



NATIONAL ECONOMIC CONSULTATIVE FORUM

2025 ZIMBABWE NATIONAL BUDGET SYNOPSIS

1.0 Introduction

On 28 November 2024, the Hon. Prof. M. Ncube, Minister of Finance, Economic Development and Investment Promotion presented the 2025 National Budget under the theme **"Building Resilience for Sustained Economic Transformation,"** focusing on stabilizing Zimbabwe's economy while fostering inclusive and sustainable growth.

The National Budget balances the need for fiscal consolidation with investments in critical sectors to achieve Vision 2030 objectives.

The Budget introduces measures to address macroeconomic challenges, including inflationary pressures, exchange rate volatility, and public debt, while also improving public service delivery and expanding the social protection framework.

2.0 Key Economic Developments

2.1 Economic Growth:

The economy is projected to grow by 2% in 2024 on the back of subpar performance in agriculture, manufacturing and mining.

In 2025, the economy is projected to grow by 6% in 2025 slightly below the initial forecast of 6.5% driven by agriculture (12.8%), electricity generation (10.6%), and ICT (9.9%).

The 2025 economic growth projections are underpinned by assumptions that include: normal to above-normal rainfall which is expected to result in increased agricultural production; stable exchange rate and low inflation providing a conducive doing business environment; and tight fiscal and monetary policies.

Regarding GDP performance from the demand side, private consumption and government consumption are projected to grow by 2.5% and 5.4% in 2024, respectively. In 2025, however, private consumption is projected to drive economic growth by 6.6% due to strong recovery in household spending, while the public sector is anticipated to register a growth of 5.3%.

Gross fixed capital investment is expected to grow from 0.5% in 2024, to 4.6% in 2025, driven by private sector investment on the back of an expected stable macro-economic environment.

Economic growth beyond 2025 is projected to remain steady at 5%, mainly driven by private consumption and investment.

2.2 Inflation:

Following stabilization earlier in 2024, inflationary pressures reemerged due to exchange rate volatility. For 2025, month-on-month inflation is expected to remain below 3%, supported by tight fiscal and monetary policies.

2.3 Foreign Currency Receipts:

Receipts rose by 17.9% during the first nine months of 2024 to US\$10 billion, driven by export earnings (59% of total receipts) and diaspora remittances (25%). During the same period in 2023, the country received US\$8.5 billion.

2.4 Public Debt:

Public debt stands at US\$21.1 billion, as at end September 2024, of which external debt amounted to US\$12.3 billion and domestic debt at US\$8.7 billion. Arrears clearance and debt restructuring efforts aim to reduce debt-servicing obligations and create fiscal space for development projects.

2.5 Public Deficit:

The fiscal deficit for 2025 is projected at 2.5% of GDP, reflecting continued fiscal consolidation efforts.

2.6 Trade Performance:

Merchandise exports rose by 3.3% during the first nine months of 2024 to US\$5.4 billion, led by gold (16.7%) and tobacco (17.1%). Imports increased by 4.4% to US\$6.5 billion, driven by food and energy imports.

2.7 Land Tenure Reforms and Compensation Framework

The Budget prioritizes addressing land tenure reforms and compensation for former farm owners (FFOs) under the Global Compensation Deed (GCD) and Bilateral Investment Protection and Promotion Agreements (BIPPAs). Treasury approved 444 FFO applications worth US\$331.7 million, with 1% (US\$3.3 million) to be paid upfront and the balance settled through Treasury bonds with maturities of 1–10 years and a 2% coupon rate. Compensation payments will

begin in Q4 2024, supported by a US\$10 million allocation in the 2025 Budget. Additionally, 94 claims under BIPPAs worth US\$131.3 million were approved, with US\$20 million allocated in 2024 for immediate payments, and an additional US\$20 million in the 2025 Budget for a multi-year payment plan.

These measures aim to restore confidence in Zimbabwe's investment environment by honouring property rights, critical for attracting foreign direct investment and stabilizing the agricultural sector. However, reliance on Treasury bonds and future budget allocations poses risks to fiscal sustainability, underscoring the need for disciplined resource management and economic stability to ensure timely and effective implementation.

3.0 Fiscal Measures

The following fiscal measures are being proposed in the Budget for implementation:

3.1 Revenue Enhancing Measures

- **Excise Duties:** Increased from 30% to 40% on wines and spirits. Tobacco excise raised by 10 percentage points.
- **Fast Food Tax:** Introduced a modest rate of 0.5% on the sales value of food items sold by Fast Food Retail Outlets and Restaurants with effect from 1 January 2025. The food items include pizza, burger and hot dog, shawarma, French fries, chicken, doughnuts and similar products, and tacos.
- **Rental Income Tax:** A flat **15% withholding tax** on landlords' rental income to enhance compliance.
- **Customs Duties:** New duty of **15%** on electric motor vehicles to promote local industry.
- Review the Special Economic Zones (SEZ) incentives with effect from 1 January 2025:
 - Reduce the degree of export orientation from 100% to 80%;
 - 100% of the income must be derived from the carrying on of business or provision of services within that SEZ;
 - Remove the Tax Holiday for the 1st 5 years, and replace with an effective Corporate Income Tax rate of 15%;
 - Remove tax exemption on Withholding Taxes, and introduce a lower Withholding Tax of 10%; and,

- Exclude petroleum, as well as extraction and exploitation of all mineral resources from SEZ Status.
- **Withholding Tax on Betting:** 10% Withholding Tax on gross winnings of Sports Betting Punters, with effect from 1 January 2025.
- **Taxation of the Emerging Sector:** Introduced mandatory registration for Corporate and Personal Income Tax operators that include: fabric merchandisers; clothing merchandisers/boutiques; spare parts dealers; car dealers; grocery and kitchenware merchandisers; hardware operators; and lodges.

The operators have also been mandated to regularise registration of their operations with the Zimbabwe Revenue Authority, transact through Point-of-Sale Machines and maintain records of all transactions, by 1 January 2025.

Failure to comply, operators will be compelled to pay tax as follows: fabric merchandisers (US\$12000); clothing merchandisers/boutiques (US\$12000); spare parts dealers (US\$9000); car dealers (\$US15000); grocery and kitchenware merchandisers (US\$9000); hardware operators (\$15000); and lodges (\$US5000).

- **Tax compliance of Micro and Small Enterprises:** The Virtual Fiscalisation System for the recording of VAT taxable transactions to Micro and Small Enterprises whose turnover falls below the VAT registration threshold for purposes of monitoring sales, has been extended to the first quarter of 2025.
- **Rebate of Duty on Goods Imported for COVID-19 Mitigation:** Duty on the medical products has been introduced with effect from 1 January 2025 given that since May 2023 the WHO declared COVID-19 as a disease which is no longer a medical health emergency

3.2 Tax Compliance Measures:

- **Methodology for Determination of Mineral Royalties:** Royalties shall be payable on any mineral or mineral bearing ore or products during any period of assessment.

The Minister of Finance to be empowered to designate any mineral as being subject to royalties, notwithstanding the provisions of any other legislation.

- **Royalty on Quarry Stones and Coal:** Legislation to be amended to designate quarry stones as a mineral, where royalty will be payable at a rate of 0.5% of the sales value. Also, royalty rate on coal to be extended on all types of coal, regardless of the market where it is sold.
- **Designation of Royalty as a Tax:** Legislation be amended to include mineral royalties in the definition of taxes.

- **Deemed Date of Sale of Minerals:** All minerals, except for Platinum Group of Minerals (PGMs) and gold, to be deemed as sold at the value determined on the date on which any sales contract is entered or the date on which the purchaser receives the product, whichever is higher.
- **Registration for Income Tax:** With a view to compel operators to register for taxes, no corporate or legal person will be allowed to access, on an annual cumulative basis, any loan above US\$20 000 without registration for Corporate Income Tax.
- **Rental Income Tax: Change of Principal Purpose:** All properties that have been converted from residential to business properties to be subject to Rental Income Tax at a rate of 25% and accounted separately by the Zimbabwe Revenue Authority.
- **Smuggling of Cement:** Government through the responsible Agencies to instigate necessary measures that eliminates smuggling of cement and in turn guarantee the survival of local producers.
- **Deemed Smuggled Products:** With immediate effect, products that include; Alcoholic & non-alcoholic Beverages; Cement; Clothing & footwear; Dairy products; Diapers; Electrical appliances, cables & accessories; Ploughs & parts thereof; Processed meat; Rice & Pasta; Sugar; Tyres & motor spare parts and, Washing powder and Detergents will be deemed as smuggled if the seller does not provide documentation to the Commissioner the customs duty has been paid.
- **Income Tax Exemption: Building Societies:** Receipts and accruals arising from commercial activities outside the scope and definition of a Building Societies should, be subject to tax, with effect from 1 January 2025.
- **Enhanced Post Clearance Audits:** There will be introduction of measures to complete the recently introduced drones at Ports of Entry, as smuggled goods continue to flood the market.

3.3 Tax Relief Measures:

- Local currency tax-free threshold raised to ZiG 2 800/month in view of the recent devaluation of the ZiG. For foreign currency, tax-free threshold remains unchanged at US\$100 with any subsequent income taxed at rates ranging from 20%, up to a marginal income tax rate of 40% for incomes above US\$3 000 per month.
- Marketable securities to be subject to Capital Gains Withholding Tax at a rate of 1% on the gross value of the price at which the security is sold, with effect from 1 January 2025. Withholding Tax be treated as a final tax.
- In order to create a level playing field between Ready-to-Drink beverages and cordials, the Special Surtax on Beverages' Sugar Content on cordials will be reviewed from US\$0.001/g to US\$0.0005/g, with effect from 1 January 2025.

- **VAT Deferment: Energy Sector:** In order to incentivise the energy sector and accelerate the implementation of an integrated power generation and transmission framework, VAT deferment facility on capital equipment by operators in the energy sector will be extended to the energy sector with effect from 1 January 2025.

3.4 Support to Industry:

- Suspension of Duty Facility on imported buses, with effect from 1 January 2025 with a view to channel resources towards value addition.
- Suspension of customs duty on Semi Knocked Down Kits for a period of 2 years, beginning 1 January 2025 to support the local assembly of motor vehicles.
- Review excise duty on selected alcoholic beverages, including wine and spirits, from US\$0.25 per litre to US\$0.30 per litre, with effect from 1 January 2025.
- Ring-fenced suspension of duty facility of 100 000 litres of raw wine per annum for a period of 2 years beginning 1 January 2025.
- Proposal to incentivise the film production industry through a number of tax incentives, in consultation with stakeholders during the course of 2025.

3.5 Support for Climate-Friendly

- Customs Duty on Electric Motor Vehicles will be reduced from 40% to 25% for buses, motor vehicles (for public transportation of people), and motor vehicles (for transportation of goods) with only electric motor for propulsion with effect from 1 January 2025.
- Rebate of Duty will be extended equipment used for setting up Electrical Vehicles Solar Powered Charging Stations imported by approved operators with a view to incentivise the use of electric vehicles. This is with effect from 1 January 2025.
- In order to reduce the cost of Liquefied Petroleum Gas (LPG), the product will be exempted t from Value Added Tax, with effect from 1 January 2025.
- **Plastic Bag Tax:** Introduced at US\$0.10 per bag to discourage use and protect the environment.
- In order to support persons promoting the recycling of plastics, any supply of recyclable plastics, provided the aggregate amount supplied does not exceed US\$5 000 in any year of assessment will be exempt from withholding tax.

3.6 Other Legislative Amendments

- Cattle sales by smallholder farmers on aggregate sales below US\$5 000 per annum will be exempted from Withholding Tax.

4.0 NECF Views

- 4.1 The 2025 National Budget introduces commendable fiscal policy measures that align with the goals of National Development Strategy 1 (NDS1) and Vision 2030, while laying a solid foundation for transitioning to National Development Strategy 2 (NDS2). By focusing on macroeconomic stability, structural reforms, and investments in critical sectors, the budget ensures that Zimbabwe is well-positioned to embrace the next phase of its economic transformation agenda. However, certain measures warrant careful review to avoid unintended consequences on aggregate demand, consumer welfare, and business competitiveness.
- 4.2 The new fast-food tax and other measures such as the plastic bag tax could negatively impact aggregate demand and consumer welfare. These taxes should be reviewed to avoid redundancy, especially since consumers already bear VAT, IMTT, and bank charges. A targeted, equitable approach to revenue generation is recommended, such as incentivizing environmentally friendly alternatives and healthy eating habits.
- 4.3 The suspension of duty on public service buses is a beneficial measure that provides local bus manufacturers with a critical reprieve. However, the relatively small scale of the industry may hinder competitive pricing and economies of scale, leading to higher prices due to a limited number of suppliers. Conversely, removing duty on Knocked Down Kits (CKD) for buses and cars would strategically position the industry for growth, enabling the establishment of local manufacturing capabilities for simpler components.
- 4.4 Increasing excise duties on wines and spirits could help revitalise the domestic wine sector while generating additional government revenue that can be allocated to the healthcare system. However, this may result in higher prices for consumers.
- 4.5 While reducing SEZs incentives may enhance fiscal revenues and promote fairness in the market, it could pose challenges for firms that previously benefited from preferential treatment, making it more difficult for them to remain competitive. Conversely, conducting a thorough review of the reasons behind the lack of popularity of SEZs over the past seven years, and identifying strategies to attract investments within these zones is equally crucial.
- 4.6 There is need to consider reviewing the tax-free threshold by raising it from \$100 to \$150 as it would provide relief to low-income earners given that the current threshold is significantly below the Poverty Datum Line.
- 4.7 Introducing a tax on betting activities could enhance tax revenue and regulate the sector, while also deterring these addictive behaviours, particularly among young people.

- 4.8 Imposing taxes on emerging enterprises is a positive move that can enhance revenue collection, with substantial penalties acting as incentives for compliance. However, this approach may stifle business growth.
- 4.9 The introduction of a rental income tax is a welcome development and presents a low-effort opportunity for tax authorities to boost collection. However, the tax rate appears disproportionately high, potentially eroding landlords' profits and increasing the overall cost of doing business through higher rental rates. This could also result in double taxation, given the existing personal income tax, property taxes, and wealth taxes associated with rental income.
- 4.10 Reducing the sugar tax on cordials can enhance the competitiveness of domestic producers, who have been negatively impacted by smuggled goods due to inflated local prices. Lower prices can diminish the appeal of smuggling, although sugar taxes are regressive and disproportionately affect low-income consumers while suppressing demand and harming the sugar industry. Fast-track the utilisation of the sugar tax revenue to finance the acquisition of cancer treatment machines, thereby enhancing public trust in government fiscal policies and working toward achieving the 15% healthcare spending target outlined in the Abuja Declaration.
- 4.11 Deferring VAT on energy equipment will facilitate universal energy access and support the nation's re-industrialization efforts.
- 4.12 A reduction in customs duty on electric motor vehicles and the rebate on duties for solar charging stations will encourage the adoption of green energy solutions, thereby decreasing the country's reliance on imported fossil fuels and reducing carbon emissions.
- 4.13 The imposition of a special capital gains tax on the transfer of mining assets at retrospective rates is likely to generate additional revenue while deterring speculative holding of mining claims. This policy compels mining companies to develop their resources, benefiting the current generation.
- 4.14 Exempting smallholder farmers from withholding taxes on cattle sales under \$5,000 is highly advisable, especially as these farmers have faced drought-related challenges and livestock losses due to disease. This exemption will significantly contribute to the sustainability of their operations.