks and petroleum products.

4.6.3 Customs Duty

Customs duty is payable by the importer on imported goods. The rates of duty on importation of raw materials and capital equipment are lower so as to promote the local industry. A draw back of duty may be claimed by approved manufacturers on raw materials imported to manufacture goods for export. A rebate of duty can also be granted on raw materials imported for inward processing by registered manufacturers. Rates of duty are published in the Customs and Tariff Handbook which is available from the Zimbabwe Revenue Authority (ZIMRA).

4.7 Incentives for Mining Sector

4.7.1 Royalties & Rentals

Royalties not deductible for income tax purposes shall be calculated as a percentage of the gross fair market value of minerals produced and sold as follows:

Precious stones	10%
Precious metals	3%
Base metals	2%
Industrial minerals	2%
Coal bed methane gas	2%
Coal	1%

- Surface rentals, which are not deductible for income tax purposes, shall be charged at different rates/levels, during the prospecting/exploration phase and the development/mining phase of mining project, and will be levied according to a published table of the rates of surface rents.
- Income tax on mining operations shall be levied at a flat rate of 15%
- A 10% withholding tax on dividends for both residents and non-residents for companies listed on the Zimbabwe Stock Exchange (ZSE) shall be levied. All other companies are levied at a rate of 20%
- Taxable income of holder of a special mining lease is 25%.

4.7.2 Allowable deductions

Separate mines (operating under separate mining titles) shall, as a general rule, be ring fenced.

- However, upon application to the appropriate authorities, combinations could be entertained for exploration that has been relinquished by a mining company.

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- In exceptional situations where a combination of mining operations of a similar nature, for a limited period, will avert a mine closure, accounts could be combined for tax purposes.
- General and Administrative Costs (G& A) incurred at a Head office or by a Parent Company shall be limited to a maximum of 0.75% of allowable deductions (as defined in the Income Tax legislation) during pre-production phase of the project and, a maximum of 1% of gross income for that year in the production phase of the project.
- Allowable as deduction shall be interest paid on borrowing of a debt to equity ratio of up to a maximum of 3 to 1, and any payments in excess of this figure shall be treated and taxed as a dividend.
- All capital expenditure (exploration, development and operating) incurred wholly and exclusively for mining operations will be allowed as a deduction at the rate of 100%.
- Mining companies may to claim capital redemption allowance on capital expenditure incurred.
- Mining companies shall continue to enjoy indefinite carry forward of their tax losses.

4.7.3 Customs & minerals export

- There shall be exemption from Customs Duty, Value Added Tax and Surtax.
- Mining companies shall be granted the right to market their minerals directly, in accordance with the provisions of the Minerals Marketing Corporation of Zimbabwe Act, and subject to adequate monitoring arrangements and reporting obligations on the part of the mining company.

4.8 Tourism Sector incentives

This is a rapidly growing sector of the economy, providing a large proportion of the economy and a large proportion of the country’s foreign exchange earnings. The major tourist centers include Victoria Falls, Hwange National Park, Kariba, Great Zimbabwe, and the Eastern Highlands. The sector has nine designated zones for special promotion identified as Tourist Development Zones that await investor exploitation with special incentives attached to them. The TDZs are currently as follows:

- Beitbridge/ Shashe/ Limpopo and surroundings
- Gonarezhou (GLTP)/ Chiredzi and surroundings
- Great Zimbabwe National Monument/ Lake Mutirikwi and surroundings. Investors in areas designated as Tourism Development Zones (TDZ) will enjoy the following incentives.
 - Taxable income –
 - ✓ First five years of operation0%
 - ✓ Second five years of operation.....15%
 - ✓ Third five years of operation.....20%

- ✓ Thereafter normal corporate tax rates apply of 30%
- Duty Refund of duty on approved capital goods imported for use in the tourist development zone

4.9 Preferential Zones

4.9.1 Growth Point Areas: to encourage commercial and industrial development in selected parts of the country, the Minister of Finance may prescribe an area as a Growth Point Area. Commercial and industrial operations carried out in approved growth point areas are granted additional allowances and qualify for more favourable rates of tax for the first five years, as follows:

- (a) Manufacturing company 10%
- (b) Any taxpayer providing roads, bridges, sanitation, water reticulation 15%

N/B: There after normal tax rates of 30% apply.

4.9.2 Other Special Rates

Approved BOT	1 st 5 years	0%
	2 nd 5years	15%
	3 rd 5years	20%
	Thereafter	30%

4.9.3 Export companies in Manufacturing

Companies exporting at least 50% of their manufacturing output are taxed at 20%

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