

THE INCOME TAX BILL: THE CHANGES IT IS BRINGING

The new Income Tax Bill H.B.5 which was released in the Government Gazette on the 18th of November 2012 was finally sent for Presidential Ascendment on the 8th of November 2013.

Constitutionally the President has up to 30days to sign the Bill after which it will go to the High Court through Parliament and it becomes law.

If it becomes Law, the following is what the Income Tax will bring:

- ❖ The Bill will repeal and replace the Income Tax Act (Chapter 23:06) which was first enacted in 1967.
- ❖ The shift of the tax system from the current source-based system where tax is levied on income originated or deemed to have originated in Zimbabwe to a Residence-based one where under the taxable income of a taxpayer resident in Zimbabwe is the taxpayer's income from all Geographical sources within or outside Zimbabwe.
- ❖ A clearer distinction is drawn between the different types of income that is employment income, business income (which was previously called income from trade) and property income.
- ❖ A clearer distinction is drawn between deductions from income that are of a technical nature closely related to the production of income in question and those that are "tax expenditures"(that is deductions promotive of public policy objectives).
- ❖ Taxation of certain amounts which though strictly speaking are capital gains, relate to the disposal of certain property used primarily in the production of income, namely business property and investment property (these are not presently taxable under the Capital Gains Tax Act, but it is contemplated that the provisions of the Capital Gains Tax Act will be eventually be merged with those of this Bill if it becomes an Act.)
- ❖ The removal from the Body of the Bill of prescribed amounts and formulas wherever possible to separate Schedules, namely the Fourth Schedule (Miscellaneous Calculations) and the Ninth Schedule (Prescription of Various Amounts).
- ❖ To abolish the Special Court for Income Tax Appeals while retaining the Fiscal Appeal Court .This will now become the appellate court of first instance for Income tax appeals.



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- ❖ Generally, the updating and modernising of outdated terms to take account of contemporary developments in the field of income taxation, such as the changeover to accrual basis of accounting.
- ❖ Motoring benefits are now taxable with reference to the cost of acquiring or leasing the motor vehicle, maintenance costs and the percentage usage by the employee for non business using the following formula:
 $(C+R)*P$
Where_
C is 20% of the cost to the employer of purchasing the vehicle or the full cost of leasing the vehicle;
R is the running costs of the vehicle in the year ultimately borne by the employer;
P is the proportion the employee's non-business use of the vehicle bears to its total use in the year of assessment.
- ❖ Benefit on loan or credit granted directly or indirectly to the employee or to any member of the employee's family is now 10% of the amount less the interest if any.
- ❖ Reintroduction of capital allowances for taxpayers carrying on a growth point business after being repealed on 08/01/2010.
- ❖ Reintroduction of a further investment allowance of 15% of the cost to the tax payer of :
 - any commercial or industrial building or staff housing erected in the growth point area
 - any alteration or addition to an existing commercial or industrial or staff housing in the growth point area
 - any unused property other than motor vehicles;
brought into use for the purpose of that business during the year of assessment.
- ❖ Restriction of allowable deductions to all expenditure and losses incurred in the production of income during that year of assessment.(previously deductions were allowed to expenditure and losses incurred for the purpose of trade) .

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