



ENGINEERING IRON AND STEEL ASSOCIATION OF ZIMBABWE

NEWSLETTER

BULLETIN 1/2024



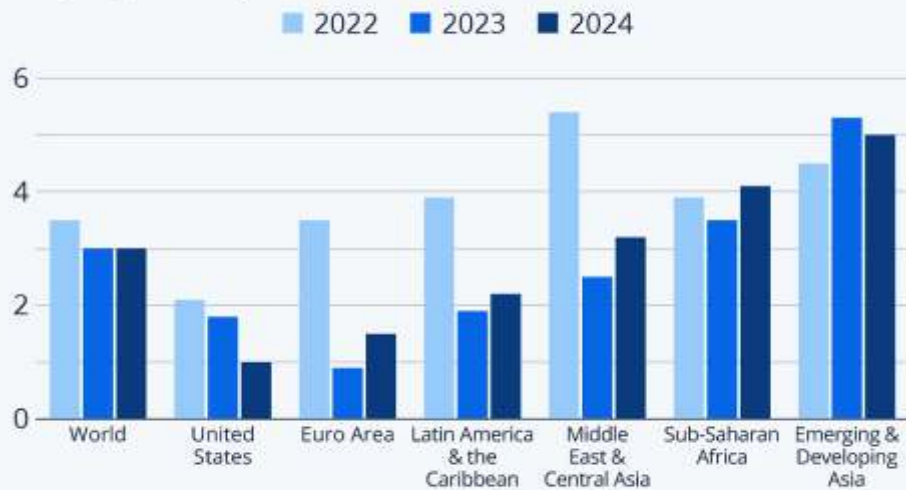
INTRODUCTION

Welcome to Engineering Iron and Steel Industries of Zimbabwe Bulletin 1/2024

The Engineering, Iron and Steel Association of Zimbabwe wishes all its esteemed members a very prosperous and productive 2024. As we begin our journey, it is more likely that this will be another busy year characterised by power – outages, by – elections, volatile exchange rate, high inflation, difficult wage negotiations and geo-political uncertainty.

How the World Economy is Expected to Grow

Real GDP year-over-year growth estimates/projections, by region* (in percent)



* As of July 2023

Source: International Monetary Fund



statista

GLOBAL ECONOMIC OUTLOOK

Globally, the outlook remains weak, with the risk that interest rates will remain higher for longer adding to an economic environment that is generally unsupportive of economic growth. With the geo-political landscape remaining volatile, uncertainty abounds and impacts negatively on business and investor confidence.

DOMESTIC ECONOMY

The World Bank Zimbabwe Economic Update (ZEU), projects economic to slow to 3.5 percent in 2024, a decrease from 4.5 percent in 2023, as agricultural output is expected to suffer from depressed global growth and the predicted erratic and below-average rainfall caused by the El Niño weather pattern. "To sustain economic growth, Zimbabwe must continue tackling its macroeconomic challenges. Addressing price and exchange rate volatility and public debt arrears will support economic growth and job creation. This will help the country address the poverty, vulnerability, and food insecurity rates, which remain high," said World Bank Country Manager Eneida Fernandes.

IMPLEMENTATION OF 2024 NATIONAL BUDGET PROPOSAL



PROF MTHULI NCUBE

Minister of Finance, Economic Development and Investment Promotion

On Thursday 30 November 2023, the National Budget was presented by the Honourable Minister Mthuli Ncube, Minister of Finance, Economic Development and Investment Promotion at the Parliament in Mount Hampden. The budget theme was Consolidating Economic Transformation. The following amendments were proposed:

- Widening of ZWL PAYE tables to ZWL9,000,000 for the year.
- Increase of the tax-free ZWL bonus threshold from ZWL500,000 to ZWL7,500,000. (With effect from 01 November 2023).
- Increase of the corporate income tax rate from 24% to 25%.
- Increase in the deferral of VAT on capital goods to 3 years and introduction of penalties on any default.
- Introduction of a special 20% capital gains tax on the disposal/transfer of mining title/interest post 1 January 2024, where such and title/interest was acquired in the previous 10 years.
- Adjustments to the definition of transactions on which IMTT is chargeable. The WHT exemption threshold for delivery of grain to GMB is set at US\$5,000.
- Introduction of a Schedule to the Income Tax Act for the Statutory Motor Insurance Levy.
- Insertion of a section in both Finance Act and Exchange Control Act on Outbound foreign currency charge.
- Export tax on un-beneficiated lithium, uncut and cut dimensional stone to increase from 5% to 6%. The 50% of the 1% increase will be utilised to provide local communities with basic services, improve conditions and rehabilitation of the mining area.
- CGT and IMTT exemption on compensation received for the expropriation of a specified assets if recipient listed in Schedule 1 to the Global Compensation Deed (Commercial Farmers).

The Minister also proposed the following initiatives which were not envisaged in the Finance Bill

- Passport Fees - Proposed to increase both ordinary and emergency fees by US\$80 to US\$200 and US\$300 respectively.
- Vehicle Registration Fees - Proposed to increase from US\$80 to US\$100 or US\$500 based on engine capacity.
- Fees for personalised licence registration also proposed to increase from US\$1,200 to US\$2,500 or US\$5,000 based on engine capacity.
- Value Added Tax - Only licenced and tax compliant traders will be able to procure goods from manufactures and wholesalers. VAT registration numbers and valid tax clearance certificate are expected to be presented on purchase. The VAT registration threshold is proposed to be reduced to US\$25 000 or the equivalent in ZWL, with the failure to register resulting in penalties.
- Minimum Top up tax – Domestic Minimum Top-up Tax (DMTT) - Due to tax incentives offered to multinationals the effective tax rate of the local company may reduce to less than 15%. Accordingly, it is proposed to introduce a domestic top up tax that will be based on the effective tax rate charged on jurisdiction profits (not statutory income tax) to avoid ceding such taxing rights to the country in which the multinational is headquartered.
- Levy of Sugar Tax - Proposed levy of Sugar tax on beverages that contain sugar which will be charged at 2c per gram of sugar in the beverage. Funds to be used to purchase medical equipment to treat cancer.
- Wealth Tax - Proposal to introduce a wealth tax of 1% of value of residential property above US\$100,000, however with an exemption applicable to individuals above 70 years.
- Suspension of duty - Renewal of suspension of duty by a further 2 years on Motor Vehicles used by Safari and Tour Operators.



Following the 2024 National Budget proposals, the Finance Act was promulgated in January 2024 incorporating most of the proposals made by the Minister paving way to implementation of tax increases in 2024, with serious negative impact on formal businesses. Representative Members under the umbrella body of the Confederation of Zimbabwe Industries engaged government seeking a moratorium on the implementation of some of the measures introduced through the 2024 Budget, in particular with regards to tax compliance on route to the market, mitigation of consequences of the sugar on health through a special surtax, and a few tariff lines that were omitted on exemption from Value Added Tax, in order to cover the whole value chain that includes cotton and soya seeds to cooking oil. Consequently, on 8th January 2024, the Ministry of Finance & Economic Development issued out a Press Statement on 2024 Revenue Measures on Route to Market, Special Surtax on Sugar Content, Value Added Tax and Basic Commodities. We circulated the Press Statement and the Finance Act, 2023 to all our members for guidance purposes.

MANHIZE'S DINSON IRON AND STEEL COMPANY SET TO COMMENCE PRODUCTION IN APRIL 2024

After almost a decade of relying on imported raw materials following the demise of ZISCO STEEL, the sector is set to go back to its glory days from the second quarter of the year. Speaking at a site visit tour facilitated by the Ministry of Industry and Commerce on 12th January 2024, the Projects Manager of DISCO, Mr Motsi informed delegates that the first phase of the new giant steelworks at Manhize is scheduled to commence operations in April 2024. During the first phase, the company will roll out pig iron targeting annual production of 600 000 tonnes. Employment will increase from the current 1400 employees under the construction phase to 3000. The second phase to be completed during the third quarter of the year will witness production of sponge iron and steel billets totalling annual production of 1.2 million tonnes which will further increase to 3.2 million tonnes in the third phase and 5 million tonnes in the final phase. This will result in creation of thousands of jobs at the steel plant with similar impact on downstream industries. EISAZ President, Mrs Chiedza Chigombe, Vice President, Mr Cleopas Gesi, Regional Chairpersons, Mr Christopher Mushiwokufa and Mr Ernest Jackson respectively and the Association's Secretary General, Mr Matthias Ruziwa formed part of the delegates who visited the new steel giant.



DR STEM BISO NYONI

Minister of Community, Small and Medium Enterprises Development
Delivering a speech at the Manhize Iron and Steel Plant tour.



Members Of The EISAZ National Executive At The Manhize Iron And Steel Plant Tour On 12 January 2024

From Left to Right

EISAZ Chairperson Mr Ernest Jackson, Vice President Mr Cleopasi Gesi, Secretary General Mr Matthias Ruziwa, EISAZ President Mrs Chiedza Chigombe, Chairperson Mr Christopher Mushiwokufa



A PHOTOGRAPHY OF THE MANHIZE IRON AND STEEL PLANT WHICH IS AT 90% COMPLETION

4TH QUARTER WAGE NEGOTIATIONS FOR THE ENGINEERING, IRON & STEEL INDUSTRY



The wage negotiations for the period December 2023 to February 2024 were not fully concluded as at end of last year. Parties agreed to maintain the minimum wage at US \$260.00 per month payable at the rate of 70% - USD and 30% - ZWL for December 2023 and January 2024. The Unions who initially demanded a 35% increase for the whole quarter requested the employer party to consider a 4.5% increase for February 2024. The employer party indicated that it was prudent to assess whether this request could be considered after the shutdown period. The National Employment Council has called upon parties to conclude the current quarter's wage agreement before end of January 2024.



CONCLUSION

EISAZ would like to once again wish all its members a productive and prosperous 2024. The Association will continue to be vocal in articulating the concerns employers in the Engineering Iron and Steel Sector and ensure there is effective engagement with the media and in meetings with various influential stakeholders, including Government Ministers, as we strongly believe that many of the country's challenges can be best addressed through synergistic relationships between private-public partnerships. While cognisant of the many challenges the country faces, we believe in the fundamental resilience of our members and of all Zimbabweans and we are ready for another year of service and support for our members.

On behalf of the EISAZ President, the National Executive Council, Regional Councils and the Secretariat, we look forward to continuing our collective journey of partnership and success with you throughout the new year.



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