

# Doing business in Zimbabwe

2013/2014



# Content

	<b>Page</b>
Content	2
Foreword	3
Country profile	4
The Zimbabwean environment	5
Investment opportunities	5
Banking and finance	10
Setting up a business in Zimbabwe	11
Exchange control regulations	13
Taxation	14
Labour	15
Our contact details	16



In today's competitive business environment efficient tax planning requires not only bright ideas and intelligent planning, but also a commitment to professional excellence and a complementary service approach.

Reggie Saruchera,  
Managing Partner  
Grant Thornton Zimbabwe

# Foreword

At Grant Thornton we recognise the importance of using both reason and instinct to help you make the right business decisions.

Grant Thornton is one of the world's leading organisations of independent assurance, tax and advisory firms. These firms help dynamic organisations unlock their potential for growth by providing meaningful, forward looking advice. Proactive teams, led by approachable partners in these firms, use insights, experience and instinct to understand complex issues for privately owned, publicly listed and public sector clients and help them to find solutions. More than 35,000 Grant Thornton people, across over 100 countries, are focused on making a difference to clients, colleagues and the communities in which we live and work.

If you require any further information, please do not hesitate to contact your nearest Grant Thornton member firm.

This guide has been prepared for the assistance of those interested in doing business in Zimbabwe. It does not cover the subject exhaustively but is intended to answer some of the important, broad questions that may arise. When specific problems occur in practice, it will often be necessary to refer to the laws and regulations of Zimbabwe and to obtain appropriate accounting and legal advice. This guide contains only brief notes and includes legislation in force as of 2013 to 2014

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# Country profile

Fast facts about Zimbabwe

Basic data	
Population	13.72 million (2012 population census)
Area	390 580km <sup>2</sup> 386 493km <sup>2</sup> (land) 4 087km <sup>2</sup> water
GDP (purchasing power parity)	US\$7.366 billion (2012 est.)
GDP – per capita (PPP)	US\$600 (2012 est.)
Exports	US\$3.314 billion (2012 est.) Platinum, gold, diamond, tobacco and cotton.
Imports	US\$4.569 billion (2012 est.) Private vehicles, basic commodities, machinery, fuel, electrical goods, IT.
Literacy rate	92%
Government type	Parliamentary democracy
Life expectancy	Male: 53.79 years female: 53.93 years (2013 est.)
Urban population	38.6% of total population
Local currency	Multi-currency mostly the United States Dollar
Language	English (official), Shona, Ndebele) and other numerous but minor tribal dialects.
Business hours	8.00hour to 17.00hours
Employment levels	Above 80%



# Zimbabwean business environment

## The Politics

Zimbabwe has been under the administration of a Government of National Unity (“GNU”) since February 2009. Although this government arrangement has brought with it some relative political and economic stability, it has been dogged by alleged differences and disagreements among the coalition partners - a scenario that has continued to give the country a perception of high political risk. The GNU ended after a general election that was held on the 31st of July 2013, which resulted in ZANU PF winning and therefore taking control of the government of Zimbabwe.

## Inflation Trends

Zimbabwe’s inflation rate has generally remained below the 5% mark over the past three years and compares favourably with regional trends. Going forward, inflationary pressures are more likely to come from wage demands (both from the public and private sectors) driven by food and rental costs. It is also important to note that the Zimbabwean economy is still susceptible to both demand pull and cost push inflation due to various factors whose roots are in the weak productive capacity of the economic system, compounded by liquidity challenges and lack of freely flowing capital, making the country a net importer of goods and services.

## Currency

The introduction of a multi-currency system effectively ended the use of the Zimbabwean dollar as a medium of exchange. The main currency in use is the USD, with the South African Rand (ZAR) being the second mostly used currency. The GBP, Botswana Pula and Euro are also legal tender, although they are used to a lesser extent than the USD and ZAR.

The government, through the Ministry of Finance has indicated that the multi- currency regime will remain in place in the foreseeable future.

## Investment Opportunities

The Government has put in measures and incentives to attract foreign investment in several sectors of the economy. To protect investors coming to Zimbabwe the country is a signatory to bilateral protection agreements with several countries: the Multilateral Investments Guarantee Agency, the Overseas Private Investment Corporation, and the United Nations Convention on International Trade Law and the New York Convention on enforcement of Foreign Arbitral Awards.

Zimbabwe is also a member to the following organisations, which enables better access to global markets:

- Common Market for East and Southern Africa (“COMESA”  
SADCC
- ACP (EU/Convention)
- General Systems of Preferences
- World Trade Organisation

- World Intellectual Property Organisation
- African Regional Intellectual Property Organisation

## Mining sector

Approximately 60% of Zimbabwe's land surface comprises of ancient rocks renowned worldwide for containing rich varieties of mineral resources including gold, base minerals (copper, zinc and lead) and industrial minerals (limestone, phosphates, clay and dolomites).

### Governing laws

The mining industry is largely governed by the Mines and Minerals Act although it is subject to other regulations like any other business in Zimbabwe. The mining industry falls under Ministry of Mines. Other laws include:

- Mineral Marketing Corporation of Zimbabwe Act
- Gold Trade Act
- Precious Stones Trade Act
- Base Minerals Export Control Act

### Industry bodies

The Chamber of Mines of Zimbabwe (established by an Act of parliament) is the dominant representative body of the mining industry in Zimbabwe.

The Mines and Minerals Act also establishes the Mining Affairs Board which oversees the administration of the Mines and Minerals Act from an administrative perspective.

The Zimbabwe Mining Development Corporation (a parastatal) is the government body responsible for mining and mining development

### Key mineral resources

- Gold
- Diamonds
- Platinum
- Coal
- Chrome
- Iron ore



## Infrastructure sector

The government has prioritised investment in infrastructure as part of the critical path to the recovery of the Zimbabwe economy. Over the last few years, there had been low investment in infrastructure by both the government and private players. The net effect of this disinvestment has been a collapse of road and railway infrastructure and an erratic power sector that is not able to provide more than 60% of the national peak demand. Out-dated information communication technology (“ICT”) places Zimbabwe behind regional standards in the area of fibre optic network and new generation ICT.

In recent times, government has earmarked ten (10) of its seventy-six (76) state enterprises and parastatals for privatisation, commercialisation or restructuring. The earmarked state enterprises and parastatals include:

- Cold Storage Company (beef producer and exporter) ;
- Air Zimbabwe (national airline)
- TelOne (fixed line operator)
- NetOne Cellular (Private) Limited (GSM operator)
- Agriculture Development Bank of Zimbabwe (registered commercial bank)
- Allied Timber Holdings (Private) Limited (timber company which focuses on the management of forests and operation of saw mills)
- Zimbabwe Institute of Personnel Management (responsible for designing and implementing training, consultancy and research for the civil service, local authorities and parastatals)
- National Railways of Zimbabwe (country’s railway services company)
- ZESA Holdings Limited (generator and distributor of electricity in Zimbabwe)
- Zimbabwe Steel Company (steel manufacturer).

## Energy sector

With considerable hydroelectric power potential and abundant coal deposits for thermal power stations, Zimbabwe is less dependent on oil as an energy source than most other comparably industrialised countries, but it still imports 40% of its electric power needs from surrounding countries - primarily Mozambique. Only about 15% of Zimbabwe’s total energy consumption is accounted for by oil, all of which is imported. Zimbabwe imports approximately 1.2 billion litres of oil per year. Zimbabwe also has substantial coal reserves that are utilised for power generation, and coal-bed methane deposits that were discovered in the Matabeleland province. These deposits are greater than any known natural gas field in Southern or Eastern Africa.

Zimbabwe has been unable to meet its energy requirements from its current electricity generation capacity and needs to expand and upgrade its electricity generation and transmission infrastructure against the background of the SADC regional power deficit. The following projects which require funding have been lined up to develop the energy sector in Zimbabwe:

- Completion of stage one of the rehabilitation of Hwange Power Station
- The expansion and generation of capacity at Kariba South
- Tokwe Mukosi Dam Construction
- Gokwe North Power Station.

## Energy Investment Opportunities

- Expansion projects (Kariba extension and Hwange 7 and 8 to generate additional 300MW and 00MW)
- Greenfield projects such as Gokwe North Sengwa), where thermal power is likely to generate approximately 1 400 MW.
- Batoka Project (hydro power potential capacity of 1 600 MW), which would be a bilateral with Zambia.
- Coal bed methane gas (Lupane and Lubimbi – western Zimbabwe).
- Central Transmission corridor project.
- Ethanol Project between NOCZIM and Triangle Petrol Blending.
- Bio Diesel projects
- Feruka Fuel Refinery
- Small hydro-electrical plants

## Water sector

Zimbabwe, like many other countries in Africa, has limited rainfall during the months of November to March. Due to a well-developed dam system, sufficient water is guaranteed in all the main centres to support local populations and project Development. In the agricultural areas, dams supported by a borehole system drawing on underground reserves provide sufficient water for the farming communities.

## Energy Investment Opportunities

- Construction of Kunzvi Dam for urban water
- Completion of Tokwe Mkosi Dam for irrigation purposes
- Completion of Mtshabezi pipeline to increase Bulawayo water supplies
- Rehabilitation and upgrading of urban water and sewerage infrastructure

## Transport sector

### Key water and sanitation investment opportunities include:

Railway projects that require investment include:

- Rehabilitation of existing rail network – signalling, telecommunication and recovery of track system.
- Increasing the availability of locomotive, coaches and wagons – this is replacement of obsolete traction and rolling stock

- Rail expansion - New links to connect with other countries in the region such as Lions Den-Kafue Link (Zambia).

Investment opportunities in developing airport infrastructure include:

- rehabilitation of the Harare runway
- completion of the JM Nkomo airport building in Bulawayo, which is the second largest city in Zimbabwe
- modernisation of air navigation equipment for all airports
- Construction of a car park at the JM Nkomo Airport

Road rehabilitation and dualisation

## Information Communication Technology sector

Tremendous opportunities abound in Zimbabwe in ICT for development with respect to the following areas, which, at best, can be addressed through collaboration, consultation and PPPs:

- infrastructural facilities for connectivity and equitable access
- a common electronic business framework
- information and content development and sharing platforms
- e-Government platform that serves government and citizens
- ICTs industry and support services

## Tourism sector

Tourism accounts for 6.5% of GDP and currently employs 300 000 people directly or indirectly. The sector has immense growth potential around the Victoria Falls, Hwange National Park, Great Zimbabwe and the Eastern Highlands.

The tourism sector has a well-developed infrastructure, ranging from five-star luxury hotels to budget lodges and self-catering accommodation.

Opportunities exist in the tourism sectors, with opportunities presenting themselves through partnerships, joint ventures or Greenfield projects and these are listed below:

- Joint venture investment opportunities in the hotel and catering industry, services and other downstream related activities.
- Safari and tour operations opportunities.
- Eco-tourism
- Capital injection and franchise opportunities to spearhead refurbishment and rebranding projects..

The government has established Tourism Development Zones, where investors enjoy incentives which include tax holidays, duty rebates, concessionary levy fees and lease fees.

## Manufacturing sector

Manufacturing is a well-diversified sector and has strong linkages with other productive sectors of the economy, with the most important one being agriculture, where it has both input and output relationships. Current average capacity utilisation levels in this sector are hovering 60%, indicating large growth opportunities in the medium to long term.

Opportunities exist for investment in the manufacturing sector through joint ventures and/or strategic partnerships in public, private or quasi-government companies. Some of the sub-sectors which offer opportunities for investment include the following:

- Textile industry
- Meat processing
- Chemical and pharmaceuticals
- Metal industry
- Leather industry
- Fertiliser manufacturing
- Food, beverages and tobacco
- Agriculture and agricultural equipment

## Banking and financial services sector

The Reserve Bank of Zimbabwe is the Zimbabwean central bank that governs the activities of all the sub-sectors in the financial services industry, apart from the insurance sub-sector which is governed by the Insurance and Pensions Commission (“IPEC”). The institution falls under the Ministry of Finance.

### Regulations requirements

The Banking Act and Banking Regulations form part of the core regulations that govern the banking industry.

### Bank use promotion and suppression of money-laundering Act [Chapter 24:24]

The Bank Use Promotion and Suppression of Money-laundering Act [Chapter 24:24] was introduced to comply with international guidelines on bank supervision and to encourage a culture of Know Your Customer (“KYC”) in the Zimbabwean financial services industry.

## Minimum banking capital requirements

The minimum capital requirements are stated in the table below:

	31 December 2012	31 December 2020
Commercial banks	\$25million	\$100million
Merchant banks	\$25million	\$100million
Building Societies	\$20million	\$80million
Finance Houses	\$15million	\$60million
Discount Houses	\$15million	\$60million
Microfinance Banks	\$5million	\$10million
Microfinance Institutions	\$5 000	\$25 000

## Setting up a business in Zimbabwe

### The Zimbabwe Investment Authority (ZIA)

All new foreign investment into Zimbabwe requires an investment licence Issued by ZIA. The Zimbabwe Investment Authority (“ZIA”) was established by the ZIA Act [Chapter 14:30] for the purposes of providing the promotion and coordination of investment into Zimbabwe.

The requirements for an application for an investment licence are as follows:

- A completed indigenisation (IDG01) form
- A non-refundable application fee of US\$500
- A fully-completed ZIA Application Form;
- Certificate of Incorporation/Registration for the company
- Certificate of Share Capital
- Official list of Shareholders and or Directors
- Business plan or feasibility study (whichever is available)
- Proof of finance (the evidence of project finance may be provided in either bank statements, confirmation letter from a bank, confirmed bank loans, other confirmed credit facilities and or equipment/ machinery)
- Experience reference letters for shareholders and or directors
- Brief resumes or curricula vitae for shareholders and/or directors
- Licence issuance fee of US\$2 500
- An investment licence is valid for two (2) years from the date of issue
- The investor may apply for renewal of the investment licence before the date of expiry.
- Once an investment licence has been issued, the investor can then apply for residence and work permits, and other licences required in their area of operation.

### Investment limitations

Apart from mining and manufacturing where up to 100% foreign ownership is permitted, investments into certain sectors are limited. This is as follows:

- Service Sectors - Up to 70% Foreign Shareholding is allowed

- Reserved Sectors - Maximum of 35% foreign interest is allowed.

### Zimbabwe Investment Authority reserved sectors

- Agriculture/Forestry
- Transportation
- Retail/Wholesale trade, including distribution
- Barber shops, hairdressing and beauty salons
- Commercial photography
- Employment agencies
- Estate agencies
- Valet services
- Grain mill products

Note that despite these provisions, the **Indigenisation and Economic Empowerment Act** seeks to ensure that at least 51% shareholding of all companies is held by local Zimbabweans.

### Restrictions on foreign ownership

It is the intention of the Government of Zimbabwe through the Indigenisation and Economic Empowerment Act to secure that at least fifty-one per centum of the shares of every public company and any other business be owned by indigenous Zimbabweans.

Indigenous Zimbabweans are defined as “any person who, before the 18th April, 1980, was disadvantaged by unfair discrimination on the grounds of his or her race, and any descendant of such person, and includes any company, association, syndicate or partnership of which indigenous Zimbabweans form the majority of the members or hold the controlling interest”. A majority is considered to be 51%.

The regulations in support of the Act (S.I 21 of 2010 and S.I 116 of 2010) bring in certain measures to enforce the Act in practice. The regulations specify that every non-indigenous business in Zimbabwe (existing and new) with a net asset value of or above USD 500 000 should submit to the minister a completed Form IDG01 (Notification of Extent of Indigenisation) and a provisional indigenisation implementation plan within a certain time frame. The regulations also specify other notifiable transactions including:

- Mergers and demergers, restructuring and unbundling
- Relinquishment of controlling interests
- Projected or proposed investments

### Company Registration

#### Forms of business entities

The laws governing business entities in Zimbabwe have their origin in Roman-Dutch law, borrowing from English law where necessary. Business entities operating in Zimbabwe fall into five broad categories namely

- Sole proprietorships
- Partnerships

- Co-operatives
- Companies (public or private) incorporated under the Companies Act (Chapter 24:03)
- Foreign branches/representative offices or subsidiaries
- Private Business Corporations (these are essentially the same as Close Corporations (CC's) under South African law)

## Exchange Control regulations

- The exchange control environment has been greatly liberalised in Zimbabwe since 2009. The Zimbabwe Dollar is no longer in use and it is permitted to use multiple foreign currencies in Zimbabwe.
- The United States Dollar is the primary currency in use in Zimbabwe followed by the South African Rand and to a lesser extent the Botswana Pula. Exchange controls are administered by the Reserve Bank of Zimbabwe through several statutory instruments and directives.
- All investments by foreign investors are governed by the Exchange Control Act (Chapter 22:05)
- There is no restriction on the amount of foreign currency brought into Zimbabwe and investment can be in the form of cash or capital equipment.
- On divestment, an investor is allowed 100% repatriation of invested capital invested as long as it came through formal banking channels.
- Under the current exchange control guidelines, operating profits and net dividends from foreign investors have 100% remittance rights. However, the profit and dividend remittances can only be made from profits generated for the year and not retained earnings, and within twelve months from the balance sheet date.
- A foreign investor (individual or corporate body) is allowed to open up to five foreign currency accounts denominated in USD, ZAR, Botswana Pula (BWP), GBP and Euro per Authorised Dealer.

### Repatriation of foreign investments

The Government of Zimbabwe guarantees the repatriation of 100% of the original capital investment in the case of disinvestment. Up to 100% of dividends from net profit after tax may also be remitted.

Investors who become permanent residents, however, may not remit their dividends without prior approval by the Exchange Control Division of the Reserve Bank of Zimbabwe.

# Taxation

Zimbabwean tax system is source based and plans are underway to move to a residence based taxation system. The main taxes in Zimbabwe are enacted by five Acts:

- The Income Tax Act (covers income taxes of individuals, companies and trusts and withholding taxes).
- The Finance Act (specifies periodic changes to the tax acts such as rate changes).
- The Capital Gains Tax Act (covers capital gains taxation and capital gains withholding taxes).
- The Value Added Tax Act (covers value added taxes (VAT)).
- The Customs and Excise Act (covers customs and excise duties but should be read in conjunction with the statutory instruments on rates of duties).
- Other taxes Estate Duties and royalties which are all payable to Zimbabwe Revenue Authority.

## Tax administration

The Acts are administered by the Commissioner- General who controls the Zimbabwe Revenue Authority (ZIMRA). ZIMRA falls under the Ministry of Finance.

## Tax assessment and returns

A self-assessment system is in place in Zimbabwe but subject to review by ZIMRA. All companies whose turnover is \$240 000 and above are required to submit annual self-assessment returns due on the 30th of April of the following year after the tax year end.

The tax year runs from January to December. Employers submit returns of Pay as You Earn (PAYE) tax in respect of employees.

Companies general rate	25% + 3% aids levy
Manufacturing companies in growth point	10%
manufacturing companies which export at least 50% of the output	20%
Capital gains	20%
Dividends	20%
Interest	15%
Royalties	15%
Non-resident fees	15%
Non- executive directors fees	15%
Value added tax (VAT)	15% and 0%
Pay As You Earn (PAYE)	0 – RM%

### Agreements to avoid double taxation

Zimbabwe has entered into double taxation agreements with most of its trading partners.

In terms of these arrangements a foreign resident will be taxed in Zimbabwe only if they conduct business in Zimbabwe through a permanent establishment. (There are a few exceptions where withholding taxes are deducted).

### Transfer pricing

The Zimbabwe tax legislation contains several provisions which the Tax Commissioner can evoke to tax the correct profits in Zimbabwe to ensure there is no loss to the government.

## Labour legislation in Zimbabwe

In Zimbabwe, labour relations are governed by the Labour Act (Chapter 28:01). The responsibility for adherence to the Labour Act and related aspects normally rests with the Human Resources Department of each organisation. The following is a list of the main legislation pertaining to labour and manpower in Zimbabwe:

- Labour Act (Chapter 28:01);
- Labour Relations (General) Regulations S.I 31 of 1993
- Labour Relations (Settlement of Disputes) Regulations S.I 217 of 2003
- Labour Relations (Retrenchment Regulations), 2003 S.I 186 of 2003
- Labour Relations (National Employment Code of Conduct) Regulations, 2006, S.I 15 of 2006
- National Social Security Authority Act (Chapter 17:04)
- Factories and Works Act, (Chapter 14:08) and regulations
- Manpower Planning and Development Act (Chapter 28:02).

These regulations cover issues, among others, to do with:

- Labour discrimination
- Legal working hours
- Leave days
- Overtime and overtime wages
- Social security and related welfare
- Employee dismissal
- Regulations on the establishment of labour union organisations
- 

### Labour institutions

The following are the recognised labour institutions categories in Zimbabwe:

- Government (Ministry of Labour)
- Trade Unions (includes Zimbabwe Congress of Trade Unions “ZCTU” and Zimbabwe Federation of Trade Unions “ZFTU”)
- Employer Organisations (such as the Employers’ Confederation of Zimbabwe “EMCOZ”)
- The International Labour Organisation (“ILO”).

## Employment Permit for foreigners

Before engaging a foreign national as an employee, the employer is required to lodge an application with the Chief Immigration Officer.

Employment permits are normally issued for an initial period up to a maximum period of three years and may be renewed up to five (5) years. It takes about six (6) weeks to process an application for a employment permit, so applications must be made in advance.

## VISAs

In Zimbabwe, there are four types of visas:

- Single entry visa;
- Double entry visa;
- Multiple entry visa; and
- Residents' re-entry visa.

In order for foreign nationals to enter Zimbabwe there are certain visa requirements that are applicable. Initially, a visa application form must be completed and submitted together with a stipulated non-refundable fee as well as two passport size photographs.

The non-refundable visa application fees are indicated below. It is important to note that these fees are subject to change without notice.

- Single entry visa - USD 30;
- Double entry visa - USD 45;
- Multiple entry visa - USD 55 (to be supported by a letter).

Investors can submit work permit applications as part of their investment application. Investments of over USD100 000 ordinarily result in favourable consideration for a work permit.

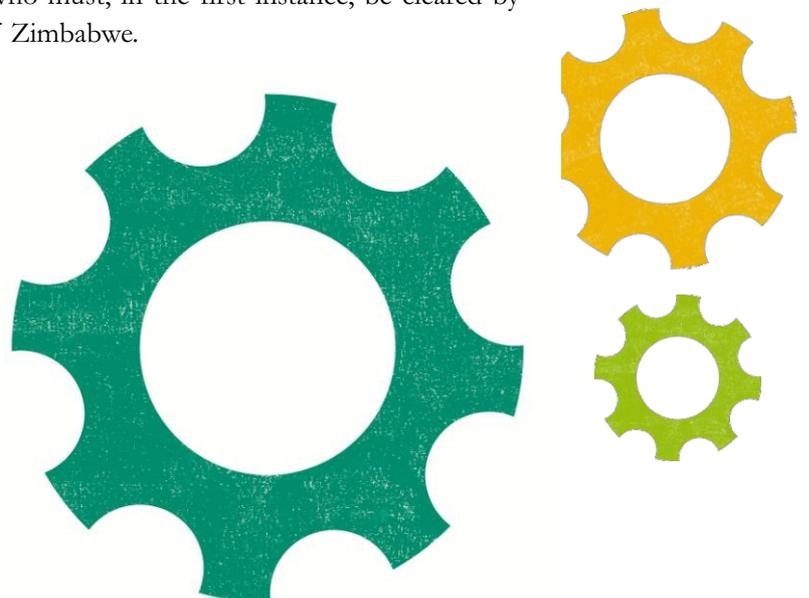
## Temporary employment permit

This is an authority given by the Department of Immigration to a foreigner to work for an organisation or company registered in Zimbabwe.

## Specialised areas

Professionals offering scarce skills, which are not easily available in Zimbabwe

- Journalist on assignments
- Short-term temporary employment permits (6 months) personnel on short contracts
- Foreign researchers – who must, in the first instance, be cleared by the Research Council of Zimbabwe.



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