

What are presumptive taxes?

Presumptive taxes are income taxes that are based on a presumed amount and applied to informal traders, in the main. Under the presumptive tax system, registered traders or unregistered traders that operate from a registered trader's premise are required to pay a fixed amount of tax every month regardless of the business performance.

Who does it apply to?

In Zimbabwe it is applicable to Hairdressers, Restaurants, Bottle store operators, Cottage industry, Omnibus, Taxi Cabs, Driving School, Goods Vehicles, Ship, Cruiser, Boat, houseboat, Speedboat, canoe, Self-Employed Professionals like in Medical, Engineers, Legal, Architects, Realtors *NB* Presumptive tax will, however, not apply to professionals who produce a valid Tax Clearance Certificate for the year of assessment.

Collection of presumptive tax

Collected by all landlords (inclusive of local authorities) as part of the rentals and to be remitted to The Zimbabwe Revenue Authority (ZIMRA). Effectively the cost of rental increased by 10% which is the presumptive tax. The fixed nature, partitioning system/tables being rented in areas like Kwame Mall, Gulf Complex (both are malls in the city of Harare) etc. provides an opportunity for ZIMRA to estimate & collect presumptive tax they expect and may make it easier to administer and make assessments/tax audits in such areas



This article was authored by Timothy Dandira who works for CAA Business School (CBS). The information provided in this paper does not, and is not intended to, constitute legal advice; instead, all information, content, and materials available in this paper are for general informational purposes only.

NATURE OF PROFESSION OR CATEGORY	DESCRIPTION	OLD RATE(ZWL)	NEW RATE(ZWL) PER MONTH	DUE DATE
Medical		n/a	500 000	20th day after the end of each quarter; & Interest is chargeable on unpaid balances.
Engineers		n/a	500 000	
Legal		n/a	500 000	
Architects		n/a	250 000	
Realtors		n/a	1 000 000	
Hairdresser		100 per chair per mth	2 500	
Restaurant & Bottle Store		700 per mth	10 000	10th day after the end of each quarter, interests on balances
Cottage Industry		700 per mth	10 000	
Omnibus	8 to 14 Passengers	400	2500	20th day after the end of each quarter, or monthly
	15 to 24 Passengers	450	3000	
	25 to 36 Passengers	700	4000	
	=/+ 37 Passengers	1000	5000	
Taxi Cabs	All	250	2500	
Driving School	All Classes	Class 4 - 1 000 Classes 1&2 - 1 300	30 000	
Goods Vehicles	More than 10 tons but less than 20 tons	2 000	30 000	
	More than 20 tons	5 000	40 000	
	10 tons or less but with a combination of truck and trailers of more than 15 but less than 20 tons	5 000	40 000	
Ship, Cruiser, Boat, houseboat, Speedboat, canoe	Less than 5 passengers	600	10 000	
	Less than 16 passengers	1 000	15 000	
	Less than 26 passengers	2 000	20 000	
	Less than 50 passengers	5 000	25 000	
	50 or more passengers	4 500	25 000	
Other Categories:	Informal Traders e.g., Gulf Complex, Kwaame Mall in Harare or similar malls in other towns.		≈US\$30 per unit per month	Should be remitted within 30 days from the date the amount is recovered

Impact of new presumptive taxes

To Government

Presumptive taxes broaden the revenue to be generated by the government. This is because the presumptive taxes are adding on to the already available tax heads where the government collects taxes like the Value Added Taxes (VAT), Income tax etc.

Presumptive taxes should improve collection of income taxes in the informal sector since sector does not ordinarily provide returns to ZIMRA and pay their taxes unless compelled.

Presumptive taxes can also be a deterrent to evasion as some of the rates are punitively high and these high rates can be avoided for as long as one is tax compliant and has a tax clearance certificate to prove that they have complied with the normal tax rules and returns.

However, the presumptive taxes still do not capture other traders outside the targeted fixed premises like vendors who do not have fixed premises and informal traders who use own premises to trade, thus no landlord to pay the rental fees together with the presumptive tax. Zimra may have to do effective tax audits to force compliance as landlords may collect the tax, and do not remit to Zimra.

There is not enough education to taxpayers on how the government arrived at the tax figures to be paid, which may result in the taxpayers trying to avoid, or evade the presumptive taxes. Taxpayers are not even aware of the taxes which may result in less voluntary payments of these taxes.

To Taxpayers

The Presumptive taxes bring informal traders and other self-employed practitioners to pay income taxes as most were not. Since some of the presumptive taxes are punitive, it will be beneficial for the affected taxpayers to make their normal returns and pay the right amount of taxes instead of a presumed high tax.

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