



Aatma Capital  
Nurturing Relationships



# Doing Business in Zimbabwe

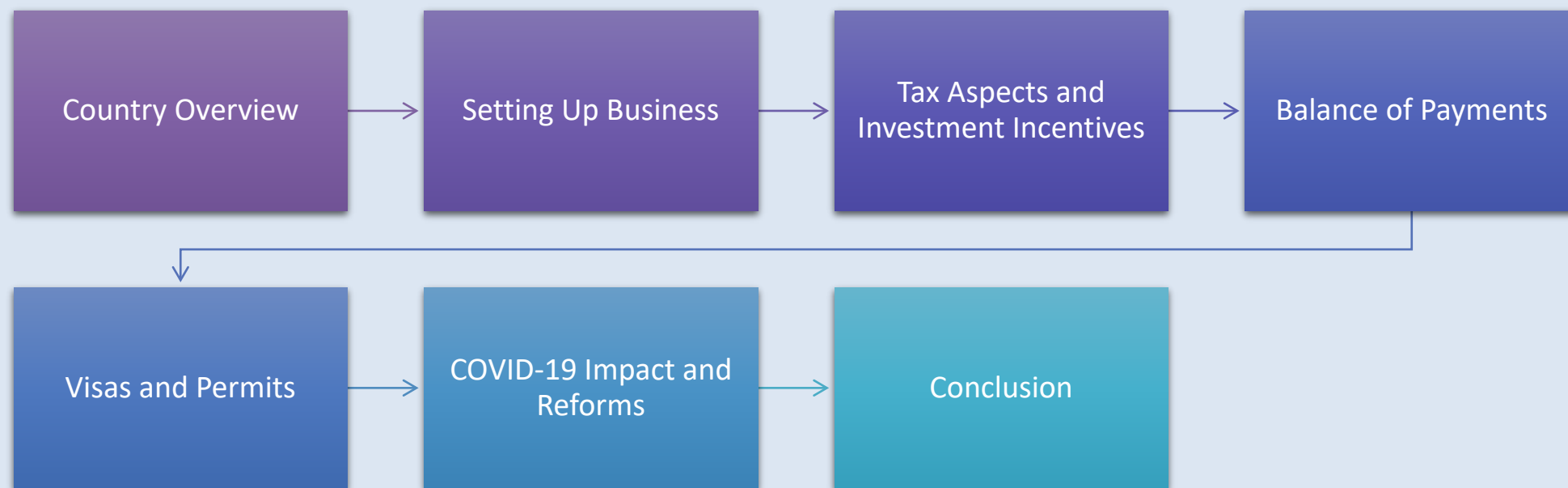
## CA Jugal Gala



# Legends Used in the Presentation

<b>DTAA</b>	Double Taxation Avoidance Agreement
<b>EODB</b>	Ease Of Doing Business
<b>FDI</b>	Foreign Direct Investment
<b>GDP</b>	Gross Domestic Product
<b>ICT</b>	Information and Communication Technology
<b>IMTT</b>	Intermediated Money Transfer Tax
<b>PCP GDP</b>	Per CaPita GDP
<b>SDAC</b>	Southern African Development Community

# Presentation Schema





# Country Overview

# Demography and Wealth

## Population



- 1.50 crores (2020)
- 0.19% of total world population
- Population density: 38 per Km<sup>2</sup>

## GDP



- Real GDP: \$ 21.441 billion (129<sup>th</sup> in world)
- PCP GDP- \$1463.986 (166<sup>th</sup> in world)

## Urbanisation



- 38.4% urbanized

## Real Wealth



- Coal, Gold, Diamond, Platinum, Copper, Nickel and number metallic and non-metallic ores

## Currency



- Currency Unit: Zimbabwean dollar (ZWL, Z\$): USD1= Z\$ 361.90

# Business Environment

As of 2016

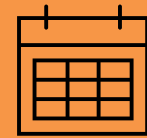
## Sectoral contribution to GDP

**Agriculture – 18.5%**  
**Mining – 4%**  
**Manufacturing – 15.5%**  
**Tourism – 6%**



## Ease of Trading Across Borders (World Bank)

159<sup>th</sup> rank



## Employment Distribution (2017)

**Agriculture – 67.5%**  
**Industry- 7.3%**  
**Services- 25.2%**

## EODB (World Bank)

**Overall: 140<sup>th</sup> rank**  
**For starting business: 167<sup>th</sup> rank**



# Popular Locations for Setting Up Business

## HARARE



- Harare, the **capital of Zimbabwe** is a modern, well-planned city with good infrastructure comparatively.
- Key business opportunities in the city include **farming, agro processing, automobile assembly plants, transport infrastructure, health services, hospitality services.**

## BULAWAYO

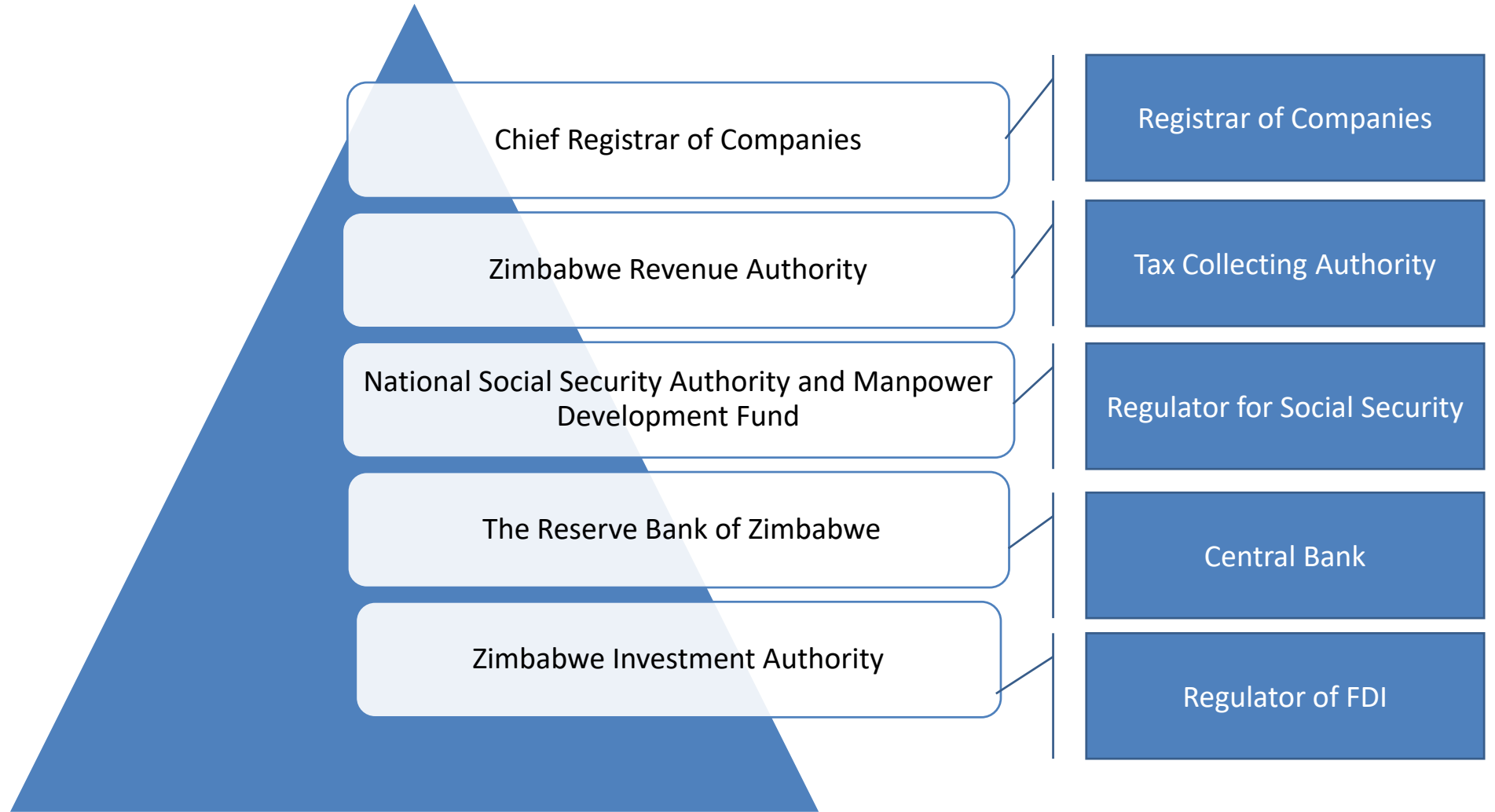


- The city has been known as the **Industrial hub of Zimbabwe**
- It offers a varied number of Investment opportunities in various sectors such as **Tourism, Real Estate, Transport, ICT and Manufacturing**
- As the city is in need of good infrastructure, **real estate** in Bulawayo has a good opportunity to grow and develop

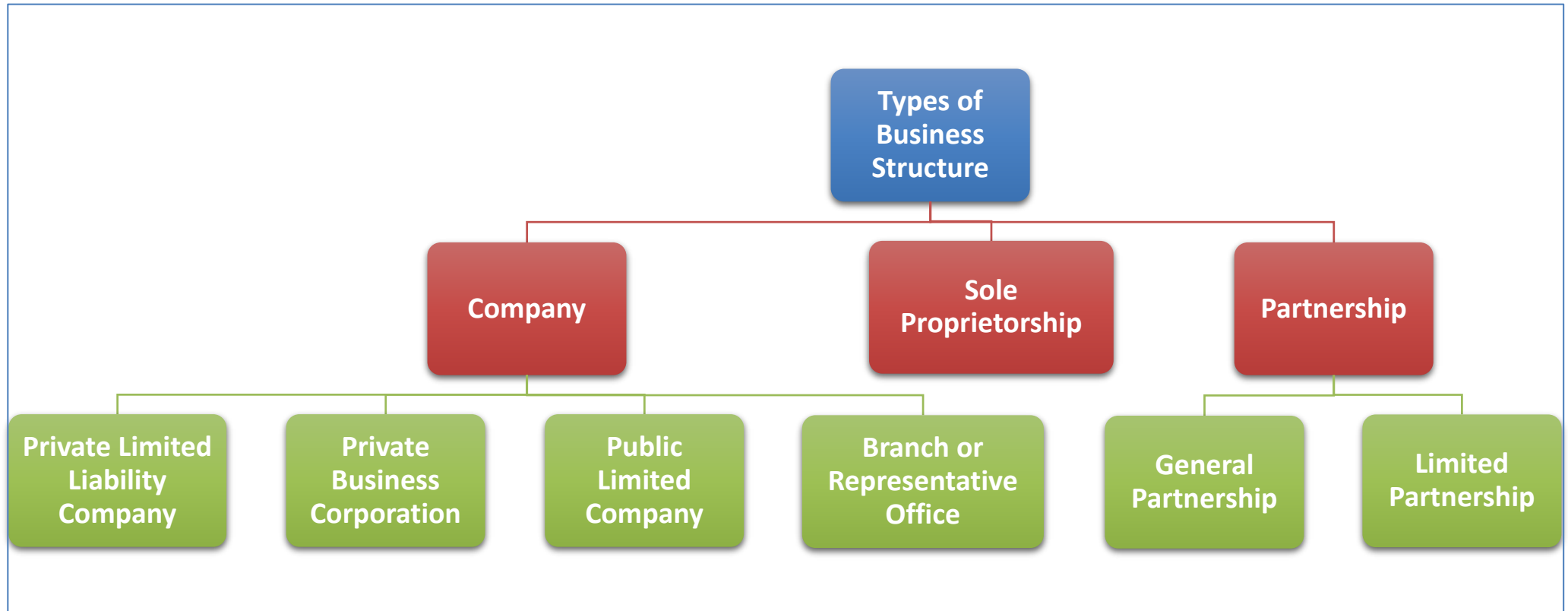
# Setting Up Business



# Regulatory Agencies



# Types of Business Structure



The most common business entity for foreign investors is the Zimbabwe Private LLC.

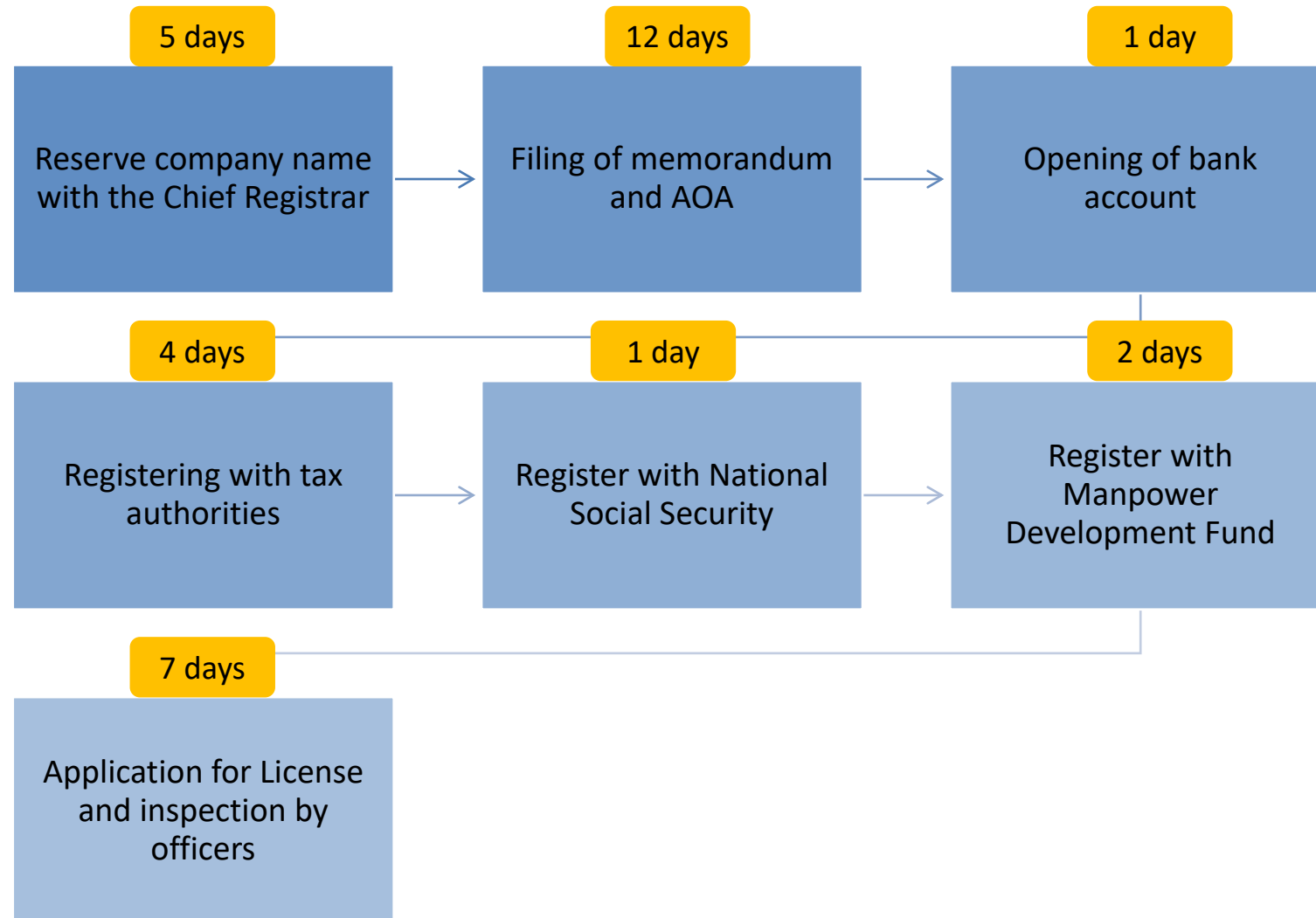
# Comparison between business entities

Factor of comparison	Private LLC	Public Ltd Company	Branch/ Rep office
Time to set up	3 to 4 weeks	12 weeks	10 / 6 weeks
Legal liability	Limited	Limited	Unlimited
Resident director requirement	No	No	No
Minimum directors	2	2	-
Requirement of local directors	1	1	-
Minimum shareholders	1	2	-
Maximum foreign ownership	100% (49% in platinum and diamond sectors)		
Minimum paid-up share capital	No	No	No
Corporate Tax Rate	24.72%	24.72%	24.72%

# Contd...

Factor of Comparison	Private Business Corporation	Private Limited Liability Company
Appropriate for	Small to medium businesses	Medium to large businesses
Composition	Can accommodate sole traders	Only accommodates 2 or more people
Legal status	Has a legal persona of its own apart from its owners	Has a legal persona of its own apart from its owners
Liability	Limited Liability	Limited Liability
Perpetual Succession	Yes	Yes
Owners	Comprised of <b>members and has member's contributions</b>	Comprised of directors and <b>shareholders and has share capital</b>
Prohibition for certain investors	<b>Companies cannot hold a member's interest</b> in a PBC, only individuals can be members	Both companies and individuals can be shareholders in a PLC
Requirement of annual returns and audited financial statements	Not required	Compulsory
Prohibition on financial assistance to owners	No prohibition on a PBC to provide financial assistance for the acquisition of a member's interest	Prohibition on a company to provide financial assistance for the acquisition of its own shares

# Registration Process of Zimbabwe Private LLC



# Tax Aspects and Investment Incentives

# Tax Profile

## Corporate Tax

- **CIT – 24.72%** for companies (other than mining companies with special mining leases (15.45%), but including branches)
- **Capital Gains Tax- 20%** if asset was acquired after 22.02.2019 and 5% if acquired before that
- DTAs: 15

## Personal Tax

- Rate of tax ranges from **20%-45%** for employment income
- Threshold for taxation is USD 4200
- Other income (**business**) is taxed at **CIT rate (24.72%)**

## VAT

- Standard tax rate of **14.5%**
- Registration threshold: ZWL 1 million

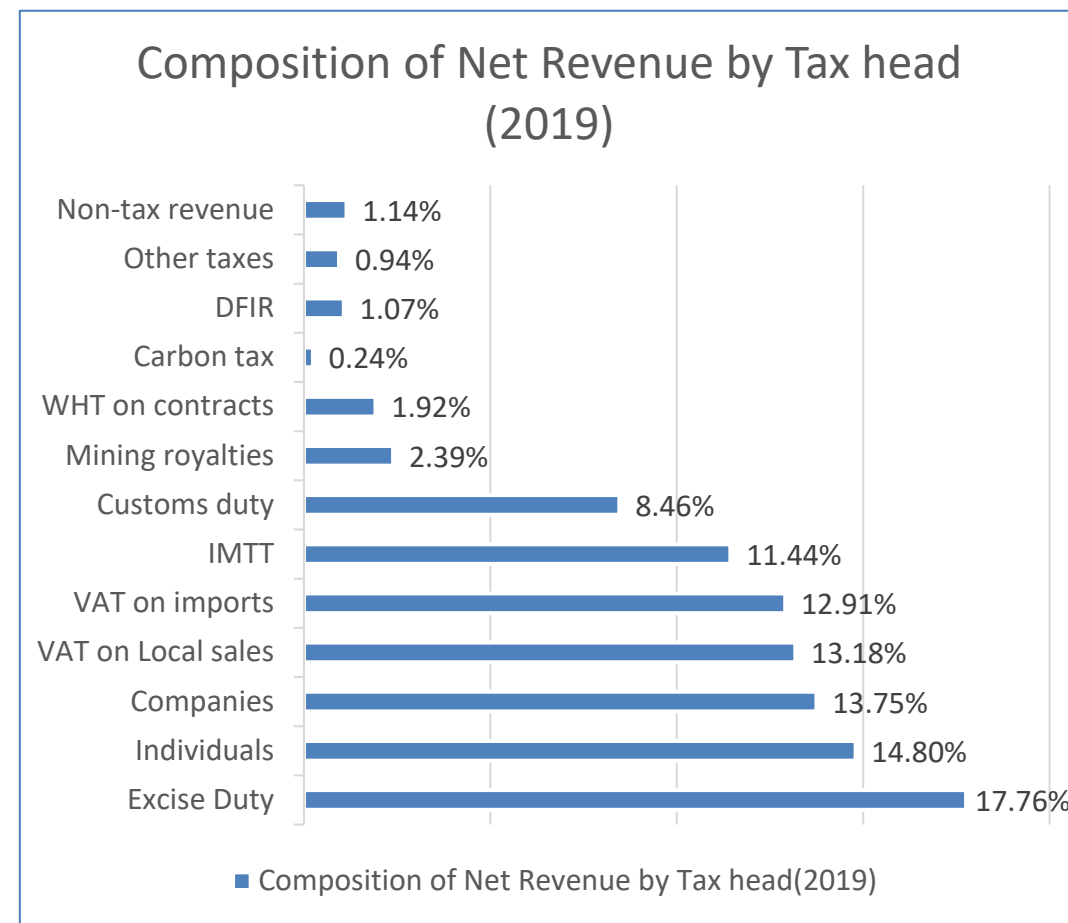
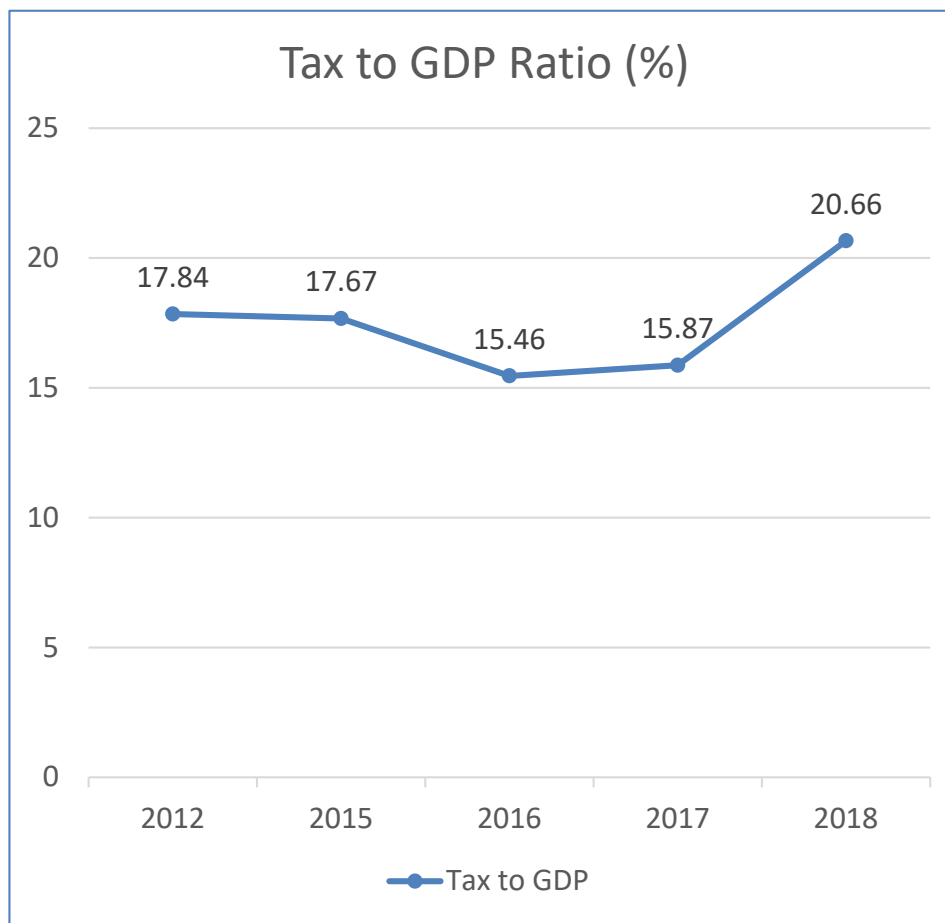
## Withholding Tax (WHT)

- **15%** for dividend from unlisted company and 10% for listed company (Treaty rate may apply)
- Non-resident investors are currently **exempted from WHT on interest**
- 15% WHT for royalties (on accrual basis)
- 15% WHT on FTS (on payment basis)

## Due date for filing returns (Tax year end is December 31<sup>st</sup>)

- **Corporate – April 30<sup>th</sup>**
- **Personal- April 30<sup>th</sup>**
- **VAT - Not later than 15<sup>th</sup> day of every succeeding month** (For certain categories of taxpayers returns fall due once in two months)

# Tax Snippets





# Tax Incentives for Foreign Investors

## Tax holidays

- For investment designed to **develop industrial parks and investment in tourism development zones** the investors will not pay tax in the first five years after which they will pay tax at the rate of 25.
- For **build, own, operate, and transfer (BOOT)** and **build, operate, and transfer (BOT)** joint ventures, investors will not pay tax for the first five years after which they will pay tax at the rate of 15% per annum.
- **Reduced tax rates are also available for manufacturing companies which exports** certain % of its output

## Duty Exemptions:

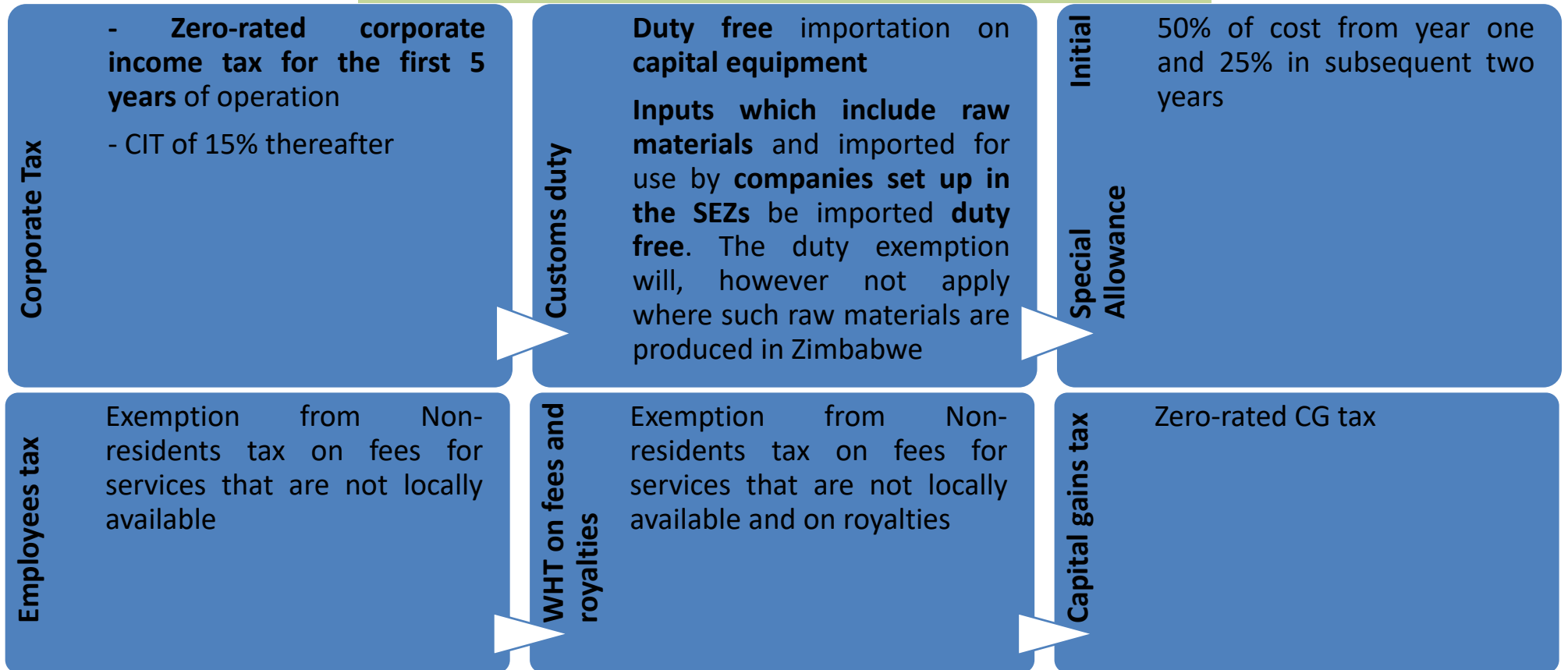
- The government generally allows for duty exemptions in the **importation of capital equipment and raw materials** used in the manufacture of goods for export

## VAT:

- Exemption from VAT for a variety of products that include agricultural produce, raw materials for further processing, goods used in the production of agricultural, mining, industrial or manufactured products, etc.

# Special Economic Zones

## Fiscal Incentives for investments in Special Economic Zones



*Prioritised sectors for SEZs include agriculture, manufacturing, mining, tourism, services and information communication technology*

Contd...

**Non-Fiscal Incentives for investments in Special Economic Zones**

**Work permits for Expatriates**

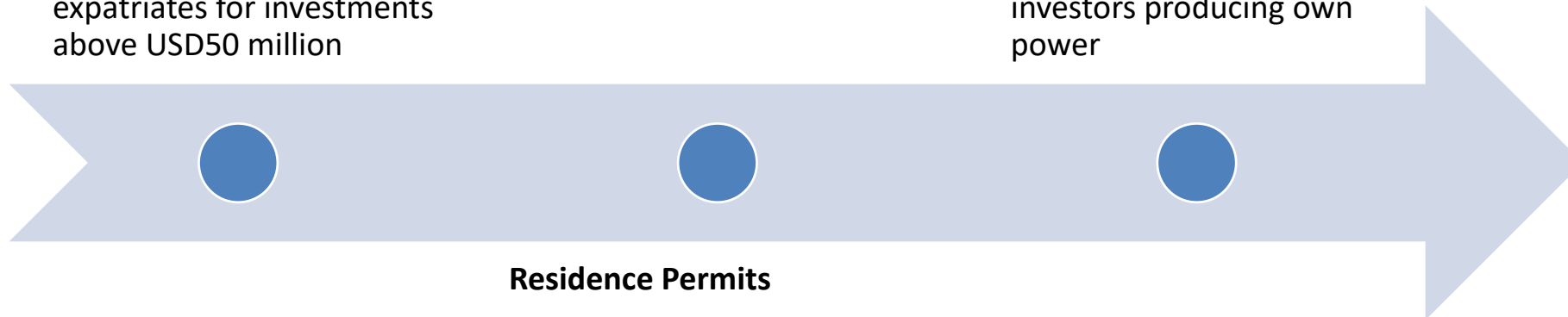
- Automatic work permits for expatriates for investments above USD50 million

**Water and Energy supply**

- Dedicated Power and Water supply for companies
- A package of incentives for investors producing own power

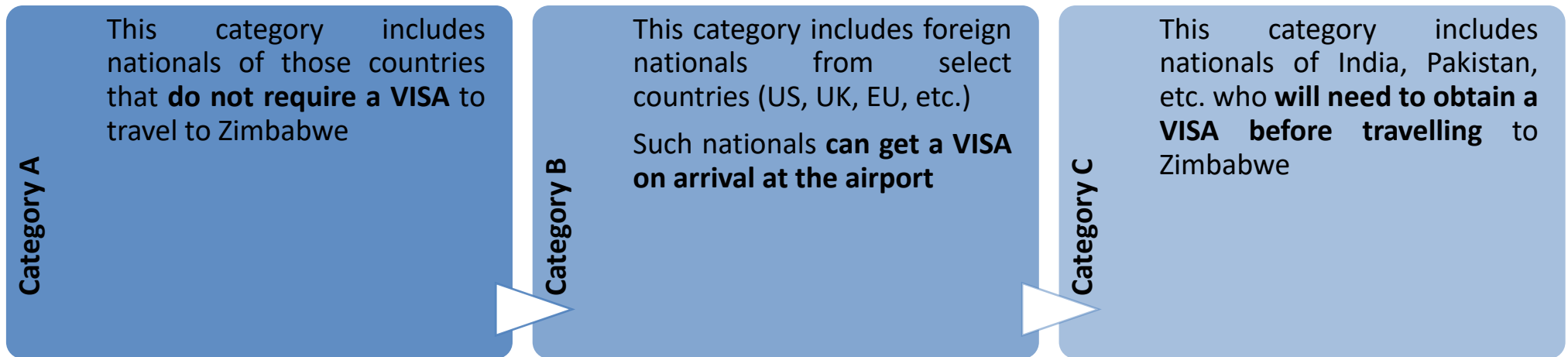
**Residence Permits**

- Automatic Residence Permit for investment above USD50 million



# Visas and Permits

# Types of Visas



• Some of the most commonly issued visas to foreign nationals are **tourist visas and short-term business visas**

• In addition to those, Zimbabwe issues work permits for foreign employees.

• Work permits are available for several categories of expatriates including **journalists, professionals with specialized skills that are not common in Zimbabwe, foreign researchers, short-term employees** on 6-month contracts with local businesses.

• Application for visas or permits is to be submitted to the **Department of Immigration, Zimbabwe**

# Balance of Payments

# Foreign Investment

Zimbabwe's Indigenization and Economic Empowerment law **limits the amount of shares owned by foreigners in the diamonds and platinum sectors** to 49% with specific indigenous organizations owning the remaining 51%

The Government has signaled its intent to remove these restrictions.

Foreign investors are **free to invest in the non-resource sectors** without any restrictions.

The government further **reserves certain sectors** such as passenger buses, taxis and car hire services, employment agencies, grain milling, bakeries, advertising, dairy processing and estate agencies for Zimbabweans

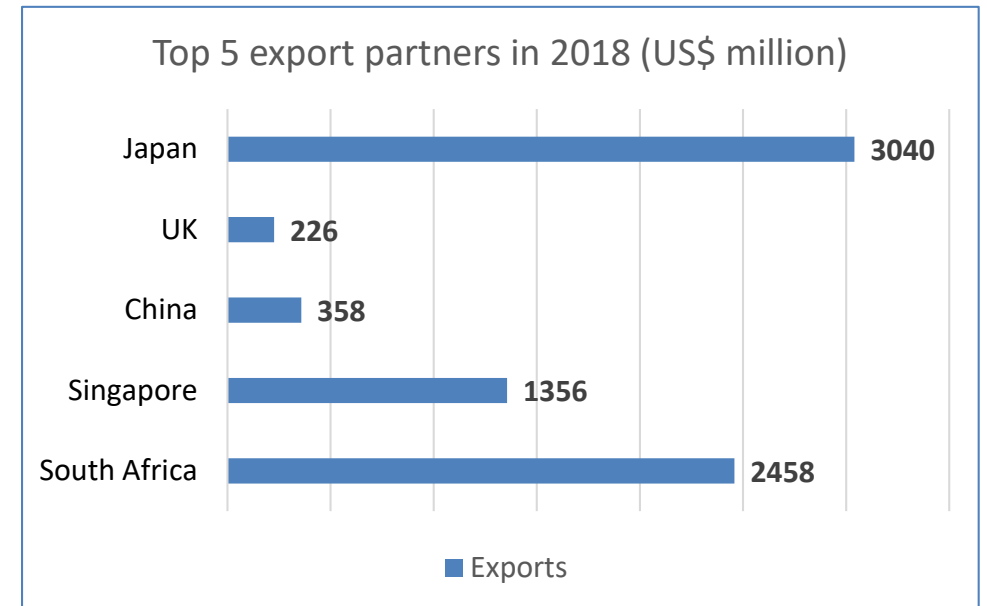
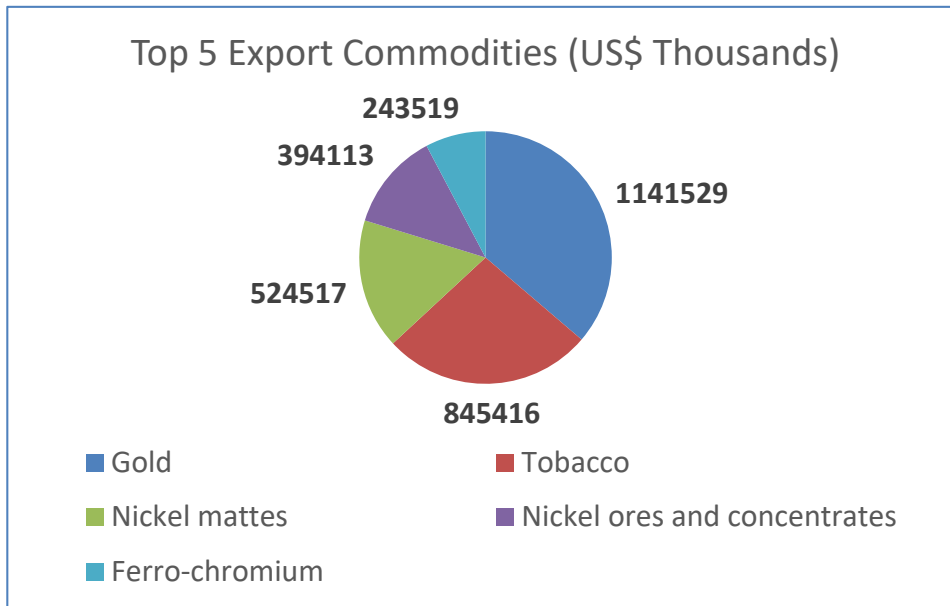
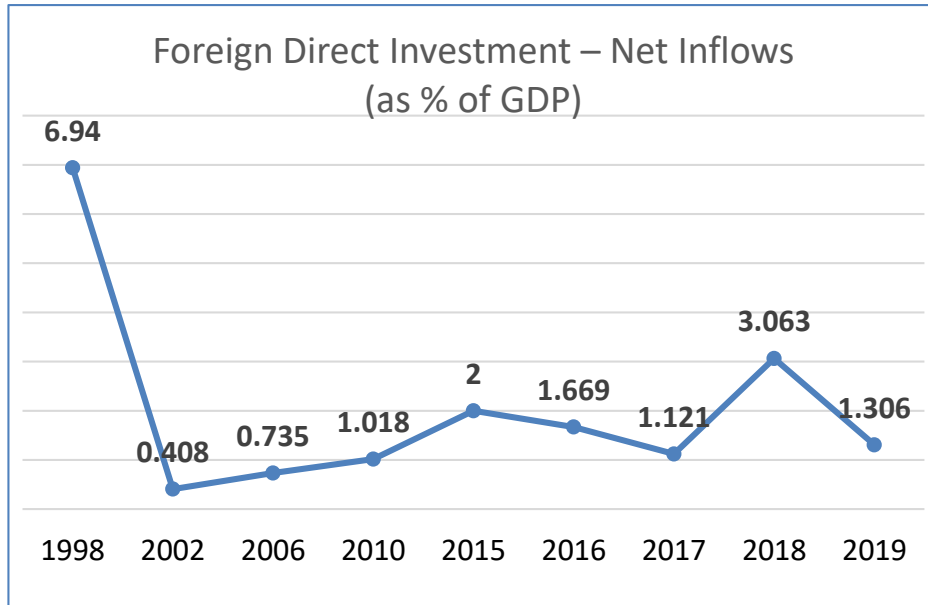
The country screens FDI through the **Zimbabwe Investment Authority (ZIA)** in liaison with relevant line ministries to confirm compliance with the country's investment regulations

**Dividends are freely remittable**

Zimbabwe does not promote or incentivize outward investment because of the **tight foreign exchange constraint**. Any outward investment requires approval by exchange control authorities

Zimbabwe has **investment treaties with 35 countries but ratified only ten** of these treaties

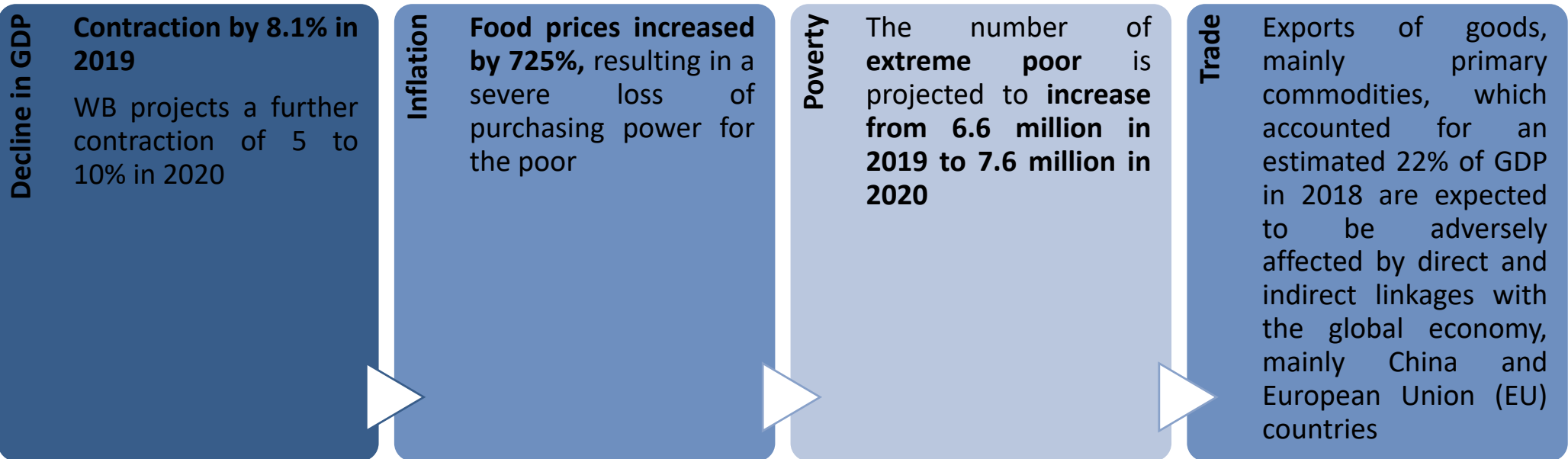
# BOP Snippets





# Covid-19 Impact and Reforms

# Covid-19 Impact



# Covid-19 Reforms

## Fiscal measures:

- Stimulus packages to provide liquidity to several sectors, expand social safety nets and food grants, set up a health sector support fund was announced
- COVID-19 cash transfers are in the process of being provided to eligible beneficiaries

## Monetary measures:

- Statutory Reserve Ratio was lowered from 5 to 2.5%
- Policy rate was lowered from 35% to 10% but was reverted back to 35% in July 2020.
- Private sector lending facility was increased
- In March 2020, the RBZ moved from a fixed exchange rate regime to a managed floating exchange rate system

## Other measures:

- Corporate tax credits of up to 50% for COVID-19 donations

# Conclusion

Zimbabwe's **strategic location in the SDAC region** provides a regional gateway (North-South Corridor) and access to major regional markets

The country is a **resource endowment with over 55 exploitable important minerals/materials resources**, however, FDI in mining sector is subject to certain restrictions.

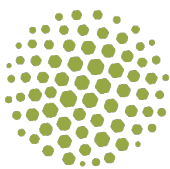
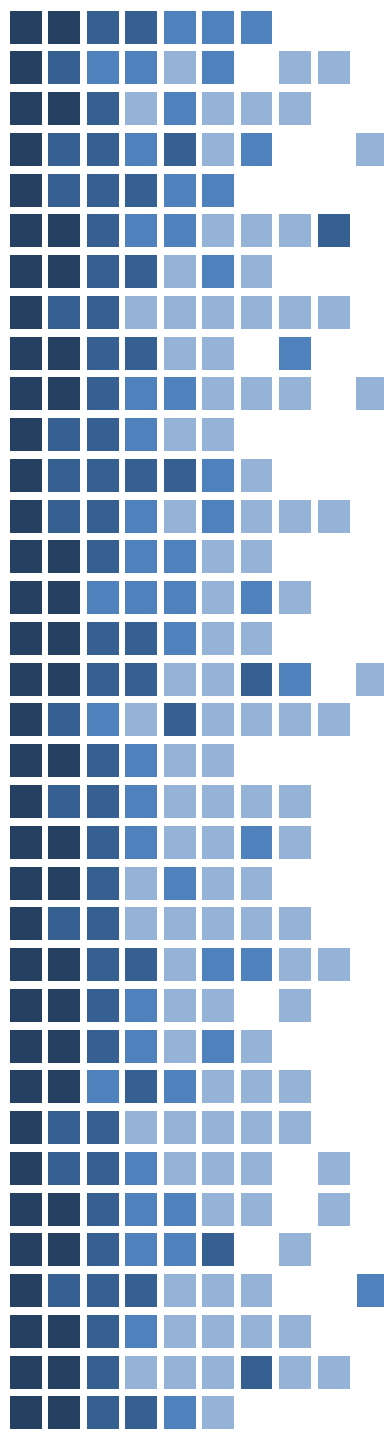
Another aspect to be considered is the **91.75% youth literacy rate** (most educated youth in Africa) which implies a strong human capital base

Contraction in GDP growth over the past years, **high inflation, high poverty rates and high income inequality** have been concerns in the Zimbabwean economy

However, the Government of Zimbabwe commits to implement effective, favourable and transparent investment climate

The Government is open to investments that create value addition and job creation.

The priority sectors for investment include **mining, manufacturing, agriculture, tourism, ICT and infrastructure development**



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