

Guide To The **FINAL DEDUCTION SYSTEM**
[F.D.S.]

Individual Income Tax Return
ZIMRA
Zimbabwe Revenue Authority



Integrity transparency fairness
ZIMRA
Zimbabwe Revenue Authority

Issued by the Commissioner General

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FOREWORD BY THE COMMISSIONER GENERAL

The Pay as You Earn (P.A.Y.E) system was introduced in 1966. Its aim was to benefit the country by ensuring a steady and constant flow of revenue to the Government. It also enabled the employee to spread the payment of tax over a period of 12 months rather than to issue an annual assessment whose tax is payable within 30 days from the date of issue of the assessment. All employers administered the P.A.Y.E. system, but at the end of the tax year, the Zimbabwe Revenue Authority would assess the same P.A.Y.E. This was clearly a duplication of similar functions. Quite a lot of resources were tied up in assessing the final tax liabilities.

The introduction of the Final Deduction System (F.D.S.) was one of the recommendations made by the Commission of Enquiry into Taxation in 1986. Over the years, ZIMRA has been working on simplifying the P.A.Y.E. system by abolishing certain credits pending the introduction of F.D.S.

F.D.S. was finally introduced with effect from 1 January 2000 through the Finance Act No.21 of 1999. The burden of rendering tax returns is eliminated for the majority of employees. This system was implemented on a phased basis, starting with a few large employers.

The aim of this system is to ensure that the P.A.Y.E. to be withheld in any year of assessment is the same as the final income tax liability for the employee concerned. The employee whose income consists solely of employment income will not submit returns after the end of the year if employed by one employer throughout the year. The system works better under a computerised payroll system. It is recommended that employers using manual systems change to computerised systems.

This guide is a reviewed version of the first issue published in the year 2002.

Reviewed February 2014

WHAT IS THE FINAL DEDUCTION SYSTEM?

This is the system whereby the employer is directed to withhold P.A.Y.E. from the employee's remuneration in such a way as to ensure that the amount so withheld in any year of assessment is as nearly the same as the income tax liability for the employee concerned.

WHAT IS THE DIFFERENCE BETWEEN P.A.Y.E SYSTEM AND F.D.S.?

- Under the P.A.Y.E. system, the employer is required only to deduct P.A.Y.E according to the P.A.Y.E. tables. The employees are obliged by law to submit income tax returns after the end of the year.
- P.A.Y.E is a non-cumulative method whereas F.D.S.is cumulative. This means that the F.D.S.system continually calculates the cumulative tax liability on the total emoluments as these are paid ,thus the correct tax liability is deducted by the employer at any given time during the year.
- The employer under the P.A.Y.E. system was not authorized to take into account credits in calculating P.A.Y.E, under F.D.S. the employer is directed to take into account credits due to an employee.
- If for any reason there is an over or under-deduction of tax the employer can make an adjustment under the F.D.S. which he could not do with the P.A.Y.E. system.

ADVANTAGES OF F.D.S.

- Accuracy is achieved, as the system calculates the correct amount of tax at any given time.
- Tax refunds are done promptly, within the payroll.
- Deductions and credits are allowed as they are claimed.
- Reduction in tax returns submitted by employees and the need for assessments.
- Reduced employee visits to the Revenue Office, a saving in terms of man-hours.

WHEN SHOULD EMPLOYER IMPLEMENT F.D.S.?

When the employer is directed by the Commissioner General to implement F.D.S. in terms of paragraph 20A of the Thirteenth Schedule to the Income Tax Act(Chapter 23:06).

DOES THE EMPLOYER NEED TO KNOW OTHER SOURCES OF EMPLOYEES` INCOME?

The employer is not obliged to know the employees 'other source of income. However, the employees can voluntarily declare other employment income including pension if they wish to have it taken into account when calculating the tax liability.

EMPLOYER/EMPLOYEE TRAINING

Once the employer has been directed to implement F.D.S., both the employer and employees will receive training on the implementation of the system. Training can also be provided on request.

ASSISTANCE TO EMPLOYERS AND EMPLOYEES

From the information given in this guide, employers will be able to answer many queries raised by employees. Supplies of the guide will be available from ZIMRA offices and employers are asked to ensure that the booklet is circulated amongst their staff.

If the query cannot be answered from information contained in this guide, the matter should be referred to the ZIMRA office.

EMPLOYERS`RECORDS

Employers are required to maintain records showing all remuneration paid or payable, including benefits and all deductions, in respect of each employee. These records will be inspected from time to time by Revenue Officers and should be retained for a period of not less than six years from the end of the tax year which the records relate. The records shall be kept in English language in terms of Section 37B of the Income Tax Act.

EXTRA P.A.Y.E. PAYMENTS

An employee can make a written request to his employer for an additional amount of P.A.Y.E. to be deducted from his salary, over and above the statutory amount e.g. to take into account other employment income earned elsewhere including pension. Such request must be complied with.

REMUNERATION LIABLE TO P.A.Y.E.

The definition of remuneration liable to P.A.Y.E. includes any amount of income paid or payable by way of salary, leave pay, allowance, wage, pay, bonus ,gratuity, commission, fees, emoluments, pension, superannuation allowance , exercising of the share option scheme, retirement allowance or stipend, whether in cash or otherwise, including the value of fringe benefits and fees payable to working directors.

BENEFITS

All benefits which accrue to the employee as a result of services rendered to the employer are taxable.

These include:-

- free use of employer`s motor vehicles for private purpose
- housing
- soft loan interest
- education
- passage
- telephone
- furniture
- entertainment allowance
- electricity and water
- domestic servant
- security services
- holiday allowances
- cost of groceries

-cost of clothing (excluding protective clothing)

-transport allowances

-any other payments over and above basic pay.

Regular benefits enjoyed should be taxed as and when they accrue.

Irregular benefits such as school fees for the employee's children are taxed in the month in which they are paid.

TREATMENT OF CERTAIN TYPES OF REMUNERATION

Advances

Advances against salary, bonus or commission constitute remuneration and P.A.Y.E. must be deducted in the month in which the advance is paid. An employer is responsible for the deduction of correct P.A.Y.E. from any payment he makes and is personally responsible for any under-deductions.

Allowances

Allowances such as representation, travelling, entertainment and subsistence are taxable to the extent that they are not expended on the employer's business. They should be added to other income when calculating P.A.Y.E. This excludes allowances paid to civil servants.

Arrear salary

Arrear salary refers to salary which accrues when there is a legal dispute. Arrear of salary, wages, etc. become taxable on the date on which the decision to pay the arrear salary is made.

N.B Delay in salary payment due to defaults does not constitute arrear salary.

Bonuses and commissions

A bonus or commission is subject to P.A.Y.E. on the date the amount is declared or paid whichever is the earlier except where the amount is in the form of a percentage of the profits, in which event the accounting date becomes the accrual date.

Commutation of amounts due under a contract of employment

Where an employer terminates the service of an employee before the expiry of the contract and pays him the amount due per the contract for the remaining period, that amount is subject to P.A.Y.E.

Director's fees

Director's fees are subject to P.A.Y.E if the director performs services as an employee, or receives other remuneration subject to PAYE(e.g director's fees and salary or director's fees and holiday allowance)

Director's fees paid to a non-executive director who does not receive any other remuneration subject to P.A.Y.E will be subject to withholding tax in terms of the Thirty Third Schedule of the Income Tax Act Chapter 23:06 .

Refund of pension contributions

When the employee withdraws from an approved pension fund, the employer is required to apply for a tax directive from the nearest ZIMRA office P.A.Y.E. should be deducted in accordance with that directive.

TREATMENT OF CERTAIN CLASSES OF EMPLOYEES

Deceased employees

Following the death of an employee, the employer is required to issue a form P6 within 30 days from the date of payment of any funds. A tax return needs to be submitted for assessment to the nearest ZIMRA office.

Employees who change employment

When an employee leaves the service of an employer, the latter is obliged to furnish the employee with a form P6 within 30 days of the employee leaving his employ. The employee is required to submit a return at the end of the year for assessment by the nearest ZIMRA office.

Casual temporary employees

Where a casual labour is employed P.A.Y.E. must be deducted in accordance with the tax tables.

New employees

Remuneration for new employees who start during the year will be subject to P.A.Y.E in the normal way. No adjustments are done at the end of the year. The employee is required to submit a tax return at the end of the year.

F.D.S. AUDITS

 Revenue officers will carry out periodic audits to check:



- (a) accuracy of tax calculations;
- (b) Treatment of employees 'credits ,deductions ,benefits and employment contracts;
- (c) Promptness of tax remittances ,and
- (d) Tax compliance.

Where it is established that non-compliance and errors were deliberately made, penalties will be imposed for the audit.

Employers are encouraged to co-operate and ensure that all tax records and other requirements are available for the audit.

EXEMPTIONS FROM INCOME TAX

Exemptions are provided for in the 3rd Schedule to the Income Tax Act (Chap23:06) and include the following:-

-  Benefits and allowances paid to civil servants
-  Incentives paid to public servants

- 🌱 Exempt portion of annual bonus /performance award.
- 🌱 Exempt portion of Retrenchment package
- 🌱 Pension received by an elderly tax payer. An elderly person is someone who is 55 years and above.

ALLOWABLE DEDUCTIONS

Deductions are provided for in Section 15 of the Income Tax Act (Chap23:06) and include the following:-

🌱 **Pension contributions**

Pension contributions are tax deductible, subject to statutory restrictions.

The contributions are deducted before applying tax. Where the employee is a member of several approved funds (including retirement annuity fund and NSSA) all excess contributions should be recorded on form ITF45 for each year.

🌱 **Professional ,Trade or Technical Associations**

Subscription fees paid to registered bodies by qualified members are tax deductible in full in the year in which they are paid. To be eligible, employees should provide the employer with receipts. Subscriptions to sporting or recreation clubs are not tax deductible. See item 31 for some of the registered associations.

🌱 **Tradesman`s tools**

Costs of tradesman`s tools are allowed in full on purchase and on replacement (if it is in terms of the employment contract).Receipts should be retained by the employer for a period of not less than 6 years.

Only qualified journeymen are eligible, trainees and apprentices are not.

🌱 **Donations**

Donations to the following organisations are allowed as deductions:-

- 🌱 National Scholarship Fund or the National Bursary Fund;
- 🌱 A charitable trust administered by the Minister responsible for Social Welfare or Health in their official capacity or their respective officers in their official capacities, and
- 🌱 To the State for use in-
 - Construction, extension or maintenance of hospitals;
 - Purchase of medical equipment for hospitals, and
 - Procurement of drugs for hospitals.

Provided that the benefiting hospitals are operated by State, local authorities, or religious organisations.

In such cases, receipts bearing the registration number of the beneficiary organisation should be furnished to the employer. See page 22 for some of the registered organisations.

CREDITS

(a)Mentally or Physically Disabled Persons `Credit

- 🌱 A credit of the specified amount shall be deducted from the income tax with which a taxpayer is chargeable, where it is proved that the taxpayer is mentally or physically disabled to a substantial degree, but is not blind.
- 🌱 A credit of the specified amount shall be deducted from the income tax with which a taxpayer who is proved to be mentally or physically disabled to a substantial degree.

NOTE: The taxpayer should get a letter from a specialist medical doctor, stating the nature and degree of disability and apply for a written directive from their nearest ZIMRA office.

- 🌱 Any portion of a deductible credit which is not applied in reduction of the income tax with which a married person is chargeable shall be allowed as a deduction from the income tax which his or her spouse is chargeable. Both spouses should complete and submit returns for the relevant tax year so that the transfer can be facilitated.
- 🌱 No credit shall be deductible if the taxpayer is not at any time in the period of assessment ordinarily resident in Zimbabwe.
- 🌱 A person shall not be regarded as being mentally or physically disabled if his disability is of a temporary or transitional nature.
- 🌱 Mentally or Physically Disabled Persons `Credit shall not be apportioned. Allow in full monthly and adjust to ensure full credit at the end of the year.

(b) Elderly Person`s Credit

A credit of the specified amount shall be deducted from the income tax with which a taxpayer is chargeable, where he has attained the age of fifty-five years prior to the commencement of the year of assessment. If the period of assessment is less than twelve months, the amount referred to in this paragraph shall be reduced proportionately.

(c) Blind Person`s Credit

A credit of the specified amount shall be deducted from the income tax with which a taxpayer who is a blind person is chargeable.

Provided that any portion of such credit which is not applied in reduction of the income tax with which a blind person who is married is chargeable shall be allowed as a deduction from the income tax which his or her spouse is chargeable.

- 🌱 Blind person`s credit shall not be apportioned. Allow the full monthly credit and adjust to allow full annual credit at the end of the year.

(d)Credit for Cost of Purchasing invalid Appliances (Allowable to Residents Only)

A credit of the specified limit shall be granted on the following:-

- 🌱 A wheelchair or any mechanically propelled vehicle which is specially designed and constructed for the carriage of one person, being a person suffering from a physical defect or disability; or
- 🌱 any artificial limb, leg callipers or crutch ; or

- any special fitting for the modification or adaptation of a motor vehicle, bed, bathroom or toilet to enable its use by a person suffering from a physical defect or disability; or
- spectacles or contact lenses.

The credit is 50% of the total cost of the appliances used by the taxpayer, his spouse or any child of the taxpayer as a consequence of any mental or physical defect or disability.

e) Medical Expenses (Allowable to Residents Only)

"medical expenses" include the sum of any payments made for:-

- Services rendered to a taxpayer, his spouse and minor children and one or more of them by a medical or dental practitioner; and
- Drugs and medicines supplied to a taxpayer, his spouse and minor children or one or more of them on the prescription of a dental or medical practitioner, and
- the accommodation, maintenance, nursing and treatment, including blood transfusions and X-ray and laboratory examinations, tests and the like, of a taxpayer, his spouse and minor children or one or more of them in or at a hospital, maternity-home, nursing-home, sanatorium, surgery, clinic or similar institution; and
- the conveyance by ambulance, including an air ambulance, of a taxpayer, his spouse and minor children or one or more of them; and
- the amount of any contributions paid to a medical aid society in respect of the taxpayer or his spouse or any minor children.

The credit is 50% of the total amount paid.

For practical purposes it should be noted that:-

- All medical expenses must have been paid by the employee before they can be allowed for credits
- For employees who are members of medical aid societies the date of the shortfall as shown on the claim settlement advice shall be used to determine when the expense becomes due for payment.
- Employers may accept receipts for full expenses for non-members of Medical Aid Societies.
- The employees should claim for the medical expense credit using FDS 1 and furnish it to the employer.
- All original medical receipts should be retained by the employer for a period of not less than 6 years from the date of the claim.
- It must be noted that medical expenses are limited to the taxpayer, his spouse, and minor children.

N.B. Minor children include legally adopted minor children.

- Payments to traditional and faith healers do not rank for credits. E.g. Zinatha practitioners, Vapostori, etc.

NOTE: The following medical expenses are not allowable: -

- All expenses of social or cosmetic nature e.g. plastic surgery.
- Costs of hiring television sets, radios or other entertainment services at a medical institution e.g. at a hospital.

- 🌱 All medical expenses in respect of dependants who are not minor children of the taxpayer.
- 🌱 In the case of a polygamous marriage, all expenses relating to the 2nd and subsequent spouses.
- 🌱 Cost of all drugs purchases without a medical or dental practitioner's prescriptions.
- 🌱 Medical expenses paid to any traditional healer.
- 🌱 All expenses for all medical services not provided for no provided by a medical or dental practitioner except conveyance by an ambulance.
- 🌱 Cost of drugs purchased over the counter e.g. in supermarkets or pharmacies without a doctor's prescription.
- 🌱 All medical expenses for non-residents.
- 🌱 All medical expenses which are fully reimbursed from another source.
- 🌱 Cost of any services provided which are not for diagnostic or treatment purposes, including medical examinations for insurance policies, employment, emigration, or educational purposes.

EXCESS CREDITS

Credits exceeding monthly P.A.Y.E. should not give rise to negative P.A.Y.E. Any excess credits should be rolled over into the next pay periods until fully utilized except in December when the unutilized credit falls away.

AIDS LEVY

The rate is specified in the Finance Act. Currently, the rate for Aids Levy is 3% and is applied on P.A.Y.E. after allowing credits. It affects all employment income including refunds of pension contributions.

END OF YEAR ADJUSTMENT

At the end of the year, the employer must make final adjustments to every employee's P.A.Y.E. taking into account the total income, deductions, and credits to which the employee is entitled.

In the case of shortfalls, the employer is obliged to make good the shortfalls and remit the correct tax. The employer will recover any shortfalls from the following month's pay for the employees concerned.

SUBMISSION OF ITF 16 RETURNS BY EMPLOYERS

Every employer should submit to ZIMRA a return (ITF16) in an electronic version on a disc, flash or through email showing the total income, deductions, PAYE, credits as per the format available from ZIMRA offices

Employers with non-computerised payrolls should submit their ITF16 in Excel Format.

The ITF16 should be submitted within 30days after the end of the year of assessment (i.e. by 30 January of the following year)

The employer should sign a declaration form on submission of the ITF 16 .The form endorses that the employer has furnished the ITF 16 to the best of their ability and in full.

Upon receipt, ZIMRA acknowledges receipt of ITF 16 from the Employers. ZIMRA is obliged give the employer the report on FDS adjustments and assessment for each ITF 16 submitted.

The employer is required to issue P6 tax certificates to employees after implementing the adjustments as per FDS adjustment report

Civil Penalties

ITF 16 Returns that are submitted late are subject to Civil Penalties as legislated

ISSUE OF TAX CERTIFICATES

All employees whose remuneration was subject to P.A.Y.E. are entitled to be issued with tax certificates (forms P6) for their records. The employer is required to issue forms P6 within 30 days from the end of the relevant year or within 30 days of terminating employment services as the case may be. Forms P6 for the employees who are employed by the same employer for the full tax year should be marked "F.D.S." on the face. The non FDS cases are to be marked "non FDS" on the face

SUBMISSION OF RETURNS BY EMPLOYEES (FORMS ITF 1)

a) Who should submit returns of income?

All those employees who:-

- 🌱 Terminate employment during the year of assessment;
- 🌱 Change employment during the year;
- 🌱 Work part time at the same time being fully employed by another employer;
- 🌱 Start employment during the course of the year;
- 🌱 Receive pensions;
- 🌱 Are executors/ executrix of deceased estates;
- 🌱 Are in receipt of income which is not subject to P.A.Y.E.

b) Who should not submit returns of income?

- 🌱 All those employees whose income consists of employment income only and whose employer was directed to administer P.A.Y.E. under the F.D.S. system and did so during the year concerned, and the employee was in continuous employment with the same employer for the whole year.
- 🌱 All employees who are required to submit a return will be notified by the Commissioner General by notice in the press. This notice is usually published in January or February of each year.

FORMS

ITF 1 – Individuals for employment income only

ITF 1A – Individuals and trusts for business profits and investment income only.

CGT 1 – companies and individuals for capital gains only.

OBLIGATIONS AND RIGHTS OF EMPLOYEES

Employees have rights and obligations to:-

- 🌱 have their credits and deductions taken into account in determining their PAYE liabilities;
- 🌱 be issued with forms P6 at the end of the year or on leaving employment during the year;
- 🌱 furnish their employers with information on other income and proof of deductions and credits;
- 🌱 have their PAYE correctly calculated, and

- be refunded excess PAYE and pay PAYE shortfalls after final adjustments.

EMPLOYEES WITH PAYE QUERIES

Revenue officers will visit the employer to ensure that PAYE is correctly calculated. Training can be offered to employees upon request. Employees who are not happy with their PAYE calculations can approach these officers for assistance or they can refer their queries to the nearest ZIMRA office.

OBLIGATIONS AND RIGHTS OF EMPLOYERS

- Calculate and deduct correct PAYE for each employee;
- Take into account all income, deductions, and credits in determining PAYE liabilities
- Remit the total PAYE to the Commissioner General by the 10th of the month following the month for which PAYE is withheld;
- Make end of year adjustments for PAYE;
- Issue tax certificates for all employees;
- Maintain and furnish all relevant employee's records to revenue officers;
- Make good any shortfalls and refund excess PAYE to employees;
- Ensure that the Commissioner General's directive is available for inspection at all reasonable times by any employee who may be affected by it;
- Receive adequate training on FDS from the nearest ZIMRA office;
- Facilitate education of employees on FDS, and
- Be supplied with all relevant forms on FDS by the nearest ZIMRA office.

OBLIGATION OF ZIMRA

ZIMRA is obliged to:-

- Employers and employees on FDS;
- Assist employers and employees on FDS;
- Provide adequate education on FDS
- Assist employers and employees on any queries timeously;
- Assist in the smooth implementation of FDS, and
- Provide all the necessary forms.

TAX BANDS AND RATES OF TAX

These appear under the Schedule to Chapter 1 of the Finance Act (Chap – 23:04) and are available on the Zimra Website.

FINAL DEDUCTION SYSTEM METHODS

There are two recommended methods of calculating PAYE under FDS namely the Forecasting and Averaging Methods. The employer must use one method of PAYE calculation for a particular year. He can use either method provided it yields the desired results.

FORECASTING	AVERAGING
Formula <ul style="list-style-type: none"> • Earnings to date (net of deductions) - i.e. including current period earnings. • Add forecasted monthly earnings to the 	AVERAGING METHOD <ol style="list-style-type: none"> 1. Taxable earnings to date. 2. Divide by the number of months so far worked to get the average taxable income.

<p>end of the year based on taxable earnings.</p> <ul style="list-style-type: none"> 👉 Calculate the annual tax on annual income by reference to the Annual Tax Tables including Aids levy. 👉 Deduct credits to previous period. <p>Subtotal</p> <ul style="list-style-type: none"> 👉 Subtract PAYE deducted to date. <p>Subtotal</p> <ul style="list-style-type: none"> 👉 Calculate the average monthly PAYE by dividing the tax balance by the remaining months, including the current month. 👉 Deduct current month's credits including Aids levy. The result would be PAYE for the month in question. 	<ol style="list-style-type: none"> 3. Multiply by 12 to get the annual tax chargeable. 4. Calculate the annual tax chargeable. 5. Divide the annual tax by 12 to get the average tax chargeable. 6. Multiply the average tax chargeable by the number of months so far worked to get the cumulative tax chargeable to date. 7. Reduce the cumulative tax chargeable to date by the cumulative credits claimed to date to get the cumulative tax payable to date. 8. Add 3% Aids levy to the cumulative tax payable to date. 9. Subtract the cumulative tax paid to the immediate past period from the cumulative tax payable to date. 10. The difference is the tax payable in the current month.
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WORKED EXAMPLES – USING THE FORECASTING METHOD

EXAMPLE 1

EXAMPLE 1			
Below are the earnings of Mr P. Peter for January 2012. He is disabled.			
Basic Salary	2,500		
Pension Contributions	180		
NSSA Contributions	120		
Trade Union Subscriptions	50		
Old Mutual Retirement Annuity Fund (RAF) Contributions	80		
Medical Aid Contributions	100		
Medical Expenses for January	200		
<u>Computation</u>			
Salary			2,500.00
Less:			
Pension contributions	180		
NSSA	120		
Old Mutual RAF	<u>80</u>		
		380.00	
Trade Union Subscription		50.00	

			430.00
Taxable Income			2,070.00
Forecasted Annual Income	[2,070+(2,070*11)]		24,840.00
Annual Tax including levy			5,203.56
Less: PAYE paid to previous period			0.00
Total PAYE for remaining months			5,203.56
Average monthly PAYE [5,203.56 ÷12]			433.63
Less: Credits for the current month			
Monthly Disability Credit		75.00	
Medical Aid Contributions [100@ 50%]		50.00	
Medical Expenses [200@ 50%]		100.00	
		225.00	
Add: 3% Aids Levy [225*1.03]			231.75
PAYE for January 2012			201.88

EXAMPLE 2

Regular Payments

Assume that there are no changes in Mr P. Peter earnings except he did not incur any medical expenses in February.

Forecasted Annual Taxable Income

Jan	Feb		
[2,070.00) + (2,070.00) + (2,070 x 10 months)]			24,840.00
Annual Tax Including Aids Levy			5,203.56

Less: Credits to previous month	231.75	
PAYE to previous month	201.88	
Total Deductions		433.63
PAYE for outstanding months		4,769.93
Average Monthly tax chargeable [4,769.93 ÷ 11]		433.63
Less: Credits		
Monthly Disability Credit	75.00	
Medical Aid Contributions [100@ 50%]	50.00	
Total Credits including 3% Aids Levy [125*1.03]		128.75
PAYE for February 2012		304.88

Irregular Payments

Assume that there are no changes in Mr P. Peter earning except that he received cash in lieu of leave in March of \$ 2 000.

Jan	Feb	Mar		
(2,070)	+ (2,070)	+ (2,070 + 2 000)	+ (2,070 x 9 months)	26,840.00
Annual Tax including levy				5,821.56
Less: Accumulated credits to last month[231. 75+128.75]			360.50	
PAYE Paid to date [201.88+304.88]			506.76	
Total Deductions				867.26
Net PAYE for outstanding months				4,954.30
Average monthly PAYE [4,951.21 ÷ 10]				495.43
Less: Current Credits				
Monthly Disability Credit			75.00	

Medical Aid Contributions [100@ 50%]	50.00	
Total Credits including 3% Aids Levy [125*1.03]		128.75
PAYE for March 2012		366.68

SALARY INCREMENTS

Assume a salary increment in April to the effect that Mr P. Peter taxable income increases to \$3 000. He incurs \$260 on purchasing drugs and \$50 is refunded by the Medical Aid Society

Forecasted Annual Taxable Income

Jan	Feb	Mar	Apr	May-Dec			
2 070 +	2 070 +	4 070 +	3 000+	(3 000*8months)			35,210.00
Annual PAYE including Aids Levy							8,407.89
Less: Accumulated Credits to previous month						489.25	
PAYE paid to previous month						873.13	
Total deductions							1,362.38
Net PAYE for outstanding months							7,045.51
Average monthly PAYE [7,045.51 ÷ 9]							782.83
Less: Current Credits							
Monthly Disability Credit						75.00	
Medical Aid Contributions [100@ 50%]						50.00	
Medical shortfalls [(260-50)*50%]						105.00	
Total Credits including 3% Aids Levy [230*1.03]							236.90
PAYE for April 2012							545.93

CREDITS EXCEEDING MONTHLY TAX

Assume there are no changes in the earnings detail except that Mr. P. Peter incurs a medical shortfall of \$2 500 in May.

Forecasted Annual Taxable Income

Forecasted Annual Taxable Income		
Jan Feb Mar Apr May June- Dec		
2070 + 2070 + 4070 + 3000 + 3000 + (3 000*7months)		35,210.00
Annual PAYE including Aids Levy		8,407.89
Less: Accumulated Credits to previous month [489.25+236.90]	726.15	
PAYE paid to previous month [873.13+545.93]	1,419.06	
Total deductions		2,145.21
Net PAYE for outstanding months		6,262.68
Average monthly PAYE [6,262.68 ÷ 8]		782.84
Less: Current Credits		
Monthly Disability Credit	75.00	
Medical Aid Contributions [100@ 50%]	50.00	
Medical shortfalls [2,500*50%]	1,250.00	
Total Credits including 3% Aids Levy [1,375*1.03]		1,416.25
PAYE for May 2012		NIL

FORECASTED METHOD

Irregular payments like bonus, cash in lieu of leave, overtime, fluctuating commission, gratuity, once-off incentives etc. should not be forecasted for the remaining months to the end of the year.

They should be added to the taxable earnings for the month in which they are paid. (See March example with cash in lieu of leave).

Regular payments like basic salary, salary increment, fixed commission, fixed benefits and allowances should be forecasted for the remaining months to the end of the year. (See the April example with salary increment).

WORKED EXAMPLES USING THE AVERAGING METHOD

Normal Salary

Mr Aston had the following earnings and deductions for the period from January to March 2011

Monthly Salary	600.00
Nssa per Month	6.00
Pension per month	10.00
Medical Aid Contributions	20.00
Gross Salary January to March	1,800.00
Cumulative Tax paid to February	137.60
Allowable deductions January to March	
NSSA	18.00
Pension	30.00
Cumulative Medical Aid [20*3*0.50]	30.00

Gross Salary : January- March		1,800.00
Less: Deductions:		
NSSA (Jan- March) [6*3]	18.00	
Pension (Jan-March) [10*3]	30.00	
		48.00
Taxable income		1,752.00
Average taxable income [1,752/3]		584.00
Projected Annual Income [584*12]		7,008.00
Annual Tax as per tables		801.60

Average monthly tax [801.60/12]		66.80
cumulative tax to March 2012 [66.80*3]		200.40
Less: cumulative credits		30.00
Net PAYE before levy		170.40
Add: 3% Aids Levy		5.11
Total PAYE Chargeable [January- March]		175.51
Less: PAYE Paid up to February 2012		137.60
PAYE Payable in March 2012		37.91

Assuming that Mr Ashton received a bonus of \$1,200.00 and CILOL of \$200.00 in March:

Gross Salary : January- March		1,800.00	
Less: Deductions:			
NSSA (Jan- March) [6*3]	18.00		
Pension (Jan-March) [10*3]	30.00		
		48.00	
Taxable income		1,752.00	
Average taxable income [1,752/3]		584.00	
Projected Annual Income [584*12]		7,008.00	
Add: Bonus [1,200-1,000]		200.00	
CILOL		200.00	
Total Taxable Income		7,408.00	A
Annual Tax as per tables (A)		881.60	B

Tax on taxable income without Bonus & CILOL[7,008]		801.60	C
Tax on income without Bonus & CILOL [B-C][881.60-801.60]		80.00	
Average monthly tax Without Bonus & CILOL[801.60/12]		66.80	
cumulative tax to March 2012 [66.80*3]		200.40	
Add: Tax on Bonus & CILOL		80.00	
Total Tax Chargeable before allowing Credits		280.40	
Less: cumulative credits [60.00*0.50]		30.00	
Net PAYE before levy		250.40	
Add: 3% Aids Levy		7.51	
Total PAYE Chargeable [January- March]		257.91	
Less: PAYE Paid up to February 2012		137.60	
PAYE Payable in March 2012		120.31	








LIST OF SOME OF THE REGISTERED PROFESSIONAL ASSOCIATIONS

-  The Dental Association of Zimbabwe
-  The Zimbabwe Medical Association
-  The council of Veterinary Surgeons
-  The Architects Council of Zimbabwe
-  The Zimbabwe Teachers Association
-  The Zimbabwe Institute of Engineers
-  The Institute of Chartered Secretaries and Administrators
-  The Institute of Chartered Accountants of Zimbabwe
-  Institute of Bankers Association (IOBZ)
-  Institute of Marketing Management
-  Zimbabwe Association of Accounting (ZAAT)
-  Chartered Institute of Management Accountants (CIMA)
-  Institute of Accounting and Commerce (IAC)
-  Law Society of Zimbabwe
-  Zimbabwe Nurses Association (ZINA)
-  National Employment Council (NEC)
-  Zimbabwe Congress of Trade Unions (ZCTU)








LIST OF SOME OF THE REGISTERED CHARITABLE ORGANISATIONS

(a) HARARE

Children's Homes

-  SOS Children's Home
-  Chinyaradzo Children's Home
-  Upenyu Hutsva Children's Home
-  Matthew Rusike Children's Home
-  Harare Children's Home (Eastlea)
-  Emerald Hill Children's Home
-  Northcot Children's Home

Old People's Homes



-  Society for the Destitute Aged
-  Waterfalls
-  Bumhudzo Old People's Home
-  Salvation Army Old People's Home (Braeside)
-  Athol Evans
-  Dorothy Duncan
-  Nazareth Home for the Aged

b) MASHONALAND WEST PROVINCE

Children's Homes




-  Vimbainesu Children's Home

Old People's Homes


-  Kadoma Old People's Home
-  Chengetanai Old People's Home




c) MANICALAND PROVINCE

Children's Homes

-  Chirinda Orphanage
-  Chitenderano Orphanage
-  Bonda Orphanage
-  R G Mhlanga Orphanage
-  Fairfield Orphanage
-  Forward In Faith
-  Sacred Heart
-  Mt Mellay
-  Hot Bag

Old People's Homes

-  Chitenderano Old People's Home




-  Zororai Old People's Home
-  Zimbabwe New Hope Home
-  Chengetanai Old People's Home

d) MASVINGO PROVINCE

Children's Home







-  Alpha Cottages Children's Home

Old People's Homes


-  Mucheke Old People's Home
-  John Mutikizizi Old People's Home
-  Ngomahuru Resettlement

e) MASHONALAND EAST PROVINCE

Children's Homes

-  Marondera Child Care Society
-  Shirley Cripps Children's Home
-  Borrowdale Trust
-  Marondera Children's Home
-  Kukura Neshungu Home for the Handicapped and Mentally Retarded Children
-  Mother of Peace

Old People's Home




-  Ida Wokwako Old Peoples Home

f) MATEBELELAND SOUTH PROVINCE

Children's Home





-  White Water Children's Home

Old People's Homes

-  Indlu Yokukhanya
-  Esigodini Old People's Home
-  Umzingwane Old Age Association

g) MASHONALAND CENTRAL PROVINCE

Children's Homes

-  SOS Children's Village
-  Montgomery Heights
-  Ponesai Vanhu
-  Mazoe River Bridge Centre

Old People's Homes



NONE




h) MATEBELELAND NORTH PROVINCE

Children's Homes

-  Thembiso Children's Home
-  Queen Elizabeth Children's Home
-  Emthunzini Children's Home
-  K.G. VI Children's Home
-  Sir Humphrey Gibbs
-  Sibantu Banye Children's Home
-  Simanyane Children's Home
-  St Francis
-  Khaya Elihle Children's Home
-  SOS Children's Home





Old People's Homes

-  Dete Old People's Home
-  Chinotimba Old People's Home





-  Entembeni Old People's Home
-  Ekuphumuleni Old People's Home
-  Bottle Block

I) MIDLANDS PROVINCE

Children's Homes

-  Maryward Children's Home
-  Midlands Children's Home
-  St Agnes Children's Home
-  Driefontein Children's Home




Old People's Homes

-  Batanai Old People's Home
-  Rugare Old People's Home
-  Boogie Trust
-  Huis Vergesig

N.B. To be eligible for deductions, the donor must prove that the organization holds a registration certificate issued by the Ministry of Public Service, Labour and Social Welfare. Employers should confirm with the provincial offices of the Social Welfare Department if in doubt.

FDS FORMS

The forms listed below are available for use(The samples of the forms are attached)

-  F.D.S. 1 – To be completed by employees who would have incurred medical expenses on Medical Aid or not and forwarded to staffing office
-  F.D.S. 2 – To be completed by staffing officers in respect of medical aid shortfalls and forwarded to the Salary Service Bureau (for civil servants only) or Salaries Sections
-  F.D.S. 3 - – To be completed by staffing officers in respect of private medical aid contributions and forwarded to the Salary Service Bureau (for civil servants only) or Salaries Sections

- 🌐 F.D.S. 4 – To be completed by employees in respect of the employees' allowable deductions and forwarded to the Employer
- 🌐 F.D.S. 5 – For summary of allowable deductions claims for all employees .To be completed by the Personnel or Staffing Officer
- 🌐 F.D.S. 6 – This form is a tax deduction directive and is issued by ZIMRA only on application.
- 🌐 REV 1--- Used by new employer to complete information used for registration



ZIMBABWE REVENUE AUTHORITY

FINAL DEDUCTION SYSTEM - EMPLOYEE MEDICAL EXPENSES CREDIT CLAIM FORM YEAR

NAME OF EMPLOYEE E.C. NO/EMPLOYEE NO.

MIN/DEPT CODE NO. NATIONAL ID. NO./I.N.

STATION

MONTH AND YEAR OF TREATMENT	RECEIPT/CLAIM NO.	MONTH AND YEAR OF SHORTFALL	TOTAL CLAIMED

I, the undersigned
(Full names)

declare that the above claims for deductions are to the best of my knowledge true and accurate.

Signature (employee) Date

Personnel/Salaries Officer's name and Signature
Date received



FINAL DEDUCTION SYSTEM

SUMMARY : MEDICAL EXPENSES CREDIT FORM

Year.....

DATE OF ENTRY	FULL NAMES OF EMPLOYEE	NAME OF COMPANY/MIN/ DEPT NO.	E.C. NO./ EMPLOYEE NO.	T.I.N./NATIONAL I.D. NO.	MONTH AND YEAR OF TREATMENT	MONTH AND YEAR OF SHORTFALL	TOTAL SHORTFALL EXPENSES

I, the undersigned in my capacity as representing
 (Full names) (Designation) (Name of organisation)

do hereby declare that the above claims are to the best of my knowledge true and accurate.

Staffing Officer Signature Date



FINAL DEDUCTION SYSTEM
SUMMARY : PRIVATE MEDICAL AID CONTRIBUTIONS CREDIT FORM
YEAR

DATE OF ENTRY	NAME OF EMPLOYEE	NAME OF MEDICAL AID SOCIETY	E.C. NUMBER/EMPLOYEE NUMBER	N.R.N/T.I.N.	MONTH AND YEAR OF CONTRIBUTION	TOTAL CONTRIBUTION

I the undersignedin my capacity as representing
 (Full names)

declare that the above claims are to the best of my knowledge true and accurate.

Staffing Officer Signature Date



ZIMBABWE REVENUE AUTHORITY

FINAL DEDUCTION SYSTEM – EMPLOYEE ALLOWABLE DEDUCTION CLAIM FORM

1. SURNAME	2. FIRST NAMES
3. NATIONAL I.D. NUMBER	4. EMPLOYEE CODE NUMBER/STAFF NO.
5. DEPT & STN CODE NO. CIVIL SERVANTS ONLY	6. STATION
EMPLOYER'S NAME AND ADDRESS:	
RESIDENTIAL ADDRESS :	

I hereby request that the following details of my allowable deductions which are not on the payroll be taken into account in calculating my P.A.Y.E.

Description	Fund Name	Tax year	Amount
01 R.A.F. Policy (Membership No.)			
02 Professional subs			
03 Trade subs			
04 Technical subs			
05 Tradesman tools			
06 Donations (Specify)			
07 Other (Specify)			
Total Deductions Claimed			

I attach supporting documents/receipts for my claims to be considered in the calculation of my taxable income.

Signed :
(Employee's Signature) Date

.....
Staffing/Salaries Officer's Name Date

.....
(Signature)



FINAL DEDUCTION SYSTEM

SUMMARY OF ALLOWABLE DEDUCTION CLAIMS

NAME OF EMPLOYEE	COMPANY/MIN/DEPT CODE	EMPLOYEE NUMBER/ E.C. NO.	TIN/N.R.N.	R.A.F. CONTRIBUTIONS	TRADE/TECHNICAL/ PROFESSIONAL SUBS	REPLACEMENT/ RENEWALS OF TRADES MAN'S TOOLS	DONATIONS	OTHER- SPECIFY	TOTAL DEDUCTIONS

I the undersigned in my capacity as Representing Declare
 (Full names)

that the above claims for deductions are to the best of my knowledge true and accurate.

Signature

Date

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REGIONAL OFFICES

REGION 1	REGION 2	REGION 3
<p><u>Regional Manager</u></p> <p><u>Harare</u></p> <p>3rd Floor, Kurima House 89 Nelson Mandela Ave. Between 3rd and 4th Street P.O. Box 4630 Harare Tel.: 795720-49 Fax: 791412</p>	<p><u>Regional Manager</u></p> <p><u>Bulawayo</u></p> <p>Block C Mhlahlandlela Building Bulawayo P.O. Box 601, Bulawayo Tel: 09883748 Fax: 0968854</p>	<p><u>Regional Manager</u></p> <p><u>Masvingo</u></p> <p>ZIMRE Centre Cnr. Hughes Street/Simon Mazorodze Road P.O. Box 828 Masvingo Tel:039 262 598 Fax 039 262 064</p>
<p><u>Harare Port</u></p> <p>7rd Floor, Kurima House 89 Nelson Mandela Ave. Between 3rd and 4th Street P.O. Box CY 78, Causeway Harare Tel.: 798880/6 Fax: 798598</p>	<p><u>Bulawayo Port</u></p> <p>Customs House Cnr.Fort Street/8th Avenue P.O. Box 599 Bulawayo Tel;0970211-5 Fax: 0970699</p>	<p><u>Gweru</u></p> <p>Government Composite Office 10th street P.O.Box 350 Gweru Tel:054 222821 Fax: 054 223989</p>
<p><u>Harare Airport</u></p> <p>P.O.Box AP 60, Harare Tel:575395 Fax:575020</p>	<p><u>Bulawayo Operations</u></p> <p>Mhlahlandlela Building P.O. Box 601 Bulawayo Tel: 0970161-2</p>	<p><u>Mutare</u></p> <p>ZIMRE Centre 109, Herbert Chitepo Street P.O.Box 890, Mutare Tel: 020 64332</p>

	Fax: 0969492	Fax: 020 64371
<u>Chirundu Border Post</u> P.Bag 6, Chirundu Tel: 0637-616 Fax: 0637-646	<u>Beitbridge Border Post</u> P. Bag 5746 Beitbridge Tel: 08622529 Fax 0862258	<u>Kwekwe</u> 35-cnr 4 th Street/3 rd Avenue P.Bag 8146, Kwekwe Tel; 055 24288 Fax: 055 24289
<u>Kariba Border Post</u> P.O Box 97, Kariba Tel: 0612355 Fax: 0612355	<u>Plumtree Border Post</u> P.O.Box 7, Plumtree Tel 019 2561-4 Fax: 019 2565	<u>Forbes Border Post</u> P.O.Box 90, Mutare Tel: 020 63003/67532 Fax: 020 66196
<u>Nyamapanda Border Post</u> P. Bag 510 Mutoko Tel: 072 2504 Fax: 072 2569	<u>Victoria Falls Border Post</u> P. Bag 5917, Victoria Falls Tel: 013 44322 Fax: 013 44321	<u>Mt. Selinda Border Post</u> P. Bag 2062, Chipinge Tel: 027 4511-2 Fax: 0274513
<u>Kanyemba Border Post</u> (Please contact Nyamapanda Office)	<u>Kazungula Border Post</u> c/o P.Bag 5917 Victoria Falls Tel: 013 4776/01342330 Fax: 013 44321	<u>Chiredzi</u> 609, Baobab Road P.O. Box 208, Chiredzi Tel; 013 2505 Fax: 013 5144

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: pr@zimra.co.zw

Call us (Head Office)

: 04 –758891/5; 790813; 790814; 781345; 751624;

752731;

