



Rules & Regulations

of Investing

In Zimbabwe

'Promoting Investment for Growth'

INVESTING IN ZIMBABWE

Foreign investors are welcome in Zimbabwe! Investors are free to decide which sectors they would like to invest in (see below).

1. Priority Sectors:

- Manufacturing
- Mining, quarrying and mineral exploration
- Development of infrastructure for tourism

In these sectors foreign investors are free to take 100% ownership of their ventures, though Joint ventures are welcome.

2. Services Sector

The services sector include areas such as management consultancy, construction, etc. foreign investors are allowed to take up to 70% shareholding.

3. Reserved Sector

AREAS WHERE FOREIGN INVESTORS CAN ONLY TAKE UP STIPULATED MAXIMUM SHAREHOLDING

The government through statutory 108 of 1994 has reserved a few sectors of the economy for local investors. Any foreign investors wishing to participate in a reserved sector can only do so by entering into a joint venture arrangement with a Zimbabwean with the foreign partner taking a maximum of 35% shareholding of the venture.

The reserved sector list is as follows:

1. Agriculture Forestry -
 - (a) Primary production of food and cash crops
 - (b) Primary horticulture
 - (c) Game, wildlife ranching and livestock
 - (d) Forestry
 - (e) Fishing and fish farming
 - (f) Poultry farming
 - (h) other than agro industry involving post-growth processing
2. Transportation
 - (a) Road haulage
 - (b) Passenger bus, taxis and car hire services of any kind
 - (c) Tourist transportation (excluding airways)
3. Retail / Wholesale trade, including distribution of local and other locally produced goods
4. Barber shops, hairdressing and beauty salons
5. Commercial photography
6. Employment agencies
7. Estate agencies
8. Valet services
9. Armaments manufacture, marketing and distribution
10. Public water provision for domestic and industrial purposes
11. Rail operations
12. Grain mill products
13. Bakery products
14. Sugar products
15. Tobacco packaging and grading (post auction)
16. Tobacco products

REGISTRATION / APPROVAL PROCEDURES

All new foreign investment into Zimbabwe has to be registered /approved by the Zimbabwe Investment Committee through an application that is done by applying for an **Investment Certificate**. Foreign investment into existing companies require Reserve Bank approval. This approval is obtained by submitting an application to the Exchange Control Department of the Reserve Bank of Zimbabwe through the investee company's commercial bank or merchant bank (Authorised Dealer).

The Zimbabwe Investment Centre Act stipulates that within 45 days after receiving an application, the Investment Committee shall consider the application, reach a decision thereon and cause the applicant to be notified of its decision.

However Registration / Approval by the Zimbabwe Investment Centre may take between 48 hours and ten working days depending on the nature of the project.

PROJECT REGISTRATION

To streamline the project approval process, Zimbabwe Investment Centre registers projects that meet the following criteria:

1. projects in the preferred sectors i.e. manufacturing including agro-processing and assembling activities, mining and tourism development. Projects in these sectors can be 100% owned by foreign investors. However joint ventures with local investors wherever possible are encouraged.

2. The project meets all the other criteria listed above including being environmentally friendly and meeting immigration requirements.

* Project registration means that the qualifying project proposal would not require approval of the Investment Committee but would be registered in house by the Director of the Centre and this can be done within 48 hours provided the applicant does not wish to take up residence.

COMPOSITION OF THE INVESTMENT COMMITTEE

The Investment Committee comprises of representatives from various government ministries and departments, the Executive Director who is the Chairperson and three private sector Board members whose role is to represent and spearhead interests of the private sector.

REMITTANCE OF DIVIDENDS / PROFITS

- Under the current Exchange Control guidelines, profits and dividends from foreign investment have 100% remittability rights.
- By nature of the status of the foreign currency holdings of non-resident Zimbabweans, which are "free funds", profits and dividends in respect of investments by non-resident Zimbabweans would be, with effect from 1 August, 2004, accorded the same status as that of foreign investors and, would be freely remittable.
- Access to auction funds should also be allowed for dividend remittances arising from investments funded through foreign exchange injection from the Diaspora.
- The Monetary Policy Review Statement of 21 April, 2004 reaffirmed that Zimbabweans, within and outside the country, are free to operate individual foreign currency accounts (FCAs).
- This relaxation of capital controls is also expected to encourage some non-resident Zimbabweans to internalize their investment income – by depositing their profits and dividends in foreign currency accounts (FCAS) with local Authorized Dealers.

FOREIGN INVESTMENT RULES FOR NON-RESIDENT ZIMBABWEANS

- Following the May-June, 2004 road shows in USA, UK and South Africa, non-resident Zimbabweans expressed a desire to have their investments recognized as 'foreign investment' and to be allowed to fully repatriate their profits and dividends to their countries of temporary residence.
- In light of this, 'foreign investment' shall, for all new investments coming through formal channels, effective 1 August, 2004, encompass all investments in Zimbabwe, funded from external sources, for both cases where that capital is owned by a foreigner or non-resident Zimbabwean (free funds).

FOREIGN INVESTMENT CAPITAL INFLOWS

- Where foreign equity or loan capital is received from offshore sources to fund local operations, the funds are immediately liquidated 100% at the Diaspora floor price or the average auction rate, whichever is higher.
- Where foreign equity or loan capital is received from offshore sources specifically for purposes of importing capital goods, with Exchange Control Approval; the funds may be deposited 100% into the investor's local corporate foreign currency account.
- Once the funds are deposited into a local corporate foreign currency account, Exchange Control authority will be required to make any payment to a foreign service provider or supplier.
- In the event that such funds are deposited into the investor's local individual foreign currency account, no Exchange Control authority is required to effect any import payment.

EXTERNAL LOAN FINANCING

- Under the current regulations, all external loans should be sanctioned by the External Loans Coordination Committee (ELCC). ELCC approvals are based on sustainability analysis of the terms of the debt, in line with pre-determined criteria.
- Offshore loan repayments by exporting companies are funded through FCA balances in the corporate FCA. Funds for external loan repayments cannot be sourced from the market.
- However, non-exporting companies may be authorized to source funds from the auction for purposes of loan repayment for those loans approved by the ELCC.
- Non-resident Zimbabweans will be, with effect from 1 August, 2004, allowed to raise offshore financing through external borrowings and subject to the same treatment as foreign investors.
- To ensure that there is a balance on debt and equity financing, the gearing ratio of 50:50 will be maintained.

EXPORT INCENTIVES

In order to encourage exports Zimbabwe allows duty free importation of raw materials meant for manufacture of goods for export. This is done through the duty export draw back and Inward Processing Schemes. **Export drawback** is a claim for refund of import dues when qualifying goods is exported from Zimbabwe. Qualifying goods is defined as any goods exported unused upon which import dues (custom duty, surtax and import tax) were originally paid. This includes goods processed or manufactured in Zimbabwe which contains imported materials upon which the import dues were paid.

Inward Processing Rebate is a claim for refund that applies to processing or repair of imported goods for re-export. The applicant must be involved in processing or repairing of imported goods for re-export. Inward Processing means the processing or repair of imported goods for re-exportation. While processing means the manufacture of goods and includes any one or more of the following operations:

- fitting or assembling
- industrial packaging or re-packaging
- use of agents such as catalysts, accelerators or retarders of chemical reactions which disappear entirely or partially in the course of production and are thereafter indistinguishable in the goods produced
- mixing and blending
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IMPORT / EXPORT LICENCES

After Zimbabwe's successful trade liberalisation programme importers are no longer required to obtain import licences except for a very limited range of commodities. This relates to such items as arms and armaments, radioactive materials, toxic waste etc.

Export licences are also only required for a limited range of items mainly strategic agricultural commodities. These are obtainable from the Ministry of Lands and Agriculture.

Income Tax for companies, Trusts, individuals trade or investment

- The nominal tax rate for companies Trusts and individuals trade or Investment is 30%.
- However the following is a table of income tax rate applicable to specific sectors:

Taxable Income of	%
Individual from Trade & Investment	30
Company trust (general)	30
Special mining loses	25
Company or Trust : Mining Operatives	25
Individual: Mining operations	30
Boot or Bot arrangement	
1 st 5 years	0
2 nd 5 years	15
3 rd 5 years	20
Thereafter	30
Industrial Park Developer	
1 st 5 years	0
Thereafter	10
Export Manufacturing Company	20
Tourist Operator	20
Tourist Operator in Approved Zone	15
Aids Levy	3%

CAPITAL EQUIPMENT INCENTIVES

Not all capital goods or raw materials can be imported duty free. For more information please contact:

The Commissioner General

ZIMRA

6th/7th Floor Intermarket Centre

Kwame Nkrumah

Harare **Zimbabwe** Tel: 263-4-790811

<http://www.zimra.co.zw>

LOSS INCENTIVES

- Ability to carry over losses for six years for other sectors and indefinitely for mining to be offset against future profits,

PERMITS

Where an investor is seeking to take up permanent residence qualification for such residence permits is as follows:

- An investor who injects not less than US\$1 000 000 in a project approved by the Investment Centre will qualify for permanent residence.
- An investor who injects not less than US\$300 000 in a sole business venture will qualify for a three year residence permit. Extension for an indefinite period will be granted at the end of the three years subject to the project proving viable.
- Persons with professional or technical skills who invest a minimum of US\$100 000 in a venture of his/her profession e.g. doctor, dentist, architect, electrical engineer will qualify for a three year permit. Extension will be based on project viability. Permanency will be considered on project viability.

INVESTMENT ON THE ZIMBABWE STOCK EXCHANGE

- Currently foreign investors can take and invest on the Zimbabwe Stock Exchange up to 40% per counter as a group and 10% per counter, as individuals.
- A review is being made of this investment window and appropriate guidelines will be issued in due course.
- Where non-resident Zimbabweans want to venture into financial institutions, investment proposals would be appraised in line with Banking Regulations.

- Persons with professional or technical skills who invest a minimum of US\$100 000 in a venture of his/her profession e.g. doctor, dentist, architect, electrical engineer will qualify for a three year permit. Extension will be based on project viability.
- Permanency will be considered on project viability.

EXPORT PROCESSING ZONES INCENTIVES

There is also a comprehensive set of incentives for companies that apply for and are granted **Export Processing Zones** status which are as follows:-

1. 5 year tax holiday.
2. Corporate tax of 15%, after the tax holiday.
3. Duty free importation of raw materials and capital goods.
4. Exemption from liability to pay Non Resident Shareholders' Tax (NRST) on dividends distributed to non-residents.
5. No liability for branch profits tax on a branch of a foreign registered company in an EPZ.

6. No liability for withholding tax with regard to dividends distributed locally by a company licensed to operate in an EPZ.
7. Exemption from withholding taxes on management & technical fees, remittances and royalties for a person operating in an EPZ.
8. No liability for tax on any capital gains arising from the sale of property forming part of an investment in an EPZ.
9. Exemption from income tax on fringe benefits for persons employed by a licensed EPZ investor.
10. Refund of VAT paid on procurement from customs.

LEGAL PROTECTION FOR INVESTORS

Zimbabwe provides protection for all its investors through its constitution that guarantees the right to private property as well as prohibit expropriation of private property without adequate compensation. Zimbabwe has signed bilateral investment protection agreements with more than eight different countries in addition to such multilateral treaties as MIGA and OPIC etc.

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