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The 2017 National Budget Speech

***"Pushing Production Frontiers Across All Sectors of the
Economy"***

**Presented to the Parliament of Zimbabwe
on Thursday, 8 December 2016**

by

**Hon. P. A. Chinamasa (MP)
Minister of Finance and Economic Development**

MOTION

1. Mr Speaker Sir, I move that leave be granted to present a Statement of the Estimated Revenues and Expenditures of the Republic of Zimbabwe for the 2017 Financial Year and to make Provisions for matters ancillary and incidental to this purpose.

INTRODUCTION

2. The 2017 National Budget Statement constitutes the fourth Budget for implementing our Zim Asset Programme.
3. Mr Speaker Sir, my Budget Speech to this August House is speaking to the 2017 Budget Statement which I am concurrently tabling, in line with a new Budget format I have adopted, whose package comprises:
 - Budget Statement;
 - Budget Speech;
 - Estimates of Expenditures; and
 - Budget Highlights.
4. Mr Speaker Sir, I will present in March 2017 the economic review material, historically presented as part of the National Budget under a new publication, *Annual Budget Review*.

5. I wish to acknowledge that the direction I have outlined was underscored by stakeholders during the broad based pre-Budget consultative processes undertaken by Treasury and Parliamentary Portfolio Committees.
6. Mr Speaker Sir, I also want to acknowledge the immense and constructive guidance I continue to get from His Excellency, the President and our two Honourable Vice Presidents and colleague Cabinet members.
7. Mr Speaker Sir, the fundamental challenge to our economy remains that of under-production across all sectors of the economy.
8. This Budget proposes a strong reform agenda in order to address fiscal and other imbalances.
9. Let me now turn to a brief discussion on the economic and fiscal outlook in order to contextualise the 2017 National Budget.

ECONOMIC AND FISCAL OUTLOOK

Growth

10. Mr Speaker Sir, the economy continues to be characterised by low production, import dependency, low savings, low incomes, high formal unemployment as well as liquidity and cash challenges.
11. Agriculture was negatively affected by the El-Nino induced drought while depressed international commodity prices adversely affected mining sector activities resulting in significant negative impact on the national output growth.
12. Mr Speaker Sir, it is against these challenges that real economic growth in 2016 is estimated at 0.6%.
13. A growth rate of 1.7% is expected in 2017 due to the anticipated better rains, recovery of some commodity prices and the ease of doing business reforms.

Critical Success Factors

14. Mr Speaker Sir, our recovery prospects depend on the following factors:

- Confidence building, underpinned by policy consistency;
- Successful conclusion of the international re-engagement process;
- Good rainy season;
- An atmosphere of tranquility, tolerance and minimum polarisation in the run up to 2018 elections; and
- Addressing liquidity and cash challenges.

Fiscal Framework

Revenue Outlook

15. Mr Speaker Sir, reflecting on the challenges on revenue collections, targets were continuously revised downwards during the year.
16. The Revenue target of US\$3.85 billion was revised to US\$3.69 billion through the Mid-Year Review, before the latest review of US\$3.52 billion now expected by year end.
17. Mr Speaker Sir, the spill over effect of some of the prevailing economic challenges into the first part of 2017 will constrain revenue collections.

Expenditures

18. The 2016 National Budget was characterised by additional expenditures outside the appropriations that increased expenditures to US\$4.6 billion from US\$4 billion.
19. The expenditure pressures were on account of the following:
 - Drought related grain procurement, US\$253.5 million;
 - Bonus payments for 2015, US\$177.8 million;
 - December 2015 salary payment arrears, US\$138 million; and
 - Debt servicing, US\$512.6 million.
20. Employment costs, at US\$2.6 billion, for January to October 2016 accounted for 91.4% of total revenues leaving just 8.6% for operations and capital expenditure.
21. Mr Speaker Sir, the state of our public finances as obtaining currently for 2016 is characterised by a financing gap of US\$1.1 billion which has become a source of great concern.

Financing Gap

22. Mr Speaker Sir, for the proposed 2017 Budget, the Fiscal Framework projects revenue collections of US\$3.7 billion and expenditures of US\$4.1 billion.
23. This presents a financing gap of about US\$400 million, which is 3 % of GDP.
24. This, therefore, reflects a path towards reducing the Budget imbalance through rationalisation and fiscal consolidation measures.
25. Mr Speaker Sir, Government should move away from a situation where the perception and expectation is that Treasury Bills have become a surrogate currency to meet expenditures and deficit financing.

EXPENDITURE PROPOSALS & SUPPORTIVE POLICIES

2017 Proposed Allocations

26. Mr. Speaker Sir, I now turn to Expenditure proposals for 2017.
27. The proposed 2017 Total Expenditure and Net Lending of US\$4.1 billion, comprises US\$3.4 billion for Vote Appropriations and US\$673.7 million for Constitutional and Statutory Appropriations.

28. Taking into account non-discretionary Employment Costs of US\$3 billion and Constitutional and Statutory obligations of US\$673.7 million, the balance has been allocated towards recurrent operations of US\$400 million and Capital expenditure of US\$520 million.
29. Mr Speaker Sir, I would want Honourable Members to be aware that while our Blue Book format (Estimates of Expenditure) follows the Vote approach, the allocations themselves relate to Zim Asset clusters namely:
- Food Security and Nutrition;
 - Value Addition and Beneficiation;
 - Infrastructure and Utilities; and
 - Social Services and Poverty Eradication.

30. Mr Speaker Sir, I here under provide some of the proposed Vote allocations:

Vote Appropriations	Provisional 2017 Estimates US\$
Primary and Secondary Education	803,771,000
Home Affairs	364,308,000
Defence	340,522,000
Agriculture, Mechanisation and Irrigation Development	292,696,000
Health and Child Care	281,976,000
Finance and Economic Development	281,191,000
Higher & Tertiary Education, Science and Technology Development	200,886,000
Public Service, Labour and Social Services	193,789,000
Office of the President and Cabinet	175,643,000
Justice, Legal and Parliamentary Affairs	91,379,000
Transport and Infrastructural Development	55,838,000
Local Government, Public Works and National Housing	49,707,000
Parliament of Zimbabwe	30,713,000
Audit Office	3,262,000

31. Let me proceed to briefly make indications of the Zim Asset components by cluster, where applicable.

Food Security and Nutrition Cluster

32. Mr Speaker Sir, I propose to allocate an amount of US\$244.2 million under the Agriculture Vote outside employment costs given the **sector's strategic importance in promoting food security and nutrition.**
33. Accordingly, this Vote provision is targeting support to vulnerable households, Cotton Resuscitation Programme, extension services, veterinary services, rehabilitation and construction of smallholder irrigation schemes and Special Maize Production Programme.

Social Services and Poverty Eradication Cluster

34. Mr Speaker Sir, education, health and social services comprise our Zim Asset Social Services and Poverty Eradication Cluster and constitute one of the 7 Pillars of the I-PRSP Government launched on 26 September 2016.
35. Accordingly, I propose to allocate a total of US\$1.6 billion to major Votes under this cluster as follows:

Health

36. The 2017 appropriation for Health includes, US\$229.9 million for remuneration of health personnel, US\$17.9 million for the

construction and refurbishment of health infrastructure and US\$10 million for procurement of medical and diagnostic equipment.

Education

37. Works on the construction of 12 Primary and 5 Secondary schools in eight rural provinces, under the US\$20 million Loan Facility from the OPEC Fund for International Development (OFID), are expected to commence in 2017.
38. Against the background of shortage of institutional accommodation and inadequate teaching and learning built environment, US\$23.2 million is being appropriated towards the completion of on-going construction works.
39. An amount of US\$1.75 million is earmarked for the development of master plans and designs for the three new State universities in Manicaland, Mashonaland East and Matabeleland South as well as for the rehabilitation of existing infrastructure at Epoch Mine for Gwanda State University.

Poverty Eradication

40. The poor and vulnerable groups of our society bear the biggest brunt of economic hardships, thus necessitating the need to protect them.

41. The 2017 National Budget will prioritise and ring-fence resources towards social protection programmes.
42. Mr Speaker Sir, Government is setting aside US\$600 million under the 2017 Budget towards empowerment and poverty eradication programmes. This will be complemented by resources from cooperating partners.

Value Addition and Beneficiation Cluster

43. Mr Speaker Sir, I propose to allocate US\$32.7 million towards the Value Addition and Beneficiation Cluster, to be channelled through the Ministries of Industry and Commerce, Mines and Mining Development, Tourism and Hospitality Industry and Small and Medium Enterprises and Cooperative Development.
44. The support will provide added impetus to the growth of the agro-industry, manufacturing and mining sectors, leveraging on the benefits from the prioritisation of imports through SI 64 of 2016.

Infrastructure and Utilities Cluster

45. Mr Speaker Sir, I have set aside US\$188.5 million towards addressing the infrastructure gap.

46. These Funds will be complemented by other sources, including Statutory Funds, State Owned Enterprises, Development Partners and loan financing.

Energy

47. The major energy projects will be funded as follows:

- Kariba South Extension, US\$126,5 million;
- Bulawayo Thermal Power Station, US\$34 million;
- Pre-paid meters, US\$36.9 million; and
- Rural Electrification Agency, US\$38 million.

Water and Sanitation

48. Mr Speaker Sir, the 2017 proposed allocations prioritise completion of on-going dam projects estimated to cost a total of US\$25.8 million and US\$16.4 million in support of water and sanitation programmes for urban and rural authorities, including procurement of drilling rigs for ZINWA and DDF.
49. The Budget will be complemented by support from development partners.

50. Mr Speaker Sir, I propose the following allocations for the major infrastructure ministries in 2017:

- Energy and Power Development, US\$6.3 million;
- Environment, US\$40.1 million;
- Transport and Infrastructure, US\$55.8million;
- Local Government, US\$49.7 million; and
- Information, US\$6.4 million.

Desiltation

51. Government is intent on instituting concrete steps as a direct response to the scourge of siltation that is threatening our rivers and water bodies.

52. This is compromising access to water, including irrigation and aquaculture.

53. The 2017 Budget is prioritising funding towards procurement of additional dredgers for desiltation of identified rivers and water bodies across the country.

Climate Change

54. In order to safeguard the environment and to minimise the damage to livelihoods and negative impact on agricultural productivity, the following general environmental laws will be enforced:
- No uncontrolled cutting down of trees;
 - Prevention of wild fires;
 - No cultivation of wetlands;
 - No streambank cultivation; and
 - Construction contour ridges.

Tobacco Levy

55. Government appreciates the cooperation of tobacco farmers through the Tobacco Industry Marketing Board over payment of the Tobacco levy introduced since 2014.
56. In the same vein, there is need that we redress our delay to earmark and disburse collections therefrom towards the intended purpose which is to establish woodlots.
57. I propose that under the 2017 Budget, Government appropriates the outstanding disbursements, at the same time ensure that collections

in 2017, accrue directly into a TIMB Afforestation Fund (special account) established for this purpose and to be managed by TIMB.

Transport

58. Mr Speaker Sir, focus is on the dualisation of Beitbridge-Harare road, which would be implemented under a BOT arrangement as well as the construction of the Harare ring road and Harare–Chirundu road to be financed through a loan.
59. Work is now underway to conclude on the conditions precedent, critical for achievement of financial close and commencement of works on the project.

Information Communication Technology

60. The rapid spread of digital devices and greater internet access in both urban and rural areas is enabling dissemination of critical information and knowledge that empowers households and other institutions in various activities.
61. The budget proposes to allocate US\$12.8 million towards interventions in the sector in support of the e-Government programmes.

Joint Ventures

62. Mr Speaker Sir, following the enactment of the Joint Venture Act, the Unit under Ministry of Finance will be operational by the first quarter of 2017.

Project Preparation Development Fund

63. Mr Speaker Sir, I propose an allocation of US\$7 million for the establishment of the Project Preparation Development Facility, which will finance project development costs such as feasibility studies, environmental and social impact assessments and design studies among others that will guide investment decisions by private investors.
64. This Fund will be administered through the Infrastructure Development Bank of Zimbabwe (IDBZ).

Constituency Development Fund

65. The resources under the Constituency Development Fund have been allocated under Parliament pending the promulgation of the appropriate legislation to govern the Fund.

Governance issues

66. Mr Speaker Sir, I propose to allocate US\$140.7 million for the promotion and strengthening of operations of our institutions involved in the supervision and enforcement of good governance to be distributed as follows:

- Ministry of Justice, Legal and Parliamentary Affairs, US\$91.4 million;
- National Prosecuting Authority, US\$3.6 million;
- Zimbabwe Electoral Commission, US\$9.8 million, to kick-start the 2018 General Elections preparations;
- Audit Office, US\$3.3 million;
- Zimbabwe Human Rights Commission, US\$2 million; and
- Parliament of Zimbabwe, US\$30.7 million.

Supply Side Supportive Measures

67. Mr Speaker Sir, consistent with the 2017 Budget Theme of '*Pushing Production Frontiers Across All Sectors of the Economy*', the 2017 National Budget gives greater prominence to stimulating the productive sectors of the economy, with a view to expanding the national cake.

68. Mr Speaker Sir, Honourable Members will recall that I have just walked through measures under agriculture.

Mining

69. In 2017, the sector is projected to grow on the back of firming global demand for, and prices of minerals.

Platinum Beneficiation

70. Under the agreed roadmap, all platinum producers were required to have migrated to base metal refining by December 2016, failure of which a 15% export tax will apply.
71. To date, significant progress has been made by Zimplats, Unki and Mimosa and, I am extending the suspension of the export tax for another year to allow completion and migration to base metal refinery by December 2017.

Diamonds Production and Marketing

72. It will be critical to urgently address the sector issues militating against efficient production of diamonds.

73. On marketing of diamonds, Government will be evaluating the proposal received from Parliamentarians to subject diamond marketing to arrangements similar to those applicable to gold in liaison with all the stakeholders involved.

Zimbabwe Mining Development Corporation

74. Mr Speaker Sir, Zimbabwe Mining Development Corporation (ZMDC) currently holds assets comprising land and buildings, mining claims and mines in gold, base metals, industrial minerals and energy minerals.

75. The broad measures to consider for turning around ZMDC for the benefit of our economy include the following:

- Recapitalisation of mines through Joint Ventures;
- Investment towards exploration, development, production and ultimately, beneficiation on untapped minerals; and
- Finalising and executing pending viable Joint Venture deals.

76. Exploration will pave way for consideration of competitive bidding for investment in the huge mineral assets under ZMDC.

77. Mr Speaker Sir, Government is giving greater urgency to mobilising resources to finance exploration in order to determine value of the asset(s) before auctioning, as well as Joint Venture partnerships.

Manufacturing

Statutory Instrument 64 of 2016

78. Although Government has heavily relied on fiscal adjustments, particularly tariff reviews to restore competitiveness, their impact has been low due to structural rigidities inherent in the economy and the firming of the US dollar from 2012.
79. Against this background, Government instituted Statutory Instrument 64 of 2016, which removed some products from the Open General Import Licence.
80. This intervention was, therefore, positive, strategic and timely as reported average capacity utilisation increased by 10% to 47.4%.
81. Mr Speaker Sir, it is worth noting that this protection is only for a limited period and it must not be viewed as promoting inefficiency and insulating local companies against external competition.

82. It is, therefore, essential that our local companies take maximum advantage of this short term window of opportunity to retool, recapitalise and re-orient their business models, and address their cost structures and competitiveness.
83. Government will, therefore, explore financing arrangements to augment **these companies' recapitalisation requirements to meet the** resultant domestic supply gap and compete in the export market.
84. The 5% export incentive is one such measure that will support exporters of manufactured products.

Industrial Development Corporation (IDC) Restructuring

85. The IDC has 7 subsidiaries and significant shareholding in 7 associated companies.
86. Taking cognisance of the poor financial status of IDC, Cabinet has approved disposal of **IDC's loss making units and reversion to its** core function of venture capitalist, which is key to the re-industrialisation of our economy.
87. In line with the Cabinet position, Treasury will work closely with the Ministry of Industry & Commerce and IDC to ensure that this position is implemented expeditiously.

Value Chains and Business Linkages

88. Mr Speaker Sir, Government will take steps to strengthen and promote value chains and increase value addition in the economy, embracing primary production of key crops, right through to agro-processing.
89. Good examples include Bata Shoe Company for its support to small and medium enterprises, Nestle through its out-grower scheme in the dairy industry, Delta under its barley contracting, among many others.
90. Government, under the 2017 National Budget, is proposing fiscal incentives to promote the development of such business models in all economic sectors. This will promote inclusive, sustainable and balanced growth.

Resuscitation of Steel Production

91. Mr Speaker Sir, I have previously emphasised the importance of a steel industry in the economy of Zimbabwe. We need to develop fresh thinking and ideas over the resuscitation of Ziscosteel Company.
92. Mr Speaker Sir, additionally we need to take note of the trend the world over that the steel industry is gravitating towards small scale steel milling plants, guaranteeing efficient steel production.

Tourism

93. Honourable Members, will need to note that a key focal area under tourism, is the development of the Victoria Falls Integrated Park in the proposed Special Economic Tourism Zone Corridor stretching from Victoria Falls - Hwange National Park - Binga - Kariba.
94. To the above end, the relevant Ministry will be liaising with key stakeholders including IDBZ.

UHF 700 Frequency Digital Dividend

95. Our UHF 700 Frequency Digital Dividend is a high value asset currently not being utilised.
96. It is proposed that Government pursues leveraging resources out of this through open competitive bidding with due diligence cognisant of national security considerations.
97. The resources thus realised should be applied towards funding the ongoing Zimbabwe Digital Broadcasting Migration Project and other capital projects that enhance and expand interconnectivity especially in rural areas.

Residential Housing

98. Mr Speaker Sir, the ongoing various Government programmes and residential housing programmes being spearheaded by institutions such as CABS, Old Mutual, IDBZ, Fidelity Life Assurance, CFI Holdings, NICOZ Diamond, UDCORP and ZIMRE Property Investment.
99. Government will continue to provide State land to Local Authorities to enable them to offer affordable schemes to the generality of the people in order to reduce the national housing backlog.

Programme for Civil Servants

100. Mr Speaker Sir, on account of the difficulties civil servants are facing in accessing decent accommodation, Government has come up with a non-monetary benefit to cover every employee whereby the State offers stands for the development of own houses.
101. Under the Scheme, beneficiaries identify the location and residential area of preference.
102. The Ministry of Local Government, Public Works and National Housing will facilitate the provision of critical services such as electricity, roads, water and sewer services as well as development of layout plans and servicing of the land.

103. Appropriate financing facilities will be arranged, entailing contributions from the following:

- A minimal monthly deduction of say US\$50 that will be dedicated towards servicing cost of the land; and
- Payment of the intrinsic value of the land of US\$4 per square metre and US\$1 for administration costs through the 13th Cheque whose modalities of implementation are to be negotiated, discussed and agreed among the relevant ministries; as well as staff associations, UDCORP, National Building Society and Home Link.

SMES Market Malls/Factory Shells

104. Mr Speaker Sir, provision of infrastructure for SMEs remains one of the most important features for supporting their businesses.

105. In this regard, Government will be introducing incentives for institutional investors, such as pension funds, insurance companies and other private investors, who finance the construction of infrastructure such as market malls/factory shells for SMEs.

106. These incentives will be applied in retrospect with effect from 1 January 2016.

Empower Bank for the Youth

107. Government will support the capitalisation of the Empower Bank for the Youth.

Vocational Training Centres

108. **A combined total of 248 000 youths graduate at O' level, A' level and at various tertiary institutions every year.**
109. These centres are pivotal in supporting school leavers of around 180 000 per year who are unable to be absorbed into the tertiary institutions.
110. This requires that a framework for accommodating the increasing number of graduates be developed.
111. Mr Speaker Sir, Vocational Training centres are an effective tool of equipping school leavers with essential skills to support their livelihood.
112. Government is consolidating and expanding training under vocational training centres in every province, targeting to increase the number of trainees.

113. Government is also considering the possibility of apportioning a certain percentage of the ZIMDEF resources towards funding vocational training centres.

STRUCTURAL POLICY INITIATIVES

114. Mr Speaker Sir, confidence building remains a critical imperator for supporting strong economic growth.

115. We, therefore, have to continue with the implementation of initiatives that target improvement in the ease of doing business as well as enhancing and achieving policy consistency.

Indigenisation and Economic Empowerment Framework

116. His Excellency, the President, during the official opening of the 8th Session of Parliament in October 2016, reaffirmed the need to amend the Act during the course of the 8th Session.

117. Mr Speaker Sir, an option available to expedite this process, is to effect the alignment of the existing law to the policy pronouncement by His Excellency through the Finance Act.

Competitiveness and Ease of Doing Business

118. Confidence in the economy is benefiting from the ease of doing business reforms which seek to improve the ease of doing business environment across all the sectors, thus rendering the economy increasingly more competitive.
119. Already, 13 pieces of legislation have been identified as requiring amendment to improve the ease of doing business and work is already at an advanced stage.
120. Government with the support of the Legislature, will give attention to the finalisation of the legislative processes.

Cost of Credit

121. The issue of 15% lending rates from banks, coupled with shorter lending periods also continues to negatively impact on the competitiveness of borrower businesses.
122. Hence, the Reserve Bank will continue to monitor the levels of lending rates being charged by banking institutions through their on-going supervisory activities in liaison with the Bankers Association of Zimbabwe.

Bond Notes

123. The broadening of the range of multi-currencies through the addition of the \$1 bond coin and the \$2 and \$5 Bond Notes as an incentive to increased production for exports should spur private spending due to cash and liquidity improvements.
124. A total of US\$17 million equivalent of Bond Notes has so far been disbursed and the uptake has been beyond our expectations.

Fighting Corruption

125. Budget policies and thrust would continue to play their part in the drive towards elimination of corruption. This is a key matter which should contribute towards giving impetus to economic recovery through not only financial savings, but also confidence building.
126. It is proposed that computerisation be speedily embraced across Government in transactions including procurement and payments.

Public Entities

127. Mr Speaker Sir, Government is intent on turning around our public entities. In the spirit of the agreed Social Contract already in place

and launched by His Excellency, the President on 26 February 2010, the following are proposed with effect from 1 January 2017:

- Remuneration and Benefits is frozen, pending finalisation of the new public sector Remuneration Framework; and
- Any increase in prices, fees and charges by all public sector entities, including charges on water, power, rates, local taxes, environmental requirements, among others, will have to be justified and considered on its merits.

Debt and External Payment Arrears

128. Mr Speaker Sir, we remain in course in our Arrears Clearance Strategy with the objective of re-engaging with the international community.

129. Already, Zimbabwe has settled its overdue obligations to the International Monetary Fund (IMF) amounting to US\$107.9 million.

130. Consequently, the IMF Board in November 2016, lifted sanctions on Zimbabwe related to remedial measures which included, declaration of non-cooperation with the IMF; suspension of technical assistance; and removal of Zimbabwe on the list of PRGT-eligible countries.

131. The next step is resolving in 2017 arrears to African Development Bank (AfDB) US\$610 million, the World Bank, US\$1.16 billion, European Investment Bank (EIB), US\$235 million, and other multilateral institutions as well as bilateral creditors.

REVENUE MEASURES

132. Mr Speaker Sir, the revenue measures that I am proposing seek to enhance the support that has already been availed to industry through tax relief and modest protection, enhance revenue and efficiency in tax administration.

Support to Industry

133. In an effort to boost domestic production and value addition against declining exports, Government has supported industry through prioritisation of critical raw material imports and levelling the playing field using such temporary import prioritisation instruments that include tariffs and SI 64 of 2016.

134. Government measures to support the resuscitation of industry will have to be complemented by manufacturers playing their part with regards to guaranteeing quality of goods, as well as competitiveness of prices.

135. I, therefore, propose the following measures in support of the domestic industry:

Milling

136. Amend bilateral rules of origin on flour, to the effect that the preferential treatment is granted to flour milled from wheat grown in the country of export and also remove wheat flour from the Open General Import Licence.

Dairy

137. Increase the ring-fenced milk powder requirements.

Textiles

138. Increase customs duty on selected fabric and also avail additional raw materials under a rebate of duty on selected fabrics.

139. Remove luggage ware from the Open General Import Licence.

Clothing

140. Remove school uniforms from the Open General Import Licence.

Printing and Packaging Industry

141. **Increase the list of raw materials that qualify under manufacturers' rebate.**

Soap Manufacturers

142. Avail additional raw materials which include fatty acids, palm stearine **and palm kernel oil under a manufacturers' rebate.**

Sanitary Wear

143. Avail duty free importation of raw materials, which include pulp, glue **and virgin tissue, under manufacturers' rebate.**

Revenue Enhancing Measures

144. Mr Speaker Sir, I propose the following measures, in order to enhance revenue to the fiscus:

VAT Fiscalised Recording of Taxable Transactions

Procurement of Advanced Fiscal Devices

145. Mr Speaker Sir, most of the devices that were approved at the commencement of the fiscalisation programme are now outdated.

146. I, therefore, propose to authorise suppliers of fiscalised devices to procure advanced devices.

Licencing of Additional Suppliers

147. Currently, six out of ten companies licenced to supply fiscalised devices are operational, thus, constraining the supply of fiscalised devices.

148. I, therefore, propose to licence additional suppliers of fiscalised devices. These will complement existing suppliers in meeting the anticipated demand for fiscal devices that will arise from extension of the fiscalisation programme to operators in categories A, B and D.

Penalty for Failure to Connect to the ZIMRA Server

149. Connection of acquired fiscal devices to the ZIMRA remains slow, due to resistance by operators, thus, undermining the ability of ZIMRA to monitor in real time, transactions that attract VAT.

150. In order to ensure compliance by category C operators, non-compliant operators will not be issued with Tax Clearance Certificates. This implies that operators will be subject to a withholding tax of 10% of the gross value of sales.

Capital Gains Tax on Intangibles

151. Amend the definition of specified assets to include income accruing from the disposal of property of any description, whether tangible or intangible, including whatever nature of rights to such property.

Rationalisation of VAT Zero Rated Products

152. Meat products, rice, margarine and potatoes, among others have been removed from the VAT zero rated schedule to standard rate.

Health Fund Levy

153. Mr Speaker Sir, Government aims to attain the highest possible level of health and quality of life for all citizens as this allows for full participation in the development of the economy.
154. In order to attain this vision, every citizen has to access comprehensive and effective health services.
155. However, **the shrinking tax base has constrained Government's** capacity to invest in the public health delivery system, which is now being augmented with resources from development partners.

156. The continued reliance on a shrinking formal tax base and development partners to fund critical sectors such as health, is no longer sustainable, for both the taxpayer and Government.
157. It is, therefore, critical that all economically active individuals contribute towards funding health services.
158. I, therefore, propose to introduce a health fund levy of 5 cents for every dollar of airtime and mobile data, under the theme, **"talk-surf and save a life"**.
159. The resources raised will be ring-fenced for the purchase of drugs and equipment for public hospitals and clinics.

Tax Relief Measures

Tax Incentives for Special Economic Zones

160. In order to enhance the attractiveness of the Special Economic Zones, I propose to provide tax incentives as follows:
- Exemption from Corporate Income Tax for the first 5 years of operation. Thereafter, a corporate tax rate of 15% applies;
 - Special Initial allowance on capital equipment at the rate of 50% of cost from year one and 25% in the subsequent two years;

- **Employees' tax on specialised expatriate staff at a flat rate of 15%;**
- Exemption from Non-residents tax on Fees on services that are not locally available;
- Exemption from Non-residents tax on Royalties;
- Exemption from Non-residents tax on Dividends; and
- Duty free importation of raw materials, intermediate products and capital equipment.

Capital Gains Tax on Donated Houses

161. Exempt donations of housing units to any local authority, employee share ownership scheme or community development trust from Capital Gains Tax.

Taxation of Small to Medium Enterprises

162. Mr Speaker Sir, in order to further enhance the growth of SMEs, thereby creating an environment conducive for their participation as anchors of economic development, I propose the following support measures:

Registration for Value Added Tax

163. Waive the requirement to account for output tax from the deemed date of qualification for registration for SMEs whose turnover does not exceed US\$240,000 per annum and also voluntarily register for VAT with the Zimbabwe Revenue Authority.

Provisional Tax

164. Account for provisional tax during the first year of registration, when the *Fourth Quarterly Payment Date* falls due.

Presumptive Tax

165. Review downwards, presumptive taxes and the payment period from quarterly to monthly basis.

Revenue Collected from SMEs

166. Ring-fence the revenue generated from presumptive taxes towards capitalisation of the Small and Medium Enterprises Development Corporation (SMEDCO) for on-lending to SMEs.

VAT Exemption on Banking Services

167. Exempt banking and payment solutions offered by any person registered under the National Payments Systems Act from VAT.

Customs Duty on Luxury Buses

168. Ring-fence importation of 30 luxury buses at a reduced rate of 5% for the period of twelve months.

Efficiency in Tax Administration

Excise Duty on Paraffin

169. Paraffin usage escalated from 12.7 million litres in 2009 to 75.8 million litres in 2016. This is a clear testimony that paraffin exempt from excise duty, is being used by unscrupulous traders for blending with diesel, in order to achieve higher profit margins, thereby prejudicing revenue to the fiscus and causing mechanical damage to motor vehicle engines.
170. Intended beneficiaries of the duty exemption, now prefer to use alternative sources such as solar and LPG gas.
171. I, therefore, propose to align excise duty on paraffin with diesel at a rate of 40 cents per litre with effect from 1 January 2017.

Regulation of Clearing Agents and Tax Consultants

172. Require managers and employees of aspiring clearing agents to possess at least a diploma from a recognised academic institution or professional body.
- Extend to other tax statutes, the authority of the Commissioner General to report any unethical conduct by a taxpayer or tax practitioner to their controlling association.
 - Compel all tax practitioners to be registered with a recognised controlling body or association that regulates their conduct as well as the Zimbabwe Revenue Authority.

*Temporary Importation Permits **for Visitors' Vehicles***

173. Reduce the maximum period under which the Commissioner may permit the temporary importation of motor vehicles by visitors and residents living abroad from the current twelve to three months.

CONCLUSION

174. Mr Speaker Sir, in conclusion, this Budget should mark a turning point towards a development economy through fiscal consolidation and stimulating production.

175. The success of the proposed measures can only be meaningfully realised through the collective responsibility of all stakeholders through sustained implementation anchored by policy consistency, credibility, predictability and coherence which by and large we have now been able to achieve or be it through sustained effort
176. Mr Speaker Sir, robust fiscal adjustment and structural reforms as well as arrears clearance are crucial to the promotion of a business environment conducive for sustainable production and entrepreneurship.
177. Let me conclude by narrating an African story taken from the wilds. The story is that of the lion and gazelle. It is not original but a true African story. The story is that:

“With each new day in Africa, a gazelle wakes up knowing that it must outrun the fastest lion or perish. At the same time, a lion stares and stretches knowing that he must outrun the slowest gazelle or starve. It is no different for any Nation whether we consider ourselves a gazelle or a lion, we simply have to run faster than others in order to survive” (Adapted from **‘My Vision, Challenges in the Race for Excellence’** by Mohammed bin Rashid Al Maktoum).

Such is the situation Zimbabwe finds itself in. We have to outrun other countries in order to make up for the lost time

178. Mr Speaker Sir, I now commend the 2017 National Budget as espoused in the accompanying Budget Statement to the House and I lay on the Table the Estimates of Expenditure (Blue Book).

I Thank You
