



# AXCENTIUM

**Postal and Telecommunications Regulatory Authority of Zimbabwe**

**Survey on the Impact of Taxation of the Digital Economy, Focusing on the  
Telecommunications Sector**

February 2026

**Experience meets Agility**

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## Section A: Abbreviations

| Acronym       | Expanded definition                                            |
|---------------|----------------------------------------------------------------|
| <b>CGT</b>    | Capital Gains Tax                                              |
| <b>CIT</b>    | Corporate Income Tax                                           |
| <b>CPI</b>    | Consumer Price Index                                           |
| <b>FTN</b>    | Fixed Telecom Networks                                         |
| <b>FX</b>     | Foreign Exchange                                               |
| <b>GDP</b>    | Gross Domestic Product                                         |
| <b>GNI</b>    | Gross National Income                                          |
| <b>IMTT</b>   | Intermediate Money Transfer Tax                                |
| <b>ISP</b>    | Internet Service Provider                                      |
| <b>MNO</b>    | Mobile Network Operators                                       |
| <b>TETBI</b>  | Telecom Effective Tax Burden Index                             |
| <b>NSSA</b>   | National Social Security Authority                             |
| <b>OpEx</b>   | Operating Expenditure                                          |
| <b>PAYE</b>   | Pay-As-You-Earn                                                |
| <b>POTRAZ</b> | Postal and Telecommunications Regulatory Authority of Zimbabwe |
| <b>TTMS</b>   | Telecommunications Traffic Monitoring System Fee               |
| <b>USF</b>    | Universal Service Fund                                         |
| <b>VAT</b>    | Value Added Tax                                                |
| <b>WHT</b>    | Withholding Tax                                                |
| <b>ZIMDEF</b> | Zimbabwe Manpower Development Fund                             |
| <b>ZIMRA</b>  | Zimbabwe Revenue Authority                                     |
| <b>ZWG</b>    | Zimbabwe Gold                                                  |
| <b>ZWL</b>    | Zimbabwean Dollar                                              |



# Executive Summary

## Purpose and scope

This report assesses whether Zimbabwe's telecommunications fiscal and regulatory framework (2010–2024) supports investment, affordability, and digital transformation, and identifies a fiscally credible reform pathway for 2025–2028. Telecommunications is treated as essential economic infrastructure rather than discretionary consumption, implying that tax and fee design has economy-wide growth and inclusion consequences.

## Headline finding

Zimbabwe's telecommunications sector is not constrained by taxation in principle, but by the structure and cumulative layering of sector-specific levies applied to narrow, price-sensitive, and turnover-based bases. This configuration suppresses investment, raises end-user prices especially for mobile data and ultimately weakens medium-term revenue mobilisation.

## Structure and level of the burden

When economy-wide taxes and telecom-specific levies are consolidated through the Telecom Effective Tax Burden Index (TETBI), operator-borne statutory payments regularly reach the high-20s and exceed 30 per cent of service revenue in peak years (excluding VAT). Domestic benchmarking shows that telecommunications face materially higher fiscal and regulatory friction than mining, manufacturing, or financial services. Regional benchmarking places Zimbabwe toward the upper end of the burden distribution relative to peer markets including Kenya, Malawi, Uganda, Tanzania, and Zambia. These differences are driven primarily by turnover-based regulatory charges legacy licence conditions, and transaction-level taxes, rather than by headline corporate income tax rates.

## Economic impacts

Econometric analysis identifies two reinforcing transmission channels. On the supply side, investment is highly dependent on retained earnings, with capital expenditure exhibiting strong revenue elasticity. Turnover-based and non-deductible levies therefore crowd out network investment disproportionately. Event-study evidence shows that the introduction of the 5% Special Excise Duty on airtime (2014), the increase in the USF rate from 0.5% to 1.5% (2016), the 5% Health Levy (2017), and the 2% IMTT (2018) are each associated with persistent downward shifts in investment rather than temporary adjustments. On the demand side, mobile data usage is highly price-elastic, meaning that consumption-based levies that raise tax-inclusive prices reduce usage more than proportionately, weakening the revenue base that finances future investment.

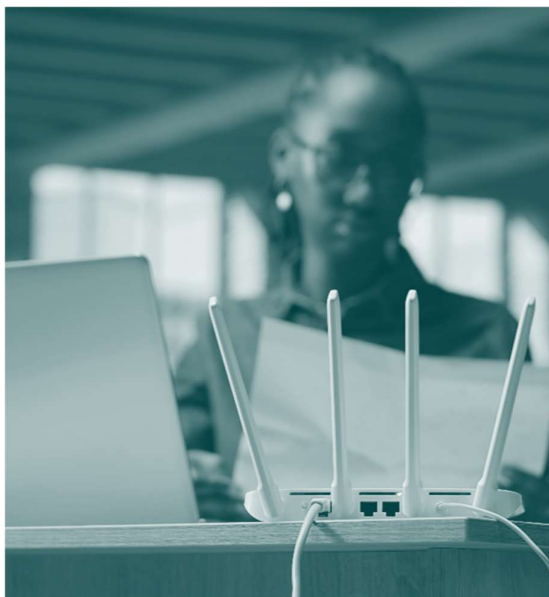


## Stakeholder evidence

Operators, sector institutions, and independent experts consistently report that the current framework erodes profitability, raises operating and compliance costs, constrains rural rollout and innovation, and places regulated operators at a disadvantage relative to less visible or offshore digital providers. Stakeholders emphasise that the problem is not taxation per se, but the application of fixed-percentage and non-deductible levies irrespective of profitability and investment phase.

## Reform scenarios and quantified outcomes

Simulation results show that reform does not require a permanent fiscal sacrifice. A calibrated, staged reform targeting the most distortionary instruments produces a short-term revenue dip followed by recovery through base expansion.



The recommended core reform package consists of:

- Removing the 5% Special Excise Duty on airtime (while retaining the 5% Health Levy);
- Reducing the Universal Service Fund (USF) contribution rate from 1.5% to 0.5% of gross turnover; and
- Capping the annual licence fee at 1.0% of gross turnover (down from the current 2.0%).

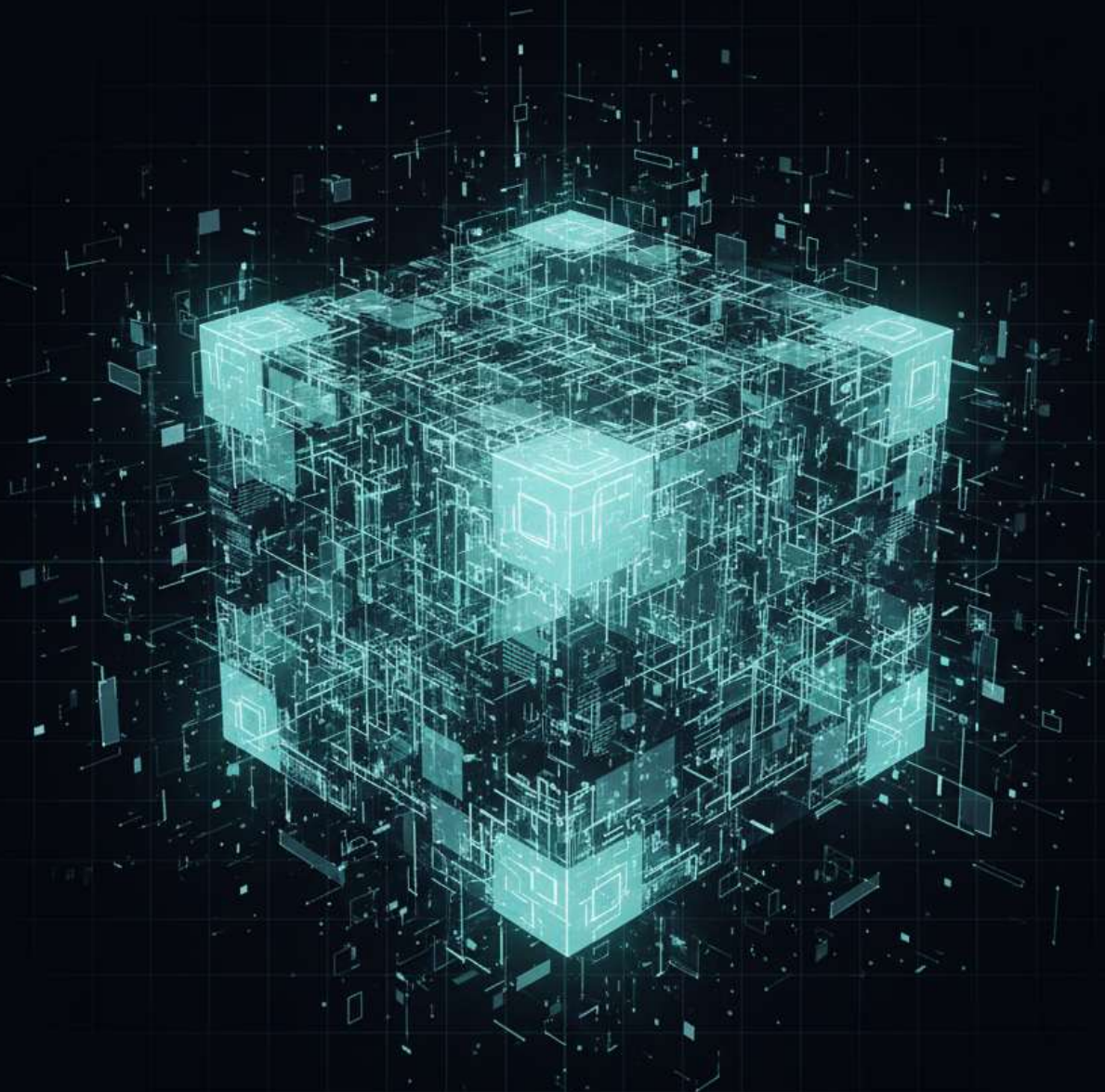
Together, these measures reduce the combined turnover-based regulatory charge from 3.5% to 1.5% of gross turnover and lower the consumption tax wedge on airtime and data. The simulations show that this package generates materially higher network investment and mobile data usage, with a positive net fiscal position emerging within the medium term (by year four) as traffic volumes, revenues, and associated tax bases expand.

Two targeted add-on measures further strengthen outcomes when layered onto the core package:

- converting the USF into a pay-or-play mechanism, allowing verified rural CAPEX to be credited against the 0.5% USF obligation; and
- reducing handset import duties from 25% to 0%, lowering the cost of digital entry and accelerating data adoption.

## Conclusion and recommendation

The evidence indicates that Zimbabwe's telecommunications fiscal regime has reached a point where additional extraction risks undermining both sector performance and future revenue sustainability. A growth-aligned rebalancing centred on removing the 5% airtime excise, reducing the USF rate to 0.5%, and capping annual licence fees at 1% offers a credible pathway to expand digital connectivity, accelerate investment, and secure more durable fiscal returns. Successful implementation requires coordinated action across fiscal, regulatory, and administrative institutions, supported by transparent monitoring of prices, usage, investment, and revenue outcomes.



# 1. Introduction

This report aims to diagnose the components of this fiscal landscape and provide an evidence-based pathway toward telecommunication sector facilitation, enabling broader digital transformation. This assessment seeks to:

- Catalogue all telecom taxes and fees (2010–2024).
- Benchmark Zimbabwe against regional peers.
- Capture stakeholder perceptions.
- Quantify impacts on investment, pricing, and adoption.
- Recommend evidence-based fiscal reforms.

The report proceeds from diagnosis to quantified policy choice. Chapters 2–4 map the statutory stack, benchmark Zimbabwe against comparator sectors and peer countries, and document stakeholder evidence on incidence and administrative frictions. Chapters 5 and 6 then quantify the investment and demand effects of key instruments using dynamic panel methods and event-study evidence and translate these elasticities into fiscally-scored scenarios and an implementation framework. Section 7 concludes by synthesising the findings and outlining a policy pathway toward a more efficient, growth-oriented digital regulatory environment, with detailed technical annexes and references provided thereafter.

## 2. Overview of Telecom Taxes and Levies (2010–2024)

This chapter commences with a comprehensive analysis of the fiscal and para-fiscal instruments governing Zimbabwe's general economy, before homing in on the telecommunications sector (2010–2024). It distinguishes between the foundational, broad-based taxes applicable to all sectors and the specific obligations unique to telecommunications, including airtime levies, spectrum and numbering fees, and monitoring levies. By synthesising legal statutes and regulatory documents, the chapter frames these measures within a clear, hierarchical structure. It calculates the Telecom Effective Tax Burden Index (TETBI)<sup>1</sup>, which will be referenced in later chapters for benchmarking and quantitative analysis.

### 2.1. Economy-wide Taxes, Duties, and Levies Applicable to All Sectors

The Zimbabwean tax system relies on broad instruments that encompass all formal sectors. Telecommunications operators must comply with this universal framework, as well as the specific levies addressed later in the report. Table 1 outlines the core economy-wide taxes and levies that affected firms between 2010 and 2024.

Corporate Income Tax (CIT) applies to all incorporated companies, excluding those with specific exemptions, and is levied on taxable income. The standard rate remained at 25% for most of the period, temporarily dropping to 24% from 2020 to 2023. A distinct 15% rate applies to special mining lease holders. Furthermore, a universal 3% AIDS Levy is charged on the final CIT liability. These combined measures determine the total effective tax burden on corporate profits.

Additionally, Value Added Tax (VAT) is a consumption-based tax levied on the value of taxable goods and services. The system classifies supplies into three distinct categories, that is, standard-rated, zero-rated, and exempt. Operationally, registered businesses charge output VAT on their sales while claiming input VAT credits on eligible business purchases. The net liability calculated as the difference between output and input VAT is then either remitted to the Revenue Authority or claimed as a refund. For the majority of the 2010–2024 period, the standard VAT rate was set at 15%. However, a temporary reduction to 14.5% was in effect from January 2020 until January 2022, when it reverted to 15%. Additionally, VAT applies to imported services, for which the importer is liable. A significant legislative shift occurred in 2020 regarding these costs: previously, VAT on imported services was a final, non-recoverable expense. Since 2020, registered operators have been permitted to claim input tax credits on VAT paid for imported services, aligning it with domestic VAT recoverability.

**Customs and Excise Duties** Customs duties comprising Customs Duty and VAT are levied on imported goods based on the value for duty purposes, which includes the cost, insurance, and freight of the items. VAT is calculated on the value for duty purposes after the addition of Customs Duty and any applicable Surtax or Excise Duty. Companies are liable for customs duty on imported equipment, devices, vehicles, and other goods unless they qualify for an exemption or rebate.

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<sup>1</sup> The Telecom Effective Tax Burden Index (TETBI) aggregates both fiscal and para-fiscal charges applicable to telecommunications operators into a single comparable burden measure. Components include economy-wide taxes, sector-specific regulatory fees, spectrum charges, compliance-oriented levies, and selected local authority payments. All items are expressed as annualised cash costs borne by operators and mapped to revenues, traffic volumes, or asset bases as indicated. One-off charges (such as spectrum access fees) are annualised over the licence term for consistency, while non-deductible items are included on a gross basis without tax shielding. The index is designed to capture the effective statutory and regulatory burden rather than accounting tax incidence.

Duty rates vary from 0% to 100% depending on the tariff classification. Capital equipment generally attracts low duty rates, typically between 0% and 5%, while other goods, such as cars and imported handsets, face higher rates. From 2010 to 2024, no telecom-specific customs rebates were identified, therefore, operators pay the same tariffs as other importers. Excise duties, which are also governed under the customs and excise framework, are applied to a narrower range of products, including fuel, alcohol, tobacco, and airtime. Excise duties<sup>2</sup> are levied on the quantity or value of specific goods and services. Excise rates are set by product category and remain stable from 2010 to 2024, with regular adjustments for fuel<sup>3</sup> and other items such as alcohol and tobacco.

**Labour-Related Obligations** Labour-related obligations are established through Pay-As-You-Earn (PAYE) and various payroll levies. Employers are mandated to withhold PAYE from employees' wages and remit it to the revenue authority. The PAYE schedule operates on a progressive basis, featuring a fixed minimum rate of 20% and increasing maximum marginal rates that have evolved over time, for example, 45% from 2010 to 2013, 50% from 2014 to 2018, 45% in 2019, and 40% from 2020 to 2024. This PAYE liability is further increased by a 3% AIDS levy. In addition to income tax, both employers and employees contribute to social security under NSSA. These contribution rates were generally around 3% initially, rising to approximately 3.5% to 4.5% starting in 2019, subject to applicable salary caps. Employers are also liable for a 1% levy on total payroll payable to the National Manpower Advisory Council (ZIMDEF) and a 0.5% Standards Development Levy. Collectively, these components create a consistent and predictable statutory payroll cost applicable across all formal sectors.

**Withholding Taxes (WHT)** apply to specific types of payments, including dividends, interest, royalties, and technical service fees. Companies must deduct WHT at source when making eligible payments and remit the collected tax to the revenue authority on behalf of the recipient. The general rate is 10% on certain local dividends and 15% on many cross-border payments for services and royalties, with preferential rates applicable where double taxation agreements are in place. These regulations apply across all sectors; telecommunications companies are affected when they distribute dividends, pay cross-border service providers, or make other payments subject to withholding.

**Capital Gains Tax (CGT)** applies to gains realised from the disposal of specified assets, such as immovable properties, certain marketable securities, and intangible assets. For sellers, the general CGT rate from 2010 to 2024 was 20% of the taxable gain, with some variations for specific asset classes. However, the headline rate masks important structural distinctions within the regime. In particular, from 2019 onwards, the tax treatment diverged between pre- and post-2019 acquisitions. A capital gains tax of 5% was introduced for the disposal of certain specified assets acquired before 2019. In addition, listed shares were subject to different CGT rates. The CGT framework is nationwide and does not distinguish between industries.

Introduced in October 2018 as a broad-based fiscal instrument, the Intermediated Money Transfer Tax (IMTT) is levied on the value of electronic fund transfers processed via banking institutions and mobile money platforms. The tax was initially established at a rate of 2% for local currency transactions, subject to specific de minimis thresholds, caps, and statutory exemptions. While the standard 2% rate on local currency has remained largely constant, the framework has evolved to include distinct parameters for foreign currency transfers. The IMTT applies to all corporate electronic payments including bank transfers and mobile money transactions, unless explicitly exempted.

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<sup>2</sup> Please see Annex A for a full list of excise duty in Zimbabwe

<sup>3</sup> In the telecommunications sector, there is both an indirect impact via excise on fuel for generators and vehicles, as well as a direct impact through excise on airtime

Furthermore, providers of mobile money and digital wallet services bear the compliance burden of collecting and remitting the tax on eligible customer transactions. As a transaction-based levy, IMTT is cumulative, charged in addition to standard income and consumption taxes.

Overall, the period from 2010 to 2024 was characterised by a relatively stable set of core tax instruments, including CIT, the AIDS Levy, VAT, PAYE, and WHT. These were supplemented by the transaction-based IMTT introduced in 2018, as well as by product-specific customs and excise duties. All formal businesses, including telecommunications operators, operate within this common fiscal landscape, which serves as the baseline against which the sector-specific telecommunications taxes and levies are analysed in the following section.

#### **CAPITAL ALLOWANCES & DEDUCTION LIMITS (ALL SECTORS)**

##### **Special Initial Allowance (SIA):**

- 25% in the year of purchase for qualifying assets:
- Motor vehicles (Passenger vehicles: USD 10,000 cap)
- Staff housing (USD 25,000) cap
  - industrial buildings
  - machinery, articles, implements
- Commercial buildings do NOT qualify for SIA.

##### **Deduction Limits:**

- Management fees: 1% of allowable deductions
- Thin capitalisation: 3:1 debt–equity
- Tax losses: carry-forward up to 6 years

**Key Takeaway:** *Rules are uniform across sectors, supporting capital investment but restricting luxury or excessive deductions.*

Table 1: Main economy-wide taxes and levies applying to telecom operators (2010–2024)

| Tax                                             | Category               | Tax base                                                           | Typical incidence for firms                                                                                                                                                                                                                                                                                        | Relevance                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------------------|------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Corporate Income Tax (CIT) and AIDS Levy</b> | Profit tax (corporate) | Taxable Income (annual net income after allowable deductions)      | Companies earning income from trade and investment pay CIT on their taxable profits. An additional AIDS levy is charged at 3% of the CIT amount.                                                                                                                                                                   | The standard CIT rate of 25% generally applies over the period. The rate was reduced to 24% for the years 2020–2023 and then revised back to 25% thereafter. A 3% AIDS levy on tax payable applies uniformly to all companies.                                                                                                                                        |
| <b>Value Added Tax (VAT)</b>                    | Consumption tax        | Value of taxable supplies (sales of goods and services)            | Companies charge VAT on the supply of goods and services at the standard rate, or 0%. When paying VAT to ZIMRA depending on the balance of output and input VAT, they may be a net payable or refund position for a given tax period.                                                                              | The standard VAT rate was 15% for most of 2010–2024, with a temporary reduction to 14.5% between 2020 and 2022 <sup>4</sup> . VAT is universally applicable to most goods and services across sectors, with standard exemptions and zero-rating- provisions.                                                                                                          |
| <b>Value Added Tax (VIS)-Imported Services</b>  | Consumption tax        | Value of taxable supplies (imported services)                      | VAT on imported services is paid at a rate of 15% by companies that import services into Zimbabwe                                                                                                                                                                                                                  | Previously a final cost to the importers of services, however legislation changed to allow companies (registered operators) to claim input tax on imported services.                                                                                                                                                                                                  |
| <b>Intermediated Money Transfer Tax (IMTT)</b>  | Transaction levy       | Value of electronic money transfers (bank and mobile transactions) | Companies incur the 2% IMTT charge on electronic payments mediated by banks (for example, bank transfers and mobile money payments), in the same way as all other businesses and individuals. Where operators provide mobile money services, they also collect and remit IMTT on qualifying customer transactions. | Introduced in October 2018 at 2% on bank-mediated transfers, with minimum thresholds and caps at inception <sup>5</sup> . The 2% rate has continued to apply to local currency transfers, while separate rates have been set for foreign- currency- transactions (see Box 2.1).                                                                                       |
| <b>Customs Duty</b>                             | Import tariff          | Customs value (CIF cost, insurance, freight) of imported goods     | Payable by companies on imported equipment, devices, vehicles, and other goods, unless an exemption or rebate applies. For example, duties are payable on imported mobile handsets for resale or distribution.                                                                                                     | Tariffs vary by tariff heading. Capital equipment typically attracts low duty rates or is duty-free (for example, many telecommunication network items are around 0–5% duty), while finished consumer goods, such as imported handsets, face higher rates (around 25% duty). The structure aims to protect local industry while supporting infrastructure investment. |

<sup>4</sup> The standard VAT rate was 15% for most of the period. The government temporarily reduced it to 14.5% in January 2020 to stimulate the economy but later reverted to 15% (by January 2022).

<sup>5</sup> The Intermediate Money Transfer Tax (IMTT), introduced in October 2018, is a broad-based transaction tax applied to electronic money transfers at a standard modelling rate of 2%. Statutory parameters have evolved as follows: in 2018 the rate was 2% on USD transfers; from 2019–2023 the 2% rate applied to ZWL and USD (with a USD 10,000 cap); in January–April 2024 the same caps remained while certain outbound foreign-currency transfers were taxed at 1%; and from 3 May 2024 the 2% rate applies to ZiG, USD, and gold-token transactions, with a USD 10,150 maximum tax. The IMTT has effectively maintained a stable 2% headline rate across the economy since inception.

| Tax                                    | Category                               | Tax base                                                                                                 | Typical incidence for firms                                                                                                                                                                                                                                                      | Relevance                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------------------------------|----------------------------------------|----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Excise Duties</b>                   | Excise duty on specific goods/services | Quantity or value of specified goods and services (per unit or ad valorem)                               | Companies who sell airtime as defined for special excise duty purposes are directly subject to the special excise duty on airtime, currently 5% on airtime sales. Operators also pay excise indirectly through fuel prices on diesel and petrol used in generators and vehicles. | Excise duties are levied under the Customs and Excise Act on a limited set of products, including fuel, alcohol, tobacco, and telecom airtime <sup>6</sup> . Rates are set by product category and remained broadly stable over 2010–2024. The separate 5% health levy on airtime and data is discussed under sector specific- instruments.                                                                                                                    |
| <b>PAYE and other statutory Levies</b> | Employment taxes                       |                                                                                                          | Telecom companies must withhold PAYE from employee remuneration and remit it to ZIMRA. Companies also pay contributions to social security and other labour related levies, in line with general rules for all formal employers.                                                 | PAYE (personal income tax) is progressive, with a top marginal rate of around 40% by 2024, plus a 3% AIDS levy on the PAYE amount <sup>7</sup> . Employers and employees contribute to NSSA social security (around 3–4.5% of wages, subject to caps). Employers also pay 1% of payroll to the National Manpower Advisory Council (ZIMDEF) levy and around 0.5% to the Standards Development Levy. These obligations are uniform across sectors (see Box 2.3). |
| <b>Withholding Taxes (WHT)</b>         | Withholding tax                        | Certain payments to residents, non -resident shareholders and service providers, as specified in tax law | Companies must withhold tax when making qualifying payments, for example dividends to non-resident shareholders, royalties, and some service fees, and remit this to ZIMRA. In some cases, local dividends may also be subject to WHT.                                           | Standard WHT rates apply across sectors. Typical rates include 10% on certain local dividends and 15% on many cross-border payments (for example, dividends, royalties, or technical service fees). Withheld amounts are usually treated as final tax for the recipient. Double taxation agreements may provide for preferential rates in specified cases.                                                                                                     |
| <b>Capital Gains Tax (CGT)</b>         | Capital gains tax                      | Net gains realised on disposal of specified assets (for example immovable property and shares)           | Sellers, including companies, are liable for CGT where they dispose of assets within the scope of the tax, such as immovable property or shares. This is not a routine operational tax but arises when such disposals occur.                                                     | CGT applies economy-wide on specified asset disposals. The general rate for sellers is 20% of the taxable gain during 2010–2024, with some variations (for example, lower effective rates in certain cases, such as listed shares). The rules are applied uniformly across industries.                                                                                                                                                                         |

Source: Author's Compilation from statutory documents.

<sup>6</sup> Customs duty rates vary by tariff code, with capital equipment generally attracting low rates of 0–5% and many finished consumer goods, such as imported handsets, taxed at around 25%. No telecom-specific customs rebates were identified for 2010–2024. Excise duties apply to selected products, including fuel, alcohol, tobacco, and telecom airtime, the latter subject to a 5% excise duty. Airtime and data are additionally charged a separate 5% health levy, applied on top of excise duty and VAT. See Annex A for a summary of excise duties.

<sup>7</sup> Personal income tax (PAYE) rates between 2010 and 2024 feature a constant minimum rate of 20%, with maximum rates of 45% (2010–2013), 50% (2014–2018), 45% (2019), and 40% (2020–2024), alongside a 3% AIDS Levy applied on PAYE payable. Employers additionally face mandatory payroll contributions comprising NSSA social-security payments (historically ~3%, rising to 3.5–4.5% from 2019), the 1% ZIMDEF levy on gross payroll, and a 0.5% Standards Development Levy. Together, these form a uniform and predictable statutory payroll cost applicable across all formal sectors.

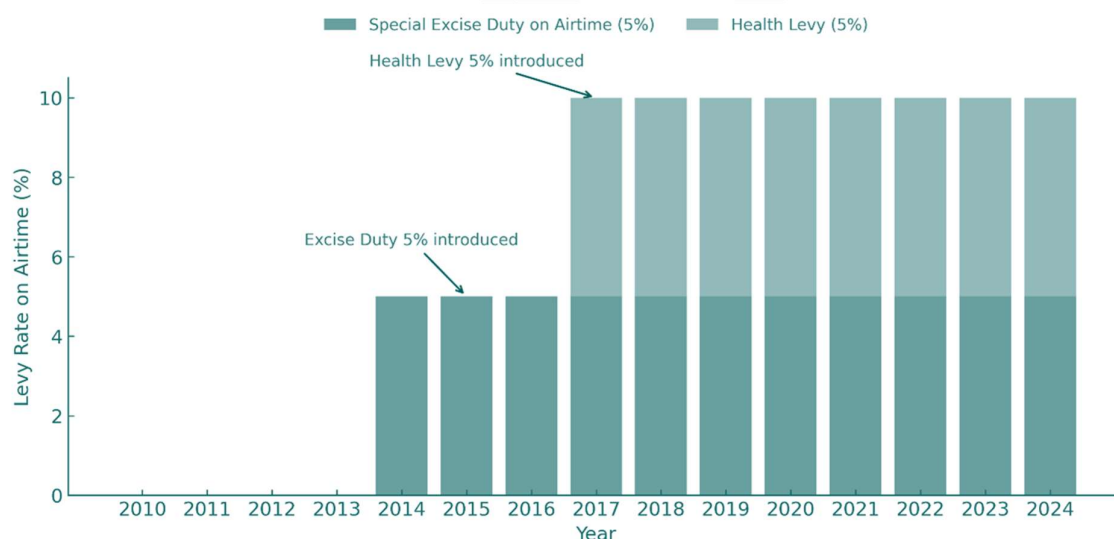
## 2.2. Telecommunications Sector-Specific Taxes, Levies & Fees.

In addition to the general taxes described in Section 2.1, telecommunications operators are subject to a separate set of sector-specific fiscal and para-fiscal charges. These include airtime-specific levies, such as excise duty and the health levy on airtime and data. Additionally, the framework imposes fixed one-time licence fees and licence application or processing fees, as well as recurring annual licence fees and Universal Service Fund (USF) contributions based on gross turnover. Operators are also liable for spectrum access and usage fees for assigned frequencies, numbering fees for allocated number blocks and short codes, and compliance-related charges such as the Telecommunications Traffic Monitoring System (TTMS) levy and the device (handset) levy. These instruments are explained in detail in Sections 2.2.1 to 2.2.7, while Section 2.2.8 consolidates them into a Telecom Effective Tax Burden Index utilized in the benchmarking and modelling chapters.

### 2.2.1. Airtime-Specific Levies

In addition to standard Value Added Tax (VAT), Zimbabwe imposes specific consumption taxes on mobile airtime. The first category of these sector-specific measures comprises levies applied directly to airtime and mobile data usage. A Special Excise Duty (SED) on airtime was introduced in 2014 at a rate of 5% of the sale value, followed by the implementation of a 5% Health Fund Levy in 2017. These charges are calculated based on the value of airtime and data sold and are collected by mobile operators on behalf of the Government.

Figure 1: Evolution of Airtime-Specific Levies in Zimbabwe



Source: Finance (No. 2) Act 2014; Finance Act 2017

As illustrated in Figure 1, the total specific levy on airtime increased from zero before 2014 to 5% between 2014 and 2016. Further, the duty rose to 10% from 2017 onwards with the addition of the health levy. Legally defined as five cents per dollar of airtime and mobile data, the health levy is explicitly designated for public healthcare funding. According to the Finance Act [Chapter 23:04], the combined statutory rate on airtime currently stands at 10%, with the health component ring-fenced into a Health Fund for the procurement of medicines and equipment for public hospitals. These airtime-specific levies constitute the core of telecom-specific taxation and function alongside the turnover-based licence and Universal Service Fund contributions detailed in the subsequent subsections.

### 2.2.2. Fixed License Fees by Category

Fixed licence fees constitute one-off payments due upon the initial issuance or renewal of a telecommunications licence. Under the legacy licensing framework, a Mobile Network Operator (MNO) licence required an initial payment of US\$137 million for a 20-year term, while a Fixed Telecom Network licence required an initial payment of US\$100 million. These fees were established at the point of licence renewal in 2013.

In 2016, Zimbabwe introduced a Converged Licensing Framework intended to categorise services into broader groups and align licence conditions with service scope. Under this framework, initial fees for new unified licences differ significantly from those under the legacy regime. For instance, a Unified Telecommunications Services licence carries an initial fee of US\$2.1 million, while converged categories such as Network Facilities and Network Services each carry initial fees of US\$525,000.

Fees for Internet Access Providers (IAPs) and Internet Service Providers (ISPs) are determined via a structured scale. IAP Class B licences carry an initial fee of US\$2.75 million, whereas ISP licences range from US\$50,000 for a national ISP down to US\$50 for a community-based ISP. These tiered levels reflect variations in service area, infrastructure requirements, and expected operational scope.

Table 2 summarises the full distribution of initial fees across all licence classes, ranging from US\$50 for community-level ISPs to US\$137 million for national mobile operators. This table provides a consolidated view of the upfront financial requirements associated with each authorisation.

*Table 2: POTRAZ Initial Licence Fees by Category (USD)*

| Licence Category                         | Initial Fee (USD) |
|------------------------------------------|-------------------|
| Internet Service Provider (Community)    | 50                |
| Mobile Virtual Network Enabler (MVNE)    | 500               |
| Branded / Reseller MVNO                  | 500               |
| Internet Service Provider (District)     | 1,000             |
| Internet Service Provider (Provincial)   | 2,500             |
| Internet Service Provider (Metropolitan) | 5,000             |
| Light MVNO                               | 5,000             |
| Internet Service Provider (National)     | 50,000            |
| Full MVNO                                | 50,000            |
| Application Services                     | 525,000           |
| Internet Access Provider B (IAP-B)       | 2,750,000         |
| Public Data Network                      | 2,750,000         |
| Unified Telecommunication Services       | 2,100,000         |
| Internet Access Provider A (IAP-A)       | 5,500,000         |
| Fixed Telecom Network                    | 100,000,000       |
| Mobile Network Operator                  | 137,000,000       |

**Notes:** The licence fees reported in this table are presented in nominal United States dollar (USD) values, as stipulated in the applicable POTRAZ licensing schedules at the time of issuance. The figures reflect one-off initial licence fees only and exclude annual regulatory fees, spectrum usage charges, Universal Service Fund contributions, and other recurring levies. As such, these amounts should be interpreted as entry costs rather than indicators of the full regulatory or fiscal burden faced by licensees.

**Source:** POTRAZ licensing schedules and statutory instruments

These initial licence fees are payable at the time of grant or renewal of the respective authorisation. The application and processing fees detailed in the subsequent subsection.

### 2.2.3. License Application and Processing Fees

In addition to initial licence fees, applicants are required to pay application and processing fees when seeking authorisation from POTRAZ. These are flat charges associated with the assessment and administration of licence applications and are established separately from the initial licence amounts. As detailed in Table 3, application fees range from US\$20 to US\$800, depending on the licence category.

Major operator categories such as Mobile Network Operators (MNOs), Fixed Telecom Networks (FTN), Unified Telecommunications Services, Network Facilities, and Network Services, incur application fees of US\$800. Mid-tier categories, including Internet Access Provider Class A/B and the International Gateway, fall within the US\$350 to US\$500 range. Smaller-scale or localised licences, such as Internet Service Providers (ISPs) at all geographic levels, have application fees of US\$50, while the Rural Broadband Wireless Access application fee is set at US\$20. Similarly, application fees for Mobile Virtual Network Operators (MVNOs) including Full MVNO, Light MVNO, MVNE, and Branded/Reseller MVNO are also fixed at US\$50.

Across all categories, application fees are low in value relative to initial licence fees and recurring turnover-based charges. Their primary function is administrative: they accompany the submission of applications and support the vetting and processing of prospective licences. The fee schedule has remained stable over time, providing a consistent reference point for applicants.

*Table 3: POTRAZ Application Fees by Category (USD)*

| Licence Category                         | Application Fee (USD) |
|------------------------------------------|-----------------------|
| Rural Broadband Wireless Access          | 20                    |
| Internet Service Provider (Community)    | 50                    |
| Internet Service Provider (District)     | 50                    |
| Internet Service Provider (Provincial)   | 50                    |
| Internet Service Provider (Metropolitan) | 50                    |
| Internet Service Provider (National)     | 50                    |
| Full MVNO                                | 50                    |
| Light MVNO                               | 50                    |
| Branded / Reseller MVNO                  | 50                    |
| Mobile Virtual Network Enabler (MVNE)    | 50                    |
| Private Telecommunications Network       | 160                   |
| Internet Access Provider B (IAP-B)       | 350                   |
| Internet Access Provider A (IAP-A)       | 350                   |
| International Gateway                    | 500                   |
| Application Services                     | 800                   |
| Network Facilities                       | 800                   |
| Network Services                         | 800                   |
| Unified Telecommunications Services      | 800                   |
| Fixed Telecom Network                    | 800                   |
| Mobile Network Operator                  | 800                   |

**Notes:** The application fees shown above represent once-off, non-refundable charges payable upon submission of an application for the relevant telecommunications licence. Amounts are stated in nominal United States dollar (USD) values, as prescribed by POTRAZ. These fees are administrative in

nature and are distinct from initial licence fees, annual regulatory fees, spectrum charges, Universal Service Fund (USF) contributions, and other statutory levies.

**Source:** POTRAZ licensing schedules and applicable statutory instruments

These application fees complete the set of upfront payments associated with obtaining a licence, preceding the annual turnover-based obligations detailed in the following subsection.

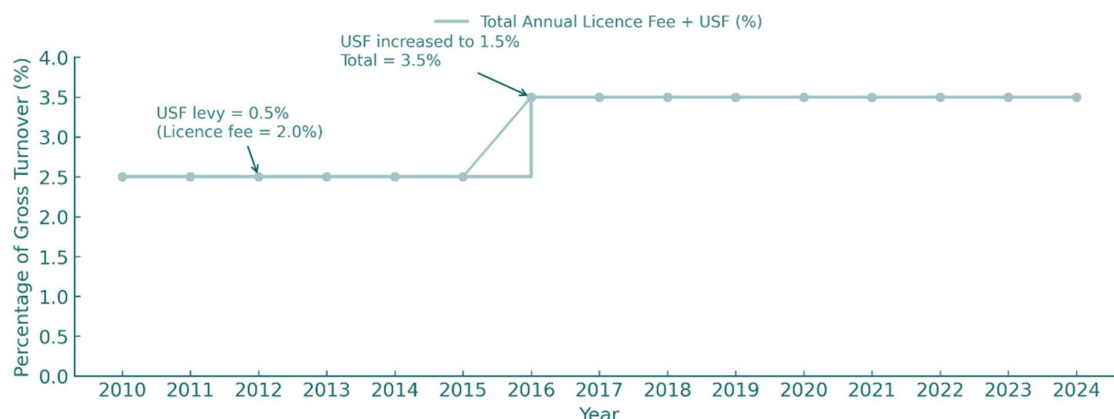
#### 2.2.4. Annual License and Universal Service Fund

The primary turnover-based regulatory payments consist of the annual licence fee and the USF levy. Both charges are calculated as a percentage of an operator's gross turnover, with VAT applied to the final fee. For major licence categories including MNOs, FTN, IAPs Class A and B, Public Data Networks, National ISPs, Network Facilities, Network Services, Rural Broadband Fixed Wireless Access, Application Services, Full MVNOs, MVNEs, Light MVNOs, and Branded/Reseller MVNOs the combined rate stood at 2.5% of gross turnover plus VAT for the majority of the 2010–2015 period. This aggregate rate comprised a 2.0% annual licence fee and a 0.5% contribution to the USF.

Effective January 2016, the USF component was revised upwards from 0.5% to 1.5% of gross turnover, while the licence fee portion remained constant at 2.0%. Consequently, this adjustment increased the total recurring annual charge from 2.5% to 3.5% of gross turnover plus VAT.

Throughout the 2010–2024 review period, Private Telecommunications Network licences were not subject to these turnover-based charges. Instead, they incurred a fixed annual obligation of US\$3,500, comprising a US\$1,000 licence fee and a US\$2,500 USF contribution. In contrast, smaller ISP categories specifically Provincial, Metropolitan, District, and Community ISPs, were recorded as exempt from, both the annual percentage licence fee and the USF levy across all years. This implies a zero per cent revenue-based rate for these specific categories, although they remain liable for other applicable taxes and fees.

Figure 2: Annual Licence Fee Rates (% of Gross Turnover)



**Notes:** VAT is charged on top of these percentages or fixed annual amounts.

**Source:** POTRAZ licensing schedules and applicable statutory instruments

Figure 2 illustrates this structure as a single stepwise series for all percentage-based licence categories. The trend line remains flat at 2.5% between 2010 and 2015, before shifting to a new plateau of 3.5% from 2016 onwards. In the underlying data, exempt ISP categories are represented by a rate of 0%, while the Private Telecommunications Network category is treated separately as a fixed US\$3,500 annual charge rather than a percentage of turnover. For clarity, the figure excludes VAT, which in practice is applied on top of these percentages or fixed amounts.

These recurring charges define the principal long-term turnover-based obligations within the regulatory framework. They function alongside spectrum-related fees, which are detailed in the following subsection.

### 2.2.5. Spectrum Fees

Telecommunications operators incur spectrum-related charges in two primary forms, a one-time access fee payable upon the assignment of spectrum and recurring annual usage fees for the continued utilisation of the assigned frequencies. The one-time access fees are band-specific and are calculated on a per-MHz basis.

As detailed in Table 4, the 700 MHz, 800 MHz, 900 MHz, 1800 MHz, and 2500 MHz bands each carry an access fee of US\$2,959,562.84 per MHz. The 2100 MHz and 2300 MHz bands attract lower one-time access fees of US\$1,275,000 per MHz, while the 3500 MHz band utilised for emerging 5G services is priced at US\$2,550,000 per MHz. These amounts are denominated in US dollars and, for the period under review, remained constant across years. They represent the upfront capital cost of obtaining spectrum rights within each specific band.

Table 4: POTRAZ One-Time Spectrum Access Fees by Band (USD per MHz)

| Frequency Band | One-Time Access Fee (USD per MHz) |
|----------------|-----------------------------------|
| 700 MHz        | 2,959,562.84                      |
| 800 MHz        | 2,959,562.84                      |
| 900 MHz        | 2,959,562.84                      |
| 1800 MHz       | 2,959,562.84                      |
| 2100 MHz       | 1,275,000.00                      |
| 2300 MHz       | 1,275,000.00                      |
| 2500 MHz       | 2,959,562.84                      |
| 3500 MHz       | 2,550,000.00                      |

**Notes:** The figures presented are once-off spectrum access fees expressed on a per-MHz basis. Amounts are stated in nominal USD and exclude annual spectrum usage fees, licence renewal charges, Universal Service Fund contributions, and other recurring levies. For analytical consistency, the access fees are assumed to be fixed across the study period (2010–2024).

**Source:** POTRAZ spectrum pricing schedules and applicable statutory instruments

Complementing these access fees, operators are liable for annual spectrum usage fees as stipulated in the Schedule of Frequency Fees (SI 262 of 2018). This schedule defines a per-kHz annual base rate that generally declines as the frequency increases. For instance, frequencies below 30 MHz are charged at US\$13.33 per kHz, whereas cellular bands between 700 MHz and 2700 MHz are charged at US\$0.25 per kHz. A service factor multiplier is subsequently applied according to the service category, with commercial services paying up to two times the base rate, while public services are charged at the base rate.

This combination of band-specific access fees and differentiated annual usage charges defines the spectrum-related payment structure for licenced operators, introducing a significant foreign currency-linked layer into the sector's overall cost profile.

#### 2.2.6. Numbering Fees

Numbering fees are directly linked to the allocation and utilisation of national numbering resources. These charges are primarily intended to support the administrative management of the national numbering plan.

For ordinary subscriber numbers, operators incur a charge of approximately US\$0.05 per number upon the application for a number block, followed by an annual fee of US\$0.05 per number for continued use.

Short codes utilised for value-added, premium, or emergency services are subject to higher, though still modest, fees. A five-digit premium short code attracts both an application fee and an annual usage fee of US\$200. Standard three-digit short codes, reserved for customer care, emergency services, or service access, carry application and annual fees of US\$50. Special short codes of non-standard length are subject to application and annual fees of US\$500. These fee levels remained unchanged throughout the 2010–2024 period and apply uniformly across all licences. Table 5 summarises the structure of numbering fees.

Table 5: POTRAZ Numbering Fees (Application and Annual Usage)

| Numbering Category                           | Application Fee | Annual Usage Fee | Notes                                                               |
|----------------------------------------------|-----------------|------------------|---------------------------------------------------------------------|
| <b>Subscriber Number Assignment</b>          | 5%              | 5%               | % refers to per-number block rate equivalent (≈US\$0.05 per number) |
| <b>Annual Subscriber Number Usage</b>        | 5%              | 5%               | % refers to per-number annual usage (≈US\$0.05 per active number)   |
| <b>Five-Digit Premium Short Code</b>         | US\$200         | US\$200          | Constant across all years (2010–2024)                               |
| <b>Three-Digit Short Code</b>                | US\$50          | US\$50           | Standard short-code category                                        |
| <b>Special Short Code (non-3 or 5 digit)</b> | US\$500         | US\$500          | Custom or special-purpose codes                                     |

**Notes:** Numbering fees are administrative charges associated with the allocation and ongoing use of national numbering resources. Amounts are stated in nominal USD and are applied uniformly across licensees. For subscriber numbers, the effective charge is approximately US\$0.05 per number at allocation and per annum thereafter. Fees shown are treated as fixed over the period 2010–2024

**Source:** POTRAZ numbering plan regulations, fee schedules, and applicable statutory instruments.

### 2.2.7. Traffic Monitoring System and Device Levy

Traffic monitoring and device-related instruments were introduced in the 2020s with a strategic focus on enhancing revenue assurance and compliance within the telecommunications ecosystem. Two primary instruments govern this area the TTMS levy and the handset (device) levy.

From 2021, POTRAZ deployed the TTMS to monitor international voice traffic in real time. The system is utilised to identify unreported or irregularly routed international calls, detect SIM-box fraud, and validate operator traffic declarations. In conjunction with this system, a levy of US\$0.06 per minute was established on incoming international calls. This charge is applied at the point of call termination in Zimbabwe, with the payment obligation falling on foreign carriers delivering traffic into the country. Proceeds from the levy are shared between the State and the TTMS vendor under a build–operate–transfer arrangement.

Concurrently, a handset levy was introduced as an additional compliance mechanism for imported mobile devices. Prior to 2021, handsets were subject to a standard customs duty of 25%. From 2021 onwards, a flat levy of up to US\$50 has been charged on devices where proof of import duty payment cannot be verified at the point of SIM activation. Under this regime, mobile operators verify each device's International Mobile Equipment Identity (IMEI) against a central database; if the device is not recorded as formally imported, the operator applies the levy and remits the funds to ZIMRA. Users who subsequently provide proof of duty payment are eligible to claim a refund. In practice, the levy operates as a second-line duty-compliance mechanism for handsets entering the market outside formal customs channels. Table 6 summarises the treatment of these instruments over 2010–2024.

Table 6: Device Levy and Traffic Monitoring System Charges (2010–2024)

| Instrument                              | 2010–2020        | 2021                            | 2022               | 2023               | 2024               | Notes                                                                               |
|-----------------------------------------|------------------|---------------------------------|--------------------|--------------------|--------------------|-------------------------------------------------------------------------------------|
| <b>Handset Levy</b>                     | 25% customs duty | 25% customs duty or US\$50 levy | 25% or US\$50 levy | 25% or US\$50 levy | 25% or US\$50 levy | \$50 applied when proof of duty payment is unavailable; charged at SIM registration |
| <b>Traffic Monitoring System (TTMS)</b> | N/A              | N/A                             | US\$0.06/min       | US\$0.06/min       | US\$0.06/min       | Levy applies to incoming international traffic only                                 |

**Notes:** The handset levy applies only where proof of customs duty payment is unavailable at the point of SIM registration and is enforced through IMEI verification. The Traffic Monitoring System (TTMS) levy applies exclusively to incoming international voice traffic. Amounts are stated in nominal USD and, for analytical consistency, are treated as fixed from the point of introduction through 2024

**Source:** Statutory Instrument (SI) 95 of 2021

These instruments, together with the earlier taxes, fees and levies described in Sections 2.2.1–2.2.6, are incorporated into the Telecom Effective Tax Burden Index presented in the next subsection.

### 2.2.8. Telecom Effective Tax Burden Index

This subsection consolidates the economy-wide and telecommunications-specific fiscal instruments described in Sections 2.1 and 2.2 into two cumulative measures used throughout the report: (i) the Total Tax Burden (Fiscal Obligation) and (ii) the Telecom Effective Tax Burden Index (TETBI).

The motivation for constructing these measures is that Zimbabwe's telecommunications sector is subject to multiple layers of taxation and para-fiscal charges applied to different bases, including profits, service revenues, gross turnover, electronic transactions, imported equipment, spectrum holdings, and traffic volumes. Although each instrument operates independently in law, operators face them simultaneously in practice. Evaluating any single tax in isolation therefore understates the effective burden imposed on the sector.

The Fiscal Obligation captures taxes that constitute a direct, non-recoverable fiscal cost to the operator, expressed on a revenue-equivalent basis for comparability. It includes corporate income taxation and sector-specific consumption and transaction taxes, but excludes VAT on the grounds that VAT is, in principle, creditable for registered operators and therefore not a structural operating cost. This measure is the appropriate concept for analysing investment incentives, profitability, and cash-flow effects.

The TETBI extends the Fiscal Obligation by incorporating telecommunications-specific regulatory and para-fiscal charges, including licensing fees, USF contributions, spectrum access and usage fees, numbering fees, monitoring levies, device levies, and selected local authority and environmental charges. These instruments may not be classified as taxes in a narrow legal sense, but they are compulsory, non-recoverable, and materially affect operating costs and investment decisions.

### 2.2.8.1. Converting statutory taxes to a common revenue base

A key challenge in measuring total burden is that different instruments apply to different bases:

- Some taxes like excise and the health levy apply to sales of services, airtime and data.
- Others like annual licence fees and USF contributions apply to gross turnover.
- Others like CIT apply to profits, not sales.
- IMTT applies to transaction values, not sales.

To compare these instruments consistently, this report converts each item into a percentage of revenue, or another clearly stated base, so that the combined burden can be read as X cents in taxes/fees for each US dollar of revenue.

Corporate Income Tax is charged on taxable income, profit after allowable deductions, not on gross revenue. This is why it is incorrect to add 25% CIT directly to taxes that are charged on sales.

Formally, let:

- $R$  be revenue,
- $\Pi$  be taxable profit,
- $M = \frac{\Pi}{R}$  be the taxable profit margin.

Then the total corporate tax burden relative to revenue depends on the profit margin:

$$\frac{CIT + AIDS\ levy}{R} = \tau^{CIT} (1 + 0.03) \cdot m \quad (1)$$

where  $\tau^{CIT}$  is the statutory CIT rate 25% in the relevant period and the AIDS levy is 3% of the CIT liability.

### WORKED EXAMPLE

Consider a standard Zimbabwean company in a 25% CIT year, with:

- Gross revenue: US\$1,000,000
- Allowable operating expenses: US\$600,000
- Capital allowances (tax-deductible depreciation): US\$50,000.

#### Step 1: Compute taxable income (taxable profit)

Taxable income is calculated after deducting allowable expenses and capital allowances from gross revenue:

$$\begin{aligned}\text{Taxable Income} &= \text{Revenue} - \text{Expenses} - \text{Capital Allowances} \\ &= 1,000,000 - 600,000 - 50,000 \\ &= \text{US\$}350,000\end{aligned}$$

This US\$350,000 represents the portion of income that is legally subject to corporate income tax.

#### Step 2: Compute Corporate Income Tax (CIT)

CIT is applied to taxable income, not to revenue:

$$\begin{aligned}\text{CIT} &= 350,000 \times 25\% \\ &= \text{US\$}87,500\end{aligned}$$

#### Step 3: Compute the AIDS levy (3% of CIT liability)

The AIDS levy is calculated as a surcharge on the final CIT amount:

$$\begin{aligned}\text{AIDS levy} &= 87,500 \times 3\% \\ &= \text{US\$}2,625\end{aligned}$$

#### Step 4: Compute total corporate tax payable

$$\begin{aligned}\text{Total corporate tax payable} &= \text{CIT} + \text{AIDS levy} \\ &= 87,500 + 2,625 \\ &= \text{US\$}90,125\end{aligned}$$

This yields an effective corporate tax rate on taxable income of:

$$90125/350,000 = 25.75\%$$

Crucially, as a share of revenue, the same corporate taxes are:

$$90125/1,000,000 = 9.01\%$$

This shows why CIT must be converted to a revenue basis before it is combined with sales taxes even with a 25% CIT rate, the revenue-equivalent corporate tax burden depends on profitability. In telecoms, where margins vary over time and across operators, the revenue-equivalent CIT burden is calculated as  $0.2575 \cdot m$ , where  $m$  is the taxable profit margin.

From 2017 onwards, telecommunications services are subject to:

- a 5% excise duty on airtime, and
- a 5% health levy on airtime and mobile data.

These levies apply directly to the value of services sold and are non-recoverable. For a stylised operator where the levy base closely tracks service revenue, the combined contribution is approximately 10% of revenue, subject to the exact airtime/data composition.

IMTT is levied at 2% on taxable electronic transaction values TTT. Expressed relative to revenue:

$$\frac{IMTT}{R} = 0.02 \cdot \frac{T}{R} \quad (2)$$

In plain terms, IMTT depends on how much of the operator's collections and payments flow through taxable electronic channels. If taxable transactions are broadly similar in magnitude to revenue, IMTT is close to 2% of revenue, if a smaller share of flows is taxable, the effective burden is lower.

Combining the major post-2018 tax components on a common revenue basis yields the following order of magnitude:

- Excise duty (5%): 5% of revenue
- Health levy (5%): 5% of revenue
- IMTT (effective): typically ~1.5–2% of revenue (depending on transaction intensity)
- CIT + AIDS levy:  $0.2472 \times m$  of revenue, where  $m$  is the taxable profit margin

Under a representative taxable profit margin of 20–25%, the corporate tax component contributes approximately 5–6% of revenue, and the combined Fiscal Obligation (excluding VAT) therefore lies in the vicinity of:

- 16.5–18% of revenue, before adding episodic items such as customs duties in CAPEX-intensive years and any withholding taxes borne under gross-up arrangements.

#### 2.2.8.1.1. Extending to the Telecom Effective Tax Burden Index (TETBI)

The TETBI adds telecommunications-specific regulatory and para-fiscal charges to the Fiscal Obligation. The most important recurring charges are the annual licence fee and the USF contribution:

- 2010–2015: 2.0% licence fee + 0.5% USF = 2.5% of gross turnover
- 2016 onwards: 2.0% licence fee + 1.5% USF = 3.5% of gross turnover

In addition, operators incur annualised spectrum access fees, spectrum usage fees, numbering fees, TTMS and device levies, and local authority/environmental charges. When expressed relative to revenue, these items typically contribute several additional percentage points depending on spectrum holdings, rollout intensity, and traffic composition.

Accordingly, even excluding VAT, the TETBI for a representative operator in the post-2018 period can plausibly approach the high-20s, and in higher-cost years may sit close to 30% once spectrum annualisation, monitoring/device levies, and local charges are incorporated on a consistent basis.

Table 7: Components of the Telecom Effective Tax Burden Index (TETBI)

| Fiscal Obligation (Taxes Only) | Formula / Entry                                                                               | Justification                                                                 | TETBI (Taxes + Fees)           | Formula / Entry                                            | Justification                                                                    |
|--------------------------------|-----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|--------------------------------|------------------------------------------------------------|----------------------------------------------------------------------------------|
| Corporate Income Tax           | $\tau^{CIT \times \pi}$                                                                       | Core profit-based tax borne by operator                                       | Corporate Income Tax           | Same                                                       | Affects retained earnings and investment                                         |
| AIDS levy on CIT (3%)          | $0.03 \times CIT$                                                                             | Statutory surcharge on profits                                                | AIDS levy on CIT               | Same                                                       | Increases effective profit tax                                                   |
| Excise duty on airtime (5%)    | $0.05 \times R_{airtime}$                                                                     | Non-recoverable service tax                                                   | Excise duty                    | Same                                                       | Core telecom consumption tax                                                     |
| Health levy (5%)               | $0.05 \times R_{airtime+data}$                                                                | Non-recoverable earmarked levy                                                | Health levy                    | Same                                                       | Persistent post-2017 burden                                                      |
| IMTT (2%)                      | $0.02 \times \tau$ (or 0.02 $\times \left(\frac{T}{R}\right)$ when expressed as % of revenue) | Transaction-based tax; depends on taxable flow intensity                      | IMTT                           | Same                                                       | Taxes electronic payment flows                                                   |
| Customs duty (where incurred)  | $d \times CIF$                                                                                | Direct tax on imported CAPEX; volatile, rollout-linked                        | Customs duty                   | Same                                                       | Raises cost of network rollout                                                   |
| VAT                            | Excluded                                                                                      | Generally creditable for registered operators; not a structural operator cost | VAT                            | Excluded                                                   | Excluded for consistency; analysed via pass-through in affordability/demand work |
| —                              | —                                                                                             | —                                                                             | POTRAZ annual licence fee (2%) | $0.02 \times R$                                            | Mandatory turnover-based charge                                                  |
| —                              | —                                                                                             | —                                                                             | USF levy (0.5–1.5%)            | $0.005 - 0.015 \times R$                                   | Sector-specific para-fiscal levy                                                 |
| —                              | —                                                                                             | —                                                                             | Spectrum access fees           | $\text{Access fee} \div \text{licence term}$               | Annualised entry cost                                                            |
| —                              | —                                                                                             | —                                                                             | Spectrum usage fees            | $\text{Rate} \times \text{bandwidth} \times \text{factor}$ | Ongoing scarcity pricing                                                         |
| —                              | —                                                                                             | —                                                                             | Numbering fees                 | $\text{Application} + \text{annual}$                       | Administrative charge                                                            |
| —                              | —                                                                                             | —                                                                             | TTMS levy                      | USD 0.06 $\times$ intl minutes                             | Traffic-linked compliance levy                                                   |
| —                              | —                                                                                             | —                                                                             | Device levy                    | USD 50 $\times$ devices without duty proof                 | Enforcement levy                                                                 |
| —                              | —                                                                                             | —                                                                             | EMA/RDC levies                 | Actual payments                                            | Local infrastructure costs                                                       |

**Notes:** PAYE withheld from employees is excluded as it is not borne by the operator. One-off charges are annualised for comparability. VAT is excluded throughout on the basis of general input VAT creditability and is treated separately in a pass-through scenario for demand/affordability analysis. Where data is not available, for example device levy, it will be omitted in the final calculation but is included here for completeness

**Source:** Author, based on statutory rates and regulatory schedules.

Table 7 consolidates Zimbabwe's economy-wide taxes and telecommunications-specific charges into a single, transparent accounting framework that distinguishes between the Total Tax Burden (Fiscal Obligation) and the broader Telecom Effective Tax Burden Index (TETBI). The table is structured to show, for each instrument, the applicable base, the method of incorporation into the index, and the rationale for its inclusion.

The left-hand panel (Fiscal Obligation) captures taxes that constitute a direct, non-recoverable cost to operators, notably corporate income tax (including the AIDS levy), airtime excise duty, the health levy, IMTT, and customs duties where incurred. These instruments differ fundamentally in their bases profits, service revenues, transaction values, and import values and Table 7 standardises them by expressing each in revenue-equivalent terms. This ensures that profit-based taxes such as CIT are not mechanically added to sales-based levies but are scaled appropriately according to profitability.

The right-hand panel (TETBI) extends this analysis by incorporating sector-specific regulatory and para-fiscal charges that, while not always classified as taxes in a narrow legal sense, are compulsory and materially affect operating costs. These include annual licence fees, USF contributions, spectrum access and usage fees, numbering fees, traffic monitoring, and device levies, and selected local authority and environmental charges. One-off payments, particularly spectrum access fees, are annualised to ensure comparability over time.

VAT is intentionally excluded from both measures on the grounds that it is generally creditable for registered operators and therefore does not represent a structural operator-borne cost. Its effects are instead addressed separately through pass-through and affordability analysis. Overall, Table 7 provides a coherent bridge between the legal inventory of taxes and fees set out earlier in the chapter and the quantitative burden measures used in subsequent benchmarking and impact analysis

#### VAT PASS-THROUGH SCENARIO

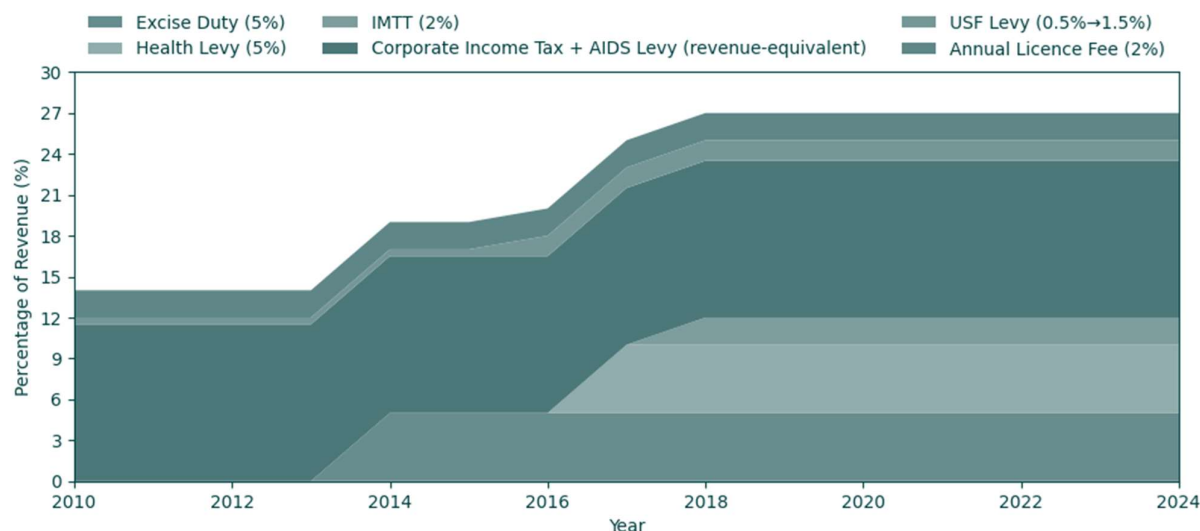
Although VAT is excluded from the Fiscal Obligation and TETBI, it remains relevant for consumer prices and demand. If VAT is fully passed through to consumers, the statutory price wedge on telecommunications services increases mechanically.

Illustratively, in the post-2018 regime:

- VAT: 15%
- Excise + health levies: 10%
- IMTT (effective): ~1.5–2%.

Under full pass-through, the statutory tax wedge embedded in final prices exceeds 26–27%, before considering any indirect pricing effects from licence fees, USF contributions, spectrum costs, and other regulatory charges. This distinction explains why VAT is analysed separately in demand and affordability modelling, while being excluded from operator-borne burden indices.

Figure 3: Main Statutory Elements in Telecom Effective Tax Burden Index



**Notes:** Figure 3 illustrates the cumulative operator-borne tax and regulatory burden in Zimbabwe's telecommunications sector between 2010 and 2024, expressed as a percentage of revenue. The lower layers represent the Fiscal Obligation, comprising non-recoverable taxes borne directly by operators: corporate income tax (including the AIDS levy, expressed on a revenue-equivalent basis), airtime excise duty, the health levy, and the Intermediated Money Transfer Tax (IMTT). The addition of the annual licence fee and the Universal Service Fund (USF) levy yields the Telecom Effective Tax Burden Index (TETBI), which captures the full operator-borne tax and fee burden excluding VAT.

The timing of policy instruments is reflected explicitly: the airtime excise duty is introduced in 2014, the health levy in 2017, and IMTT from 2018, while the USF levy increased from 0.5 per cent to 1.5 per cent in 2016. VAT is excluded throughout on the grounds that it is generally creditable for registered operators and does not constitute a structural operating cost.

**Source:** Author, based on statutory rates and regulatory schedules.

Figure 3 shows a clear and stepwise increase in the fiscal burden borne by telecommunications operators over the 2010–2024 period, driven by the sequential introduction and adjustment of sector-specific taxes and regulatory charges. In the early years, the operator-borne burden is dominated by corporate income taxation and fixed regulatory fees, resulting in a relatively moderate cumulative burden as a share of revenue.

The introduction of the airtime excise duty in 2014 marks the first major structural increase in the Fiscal Obligation, followed by a further discrete rise in 2017 with the introduction of the health levy on airtime and mobile data. From 2018 onwards, the addition of IMTT introduces a transaction-based layer that further increases the tax burden, reflecting the growing reliance on electronic payment channels in the sector.

Beyond taxes, the figure highlights the importance of telecommunications-specific regulatory charges. The upward revision of the USF levy in 2016, together with the persistent annual licence fee, contributes materially to the overall burden captured by the Telecom Effective Tax Burden Index. By the post-2018 period, the cumulative operator-borne tax and fee burden stabilises at levels approaching the mid-to-high twenties as a percentage of revenue, even with VAT excluded.

Overall, Figure 3 demonstrates that the increase in the sector's fiscal burden is not the result of a single policy intervention, but rather the cumulative effect of multiple instruments layered over time and applied to different bases. This layering effect is central to understanding the investment, affordability, and demand responses examined in subsequent chapters.

In summary, this chapter has documented the structure and evolution of Zimbabwe's telecommunications fiscal regime between 2010 and 2024, spanning economy-wide taxes such as corporate income tax, customs duties, and IMTT, alongside a growing set of sector-specific levies, regulatory fees, and compliance instruments. Particular attention has been given to the layering of airtime excise duty, the health levy, turnover-based licence and Universal Service Fund contributions, spectrum and numbering charges, and more recent compliance mechanisms such as the traffic monitoring system and handset levy, which operates as a second-line customs enforcement tool where proof of duty payment is unavailable. These instruments, though legislated independently and applied to different bases, are borne simultaneously by operators in practice. To capture this cumulative effect, the chapter has constructed two complementary measures: the Fiscal Obligation, which reflects non-recoverable taxes borne directly by operators on a revenue-equivalent basis, and the Telecom Effective Tax Burden Index (TETBI), which extends this measure to include telecommunications-specific regulatory and para-fiscal charges. Together, the inventory and the TETBI provide a transparent and internally consistent foundation for the domestic and regional benchmarking undertaken in Chapter 3, as well as for the investment, affordability and demand impact analysis developed in subsequent chapters.

#### WHAT IS THE TELECOM EFFECTIVE TAX BURDEN AND WHY DOES IT MATTER?

The Telecom Effective Tax Burden (TETB) refers to the total fiscal load imposed on telecommunications operators once all taxes, levies, and regulatory charges are considered together, rather than in isolation. Unlike statutory tax rates, which describe individual taxes separately, the effective tax burden captures the combined impact of multiple fiscal instruments on revenues, cash flow, and investment capacity.

In the telecommunications sector, this distinction is critical. Operators are typically subject not only to economy-wide taxes such as corporate income tax and VAT, but also to a range of sector-specific charges, including excise duties on airtime and data, turnover-based licence fees, Universal Service Fund (USF) contributions, spectrum fees, and other regulatory levies. Many of these charges are applied on gross turnover or usage, are non-deductible, and apply regardless of profitability.

As a result, the true fiscal burden faced by operators can be substantially higher than what headline tax rates suggest.

The effective tax burden matters for three reasons:

- **Investment incentives**

Telecommunications is a capital-intensive network industry. Investment decisions depend primarily on retained cashflow. When multiple turnover- and consumption-based charges are layered on top of each other, they reduce investable funds even in periods when operators remain nominally profitable. This can suppress network rollout, upgrades, and coverage expansion.

- **Prices and affordability**

Many telecom-specific taxes are passed through to consumers in the form of higher prices for voice and data services. When demand, especially for mobile data, is price-sensitive, higher effective tax burdens can reduce usage volumes, slow adoption, and undermine digital inclusion objectives.

- **Fiscal sustainability**

A high effective tax burden can become self-limiting. If taxes reduce usage and investment, the underlying tax base may shrink over time, weakening medium-term revenue performance. Understanding the effective burden is therefore essential for designing tax systems that balance revenue mobilisation with sector growth.

For these reasons, this report focuses on the effective tax burden, rather than individual statutory taxes, as the appropriate metric for assessing the fiscal treatment of the telecommunications sector. The analysis therefore evaluates how the full tax and fee stack affects investment, demand, and long-run sector performance, and how alternative fiscal configurations could reduce distortions while preserving sustainable revenues.

## 3. Domestic and Regional Benchmarking

This chapter benchmarks Zimbabwe's telecommunications fiscal and regulatory framework against domestic comparator sectors and selected regional peers. The objective is to quantify the extent to which sector-specific taxes, levies, and regulatory charges diverge from the standard fiscal structures applied elsewhere in the economy, and to assess Zimbabwe's cumulative burden relative to other markets in the region. The analysis proceeds in two stages. First, Section 3.1 conducts a domestic comparison across mining, manufacturing, and financial services, mapping structural differences in revenue-capture mechanisms, investment incentives, and regulatory costs. Second, Section 3.2 extends the scope to a regional comparison covering Kenya, Malawi, Uganda, Tanzania, and Zambia. Using a harmonised set of indicators, including the Telecom Effective Tax Burden Index (TETBI), this section assesses the relative weight and composition of telecom-specific taxation across these jurisdictions to determine Zimbabwe's regional competitiveness.

### 3.1. Domestic Benchmarking and overview of comparator sectors

Section 3.1 benchmarks the telecommunications fiscal regime against three primary domestic sectors: mining, manufacturing, and financial services. This analysis employs a common framework to evaluate sector-specific taxes, levies, incentives, and regulatory costs. These comparators provide a robust reference point, as each is subject to a distinct mix of general tax obligations and targeted instruments that reflect its specific economic role and policy context. The subsequent subsections outline the fiscal and regulatory architecture of these sectors, highlighting the principal mechanisms through which the State raises revenue, incentivises investment, and enforces compliance. This overview establishes the necessary context for the detailed cross-sector comparisons presented in Sections 3.1.1 through 3.1.5.

#### 3.1.1. Telecoms vs Mining

Building on the inventory of sector-specific instruments detailed in Chapter 2, this subsection compares the fiscal architecture facing telecommunications with that of the mining sector. The two industries represent capital-intensive pillars of the economy, yet they face fundamentally different taxation models. Whereas telecommunications operators are primarily subject to consumption-based levies on airtime and data, turnover-based regulatory charges (Licence and USF fees), and usage-based spectrum fees, the mining sector faces a regime centred on mineral royalties, capped deductions, indefinite loss carry-forwards, and a distinctive system of capital redemption allowances. The mining sector's fiscal design prioritizes the capture of resource rents through royalties while incentivising exploration and capital investment through generous upfront deductions. This structure is set out in Tables 8 through 11 below.

Mining operates under specific rules regarding allowable deductions. While pre-production exploration costs are fully deductible (100% in the year incurred) to encourage high-risk prospecting, the regime imposes strict monetary caps on administrative and social spending. Passenger motor vehicle expenses are capped at US\$10,000, and deductions for staff housing, schools, hospitals, and clinics are restricted to US\$25,000 per unit. Additionally, management fees are capped at 1% of total allowable deductions to prevent base erosion, and a thin-capitalisation rule restricts interest deductions to a 3:1 debt-to-equity ratio. Notably, assessed mining losses do not expire and can be carried forward indefinitely, a provision that distinctively accommodates the sector's long-term cyclical nature.

Table 8: Mining (Deductions and Allowances)

| Tax/Levy                                   | Description                                 | Rate/Amount (2010–2025)                                 | Notes                                                                                                                                           |
|--------------------------------------------|---------------------------------------------|---------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Restrictions on Deductions (Miners)</b> | Passenger Motor Vehicle                     | \$10,000                                                | Monetary restriction on the deductible amount.                                                                                                  |
|                                            | Staff Housing                               | \$25,000                                                | Monetary restriction on the deductible amount.                                                                                                  |
|                                            | Schools, Hospitals & Clinics                | \$25,000                                                | Monetary restriction on the deductible amount.                                                                                                  |
|                                            | Management Fees                             | 1% of total allowable deductions                        | Percentage restriction                                                                                                                          |
|                                            | Interest                                    | 3:1 debt to equity ratio                                | Thin Capitalization rule.                                                                                                                       |
| <b>Exploration Costs</b>                   | Pre-production exploration cost             | 100%                                                    | 100% deduction in the year incurred or against mining income once production begins.                                                            |
| <b>Capital Redemption Allowance</b>        | A full deduction for capital expenditure    | 100%                                                    | 100% deduction in the year incurred.                                                                                                            |
| <b>Assessed Losses</b>                     | Carrying forward of tax losses indefinitely | 100% carry forward of losses                            | Losses do not expire                                                                                                                            |
| <b>Special Mining Lease Holders</b>        | Capex deduction & pre-exploration exp       | Fully deductible in the year incurred. (100% deduction) | 100% deduction allowed                                                                                                                          |
|                                            | Additional Profit Tax (APT)                 | —                                                       | The APT is formula-based and depends on the mine's profitability and net cash positions, leading to effective APT rates that vary case-by-case. |

**Notes:** This table summarises the principal mining-specific deductions, allowances, and restrictions applicable over the period 2010–2025 and is intended to illustrate the structural orientation of the mining fiscal regime rather than effective tax incidence. Mining taxation relies heavily on gross-value royalties differentiated by mineral type, complemented by profit-based income taxation subject to explicit caps on selected deductions and ratio-based limits

**Source:** Income Tax Act [Chapter 23:06] and annual Finance Acts (2010–2025); Ministry of Mines and Mining Development royalty schedules and mining fiscal policy statements

Unlike the telecommunications sector, which faces levies on usage (airtime/data), the mining sector is taxed on output value. Royalties are charged on the gross value of mineral output at rates differentiated by mineral type. Between 2010 and 2025, these rates included 5% for platinum and gold, 10% for diamonds, 2% for base and industrial metals, and 1% for coal. Recent policy changes have introduced targeted levies to drive specific outcomes: a 5% levy on un-beneficiated lithium (from 2023) to encourage local processing, and a 1% levy on black granite revenue (from 2024).

Table 9: Mining (Royalties and Levies)

| Tax/Levy                    | Description                               | Rate (2010–2025)                  | Notes                                                               |
|-----------------------------|-------------------------------------------|-----------------------------------|---------------------------------------------------------------------|
| <b>Mining Royalties</b>     | Platinum                                  | 5%                                | Constant rate on gross value.                                       |
|                             | Gold                                      | 5%                                | Constant rate on gross value.                                       |
|                             | Diamonds                                  | 10%                               | Constant rate on gross value.                                       |
|                             | Other Precious Stones                     | 10%                               | Constant rate on gross value.                                       |
|                             | Other Precious Metals                     | 5%                                | Constant rate on gross value.                                       |
|                             | Base Metals (Nickel, Copper, and Cobalt)  | 2%                                | Constant rate on gross value.                                       |
|                             | Chrome                                    | 2%                                | Constant rate on gross value.                                       |
|                             | Industrial Metals                         | 2%                                | Constant rate on gross value.                                       |
|                             | Coal                                      | 1%                                | Constant rate on gross value.                                       |
|                             | Coal Bed Methane                          | 1%                                | Constant rate on gross value.                                       |
|                             | Dimensional Stones                        | 2%                                | Constant rate on gross value.                                       |
| <b>Lithium levy</b>         | Unbeneficiated lithium                    | 5% on the gross fair market value | Applicable to unbeneficiated lithium (from 2023).                   |
| <b>Black granite levy</b>   | Black granite levy                        | 1% of gross revenue               | Applicable from 2024.                                               |
| <b>Export permit Levy</b>   | Export permit for base metal concentrates | 0.02 (2%)                         | Constant rate.                                                      |
| <b>Marketing Commission</b> | Allowable deduction                       | 0.875% on mineral sales           | Rate on mineral sales other than gold (from 2014, revised in 2024). |

**Notes:** Mining royalties and levies are assessed on the gross value or gross revenue of mineral output and apply irrespective of profitability, with rates differentiated by mineral type to reflect policy priorities and rent-capture objectives. In addition to core royalties, the regime includes targeted levies aimed at beneficiation (lithium), sector-specific revenue mobilisation (black granite), export control (base-metal concentrates), and regulated marketing arrangements

**Source:** Income Tax Act [Chapter 23:06] and annual Finance Acts (2010–2025); Ministry of Mines and Mining Development royalty schedules and mining fiscal policy statements

Fees and permits are structured as annual fixed amounts. These include US\$25,000 for a special mining lease fee, US\$5,000 for a special prospecting licence, US\$50,000 for a platinum special prospecting licence, US\$2,500 for an ordinary platinum prospecting licence, and US\$100 for an ordinary prospecting licence. Radiation-protection fees are US\$500 for medium-scale and US\$1,000 for large-scale operating mining facilities, while Engineering Council fees are US\$100 per year.

Table 10: Mining (Fees and Permits)

| Tax/Levy                                    | Description                               | Amount (2010–2025) | Notes                 |
|---------------------------------------------|-------------------------------------------|--------------------|-----------------------|
| <b>Mining Fees</b>                          | Special mining lease fee                  | \$25,000           | Annual fee, constant. |
|                                             | Special prospecting licence               | \$5,000            | Annual fee, constant. |
|                                             | Ordinary prospecting licence              | \$100              | Annual fee, constant. |
|                                             | Platinum special prospecting licence      | \$50,000           | Annual fee, constant. |
|                                             | Ordinary platinum prospecting licence fee | \$2,500            | Annual fee, constant. |
| <b>Radiation Protection Fee</b>             | Medium-scale operating mining facilities  | \$500              | Annual fee, constant. |
|                                             | Large-scale facilities, the fees          | \$1,000            | Annual fee, constant. |
| <b>Engineering Council of Zimbabwe Fees</b> | -                                         | \$100              | Annual fee, constant. |

**Notes:** Mining fees and permit charges are fixed, recurring annual payments associated with licence holding, prospecting rights, and compliance with technical and safety regulations. These instruments are administrative in nature, apply uniformly within each licence category, and are not linked to production volumes, revenues, or profitability. For the purposes of cross-sector comparison, the fees are treated as constant over the period 2010–2025 and represent baseline regulatory entry and compliance costs rather than fiscal rent-extraction mechanisms.

**Source:** Income Tax Act [Chapter 23:06] and annual Finance Acts (2010–2025); Ministry of Mines and Mining Development royalty schedules and mining fiscal policy statements

Table 11 records additional taxes and incentives. The VAT treatment is the same as all other sectors. Input VAT is generally claimable on supplies of goods and services and imported services, Capital gains tax is 5% or 20% depending on the acquisition date. Environmental Management Authority (EMA) environmental-impact costs are deductible in the first trading year, customs rebates are available on specified mining inputs; beneficiation incentives and VAT deferment exist; and Rural District Council land taxes and levies apply, although explicit rates are not quantified.

Table 11: Mining (Other Taxes and Incentives)

| Tax/Levy                                             | Description                                                                                    | Value (2010–2025) | Notes                                               |
|------------------------------------------------------|------------------------------------------------------------------------------------------------|-------------------|-----------------------------------------------------|
| <b>VAT-Input tax (goods and services)</b>            | Claiming of input tax on supplies of goods and services.                                       | permissible       | Consistent throughout the period.                   |
| <b>VAT-Input tax (imported services)</b>             | Claiming of input tax on imported services                                                     | permissible       | Consistent throughout the period.                   |
| <b>Capital Gains Tax</b>                             | Specified asset acquired before the 1st of February 2009                                       | 0.05 (5%)         | Capital Gains Tax Rate on disposal.                 |
|                                                      | Specified asset before 22ndFebruary 2019                                                       | 0.2 (20%)         | Capital Gains Tax Rate on disposal.                 |
|                                                      | Deemed capital gains                                                                           | 0.2 (205)         | Capital Gains Tax Rate on transfer of mining titles |
| <b>Environmental Management Authority (EMA) Fees</b> | Mining companies are required to pay EIA/EMP fees based on the size and impact of the project. | Renewed annually. | Qualifies deduction in the first year of trading.   |

| Tax/Levy                                                   | Description                                                   | Value (2010–2025) | Notes                                                                                               |
|------------------------------------------------------------|---------------------------------------------------------------|-------------------|-----------------------------------------------------------------------------------------------------|
| <b>Customs concessions/ rebates</b>                        | Rebate of duty on goods for the mining industry.              | Yes (qualitative) | Full waiver of customs duty and VAT.                                                                |
| <b>VAT Deferment</b>                                       | On importation of capital goods worth USD 500 000 and above   | Yes (qualitative) | Deferment of VAT is available.                                                                      |
| <b>Rural District Council land taxes/ Levies</b>           |                                                               |                   | The existence of the tax is noted, but the specific rate/amount is not quantified in the data table |
| <b>Special mining lease holders – Corporate Income Tax</b> | Preferential income tax rate for special mining lease holders | 15%               | Reduced CIT rate relative to the standard corporate rate applies subject to license conditions.     |

**Notes:** Table 11 summarises additional cross-cutting taxes, concessions, and incentives applicable to the mining sector. VAT treatment mirrors the general tax system, capital gains tax rates vary by acquisition date, and EMA environmental costs are deductible in the first year of trading. Customs rebates, VAT deferment, and beneficiation-related incentives are available on a qualifying basis, while Rural District Council levies apply but are not uniformly specified. Source: Income Tax Act [Chapter 23:06], VAT Act [Chapter 23:12], Environmental Management Agency (EMA) regulations; Ministry of Mines and Mining Development mining fiscal and incentive frameworks; relevant Government of Zimbabwe statutory instruments.

Telecoms exhibit a different sector-specific profile. Instead of output-based royalties, the main sector-specific instruments are consumption-based levies on airtime and data that is 5% excise duty plus 5% health levy, turnover-based charges a 2% annual licence fee and a 0.5%→1.5% USF levy on gross turnover, and usage-based regulatory fees one-off spectrum access fees by band, annual spectrum-usage charges per kHz with service factors, numbering fees per number and short-code fees. Compliance-oriented instruments include the TTMS levy of US\$0.06 per incoming international minute and a handset levy of up to US\$50 per device where duty cannot be verified at SIM registration. These instruments operate alongside general capital-allowance rules rather than a dedicated mining-style regime; telecoms do not have sector-specific exploration deductions or royalties, but instead face a layered structure where consumption, turnover, spectrum usage, and traffic volumes are the principal bases.

Taken together, the comparison shows that mining sector-specific measures are concentrated in a relatively small number of instruments centred on royalties, fixed fees, exploration and capital-allowance rules, and selected export-related levies and incentives, with rates differentiated by mineral and with explicit customs and VAT concessions for mining inputs. Telecoms, by contrast, are governed by a more fragmented set of levies and regulatory fees that apply at multiple points in the value chain, airtime and data consumption, gross turnover, spectrum rights, numbering resources, and international traffic supplemented by compliance driven device and traffic monitoring charges.

### 3.1.2. Telecoms vs manufacturing

Continuing from the mining benchmarks in Section 3.1.1, this subsection summarizes the main tax parameters for the manufacturing sector and compares its overall structure with that of telecommunications. The manufacturing fiscal regime is characterized by a support-and-incentivise architecture, featuring concessional corporate tax rates linked to export performance and a wide range of customs rebates and duty suspensions on imported inputs.

Unlike telecommunications operators, who face a standard Corporate Income Tax (CIT) rate regardless of their market orientation, manufacturing companies benefit from a tiered CIT structure designed to reward export performance. Local profits are taxed at the general CIT rate, while companies that export significant portions of their production qualify for reduced bands.

Table 12: Manufacturing (CIT rates and export benchmarks)

| Tax/Levy                      | Description              | Rate (2010–2019) | Rate (2020–2024) |
|-------------------------------|--------------------------|------------------|------------------|
| <b>General CIT rate</b>       | Applies to local profit. | 25%              | 24%              |
| <b>Manufacturing 30%–41%</b>  | Concessional rate.       | 20%              | 20%              |
| <b>Manufacturing 41%–51%</b>  | Concessional rate.       | 17.5%            | 17.5%            |
| <b>Manufacturing &gt;51%</b>  | Concessional rate.       | 15%              | 15%              |
| <b>AIDS levy</b>              | On CIT, payable.         | 3%               | 3%               |
| <b>VAT - (exported goods)</b> | Tax incentive.           | 0% (zero-rated)  | 0%               |

**Notes:** Table 12 summarises the principal manufacturing-sector tax parameters, highlighting the use of export-linked corporate income tax concessions, zero-rated VAT on exports, and standard application of the AIDS levy. The regime is structured to incentivise export-oriented production and capital formation through preferential tax rates, while domestic profits remain subject to the general corporate income tax framework. x.

**Source:** Income Tax Act [Chapter 23:06] and VAT Act [Chapter 23:12];

In contrast, telecom operators face the standard CIT rate (plus the 3% AIDS levy) without sector-specific concessional rates linked to export share or volume. Instead, telecom-specific differentiation focuses on revenue extraction through excise duties on airtime/data and turnover-based licence/USF payments.

Manufacturing benefits from accelerated depreciation on core productive assets through the Special Initial Allowance (SIA), which allows for the rapid deduction of capital inputs such as machinery and industrial buildings. However, strictly defined monetary limits apply to non-industrial assets, for example, passenger vehicles and staff housing, and tax losses are subject to a general six-year carry-forward restriction unlike the indefinite carry-forward available to mining.

Table 13: Manufacturing (Capital allowances and restrictions on deductions)

| Asset / Item                      | Capital allowance (SIA) rate | Wear & Tear | Restriction on deduction     | Notes                                                   |
|-----------------------------------|------------------------------|-------------|------------------------------|---------------------------------------------------------|
| <b>Industrial building</b>        | 25%                          | 5%          | Full amount of cost incurred | High rate for factory and plant structures.             |
| <b>Machinery &amp; implements</b> | 25%                          |             | Full amount of cost incurred | Allows rapid deduction of capital inputs.               |
| <b>Commercial building</b>        |                              | 2.5%        | Full amount of cost incurred | Qualifies only if ≥90% of floor area is used for trade. |
| <b>Passenger motor vehicle</b>    | 25%                          |             | Restricted to US\$10,000     | Monetary limit applies to the deductible amount.        |
| <b>Staff housing</b>              | 25%                          |             | Restricted to US\$25,000     | Monetary limit applies to the deductible amount.        |
| <b>Tax losses</b>                 | N/A                          |             | Restricted to 6 years        | General economy-wide loss-carry-forward limitation.     |

**Notes:** The regime emphasises capital formation through accelerated depreciation (SIA) on productive assets. These provisions mirror the general capital allowance rules available to telecoms but are distinct in their specific application to industrial buildings and machinery.

**Source:** Income Tax Act [Chapter 23:06] and VAT Act [Chapter 23:12].

A defining feature of the manufacturing fiscal landscape is the extensive use of customs rebates and duty suspensions to lower the cost of imported raw materials and intermediate inputs. These measures are implemented through specific statutory instruments targeting key value chains.

*Table 14: Manufacturing (Customs rebates and duty reliefs)*

| Customs relief                         | Specific industry examples                                                                       | Start year                       | Mechanism                                                                         |
|----------------------------------------|--------------------------------------------------------------------------------------------------|----------------------------------|-----------------------------------------------------------------------------------|
| <b>General customs rebates</b>         | Food, soap, cosmetics, cider, pharmaceuticals, tyres, textiles, luggage ware, footwear, etc.     | Various (as early as 1981, 2005) | Full rebate of duty on listed goods used as raw materials or intermediate inputs. |
| <b>Baking-industry rebate</b>          | Baking industry                                                                                  | 2018                             | Specific rebate on goods used in the baking industry.                             |
| <b>Fertiliser-manufacturers rebate</b> | Fertiliser manufacturing                                                                         | 2021                             | Rebate on imported materials used in fertiliser manufacturing.                    |
| <b>Furniture-manufacture rebate</b>    | Furniture manufacturing                                                                          | 2024                             | Rebate on goods used in the manufacture of furniture (new incentive).             |
| <b>Duty suspensions</b>                | Wheat/maize, various raw materials, SKD kits (vehicles/buses), powdered milk, white cement, etc. | Various                          | Suspension of duty on imported goods or raw materials for approved importers.     |

Source: Customs and Excise (General) Regulations

Telecoms do not have a comparable set of customs rebates targeted specifically at sector inputs; network equipment and devices are treated under the general customs schedule, with low-duty or duty-free treatment for many capital items and higher rates for finished handsets, and from 2021 a handset levy applied at SIM registration where duty cannot be verified.

### 3.1.3. Telecoms vs financial services

This subsection summarises the main tax and regulatory cost features of the financial services sector and compares them with the telecommunications structures set out in Chapter 2. The fiscal profile of the two sectors diverges significantly: whereas telecommunications operators face multiple consumption- and turnover-based levies on airtime, data, and gross revenue, the financial services sector is characterised by: (i) standard Corporate Income Tax (CIT) treatment combined with strict limits on VAT recovery; (ii) transaction-based taxes and industry levies; and (iii) high regulatory capital and licensing requirements..

Financial institutions are taxed at the general corporate rate and, unlike the manufacturing sector, do not benefit from sector-specific income tax incentives. A defining feature of the sector's fiscal landscape is the treatment of Value Added Tax (VAT). Because many core financial services are exempt from VAT, institutions generally cannot claim input VAT on the purchases used to supply those services. This results in "input tax stickiness," where VAT on operating expenses becomes a direct cost.

Table 15: Financial services (Corporate tax rules and restrictions)

| Tax/Levy                          | Description                                                                 | Rate/rule (2010–2025)                             | Fiscal impact                                                                                |
|-----------------------------------|-----------------------------------------------------------------------------|---------------------------------------------------|----------------------------------------------------------------------------------------------|
| <b>Corporate income tax (CIT)</b> | General rate on taxable profit.                                             | 25% (general rate)                                | No concessional rates or sector-specific income-tax incentives.                              |
| <b>Input-tax claim (domestic)</b> | Input VAT on expenses linked to exempt supplies (e.g., interest, premiums). | Prohibited                                        | VAT on many operating expenses is non-recoverable, increasing effective operating costs.     |
| <b>Input-tax claim (imports)</b>  | Input VAT on imported services.                                             | Prohibited                                        | Raises the cost of foreign software services, advisory, and cloud-service inputs.            |
| <b>Tax incentives</b>             | Sector-specific income-tax incentives.                                      | None                                              | The sector operates under generic rules only.                                                |
| <b>Deduction limits</b>           | Management fees/interest – thin-capitalisation fee caps.                    | 1% of allowable deductions; 3:1 debt–equity ratio | Standard limits constrain the amount of financing and management costs that may be deducted. |
| <b>Capital gains tax</b>          | Disposal of specified assets (post-Feb 2019).                               | 20%                                               | Same CGT rate as other sectors for qualifying disposals.                                     |

Source: Income Tax Act [Chapter 23:06] and VAT Act [Chapter 23:12]

For telecommunications, the CIT rate and thin-capitalisation parameters are identical. However, the cost structure differs fundamentally regarding VAT. Telecom operators generally supply taxable services, allowing them to offset input VAT on network equipment and operating expenses. Consequently, the telecom cost structure is shaped more by excise duties, turnover-based levies, and spectrum charges than by VAT non-recoverability.

Financial services are central to the administration of transaction-based taxes. The Intermediated Money Transfer Tax (IMTT) is collected through banks and payment-service providers and has become one of the major non-CIT tax heads in recent years (ZIMRA, 2020; ZIMRA, 2021; ZIMRA, 2022; ZIMRA, 2023; ZIMRA, 2024). Telecoms intersect with this regime both as users of the banking system and, where they operate mobile-money or payment platforms, as intermediaries subject to IMTT on customer transactions.

Table 16: Financial services (Transaction taxes and industry levies)

| Tax/Levy                                       | Specific rate/fee                          | Applicability                                                                        |
|------------------------------------------------|--------------------------------------------|--------------------------------------------------------------------------------------|
| <b>Intermediated Money Transfer Tax (IMTT)</b> | 2% of value transferred (local currency)   | Collected and mediated by financial institutions on qualifying electronic transfers. |
| <b>Payment-service-provider (PSP) licence</b>  | 2% of gross turnover, capped at US\$50,000 | Annual fee for providers of money-transfer and payment-processing services.          |

Source: Income Tax Act [Chapter 23:06] and VAT Act [Chapter 23:12]

On the telecom side, IMTT appears in two ways, operators incur the tax on their own electronic payments and must collect it on mobile-money transfers; and IMTT contributes to the Telecom Effective Tax Burden Index via transaction-based charges overlaying airtime, licence, and spectrum-related levies.

Financial institutions, however, are the primary conduit for IMTT and for capital-market levies, so their sector-specific fiscal profile is more closely tied to transaction volumes and investments-market activity than to consumption of sector-specific services. Services face substantial minimum-capital requirements and annual licensing fees, particularly for banks and other deposit-taking institutions. These are mandatory financial commitments that must be met before trading and maintained thereafter. In accounting terms, they are not a tax, but they do shape the cost of entry and the scale at which firms operate.

*Table 17: Financial services (Regulatory capital and licensing requirements)*

| Institution type                           | Minimum capital requirement (US\$) | Annual licence fee (US\$) | Application fee (US\$) |
|--------------------------------------------|------------------------------------|---------------------------|------------------------|
| <b>Commercial bank</b>                     | 30,000,000                         | 20,000                    | 5,000                  |
| <b>Mortgage finance/building society</b>   | 20,000,000                         | 15,000                    | N/A                    |
| <b>Discount house</b>                      | 10,000,000                         | 10,000                    | N/A                    |
| <b>Asset-management company</b>            | 500,000                            | 500                       | 500                    |
| <b>Money-lending institution (MLI)</b>     | 50,000                             | 100                       | 500                    |
| <b>Micro-finance bank (deposit-taking)</b> | 5,000                              | 500                       | N/A                    |

**Source:** Source: Income Tax Act [Chapter 23:06] and VAT Act [Chapter 23:12]

Telecoms also face significant upfront and recurring licensing costs such as initial licence fees, spectrum access charges and annual licence/USF percentages described in Chapter 2. However, the form of these requirements differs across the two sectors. In telecoms, major upfront payments are linked to specific licences and spectrum bands, for example, one-off access fees per MHz and category-specific initial licence fees, with subsequent annual charges calculated as a fixed percentage of gross turnover plus VAT. In financial services, minimum-capital thresholds play a similar gatekeeping role, complemented by fixed annual licence fees and application charges that are not directly linked to turnover.

#### 3.1.4. Cross-sector summary

This subsection consolidates the sectoral mappings for telecommunications, mining, manufacturing, and financial services into a single comparative scorecard. The emphasis is on identifying the mechanisms through which each sector is taxed, the extent of tax friction arising from non-standard instruments, the presence of explicit investment incentives, and the scale of regulatory entry costs. The scores presented are indicative, providing a stylised ordering rather than a normative ranking.

The first criterion highlights distinct revenue-capture logics. Telecoms are primarily taxed on consumption and fixed-percentage turnover, via airtime and data levies, annual licence and USF contributions, spectrum-related charges, and other fixed fees. Mining is anchored on resource-value-based instruments: royalties and mineral-specific levies applied to gross value, complemented by general CIT. Manufacturing is centred on profit and export performance, combining standard CIT with export-linked concessional bands and zero-rated VAT on exports. Financial services rely on transaction and licensing channels, notably IMTT, payment-service-provider (PSP) fees and capital-market levies, supplemented by prudential capital and licensing requirements.

The tax-friction scores summarise how heavily each sector is affected by non-standard instruments. Telecoms attract the highest score, reflecting the combination of consumption levies, turnover-based fees and spectrum-related payments layered on top of the general tax regime. Mining and financial services each score 4/5: for mining, because royalties and sector-specific levies sit alongside CIT, and financial services because VAT non-recovery and transaction-based taxes materially affect operating costs. Manufacturing scores lower, as a higher share of its burden falls on standard CIT and VAT, while sector-specific measures are predominantly concessional export-linked rates and input rebates.

*Table 18: Cross-sector regulatory and fiscal friction scorecard*

| Criterion                          | Telecoms                                  | Mining                   | Manufacturing          | Financial services             |
|------------------------------------|-------------------------------------------|--------------------------|------------------------|--------------------------------|
| <b>I. Revenue capture</b>          | Consumption & fixed fee                   | Resource value (royalty) | Profit & export        | Transaction & licensing        |
| <b>II. Tax friction score</b>      | 5 / 5                                     | 4 / 5                    | 2 / 5                  | 4 / 5                          |
| <b>III. Investment incentive</b>   | Low (no rebates)                          | High (100% capex)        | High (customs rebates) | Low (high capital floor)       |
| <b>IV. Cost of entry (barrier)</b> | Very high (US\$100m+ licences / spectrum) | Moderate (US\$25k fees)  | Low (standard capex)   | High (US\$30m minimum capital) |
| <b>V. Instrument Count</b>         | 17                                        | 14                       | 8                      | 6                              |

**Notes:** 1. The Instrument Count reflects the number of distinct statutory payment heads and mandatory regulatory fees that a typical operator must manage. Telecommunications records the highest density with approximately 17 distinct instruments, comprising standard fiscal heads (Corporate Income Tax, VAT, AIDS Levy, IMTT, Customs Duty) overlaid by a dense sector-specific regime: Airtime Excise Duty, Health Levy, Annual Licence Fees, Universal Service Fund (USF) contributions, Spectrum Access Fees, Annual Spectrum Usage Fees, Licence Application Fees, Numbering Application Fees, Annual Numbering Fees, Short Code Fees, the TTMS Levy, and the Device Levy.

2. Mining follows with approximately 14 instruments, including standard taxes plus mineral-specific Royalties, Export Permit Levies, Beneficiation Levies (e.g., Lithium), Marketing Commissions, Special Mining Lease Fees, Prospecting Licences, Radiation Protection Fees, Engineering Council Fees, Environmental Management Agency (EMA) fees, and Rural District Council (RDC) levies.

3. Financial Services manages approximately 8 instruments, primarily Corporate Income Tax, IMTT (both borne and administered), Payment Service Provider (PSP) levies, Annual Institution Licences, Application Fees, Deposit Protection premiums, and Capital Market levies.

4. Manufacturing exhibits the simplest compliance profile with approximately 6 instruments, limited essentially to the standard economy-wide tax heads (Corporate Income Tax, VAT, PAYE, IMTT, Customs Duty) and standard environmental compliance fees, without the layer of turnover-based regulatory levies found in the other sectors.

**Source:** Author's compilation based on statutes, acts, and other legal documents.

The investment incentive line distinguishes sectors with positive tax policy levers from those without. Mining offers 100% expensing of capital expenditure and qualifying capex for special lease holders; manufacturing benefits from reduced CIT rates for exporters and extensive customs rebates on raw materials; telecoms and financial services have no equivalent income tax based or customs rebate incentives. The final line summarises entry barriers: major telecom licences and spectrum assignments involve up-front commitments in excess of US\$100 million; mining rights involve fees on the order of US\$25,000; manufacturing typically faces only standard capital expenditure requirements; and commercial banks must satisfy a US\$30 million minimum capital threshold.

Table 19: Structural comparison – effective tax burden vs incentives

| Instrument                          | Telecoms                                                  | Mining                                                                                                                               | Manufacturing                                             | Financial services                                 |
|-------------------------------------|-----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
| <b>Primary tax burden</b>           | Turnover & fixed fees                                     | Royalties & CIT                                                                                                                      | CIT (export-linked)                                       | IMTT & VAT non-recovery                            |
| <b>Effective turnover tax</b>       | 23–36% of gross turnover (statutory payments)             | 1–10% royalty on gross value (by mineral)                                                                                            | 0% on exports (VAT zero-rating)                           | 2% PSP licence (capped)                            |
| <b>Customs/duty relief</b>          | None (full duty on handsets; equipment on general regime) | Yes (rebates on mining chemicals and inputs; VAT deferment on importation of capital equipment of a minimum value of USD 500 000.00) | Extensive (numerous rebates on raw materials)             | None (general tariffs apply)                       |
| <b>Tax deductibility (friction)</b> | Non-deductible levies (excise & health levy)              | 100% immediate deduction for exploration / capex on special leases                                                                   | Concessional CIT rates reduce the effective tax on profit | Prohibited input VAT becomes an irrecoverable cost |

Source: Author's compilation based on statutes, acts, and other legal documents

Table 19 sets out the main non-standard tax instruments across sectors. For telecoms, the primary burden arises from turnover-style and fixed-fee instruments: airtime excise and health levies, annual licence, and USF percentages, IMTT and related levies so that statutory payments can reach an estimated 23–26% of gross turnover for major operators in peak years. Mining's principal deviation from the standard regime is the royalty and levy schedule, with rates ranging from 2% to 10% of gross mineral value depending on the commodity, combined with immediate expensing of mining royalties, exploration, and certain capital items for special-lease holders. Manufacturing's key structural features are zero-rated VAT on exports and concessional CIT bands for firms with high percentage export, while financial services are marked by IMTT and the non-recoverability of input VAT on exempt services and imported inputs.

The rows on customs/duty relief and tax deductibility indicate how policy design affects the cost of investment. Mining and manufacturing both benefit from targeted customs rebates and VAT deferment on key inputs, together with either 100% expensing (mining) or reduced CIT on export profits (manufacturing). Telecoms do not have comparable sector-specific customs relief, and consumption levies on airtime are non-deductible for CIT. Financial services operate under general customs rules on importation and face a structural cost from non-recoverable VAT, which is paid on many operational inputs but cannot be credited.

Table 20: Tax friction mechanisms – high and lower friction sectors

| Group                 | Sector             | Primary mechanism                                     | Illustrative magnitude                                                                                                                                       |
|-----------------------|--------------------|-------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>High friction</b>  | Telecoms           | Stacked levies and turnover-based license/USF charges | Around US\$187.8 million in statutory payments for one MNO in FY2018, corresponding to an effective statutory burden of about 26% of turnover in peak years. |
|                       | Financial Services | VAT non-recovery and prudential capital thresholds    | Minimum capital of US\$30 million for commercial banks; VAT on many exempt related inputs is not creditable.                                                 |
| <b>Lower friction</b> | Manufacturing      | Export-linked CIT reductions and customs rebates      | CIT rate reduced from 25% to 15% for firms exporting more than 51% of output; exports zero-rated; multiple input rebate schemes.                             |
|                       | Mining             | Immediate expensing and royalty-based take            | 100% deduction of exploration and certain capex for special lease holders; input VAT on supplies is generally claimable.                                     |

Source: Author's compilation

Table 20 contrasts the absolute scale of regulatory costs in the two sectors where monetary entry conditions are most pronounced. In telecoms, the mobile-network licence fee of US\$137 million and spectrum-access charges of roughly US\$2.96 million per MHz illustrate the size of initial commitments for national operators, while the annual licence and USF charge of 3.5% of gross turnover represents an ongoing percentage-based cost. At the other end of the spectrum, a community-level ISP licence can be obtained for US\$50, indicating a highly tiered licensing structure. In financial services, the principal upfront condition is the minimum-capital requirement US\$30 million for a commercial bank and around US\$5000 for a deposit-taking microfinance bank paired with comparatively modest fixed annual licence fees.

*Table 21: Regulatory-cost benchmarks – telecoms vs financial services*

| Regulatory instrument         | Telecoms sector                                      | Financial-services sector                                         |
|-------------------------------|------------------------------------------------------|-------------------------------------------------------------------|
| <b>Highest upfront cost</b>   | US\$137 million (national mobile-network licence)    | US\$30 million (commercial-bank minimum capital)                  |
| <b>Recurring annual fee</b>   | 3.5% of gross turnover (licence fee + USF)           | US\$20,000 (commercial-bank annual licence fee)                   |
| <b>Spectrum/access fee</b>    | ~US\$2.96 million per MHz (one-time spectrum access) | Not applicable                                                    |
| <b>Lower-tier access cost</b> | US\$50 (community-ISP licence)                       | US\$5,000 (minimum capital for deposit-taking micro-finance bank) |

Source: Author's compilation

Taken together, Tables 18–21 provide a consolidated view of how telecoms, mining, manufacturing, and financial services differ in revenue-capture mechanisms, tax friction, investment incentives, and regulatory cost. These scorecards underpin the domestic effective-burden comparisons used later in the report and provide a bridge to the regional benchmarking in Section 3.2.

### 3.2. Regional Benchmarking (Telecoms)

Section 3.2 extends the analysis to a regional peer group comprising Kenya, Malawi, Uganda, Tanzania, and Zambia, benchmarking Zimbabwe's telecom tax, and regulatory framework against alternative models in the region. The selection of Kenya, Malawi, Uganda, Tanzania, and Zambia as comparator countries is guided by both analytical relevance and data integrity considerations. First, these countries form part of Zimbabwe's immediate regional and sub-regional peer group, ensuring geographic proximity and exposure to broadly similar macroeconomic, demographic, and infrastructure constraints.

Second, their telecommunications markets exhibit comparable structural characteristics, including a small number of nationwide mobile network operators, similar levels of market concentration, and a shared reliance on mobile broadband as the primary access technology.

Third, the selected countries operate under broadly comparable spectrum assignment and pricing frameworks, typically characterised by administrative licensing, multi-band mobile allocations, and periodic renewal or re-farming processes, allowing for meaningful comparison of spectrum-related fiscal and regulatory charges.

Fourth, their fiscal treatment of telecommunications reflects similar tax base design, combining economy-wide instruments with a sector-specific consumption levies, excise duties, and turnover-based regulatory fees, albeit with major differences in rates and structure that are analytically informative.

Finally, these countries were selected on the basis of data availability and reliability. For each comparator, sufficiently detailed and consistent information is available on statutory tax rates, telecom-specific levies, regulatory fees, and spectrum pricing, drawn from regulators, ministries of finance, and international datasets. This ensures that the benchmarking exercise is grounded in verifiable data and supports a like-for-like assessment of telecom-specific fiscal burdens across jurisdictions.

Using a standardised dataset covering profit and consumption taxes, airtime and mobile-money excise structures, turnover-based regulatory fees, customs regimes, and spectrum-pricing models, the section maps the relative intensity and composition of telecom-specific fiscal instruments across countries. This comparative exercise enables a like-for-like assessment of statutory burdens and establishes the empirical basis for the cross-country and regulatory-friction matrix presented in Section 3.2.6.

### 3.2.1. Zimbabwe vs Kenya

This subsection extends the domestic benchmarking in Section 3.1 to a bilateral comparison between Zimbabwe and Kenya, focusing on how the two fiscal systems treat telecommunications over 2010–2024. The discussion follows the structure used in Chapter 2, first, the economy-wide profit and consumption taxes that apply uniformly across sectors; second, telecom-and digital-specific instruments; and third, regulatory fees and investment-related provisions. The aim is to describe the statutory architecture and its evolution rather than to evaluate policy choices.

Table 22 summarises the main economy-wide tax parameters that shape telecom profitability in both countries: corporate income tax (CIT), VAT, capital gains tax (CGT), and dividend withholding tax (WHT) on non-residents.

*Table 22: Core profit and consumption taxes (Zimbabwe Vs Kenya)*

| Instrument                                   | Country  | 2010–2015               | 2016–2019 | 2020                  | 2021–2023 | 2024  | Key observation                                                                             |
|----------------------------------------------|----------|-------------------------|-----------|-----------------------|-----------|-------|---------------------------------------------------------------------------------------------|
| <b>Corporate Income Tax (CIT) – resident</b> | Zimbabwe | 25.0%                   | 25.0%     | 24.0%                 | 24.0%     | 25.0% | Standard CIT at 25% for most of the period, with a temporary reduction to 24% in 2020–2023. |
|                                              | Kenya    | 30.0%                   | 30.0%     | 25.0% (Apr–Dec)       | 30.0%     | 30.0% | Standard CIT at 30% except for a reduction to 25% during part of 2020.                      |
| <b>Standard VAT rate</b>                     | Zimbabwe | 15.0%                   | 15.0%     | 14.5%                 | 15.0%     | 15.0% | VAT is broadly stable, with a temporary reduction to 14.5% during 2020–2022.                |
|                                              | Kenya    | 16.0%                   | 16.0%     | 14.0% (Apr–Dec)       | 16.0%     | 16.0% | VAT remains 1 percentage point above Zimbabwe's, with a temporary cut to 14% in 2020.       |
| <b>Capital Gains Tax (CGT)</b>               | Zimbabwe | 20.0% (general)         | 20.0%     | 20.0%                 | 20.0%     | 20.0% | CGT on specified assets remains at 20% throughout.                                          |
|                                              | Kenya    | 0.0% → 5.0% (from 2015) | 5.0%      | 5.0%                  | 5.0%      | 15.0% | CGT is reintroduced at 5% in 2015 and increased to 15% from 2023.                           |
| <b>WHT on dividends (non-resident)</b>       | Zimbabwe | 15.0% (typical)         | 15.0%     | 15.0%                 | 15.0%     | 15.0% | WHT on non-resident dividends is broadly stable at 15%.                                     |
|                                              | Kenya    | 10.0%                   | 10.0%     | 15.0% (from Apr 2020) | 15.0%     | 15.0% | WHT on non-resident dividends rises from 10% to 15% from 2020.                              |

**Notes:** 1. COVID-19 Adjustments (2020): Both jurisdictions utilised fiscal policy as a counter-cyclical tool in 2020. Zimbabwe reduced CIT to 24% and VAT to 14.5%, while Kenya implemented deeper, short-term cuts (CIT to 25%, VAT to 14%) which were reversed in 2021. 2. Kenya CGT Shift: Kenya operated without a Capital Gains Tax until 2015. The increase to 15% in the Finance Act 2022 represents a significant policy shift toward taxing capital accumulation, narrowing the gap with Zimbabwe's 20% rate. 3. CIT Basis: Rates shown are for resident corporations. Zimbabwe includes the 3% AIDS Levy on CIT tax payable, effectively raising the effective rate, whereas Kenya's 30% is a flat headline rate

**Source:** Author's compilation based on Zimbabwe Finance Acts (2010–2024) and Kenya Finance Acts (2010–2024); ZIMRA and KRA statutory tax schedules.

From a telecom-sector perspective, both jurisdictions use conventional CIT and VAT frameworks with short-lived COVID-19 adjustments. Kenya's standard CIT rate is 5 percentage points higher than Zimbabwe's for most years. CGT and dividend WHT are more relevant for corporate restructurings and profit repatriation: Zimbabwe maintains a constant 20% CGT and 15% non-resident dividend WHT, while Kenya moves from no CGT to 5% and then to 15%, and aligns its non-resident dividend WHT with Zimbabwe's from 2020 onwards. These settings provide the common fiscal environment within which telecom-specific instruments operate.

Table 23 collates instruments that directly affect telecom service consumption, mobile-money transactions, and digital-service provision: excise and levies on airtime/data, transaction taxes on mobile money, digital-services taxation and handset import duties.

Table 23: Sector-specific levies and transaction taxes (Zimbabwe Vs Kenya)

| Instrument                                                                                                                     | Country  | 2010–2012                                          | 2013–2017                                  | 2018–2020                          | 2021–2022                                              | 2023–2024                                              | Key observation                                                                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------|----------|----------------------------------------------------|--------------------------------------------|------------------------------------|--------------------------------------------------------|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Airtime / data consumption tax (excise / levy)</b>                                                                          | Zimbabwe | 0.0%                                               | 5.0% → 10.0% (health levy added from 2017) | 10.0%                              | 10.0%                                                  | 10.0%                                                  | 5% airtime excise from 2014/15 and a 5% health levy from 2017there is a combined 10% rate on airtime and mobile data.                                                                    |
|                                                                                                                                | Kenya    | N/A → 10.0% (from 2013)                            | 10.0%                                      | 15.0%                              | 20.0% → 15.0%                                          | 15.0%                                                  | Airtime/data excise starts at 10%, increases to 15% (2018) and to 20% (2021–2022), and is then reduced to 15% from 2023.                                                                 |
| <b>Mobile-money transaction tax (fee/value base)</b>                                                                           | Zimbabwe | N/A                                                | N/A → 2.0% IMTT on value (from 2018)       | 2.0%                               | 2.0%                                                   | 2.0%                                                   | IMTT at 2% applies on the value of electronic transfers, including mobile-money, across sectors.                                                                                         |
|                                                                                                                                | Kenya    | N/A → 10.0% excise on transaction fees             | 10.0% → 12.0% (excise on transaction fees) | 12.0% (excise on transaction fees) | 12.0% (excise on transaction fees)                     | 15.0% (excise on transaction fees)                     | Kenya applies excise on the fees charged for mobile-money transactions, with the rate rising to 15% by 2023.                                                                             |
| <b>Digital-services tax (DST on Non – resident digital services providers)</b><br><br><b>Does not apply to local entities)</b> | Zimbabwe | N/A                                                | N/A                                        | N/A                                | N/A                                                    | N/A                                                    | Zimbabwe has a standalone digital services tax for non-residents. (CIT&VAT).                                                                                                             |
|                                                                                                                                | Kenya    | N/A                                                | N/A                                        | N/A                                | 1.5% DST on gross turnover (non-resident providers)    | 3.0% effective SEP rate                                | Kenya introduces a DST in 2021 for non-resident digital-service providers, later evolving into a Significant Economic Presence regime with a 3% rate.                                    |
| <b>Handset import duty (effective)</b>                                                                                         | Zimbabwe | ≈25% customs duty                                  | ≈25%                                       | ≈25%                               | ≈25%                                                   | ≈25%                                                   | Imported handsets are generally subject to about 25% customs duty over the period; from 2021 a separate handset levy applies when duty cannot be verified (Chapter 2).                   |
|                                                                                                                                | Kenya    | CET base 0%; stay of application allows up to ≈25% | Same                                       | Same                               | Same                                                   | Same                                                   | Under the EAC CET, mobile phones are nominally duty-free, but Kenya is able to apply higher rates (up to about 25%) under stays of application, implying a similar effective duty range. |
| <b>Telecommunications Traffic Monitoring System (TTMS)</b>                                                                     | Zimbabwe | N/A                                                | N/A                                        | N/A                                | \$0.06 per minute international incoming voice traffic | \$0.06 per minute international incoming voice traffic | Introduced in June 2022, applies on international incoming voice traffic                                                                                                                 |
|                                                                                                                                | Kenya    | N/A                                                | N/A                                        | N/A                                | N/A                                                    | N/A                                                    | Kenya does not have a Telecommunication Traffic Monitoring System charge.                                                                                                                |

**Notes:** 1. A hypothetical transfer of USD 100 illustrates the stark difference in tax incidence between the two jurisdictions. In Zimbabwe, the 2% Intermediated Money Transfer Tax (IMTT) is levied on the principal value of the transaction, resulting in a tax liability of USD 2.00 regardless of the operator's charges. Conversely, Kenya's 15% Excise Duty applies solely to the service fee charged by the operator; assuming a standard fee of USD 1.00, the resulting tax is only USD 0.15. Consequently, despite a headline rate that appears significantly lower (2% vs. 15%), the actual fiscal collection in Zimbabwe is over 13 times higher than in Kenya for the same transaction.

2. This disparity demonstrates that the definition of the tax base is a more critical determinant of fiscal burden than the statutory rate. By taxing the principal, Zimbabwe's IMTT functions as a de facto levy on capital flow and financial velocity, whereas Kenya's excise remains a conventional consumption tax on the service of moving money. The structural design in Zimbabwe effectively penalizes the movement of liquidity, creating a fiscal burden that is disproportionate to the cost of the service provided, transforming the tax from a fee on value-added services into a tax on the value itself.

3. Finally, the economic scope of these instruments diverges significantly. Zimbabwe's IMTT is a broad-based, non-recoverable final tax affecting all electronic transactions including banking, mobile money, and ZIPIT which creates a cascading effect that inflates prices throughout the supply chain as goods move from producer to retailer. In contrast, Kenya's measure is targeted specifically at money transfer services, minimising systemic distortion. Thus, while Kenya taxes the service revenue of the operator, Zimbabwe effectively taxes the broader economy's liquidity.

**Source:** Author's compilation based on Zimbabwe Finance Acts (2010–2024) and Kenya Finance Acts (2010–2024); ZIMRA and KRA statutory tax schedules

The airtime/data rows highlight different paths to similar policy objectives. Zimbabwe introduces a 5% airtime excise duty and later adds a 5% health levy earmarked for the health fund, resulting in a flat 10% charge on airtime and data from 2017 onwards. Kenya uses a single excise duty with a rate that is adjusted several times: initial 10%, then 15%, then 20%, and finally 15%. By 2024, Kenya's airtime/data excise rate (15%) is higher than Zimbabwe's combined 10%, with Zimbabwe's amount includes an earmarked component.

Mobile money taxation presents the sharpest structural divergence between the two jurisdictions, driven fundamentally by the definition of the tax base rather than the statutory rate. Zimbabwe's IMTT (2%) is applied to the principal transaction value across all electronic payment platforms. Although legally a general tax on financial flows rather than a sector-specific telecom levy, its broad application to the transfer of funds transforms it into a systemic tax on liquidity and capital movement. In contrast, Kenya's approach is to levy Excise Duty solely on the service fees charged by mobile money providers. While the statutory rate is significantly higher rising from 10% to 15%, the tax base is limited to the operator's fee rather than the full transaction value exponentially narrower. Consequently, whereas Kenya's regime functions as a standard consumption tax on specific services, Zimbabwe's regime functions as a high-yield tax on the velocity of money itself.

Digital-services taxation represents another point of divergence. Zimbabwe's framework has a separate, digital services tax for non-residents which is embedded in the CIT and VAT legislation, Kenya introduces a DST on non-resident digital-service providers around 2021 and transitions to an SEP regime, assigning a 3% tax on the in-scope gross turnover. This mainly affects over-the-top and platform providers rather than network operators but forms part of the broader digital-economy tax environment.

Finally, handset import duties are broadly comparable in effective range once Kenya's stays of application are considered. Zimbabwe's data shows a consistent 25% customs duty on handsets over the period, whereas Kenya's formal CET rate is 0% but can be supplemented by higher duties through temporary derogations. Zimbabwe adds a device-activation handset levy from 2021 where import duty cannot be verified, which has no direct counterpart in Kenya.

Regulatory charges and investment incentives determine how far telecom-sector cash flows are affected by non-tax para-fiscal obligations and how capital-intensive projects are treated for tax purposes. Table 24 sets out the main elements, converting Kenyan shilling amounts to US dollars using the Central Bank of Kenya 2016 average exchange rate (KES 101.5 per US\$1) for comparability with Zimbabwe's US-denominated fees.

Table 24: Regulatory cost and investment incentives (Zimbabwe Vs Kenya)

| Instrument                                             | Zimbabwe (Chapter 2)                                                                                                                                                                  | Kenya (detailed data)                                                                                                                                                                                                                                                                                  | Structural implication                                                                                                                                                                                                         |
|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Initial licence fee – major MNO</b>                 | US\$137,000,000 for a 20-year mobile-network licence under the legacy regime.                                                                                                         | KSh 15,000,000 one-off fee (≈US\$147,800 at the 2016 CBK average rate).                                                                                                                                                                                                                                | When expressed in US dollars, the upfront payment for a national mobile-network licence in Zimbabwe is far larger than the indicative one-off network-facilities fee in Kenya.                                                 |
| <b>Annual licence fee (% of gross annual turnover)</b> | 2.0% of gross annual turnover for major licence categories (MNOs, fixed operators, IAP-A/B, national ISP, network facilities, and services, MVNOs).                                   | 0.4% of Gross Annual Turnover for Tier 1 Network Facilities Providers, with similar percentages for key non-infrastructure-based service providers and minimum absolute fees.                                                                                                                          | Zimbabwe's annual licence percentage is around five times the headline Kenyan rate (2.0% vs 0.4%), before adding the USF levy in each case.                                                                                    |
| <b>USF levy (% of gross annual turnover)</b>           | 0.5% of gross turnover up to 2015; 1.5% from 2016 onwards.                                                                                                                            | 0.5% of Gross Annual Turnover from 2013.                                                                                                                                                                                                                                                               | For large operators, Zimbabwe's combined licence + USF charge is 2.5% of turnover up to 2015 and 3.5% from 2016, compared with approximately 0.9% (0.4% + 0.5%) in Kenya.                                                      |
| <b>Telecom-relevant investment incentives</b>          | No telecom-specific CIT reductions or customs-rebate schemes identified; telecom operators rely on general capital allowances and loss-carry-forward rules that apply to all sectors. | Targeted measures including a 10% CIT rate for qualifying Special Economic Zone (SEZ) enterprises for the first 10 years (15% for the next 10 years), zero-rated VAT on locally assembled handsets, and specific capital-allowance rules (e.g., 10% per annum on certain telecom equipment and fibre). | Kenya's framework includes several provisions that can reduce effective tax costs for ICT/telecom-related investment under defined conditions, while Zimbabwe applies largely uniform economy-wide rules to telecom operators. |

**Source:** Author's compilation based on Zimbabwe Finance Acts (2010–2024) and Kenya Finance Acts (2010–2024); ZIMRA and KRA statutory tax schedules

The regulatory-fee rows show that both countries rely on turnover-based licence and USF charges, but the levels and structure differ. In Zimbabwe, the legacy mobile and fixed network licences attract large fees, and, for the main licence categories, recurring fees calculated as percentages of gross turnover: 2% for the annual licence fee and 1.5% for USF from 2016. In Kenya, the Communications Authority applies a 0.4% annual licence fee on gross turnover plus a 0.5% USF levy, with specified minimum absolute payments by tier. When expressed in percentage-of-turnover terms, Zimbabwe's recurring regulatory charge on major operators is therefore higher, while Kenya's schedule uses smaller percentages but minimum KSh amounts to ensure a floor contribution.

Investment-related provisions also diverge. Zimbabwe's telecom operators benefit from capital-allowance and loss-carry-forward rules that are shared with other sectors, but there are no telecom-specific CIT rate reductions or customs-rebate schemes in the period covered. By contrast, the Kenyan data record a range of ICT-relevant incentives: reduced CIT rates for qualifying SEZ enterprises, zero-rating of VAT on locally assembled handsets and specific capital-allowance rates for telecom equipment and fibre. These measures can alter the after-tax return on network investment under specified conditions, particularly where operators or vendors structure activity through SEZ or local-assembly channels.

Taken together, the three tables indicate that Zimbabwe and Kenya share broadly similar economy-wide tax architectures, with temporary CIT and VAT reductions in response to COVID-19 and converging CGT and dividend WHT rates in the later years. The principal differences lie in the design and level of telecom-specific instruments and regulatory charges.

Zimbabwe combines a relatively stable stack of sector-linked levies 10% on airtime/data, 2% IMTT on electronic payments, and a 3.5% licence-plus-USF turnover charge for major operators with device and traffic-monitoring instruments introduced in the 2020s. Kenya, by contrast, relies more on excise-based taxation of airtime/data and mobile-money fees, complements this with a DST/SEP regime for non-resident digital providers, and applies a lower combined turnover-based regulatory charge together with some targeted investment incentives.

These differences will be incorporated into the cross-country Telecom Effective Tax Burden Index and the regional regulatory-friction scorecard in Section 3.2.6, where Zimbabwe's position is benchmarked not only against Kenya but also against Malawi, Uganda, Tanzania, and Zambia.

### 3.2.2. Zimbabwe vs Malawi

This subsection compares Zimbabwe's fiscal and regulatory environment for telecommunications with that of Malawi over 2010–2024. As before, the discussion proceeds from economy-wide profit and consumption taxes to sector-specific levies, and then to regulatory fees and investment incentives. The focus is on the structure and evolution of the instruments rather than their desirability.

Table 25 summarises the main profit and consumption taxes that apply to telecom operators in both countries: corporate income tax (CIT), VAT, airtime/data excise, and capital-gains taxation.

Table 25: Core profit and consumption taxes (Zimbabwe Vs Malawi)

| Instrument                                   | Country  | 2010–2011                | 2012–2014                    | 2015–2022                | 2023–2024                | Key observation                                                                                                                                                      |
|----------------------------------------------|----------|--------------------------|------------------------------|--------------------------|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Corporate Income Tax (CIT) – resident</b> | Zimbabwe | 25.0%                    | 25.0%                        | 25.0% → 24.0%            | 24.0%–25.0%              | Standard CIT at 25%, with a temporary reduction to 24% from 2020–2023 /                                                                                              |
|                                              | Malawi   | 30.0%                    | 33.0% (mobile telecoms)      | 30.0%                    | 30.0%                    | Malawi's 30% standard rate is consistently above Zimbabwe's; for a period, mobile operators faced a higher sector-specific rate of 33%.                              |
| <b>Standard VAT rate</b>                     | Zimbabwe | 15.0%                    | 15.0%                        | 15.0% → 14.5%            | 15.0%                    | VAT is broadly stable, with a short reduction to 14.5% around 2020–2022.                                                                                             |
|                                              | Malawi   | 16.5%                    | 16.5%                        | 16.5%                    | 16.5%                    | Malawi maintains a constant VAT rate of 16.5%, slightly above Zimbabwe's 15%.                                                                                        |
| <b>Airtime / data excise duty</b>            | Zimbabwe | 0.0%                     | 5.0% → 10.0% (from 2017)     | 10.0%                    | 10.0%                    | Airtime exercise is introduced at 5% and later combined with a 5% health levy, giving a 10% charge on airtime and data.                                              |
|                                              | Malawi   | 0.0%                     | 0.0% → 10.0% (from Jul 2015) | 10.0%                    | 7.5%                     | An excise on airtime is introduced at 10% in 2015 and reduced to 7.5% from 2023, making Malawi's current rate the lowest among the regional peers considered so far. |
| <b>Capital Gains Tax (CGT)</b>               | Zimbabwe | 20.0%                    | 20.0%                        | 20.0%                    | 20.0%                    | CGT on specified assets remains at 20%.                                                                                                                              |
|                                              | Malawi   | Taxed under income (30%) | Taxed under income (30%)     | Taxed under income (30%) | Taxed under income (30%) | Malawi does not operate a separate CGT rate; gains are taxed under the standard 30% income-tax framework.                                                            |

**Source:** Author's compilation based on Zimbabwe Finance Acts; Malawi Taxation Act (Cap 41:01), Malawi VAT Act (Cap 42:01), and Malawi Customs and Excise Act.

In profit-tax terms, Malawi applies a consistently higher CIT rate than Zimbabwe, and for part of the period mobile telecoms face an even higher sector-specific 33% rate. This implies that, holding tax base rules constant, Malawian mobile operators face a higher statutory profit-tax rate than their Zimbabwean counterparts. VAT exhibits the opposite pattern to airtime excise: Malawi's standard VAT rate (16.5%) is marginally higher than Zimbabwe's (15%), but Malawi's current airtime excise rate (7.5%) is below Zimbabwe's combined 10% airtime and health levies. Capital gains are taxed at a standalone rate in Zimbabwe and at the general income-tax rate in Malawi.

Table 26 brings together levies and withholding mechanisms that are specific to telecoms or closely linked to telecom operations, such as USF contributions, customs treatment of handsets and equipment, withholding on local services and skills levies.

*Table 26: Sector-specific levies and transaction taxes (Zimbabwe Vs Malawi)*

| Instrument                                                 | Country  | 2010–2018               | 2019–2024                                                 | Key observation                                                                                                                                                                           |
|------------------------------------------------------------|----------|-------------------------|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>USF levy (% of gross revenue)</b>                       | Zimbabwe | 0.5% → 1.5% (from 2016) | 1.5%                                                      | The USF levy rises from 0.5% to 1.5% of gross turnover in 2016 for major licence classes.                                                                                                 |
|                                                            | Malawi   | 0.0%                    | 3.0% (from 2019)                                          | Malawi introduces a 3.0% USF levy on gross revenue from 2019; this is double Zimbabwe's USF rate and represents the highest standalone USF percentage in the current regional comparison. |
| <b>Handset / equipment customs duty</b>                    | Zimbabwe | ≈25% duty               | ≈25% duty + US\$50 handset levy                           | Imported handsets face around 25% customs duty across the period, with a US\$50 handset levy added at SIM registration where import duty cannot be verified.                              |
|                                                            | Malawi   | 0.0%                    | 0.0%                                                      | Malawi applies 0% customs duty on mobile equipment and handsets, reducing tax-related cost on terminal devices relative to Zimbabwe.                                                      |
| <b>Annual numbering fee (per number)</b>                   | Zimbabwe | ≈US\$0.05               | ≈US\$0.05                                                 | Numbering fees are nominal (about five US cents per subscriber number per year).                                                                                                          |
|                                                            | Malawi   | N/A                     | MWK 120 (≈US\$0.15 in 2021)                               | Malawi's per-number annual fee, at MWK 120, is roughly three times Zimbabwe's nominal level when converted at 2021 exchange rates.                                                        |
| <b>Telecommunications Traffic Monitoring System (TTMS)</b> | Zimbabwe | N/A                     | \$0.06 per minute of international incoming voice traffic | Introduced in June 2022, applies on international incoming voice traffic                                                                                                                  |
|                                                            | Malawi   | N/A                     | N/A                                                       | Malawi does not have Telecommunication Traffic Monitoring System charge.                                                                                                                  |

**Source:** Author's compilation based on Zimbabwe Finance Acts; Malawi Taxation Act (Cap 41:01), Malawi VAT Act (Cap 42:01), and Malawi Customs and Excise Act.

The USF row illustrates a key difference in how turnover-based sectoral levies are deployed. Zimbabwe combines a 1.5% USF levy with a separate 2.0% annual licence fee (discussed in Table 31), while Malawi's telecom-specific schedule shows a 3.0% USF levy on gross revenue from 2019 and does not record a percentage-of-turnover licence fee. In practice, this means that Malawi's USF alone is higher than Zimbabwe's USF portion, even though the total regulatory turnover charge in Zimbabwe (licence + USF) is slightly higher overall.

Customs treatment of network equipment and handsets also differs markedly. Zimbabwe retains positive customs duty of around 25% on handsets, and from 2021 adds a handset levy of up to US\$50 at SIM registration where import duty cannot be confirmed, as described in Chapter 2. Malawi applies a 0% customs duty on mobile equipment and handsets, effectively removing customs as a cost component for terminal equipment, subject to any other applicable charges.

Table 27 provides a structural summary of regulatory cost elements and investment-related incentives where precise monetary amounts are not fully specified in the dataset.

*Table 27: Regulatory cost and investment incentives (Zimbabwe Vs Malawi)*

| Instrument                                           | Zimbabwe (Chapter 2)                                                                                                                                                      | Malawi (detailed data)                                                                                                                                                       | Structural implication (MWK vs USD)                                                                                                                                                                                                                                |
|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Initial license fee (major MNO)</b>               | US\$137,500,000 for a 20-year mobile-network license under the legacy regime.                                                                                             | Amount not disclosed; fees are denominated in Malawi kwacha.                                                                                                                 | Zimbabwe's upfront licence fee is known and large in nominal US-dollar terms. Malawi's corresponding fee is denominated in MWK and therefore more exposed to exchange-rate movements when assessed in US-dollar equivalents.                                       |
| <b>Total annual gross-turnover regulatory burden</b> | 3.5% of gross annual turnover (2.0% licence fee + 1.5% USF for major licence classes from 2016).                                                                          | 3.0% of gross revenue via the USF levy; any percentage-based annual licence fee is not specified in the available schedule.                                                  | In Zimbabwe, the combined licence + USF charge is 3.5% of turnover for major operators; in Malawi, the USF alone is 3.0% of gross revenue, and thus the primary turnover-based regulatory cost where no additional percentage-of-turnover licence fee is recorded. |
| <b>Handset / equipment policy</b>                    | Approx. 25% customs duty on handsets, plus a US\$50 levy at SIM registration where import duty cannot be verified; network equipment treated under general customs rules. | 0% customs duty on mobile equipment and handsets.                                                                                                                            | Malawi's 0% customs-duty policy on handsets and equipment reduces tax-inclusive capital and device costs relative to Zimbabwe's positive duty and handset levy, holding other factors constant.                                                                    |
| <b>Tax incentives</b>                                | General provisions (e.g., capital-allowance regime, six-year loss carry-forward) apply; no telecom-specific CIT or customs-rebate schemes are recorded.                   | General investment allowances and six-year loss carry-forward; certain specialised telecom goods are eligible for customs-duty, excise, and VAT relief, subject to approval. | Both systems offer general investment allowances and similar loss-carry-forward rules, but Malawi also includes conditional customs and VAT relief for specified telecom infrastructure inputs.                                                                    |

**Source:** Author's compilation based on Zimbabwe Finance Acts; Malawi Taxation Act (Cap 41:01), Malawi VAT Act (Cap 42:01), and Malawi Customs and Excise Act

The structural summary shows that, while Zimbabwe's regulatory framework is characterised by high, US-denominated legacy licence fees and a combined 3.5% turnover-based regulatory charge, Malawi's data emphasise a 3% USF levy as the main recurring turnover-linked obligation, with licence-fee percentages not specified. In nominal terms, Zimbabwe's known mobile-licence entry fee is large relative to Malawi's unspecified MWK-denominated fees, but Malawi's USF levy is closer in magnitude to the combined Zimbabwean charge than the Kenya comparison in Section 3.2.1.

On the investment side, both countries provide standard corporate tax allowances and similar time-limits for carrying forward tax losses. However, the Malawi dataset explicitly records customs, excise and VAT relief for specialised telecom goods when approved, whereas Zimbabwe's telecom sector appears to rely more on the general tax code without additional sector-specific customs-rebate provisions. Combined with Malawi's 0% customs duty on handsets and equipment, this suggests a structurally lower tax component in the cost of importing telecom infrastructure and devices, conditional on approval of the relevant schemes.

Relative to Zimbabwe, Malawi presents a mixed picture from a telecom-taxation standpoint. At the profit-tax level, Malawian mobile operators face higher statutory CIT rates (30%, and at one point 33% for mobile telecoms) and a slightly higher VAT rate of 16.5%. At the consumption-tax level, Malawi's airtime excise has moved from 10% to 7.5%, yielding a lower current rate than Zimbabwe's combined 10% airtime and health levies. On the regulatory side, Zimbabwe combines a 2.0% annual licence fee with a 1.5% USF levy (for 3.5% of turnover), while Malawi's schedule records a 3.0% USF levy as the main turnover-based charge, with percentage-based licence fees not quantified. Customs and equipment policies move in opposite directions: Zimbabwe retains positive customs duty on handsets and adds a handset levy from 2021, whereas Malawi applies a 0% customs rate on telecom equipment and handsets and provides specific exemptions for approved infrastructure inputs.

These differences will be incorporated into the cross-country Telecom Effective Tax Burden Index and the regional regulatory friction scorecard in Section 3.2.6, alongside the Kenya comparison and subsequent benchmarks for Uganda, Tanzania, and Zambia.

### 3.2.3. Zimbabwe vs Uganda

This subsection compares the fiscal and regulatory environment for telecommunications in Zimbabwe and Uganda over 2010–2024. As in the preceding country comparisons, the focus is on (i) core profit and consumption taxes, (ii) sector-specific levies and transaction-based charges, and (iii) regulatory fees and investment-related provisions. The objective is to describe the statutory structure and its evolution rather than to assess policy choices.

Table 28 sets out the main economy-wide tax parameters that apply to telecom operators in each country: corporate income tax (CIT), VAT, excise on airtime/data and digital-services taxation.

*Table 28: Core profit and consumption taxes (Zimbabwe Vs Uganda)*

| Instrument                                                                                                      | Country  | 2010–2017                | 2018–2020     | 2021–2024        | Key observation                                                                                        |
|-----------------------------------------------------------------------------------------------------------------|----------|--------------------------|---------------|------------------|--------------------------------------------------------------------------------------------------------|
| <b>Corporate Income Tax (CIT) – resident</b>                                                                    | Zimbabwe | 25.0%                    | 25.0% → 24.0% | 24.0% -25.0%     | Standard CIT around 25%, with a temporary reduction to 24% from 2020 to 2023. .                        |
|                                                                                                                 | Uganda   | 30.0%                    | 30.0%         | 30.0%            | Uganda maintains a stable 30% CIT rate throughout, higher than Zimbabwe's 24–25% range.                |
| <b>Standard VAT rate</b>                                                                                        | Zimbabwe | 15.0%                    | 15.0% → 14.5% | 15.0%            | VAT at 15%, with a short-lived reduction to 14.5% around 2020–2022.                                    |
|                                                                                                                 | Uganda   | 18.0%                    | 18.0%         | 18.0%            | Uganda's standard VAT rate is 18%, the highest among the countries compared so far.                    |
| <b>Airtime / data excise duty (excluding SIM / OTT)</b>                                                         | Zimbabwe | 0.0% → 10.0% (from 2017) | 10.0%         | 10.0%            | Airtime excise plus health levy result in a combined 10% charge on airtime and data from 2017 onwards. |
|                                                                                                                 | Uganda   | 12.0%                    | 12.0%         | 12.0%            | Uganda applies a stable 12% excise on airtime across the period, slightly higher than Zimbabwe's 10%.  |
| <b>Digital-services tax (DST) on Non-resident digital services providers. Does not apply to local entities.</b> | Zimbabwe | N/A                      | N/A           | N/A              | Zimbabwe has a standalone digital services tax for non-residents. (CIT & VAT)                          |
|                                                                                                                 | Uganda   | N/A                      | N/A           | 5.0% (from 2023) | Uganda introduces a 5% DST on non-resident digital-services providers from 2023.                       |

**Source:** Author's compilation based on Zimbabwe Finance Acts (2010–2024) and ZIMRA schedule; Uganda Income Tax Act (Cap 340), Value Added Tax Act (Cap 349), Excise Duty Act 2014 (and subsequent Amendment Acts 2018, 2021, 2023).

From a profit-tax perspective, Uganda applies a consistently higher CIT rate (30%) than Zimbabwe, where CIT moves between 24% and 25% during the period. Uganda also maintains a higher standard VAT rate at 18%, compared with Zimbabwe's 15%. For operators with similar tax bases, this translates into a structurally higher profit- and consumption-tax backdrop in Uganda.

On the consumption side, both countries apply excise-type taxes on airtime and data. Zimbabwe's combined airtime excise and health levy reaches 10% from 2017, while Uganda levies a 12% excise on airtime throughout, implying a somewhat higher headline rate on this component in Uganda. Uganda additionally introduces a 5% DST on non-resident digital services from 2023, whereas Zimbabwe introduced DS legislation from 2019 on non-resident digital services providers.

Table 29 summarises key instruments that affect digital transactions and SIM usage, including mobile-money taxes, SIM-related charges and customs treatment of handsets and equipment.

*Table 29: Sector-specific levies and transaction taxes (Zimbabwe Vs Uganda)*

| Instrument                                                 | Country  | 2010–2017                                   | 2018–Jul 2021                                          | Jul 2021–2024                                              | Key observation                                                                                                                                                                                                   |
|------------------------------------------------------------|----------|---------------------------------------------|--------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Mobile-money transaction tax</b>                        | Zimbabwe | N/A                                         | 2.0% IMTT on value                                     | 2.0% IMTT on value                                         | IMTT applies at 2% on the value of electronic transfers, including mobile-money payments. (capped IMTT of US\$10250.00)                                                                                           |
|                                                            | Uganda   | 15% on money transfer / withdrawal services | 0.5% on withdrawals                                    | 0.5% on withdrawals                                        | Uganda initially taxes money-transfer and withdrawal services at 15%, then replaces this with a 0.5% tax on withdrawals only. Zimbabwe's instrument is value-based; Uganda's is focused on cash-out transactions. |
| <b>SIM usage / registration tax</b>                        | Zimbabwe | N/A                                         | N/A                                                    | US\$50 handset-compliance levy                             | Zimbabwe introduces a US\$50 levy at SIM registration when handset import duty <i>cannot be verified, as described in Chapter 2</i> .                                                                             |
|                                                            | Uganda   | N/A                                         | UGX 200 per day OTT tax on selected social-media usage | 12% excise on SIM card (replacing OTT tax)                 | Uganda initially imposes an over-the-top (OTT) tax on social-media usage (UGX 200 per day) and later replaces this with a 12% excise on SIM cards, shifting the tax base from specific apps to SIM access.        |
| <b>Handset / equipment customs duty</b>                    | Zimbabwe | ≈25% duty                                   | ≈25% duty                                              | ≈25% duty + US\$50 levy                                    | Handsets are subject to customs duty of about 25% across the period, with the handset-compliance levy added from 2021 where import duty cannot be confirmed.                                                      |
|                                                            | Uganda   | EAC CET (≈0% on equipment)                  | EAC CET (≈0%)                                          | EAC CET (≈0% on equipment)                                 | Uganda follows the EAC CET framework with an effective 0% customs duty on most telecom equipment, including many network items, reducing the tax component in hardware costs.                                     |
| <b>Telecommunications Traffic Monitoring System (TTMS)</b> | Zimbabwe | N/A                                         | N/A                                                    | \$0.06 per minute of international incoming voice traffic. | Introduced in June 2022, applies on international incoming voice traffic                                                                                                                                          |
|                                                            | Uganda   | N/A                                         | N/A                                                    |                                                            | Uganda does not have Telecommunications Traffic Monitoring System charge.                                                                                                                                         |

**Source:** Author's compilation based on Zimbabwe Finance Acts (2010–2024) and ZIMRA schedule; Uganda Income Tax Act (Cap 340), Value Added Tax Act (Cap 349), Excise Duty Act 2014 (and subsequent Amendment Acts 2018, 2021, 2023).

The treatment of mobile-money transactions shows different design choices. Zimbabwe's IMTT functions as an economy-wide transaction tax levied on the full value of electronic transfers (including mobile-money), at a uniform 2% rate. Uganda's system initially taxes money-transfer and withdrawal services at 15%, a high rate applied to the service component and then shifts to a narrower 0.5% tax on withdrawal transactions only. The difference in base transfer value versus withdrawal amount means that the two taxes interact differently with usage patterns, even when headline rates are considered.

SIM and digital-access taxation also differ. In Zimbabwe, the US\$50 handset-compliance levy is charged at SIM registration for devices where import duty documentation cannot be verified and operates as a secondary compliance mechanism for handset imports. Uganda, by contrast, first experiments with an OTT tax levied per day of social-media usage (UGX 200), then replaces this with a 12% excise on SIM cards, moving the incidence from specific applications to the SIM product itself.

For hardware, Uganda's adherence to a 0% customs-duty rate on most telecom equipment under the EAC CET implies that network hardware and many devices enter at low or zero customs duty, although VAT and other charges may still apply.

Zimbabwe maintains around 25% customs duty on handsets and general customs rules on equipment, with the handset-compliance levy in lieu of customs evidence. As a result, the customs-duty component in hardware costs is structurally lower in Uganda than in Zimbabwe, holding other factors constant.

Table 30 compares the regulatory cost structure and investment-related aspects of the two regimes, focusing on initial licence fees, turnover-based charges, and customs policy on equipment.

Table 30: Regulatory cost and investment incentives (Zimbabwe Vs Uganda)

| Instrument                                           | Zimbabwe (Chapter 2)                                                                                                                                          | Uganda (detailed data)                                                                                                                           | Structural implication (USD denomination)                                                                                                                                                                                         |
|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Initial license fee (major national operator)</b> | US\$137,000,000 for a 20-year mobile-network license under the legacy regime.                                                                                 | About US\$21,300,000 for a 20-year major national operator license under the 2020 license restructure.                                           | Uganda's initial license fee is substantial in absolute terms but lower than the legacy mobile-license fee recorded for Zimbabwe when expressed in US dollars.                                                                    |
| <b>Annual licence fee (general)</b>                  | 2.0% of gross annual turnover (GAT) for major licence categories (MNOs, fixed operators, IAP-A/B, network facilities and services, national ISP, MVNOs).      | Not recorded as a general percentage of GAT; earlier fixed fees were replaced post-2020 by a renewal-fee formula based on prior revenues.        | Zimbabwe applies a clear 2% of GAT as an annual licence fee. In Uganda, the recurring regulatory charge is captured partly through the renewal-fee mechanism rather than a single fixed annual percentage.                        |
| <b>USF levy (% of GAT)</b>                           | 1.5% of GAT for major licence categories from 2016 onwards.                                                                                                   | 2.0% of GAT.                                                                                                                                     | Uganda's USF levy is 0.5 percentage points higher than Zimbabwe's, at 2% vs 1.5% of GAT.                                                                                                                                          |
| <b>Total annual GAT-based regulatory burden</b>      | 3.5% of GAT (2.0% licence fee + 1.5% USF for major operators).                                                                                                | ≈2.0% of GAT through the USF levy plus a formula-based renewal fee (noted as approximately 1.84% of prior-period revenue in the available data). | Zimbabwe's percentage-of-turnover burden is expressed as a stable 3.5% for major operators. Uganda's effective burden combines a 2% USF levy with a renewal-fee formula, making the overall rate more dependent on past revenues. |
| <b>Handset / equipment policy</b>                    | Approx. 25% customs duty on handsets, A US\$50 levy at SIM registration where import duty cannot be verified; equipment is subject to standard customs rules. | 0% customs duty on most telecom equipment under the EAC CET.                                                                                     | As with Malawi, Uganda's customs-duty treatment reduces the tax component in the cost of telecom hardware relative to Zimbabwe's positive duty and handset-compliance levy.                                                       |

**Source:** Author's compilation based on Zimbabwe Finance Acts (2010–2024) and ZIMRA schedule; Uganda Income Tax Act (Cap 340), Value Added Tax Act (Cap 349), Excise Duty Act 2014 (and subsequent Amendment Acts 2018, 2021, 2023).

The regulatory-cost comparison shows two different ways of structuring turnover-linked contributions. Zimbabwe's regime for major telecom operators is dominated by a known combination of a 2% annual licence fee and a 1.5% USF levy, giving a 3.5% charge on gross turnover in addition to other taxes and levies. Uganda's information indicates a 2% GAT USF levy and a licence-renewal mechanism calibrated to past revenues (cited at around 1.84% of prior-period revenue), which together generate a total contribution of a similar order of magnitude but with a different timing and calculation method.

Initial licence fees are also materially different in scale. Zimbabwe's legacy fee for a 20-year mobile-network licence is reported at US\$137 million, whereas Uganda's 2020 restructured licence fee for a comparable national operator is about US\$21.3 million. In both cases, the amounts are large in absolute terms, but the Ugandan figure is substantially lower when expressed in US dollars.

As in the Malawi comparison, customs policy on telecom equipment differentiates the two systems. Uganda's reliance on 0% customs duty for many telecom equipment categories under the EAC CET lowers the customs component of capital expenditure on network roll-out, while Zimbabwe retains positive customs duty on handsets and standard rules on equipment, together with the handset-compliance levy.

Relative to Zimbabwe, Uganda exhibits a combination of higher general tax rates and a different configuration of sector-specific instruments. On the economy-wide side, Uganda's CIT (30%) and VAT (18%) are consistently above Zimbabwe's 24–25% CIT and 15% VAT, while airtime excise is 12% compared with Zimbabwe's 10% airtime-plus-health levy. Uganda has also adopted a 5% DST on non-resident digital services, whereas Zimbabwe introduced DST legislation from 2019 on non-resident digital services providers.

In terms of digital-specific and regulatory instruments, Zimbabwe applies a general 2% value-based IMTT across electronic transactions, a US\$50 handset-compliance levy at SIM registration in defined cases, 25% handset customs duty and a combined 3.5% turnover-based licence and USF charge. Uganda's framework uses an evolving mix of mobile-money and SIM-related taxes moving from a 15% tax on mobile-money services to a 0.5% withdrawal tax and from an Over-the-top (OTT) tax to a 12% SIM excise alongside a 2% GAT USF levy, a renewal-fee formula and generally 0% customs duty on telecom equipment.

These structural differences will be integrated into the cross-country Telecom Effective Tax Burden Index and the regional regulatory-friction scorecard in Section 3.2.6, where Zimbabwe's cumulative fiscal and regulatory burden is benchmarked against Uganda and the other comparator countries.

### 3.2.4. Zimbabwe vs Tanzania

The Tanzania comparison considers three layers of the telecom fiscal regime: (i) core profit and consumption taxes; (ii) sector-specific levies and transaction-based charges; and (iii) regulatory cost structures and selected tax-friction parameters. The focus is on the structure and evolution of statutory instruments between 2010 and 2024.

Table 31 summarises the main economy-wide tax parameters that apply to telecom operators in both countries: corporate income tax (CIT), VAT, excise on airtime/data, and payroll-based skills levies.

*Table 31: Core profit and consumption taxes (Zimbabwe Vs Tanzania)*

| Instrument                                   | Country  | 2010–2019                | 2020–2023     | 2024  | Key observation                                                                                                                                                                                                                                 |
|----------------------------------------------|----------|--------------------------|---------------|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Corporate Income Tax (CIT) – resident</b> | Zimbabwe | 25.0%                    | 24.0%         | 25.0% | Zimbabwe's CIT rate is broadly stable around 25%, with a temporary reduction to 24% in 2020–2023.                                                                                                                                               |
|                                              | Tanzania | 30.0%                    | 30.0%         | 30.0% | Tanzania maintains a constant 30% CIT rate. In addition, an anti-loss-carry-forward rule sets a minimum chargeable income (30%, rising to 40% from July 2024) irrespective of accumulated tax losses, narrowing the scope for loss utilisation. |
| <b>Standard VAT rate</b>                     | Zimbabwe | 15.0%                    | 14.5% → 15.0% | 15.0% | VAT has been set at 15% for most of the period, with a brief reduction to 14.5%.                                                                                                                                                                |
|                                              | Tanzania | 18.0%                    | 18.0%         | 18.0% | Tanzania's standard VAT rate is 18%, matching Uganda and exceeding Zimbabwe's 15%.                                                                                                                                                              |
| <b>Airtime / data excise duty</b>            | Zimbabwe | 0.0% → 10.0% (from 2017) | 10.0%         | 10.0% | Zimbabwe's telecom-specific consumption charge on airtime and data (excise plus health levy) totals 10% from 2017 onwards.                                                                                                                      |
|                                              | Tanzania | 17.0%                    | 17.0%         | 17.0% | Tanzania applies a 17% excise duty on telecom services over the whole period, the highest airtime-excise rate in the regional comparison.                                                                                                       |

| Instrument                                      | Country  | 2010–2019                                                                                    | 2020–2023 | 2024             | Key observation                                                                                                                                |
|-------------------------------------------------|----------|----------------------------------------------------------------------------------------------|-----------|------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| Skills and development levy (SDL) / payroll tax | Zimbabwe | ≈1.0% of gross payroll (ZIMDEF), in addition to NSSA and standards-development contributions | ≈1.0%     | ≈1.0%            | Zimbabwe levies around 1% of payroll through ZIMDEF as part of its standard employment-related charges.                                        |
|                                                 | Tanzania | 5.0% → 4.5% (from 2016)                                                                      | 4.0%      | 3.5% (from 2023) | Tanzania applies a relatively high SDL on payroll, declining from 5% to 3.5% over the period but remaining above Zimbabwe's payroll-levy rate. |

**Source:** Author's compilation based on Zimbabwe Finance Acts (2010–2024), Manpower Planning and Development Act.; Tanzania Income Tax Act (Cap 332) as amended by Finance Acts 2023/2024; VAT Act (Cap 148); Excise (Management and Tariff) Act (Cap 147); Vocational Education and Training Act (Cap 82) for SDL rates.

Table 31 shows that Tanzania's economy-wide tax parameters are consistently at the upper end of the regional range. CIT is held at 30%, compared with Zimbabwe's 24–25%, and VAT at 18% vs 15%. Airtime excise in Tanzania is 17% throughout, substantially above Zimbabwe's 10% combined airtime and health levy. Tanzania also combines this with a relatively high SDL on payroll, although the rate has been gradually reduced from 5% to 3.5% between 2010 and 2024. Zimbabwe's payroll-levy component is lower (around 1%) but is accompanied by separate social-security and standards-development contributions.

A distinguishing feature on the profit-tax side is Tanzania's "anti-loss-carry-forward" rule, which sets a minimum chargeable income (30%, rising to 40% from July 2024) even where tax losses exist. This mechanism constrains the ability of firms, including telecom operators, to shelter taxable income via accumulated losses relative to a standard loss-carry-forward regime.

Table 32 focuses on telecom-specific levies and digital-economy instruments, including USF and annual licence fees, mobile-money taxation, DST and customs treatment of handsets and equipment.

Table 32: Sector-specific levies and transaction taxes (Zimbabwe Vs Tanzania)

| Instrument                                                   | Country  | 2010–2022                                        | 2023–2024                                                                      | Key observation                                                                                                                                                            |
|--------------------------------------------------------------|----------|--------------------------------------------------|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>USF levy (% of gross annual turnover)</b>                 | Zimbabwe | 0.5% → 1.5% (from 2016)                          | 1.5%                                                                           | Zimbabwe's USF levy increases from 0.5% to 1.5% of GAT for major licence categories from 2016.                                                                             |
|                                                              | Tanzania | 0.3%                                             | 1.25%                                                                          | Tanzania raises its USF levy from 0.3% of GAT to 1.25% in 2023. The combined Tanzanian telecom regulatory burden becomes 2.25% of GAT (1% annual licence fee + 1.25% USF). |
| <b>Annual licence fee (% of GAT)</b>                         | Zimbabwe | 2.0%                                             | 2.0%                                                                           | Zimbabwe applies a 2% licence fee on gross turnover for major operators across the period.                                                                                 |
|                                                              | Tanzania | 1.0%                                             | 1.0%                                                                           | Tanzania charges a 1% annual licence fee on GAT, half the Zimbabwean rate.                                                                                                 |
| <b>Mobile-money transaction tax</b>                          | Zimbabwe | N/A → 2.0% IMTT on transaction value (from 2018) | 2.0% IMTT on value                                                             | IMTT is levied at 2% on the value of electronic transfers, including mobile-money transactions.                                                                            |
|                                                              | Tanzania | N/A                                              | 10% excise on mobile-money service fee (from 2021)                             | Tanzania imposes a 10% excise on the service fee component of mobile-money transactions, rather than on the full transfer value.                                           |
| <b>Digital-services tax (DST) (applies to non-residents)</b> | Zimbabwe | N/A                                              | N/A                                                                            | DST legislation in place but applies to non-residents and is not specific to Telecoms                                                                                      |
|                                                              | Tanzania | N/A                                              | 2% WHT on gross payment to non-resident digital-services suppliers (from 2022) | Tanzania introduces a 2% withholding tax on gross payments for non-resident digital-services provision from July 2022.                                                     |
| <b>Handset / equipment customs duty</b>                      | Zimbabwe | ≈25% customs duty on handsets                    | ≈25% duty + US\$50 handset levy (where duty not verified)                      | Zimbabwe maintains positive customs duty on handsets across the period, with the additional handset-compliance levy applied at SIM registration in specified cases.        |
|                                                              | Tanzania | 25% CET rate on finished handsets                | 25% CET rate on finished handsets                                              | Tanzania applies a 25% common external tariff rate on finished handsets, broadly matching Zimbabwe's customs duty level on terminal devices.                               |
| <b>Telecommunications Traffic Monitoring System (TTMS)</b>   | Zimbabwe | N/A                                              | \$0.06 per minute of international incoming voice traffic                      | Introduced in June 2022, applies on international incoming voice traffic                                                                                                   |
|                                                              | Tanzania | N/A                                              | N/A                                                                            | Tanzania does not have a Telecommunications Traffic Monitoring System charge.                                                                                              |

**Source:** Author's compilation based on Zimbabwe Finance Acts (2010–2024), Manpower Planning and Development Act.; Tanzania Income Tax Act (Cap 332) as amended by Finance Acts 2023/2024; VAT Act (Cap 148); Excise (Management and Tariff) Act (Cap 147); Vocational Education and Training Act (Cap 82) for SDL rates.

The USF and annual-licence rows show that both regulators make use of turnover-based instruments, but at different levels and with different compositions. Zimbabwe's combined charge for major operators is 3.5% of GAT (2% annual licence fee plus 1.5% USF). Tanzania's combined charge after the 2023 adjustment is 2.25% of GAT (1% annual licence fee plus 1.25% USF), implying a lower aggregate turnover-based regulatory burden than Zimbabwe's, but higher than Tanzania's own earlier 1.3% level.

For mobile-money taxation, Zimbabwe's IMTT operates as a broad 2% value-based tax on electronic transfers, with a ceiling of USD 10150.00 per transaction, Tanzania, by contrast, taxes the mobile-money fee at 10% excise from 2021. The effective incidence therefore depends on the fee structure: where fees are a small fraction of the transfer value, the Tanzania instrument will generally translate into a lower effective rate on total transaction value than the 2% IMTT.

Both countries apply a 25% customs duty on finished handsets, meaning that terminal equipment faces similarly high border-tax treatment, in contrast to the 0% customs regimes observed in Malawi and Uganda.

Table 33 compares the regulatory cost structure and investment-related incentives, while Table 34 adds selected tax-friction parameters that are particularly relevant for telecom operations.

*Table 33: Regulatory cost and investment incentives (Zimbabwe Vs Tanzania)*

| Instrument                                                   | Zimbabwe (Chapter 2)                                                                                                                                                             | Tanzania (detailed data)                                                                                                                                                                                                    | Structural implication (USD denomination)                                                                                                                                                                                       |
|--------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Initial licence fee (MNO / major operator)</b>            | US\$137,000,000 for a national MNO licence under the legacy regime.                                                                                                              | US\$600,000 for a national network-services licence (illustrative major-operator tier).                                                                                                                                     | Tanzania's initial licence fee is tiered and substantially lower than Zimbabwe's legacy mobile-licence fee on the order of 200–230 times lower when expressed in US dollars reducing the upfront capital requirement for entry. |
| <b>Total annual regulatory burden on GAT (licence + USF)</b> | 3.5% of gross annual turnover for major operators (2.0% licence + 1.5% USF from 2016).                                                                                           | 2.25% of GAT (1.0% annual licence fee + 1.25% USF from 2023).                                                                                                                                                               | Zimbabwe's turnover-based regulatory charge is 1.25 percentage points higher than Tanzania's current combined charge, for the same form of operator.                                                                            |
| <b>Handset / equipment policy</b>                            | Approx. 25% customs duty on handsets<br>A US\$50 compliance levy at SIM registration where duty cannot be verified; standard customs treatment for most other telecom equipment. | 25% customs duty on finished handsets (CET); relief for some capital-goods categories under investment schemes.                                                                                                             | Both countries maintain relatively high border-tax treatment for finished terminal devices, although Tanzania provides specific relief mechanisms for designated capital goods.                                                 |
| <b>Investment incentives</b>                                 | General corporate allowances and loss-carry-forward rules apply; no dedicated telecom-specific customs rebate or CIT concession is recorded.                                     | Conditional 75% customs-duty relief on approved "deemed capital goods" (e.g., equipment) within investment schemes, subject to tax-authority practice; current interpretation is restrictive for some items such as towers. | Tanzania's policy framework includes explicit customs-relief mechanisms for approved capital goods, whereas Zimbabwe's telecom sector relies primarily on general investment provisions.                                        |

**Source:** Author's compilation based on Zimbabwe Finance Acts (2010–2024), Manpower Planning and Development Act.; Tanzania Income Tax Act (Cap 332) as amended by Finance Acts 2023/2024; VAT Act (Cap 148); Excise (Management and Tariff) Act (Cap 147); Vocational Education and Training Act (Cap 82) for SDL rates.

33 and 34 together show that the regulatory cost architecture differs markedly between the two systems. Zimbabwe combines a high legacy upfront fee with a 3.5% turnover-based annual charge, whereas Tanzania employs a more graduated entry-fee schedule and a lower combined annual turnover levy of 2.25%. At the same time, both systems maintain high customs duty on handsets, and both use standard 15% WHT on many non-resident service payments. Tanzania's lower WHT on resident services (5% vs typical 10% in Zimbabwe) and its conditional customs-relief scheme for "deemed capital goods" provide channels through which investment-related tax friction may be reduced, subject to the approval and interpretation of the revenue authority.

Table 34: Selected tax-friction parameters (Zimbabwe Vs Tanzania)

| Friction point                                                                                                  | Zimbabwe (2010–2024)                                                                | Tanzania (2010–2024)                                                                                  | Implication                                                                                                                                                                                                              |
|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>WHT on local supplies of goods and service (in the absence of a valid tax clearance certificate)</b>         | Was 10% up to 2021 and went up to 30% from 2022.                                    | 5% withholding on resident management and professional-fees payments.                                 | Tanzania's lower WHT rate on resident services reduces the tax wedge on local technical and professional inputs relative to Zimbabwe.                                                                                    |
| <b>WHT on non-resident services</b>                                                                             | Typically, 15% on many cross-border services, royalty, and management-fee payments. | 15% on management fees, professional services, and royalties.                                         | Both countries apply similar WHT rates on many non-resident service payments, implying broadly comparable tax treatment for imported expertise.                                                                          |
| <b>Digital-services tax (DST) on Non-resident digital services providers. Does not apply to local entities.</b> | Zimbabwe has a standalone digital services tax for non-residents.                   | 2% WHT on gross payments to non-resident digital-services providers (from 2022).                      | Tanzania introduces an explicit 2% withholding on gross digital-service payments, adding a dedicated tax point for cross-border digital supply.                                                                          |
| <b>Initial licence barrier</b>                                                                                  | US\$137 million national MNO licence (legacy framework).                            | Tiered, significantly lower initial fees (e.g., US\$600,000 for a national network-services licence). | The magnitude of Zimbabwe's historical upfront licence fee implies a much higher capital threshold at entry than the tiered Tanzanian structure, even though both regimes also rely on recurring turnover-based charges. |

**Source:** Author's compilation based on Zimbabwe Finance Acts (2010–2024), Manpower Planning and Development Act.; Tanzania Income Tax Act (Cap 332) as amended by Finance Acts 2023/2024; VAT Act (Cap 148); Excise (Management and Tariff) Act (Cap 147); Vocational Education and Training Act (Cap 82) for SDL rates.

Relative to Zimbabwe, Tanzania combines high general tax rates (30% CIT, 18% VAT) and the region's highest airtime excise (17%) with a relatively lower turnover-based regulatory burden (2.25% vs Zimbabwe's 3.5% of GAT) and lower withholding on resident services. Both jurisdictions maintain high customs duty on finished handsets, but Tanzania's investment framework includes conditional 75% duty relief for designated capital goods, whereas Zimbabwe's telecom sector primarily relies on general investment allowances.

The overall pattern is that Tanzania's telecom fiscal regime places substantial emphasis on consumption taxation (high excise and VAT), while moderating some of the recurrent sector-specific charges and providing targeted capital-goods incentives. Zimbabwe's regime, in contrast, combines moderate economy-wide tax rates with a higher turnover-based regulatory charge and additional device-level instruments such as the handset compliance levy. These structural differences will be incorporated into the regional Telecom Effective Tax Burden Index and the cross-country regulatory-friction scorecard in Section 3.2.6.

### 3.2.5. Zimbabwe vs Zambia

As before, the analysis distinguishes between: (i) core profit and consumption taxes; (ii) telecom-specific levies and transaction-based instruments; and (iii) regulatory costs and investment-related provisions.

Table 35 presents the principal economy-wide tax rates applicable to telecom operators in the two jurisdictions: corporate income tax (CIT), VAT, and excise on airtime/data.

*Table 35: Core profit and consumption taxes (Zimbabwe Vs Zambia)*

| Instrument                                                 | Country  | 2010–2021                 | 2022–2024                                                 | Key observation                                                                                                                                                                                       |
|------------------------------------------------------------|----------|---------------------------|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Corporate Income Tax (CIT) – resident</b>               | Zimbabwe | 25.0% → 24.0%             | 25.0%                                                     | Zimbabwe's CIT rate moves in a narrow band around 25%, with a temporary reduction to 24% in 2020–2023                                                                                                 |
|                                                            | Zambia   | 30.0%                     | 35.0% (telecoms)                                          | Zambia's current 35% CIT rate for telecoms is the highest profit-tax rate in the five-country sample and materially above Zimbabwe's ~25.75% effective rate.                                          |
| <b>Standard VAT rate</b>                                   | Zimbabwe | 15.0% → 14.5% → 15.0%     | 15.0%                                                     | VAT is broadly stable at 15%, with a brief reduction to 14.5%.                                                                                                                                        |
|                                                            | Zambia   | 16.0%                     | 16.0%                                                     | Zambia maintains a constant 16% VAT rate, close to regional peers and slightly above Zimbabwe's 15%.                                                                                                  |
| <b>Airtime / data excise duty</b>                          | Zimbabwe | 0.0% → 10.0% (from 2017)  | 10.0%                                                     | From 2017, Zimbabwe applies a 10% combined airtime excise and health levy on airtime and mobile data.                                                                                                 |
|                                                            | Zambia   | 10.0% → 15.0% (from 2014) | 17.5% (from 2018)                                         | Zambia's excise rate on airtime/data has increased over time and stands at 17.5% from 2018, the highest telecom consumption-tax rate in the comparison set (above Zimbabwe's 10% and Tanzania's 17%). |
| <b>Telecommunications Traffic Monitoring System (TTMS)</b> | Zimbabwe | N/A                       | \$0.06 per minute of international incoming voice traffic | Introduced in June 2022, applies on international incoming voice traffic                                                                                                                              |
|                                                            | Zambia   | N/A                       | N/A                                                       | Zambia does not have a Telecommunications Traffic Monitoring System charge.                                                                                                                           |

**Source:** Author's compilation based on Zimbabwe Finance Acts (2010–2024) and ZIMRA schedules; Zambia Income Tax Act (Chapter 323), specifically the charging schedules for telecommunications; Value Added Tax Act (Chapter 331); Customs and Excise Act (Chapter 322) as amended by the Mines and Minerals Development (Amendment) Act and Annual Budget Addresses.

The table indicates that Zambia's headline CIT rate for telecoms (35%) is significantly above Zimbabwe's, which lies in the mid-20% range over 2010–2024. Standard VAT rates are closer, at 16% in Zambia and 15% in Zimbabwe. On telecom consumption, Zambia's excise duty on airtime and data has risen progressively from 10% to 15% and then to 17.5% from 2018, making it the highest airtime excise in the five-country sample. Zimbabwe, by contrast, stabilises at 10% from 2017. Taken together, these parameters imply a comparatively higher combined burden on both profit and usage in Zambia, holding other factors constant.

Table 36 summarises the main telecom-specific turnover-based charges and device-related instruments that operate alongside the general tax system.

Table 36: Sector-specific levies and transaction taxes (Zimbabwe Vs Zambia)

| Instrument                                                  | Country  | 2010–2024                                                                                                                  | Key observation                                                                                                                                                                                      |
|-------------------------------------------------------------|----------|----------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Annual GAT regulatory fee (integrated licence + USF)</b> | Zimbabwe | 2.0% licence fee plus 1.5% USF levy (3.5% total for major operators)                                                       | Zimbabwe's regime separates a 2% annual licence fee and a 1.5% USF levy, giving a combined 3.5% GAT-based regulatory charge for major operators.                                                     |
|                                                             | Zambia   | 3.0% (integrated, stable)                                                                                                  | Zambia applies a single integrated 3% fee on gross annual turnover covering licence and USF elements; the rate is slightly below Zimbabwe's 3.5% combined burden but remains high in absolute terms. |
| <b>Handset / equipment customs duty</b>                     | Zimbabwe | ≈25% customs duty on finished handsets; from 2021, plus a US\$50 levy at SIM activation where prior duty is not evidenced. | Customs duty on handsets is around 25%, with an additional handset-compliance levy in specific cases.                                                                                                |
|                                                             | Zambia   | ≈25% customs duty on finished goods under the CET                                                                          | Zambia applies a similar 25% CET rate on finished handsets and other terminal equipment.                                                                                                             |
| <b>Handset-specific levy</b>                                | Zimbabwe | US\$50 levy for devices where duty proof is unavailable (from 2021)                                                        | Handset levy operates as a compliance mechanism at SIM registration.                                                                                                                                 |
|                                                             | Zambia   | N/A                                                                                                                        | No equivalent dedicated handset levy is recorded.                                                                                                                                                    |

**Source:** Author's compilation based on Zimbabwe Finance Acts (2010–2024) and ZIMRA schedules; Zambia Income Tax Act (Chapter 323), specifically the charging schedules for telecommunications; Value Added Tax Act (Chapter 331); Customs and Excise Act (Chapter 322) as amended by the Mines and Minerals Development (Amendment) Act and Annual Budget Addresses.

Both regimes therefore rely on a substantial turnover-based regulatory contribution, with Zambia's 3% integrated fee structurally close to, but slightly below, Zimbabwe's combined 3.5% charge for major operators. In customs treatment, both countries apply around 25% duty on finished handsets; Zimbabwe adds a handset-compliance levy when proof of duty is not available at activation, whereas Zambia does not appear to operate a comparable device-specific charge.

Table 37 compares the main regulatory cost components that shape the fixed and recurrent cost base for operators, including initial licence fees, spectrum fees, and overall turnover-based obligations.

Table 37: Regulatory cost and investment incentives (Zimbabwe Vs Zambia)

| Instrument                                    | Zimbabwe                                                                                                                         | Zambia                                                                                                                                            | Structural implication (USD denomination)                                                                                                                                                  |
|-----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Initial licence fee (national network)</b> | US\$137,000,000 for a national MNO licence.                                                                                      | Approximately US\$63,481 for a national network licence.                                                                                          | The recorded Zimbabwean fee is around 34 times higher than the Zambian initial licence fee, implying a substantially larger upfront capital requirement at the point of entry.             |
| <b>Spectrum fees (structure)</b>              | Approx. US\$3 million per MHz as a one-off access fee for key bands (e.g., 700–900 MHz, 1800–2600 MHz), as set out in Chapter 2. | Tiered fixed fees by band (e.g., US\$12,000,000 for allocations in the 1900–2200 MHz range and US\$155,556 for spectrum in the 880–960 MHz band). | Both regulators treat spectrum as a significant cost item, but the structuring differs: Zimbabwe expresses access prices as per-MHz valuations, while Zambia uses band-specific lump sums. |
| <b>Total annual GAT regulatory burden</b>     | 3.5% of GAT for major operators (2% annual licence fee + 1.5% USF).                                                              | 3.0% of GAT (integrated licence + USF fee).                                                                                                       | Both countries impose high turnover-based charges; Zimbabwe's total rate is 0.5 percentage points above Zambia's integrated 3% fee.                                                        |
| <b>Investment incentives</b>                  | General corporate allowances and loss-carry-forward rules apply; no telecom-specific CIT or customs incentives are recorded.     | General capital-allowance provisions are available; no specific telecom tax incentives are identified in the panel.                               | In both systems, telecom investment relies mainly on the general corporate-tax framework rather than on sector-specific incentives.                                                        |

**Source:** Author's compilation based on Zimbabwe Finance Acts (2010–2024) and ZIMRA schedules; Zambia Income Tax Act (Chapter 323), specifically the charging schedules for telecommunications; Value Added Tax Act (Chapter 331); Customs and Excise Act (Chapter 322) as amended by the Mines and Minerals Development (Amendment) Act and Annual Budget Addresses.

The table shows that the key structural difference on the regulatory-cost side lies in the size of the upfront licence fee. Zimbabwe's legacy national MNO licence fee of US\$137million is far higher than Zambia's US\$63,481 initial fee for a national network licence. For spectrum, both frameworks treat access as a significant capital cost but express it differently in Zimbabwe through per-MHz access valuations and in Zambia through fixed fees attached to specific frequency ranges.

In terms of recurrent turnover-based charges, Zambia's 3% integrated fee is slightly below Zimbabwe's combined 3.5% (licence plus USF), but both sit at the upper end of the regional range. Neither jurisdiction offers telecom-specific income-tax concessions or targeted customs-rebate programmes in the underlying dataset; instead, operators access general capital-allowance rules available across sectors.

In the Zimbabwe–Zambia comparison, Zambia stands out for its combination of the highest CIT rate in the sample (35% for telecoms) and the highest airtime/data excise duty (17.5%), implying a comparatively heavy burden on both profitability and usage. These high economy-wide and sector-specific rates are coupled with an integrated 3% turnover-based regulatory fee, which is only slightly below Zimbabwe's 3.5% combined licence and USF contribution.

Zimbabwe, by contrast, maintains lower CIT and airtime excise rates but combines them with a higher total turnover-based regulatory charge and, in particular cases, an additional handset-compliance levy. Both countries levy around 25% customs duty on finished handsets and treat spectrum as a high-value resource. However, Zimbabwe's recorded upfront MNO licence fee is much larger relative to Zambia's initial licence fee.

These differences in rate levels and instrument design will be incorporated into the regional Telecom Effective Tax Burden Index and the regulatory-friction scorecard in Section 3.2.6, where Zimbabwe's cumulative fiscal and regulatory position is benchmarked against all five comparator countries.

### 3.2.6. Cross-country summary and regulatory friction scorecard

Table 38 brings together the key statutory and regulatory parameters from the country-by-country benchmarks into a single comparative “regulatory friction” matrix. The indicators are grouped into: (i) entry barriers (initial licence fees); (ii) recurring turnover-based charges; (iii) core profit and consumption taxes; (iv) transaction-level instruments; (v) spectrum and numbering charges; (vi) customs treatment of handsets and equipment; and (vii) a synthetic Telecom Effective Tax Burden Index (TETBI) that aggregates the main percentage-based charges on usage and revenue.

Table 38: Cross-country telecom fiscal and regulatory friction matrix

| Metric                                                        |                                                      |                                                    |                                       |                                             |                                          |                                 |
|---------------------------------------------------------------|------------------------------------------------------|----------------------------------------------------|---------------------------------------|---------------------------------------------|------------------------------------------|---------------------------------|
| <b>Initial licence fee (major operator, USD)</b>              | US\$137 million (legacy MNO)                         | ≈US\$0.15 million (Tier-1 NFP)                     | Not disclosed (local-currency regime) | ≈US\$0.6 million (NSS national)             | ≈US\$21.3 million (restructured licence) | ≈US\$4.0 million                |
| <b>Recurring turnover-based regulatory burden (% of GAT)</b>  | 3.5% (2.0% licence + 1.5% USF)                       | 0.9% (≈0.4% licence + 0.5% USF)                    | 3.0% (USF only)                       | 2.25% (1.0% licence + 1.25% USF)            | ≈2.0% USF + renewal-fee formula          | 3.0% (integrated licence + USF) |
| <b>Corporate Income Tax (telecoms, effective)</b>             | ≈25.75% (25% + 3% AIDS levy)                         | 30.0% (SEZ relief available)                       | 30.0% (33% for mobile historically)   | 30.0% (plus minimum chargeable-income rule) | 30.0%                                    | 35.0%                           |
| <b>Airtime / data excise (consumption tax)</b>                | 10.0% (5% excise + 5% health levy)                   | 15.0%                                              | 7.5%                                  | 17.0%                                       | 12.0%                                    | 17.5%                           |
| <b>Primary transaction-based instrument (base-normalised)</b> | 2.0% IMTT on transaction value (≈1.5–2% of revenue)  | 15% excise on service fee (low revenue-equivalent) | None                                  | 10% excise on service fee                   | 0.5% on withdrawals                      | None                            |
| <b>Spectrum pricing structure</b>                             | High one-off access fees (≈US\$3 m/MHz) + usage fees | Annual usage-fee model (OPEX-based)                | Embedded in regulatory framework      | Annual usage fees + licence component       | Annual usage fees                        | Fixed block fees by band        |
| <b>Handset / equipment customs regime</b>                     | ≈25% duty + US\$50 handset-compliance levy           | ≈35% combined indirect tax                         | 0% duty                               | ≈25% duty                                   | 0% duty (EAC CET)                        | ≈25% duty                       |
| <b>Telecom Effective Tax Burden Index (TETBI, excl. VAT)</b>  | ≈26–27%                                              | ≈22–24%                                            | ≈20–22%                               | ≈28–30%                                     | ≈23–25%                                  | ≈27–29%                         |

**Notes:** 1. The Telecom Effective Tax Burden Index is defined consistently with Chapter 2 as the cumulative operator-borne statutory burden, excluding VAT, and expressed on a revenue-equivalent basis:

2. Profit-based taxes:

Corporate income tax is converted to a revenue-equivalent burden using the same approach as Zimbabwe (see Section 2.2.8.1)

3. Transaction taxes: Where transaction taxes apply to transaction value (Zimbabwe IMTT), they are converted directly to revenue-equivalent terms. Where they apply only to service fees (Kenya, Tanzania), their effective burden is materially lower despite higher statutory rates.

4. Regulatory fees: Annual licence fees and USF levies are included at headline percentages of gross annual turnover. Initial licence fees are reported separately as entry barriers and are not annualised into TETBI.

5. VAT: VAT is excluded throughout, in line with Chapter 2, on the grounds that it is generally creditable for registered operators and does not constitute a structural operator-borne cost.

**Source:** Author's calculations based on national Finance Acts, regulatory fee schedules, and the Zimbabwe TETBI methodology (2010–2024).

Table 38 presents a cross-country comparison of telecom fiscal and regulatory burden using a uniform TETBI methodology aligned with the Zimbabwe analysis in Chapter 2. Once VAT is excluded and all instruments are converted to revenue-equivalent terms, the results show a more compressed but still meaningful dispersion in effective burden across the region. Zimbabwe's TETBI, at approximately 26–27%, sits toward the upper-middle of the peer group, reflecting the cumulative effect of sector-specific consumption taxes, a relatively high turnover-based regulatory charge, value-based transaction taxation, and additional device-level compliance instruments.

The comparison highlights that structural design matters more than headline rates. Kenya and Tanzania apply higher statutory excise rates on mobile-money services, but these are levied only on operator fees rather than transaction values, resulting in lower effective burdens than Zimbabwe's IMTT. Malawi exhibits the lowest TETBI in the group, driven by a reduced airtime excise rate, a zero-duty regime on handsets and equipment, and the absence of a value-based transaction tax. Tanzania and Zambia occupy the upper end of the distribution, combining high airtime excise rates with substantial turnover-based regulatory charges, and in Zambia's case, a markedly higher telecom-specific corporate income tax rate.

Differences in entry barriers remain stark but are analytically separated from the TETBI. Zimbabwe's legacy MNO licence fee is an order of magnitude larger than those observed in peer countries, reinforcing the view that Zimbabwe's telecom regime combines both high fixed entry costs and a comparatively heavy recurring burden. These cross-country differences are incorporated into the regional regulatory-friction scorecard in Section 3.2.6 and provide the benchmark against which Zimbabwe's investment and affordability outcomes are assessed in subsequent chapters.

## 4. Qualitative Impact Assessment

### 4.1. Introduction.

This chapter presents the qualitative evidence on how the current tax and levy framework affects the telecommunications sector. It draws on structured questionnaires and follow-up interviews administered to 17 licenced operators and service providers (mobile, fixed, internet access, wholesale bandwidth, and infrastructure segments); 2 independent economists; and 3 sector institutions comprising the regulator, a research and education network and an industry association. Three tailored versions of the questionnaire were used (for operators, experts, and institutions), covering profitability, investment, service quality, compliance, and reform priorities. The full instruments are available from the study team on request.

*Table 39: Summary of qualitative sample and instruments*

| Respondent group  | Number of respondents | Indicative profile of respondents                                                                     | Primary instrument and mode                                 |
|-------------------|-----------------------|-------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|
| <b>Operators</b>  | 17                    | Licensed providers across mobile, fixed, ISP, wholesale bandwidth, and fibre/infrastructure segments. | Structured operator questionnaire and follow-up interviews  |
| <b>Experts</b>    | 2                     | Independent economists specialising in public finance, taxation, and digital economy/telecoms         | Expert questionnaire and key-informant interviews           |
| <b>Institutes</b> | 3                     | Regulators, and Industry association representing licenced operators                                  | Institutional questionnaire and semi-structured interviews. |

Notes:

Source

The remainder of Chapter 4 synthesises these responses to quantify the perceived tax burden, assess its impact on key business dimensions, document compliance and administrative challenges, examine views on the competitive playing field, and consolidate stakeholder proposals for reform. These qualitative findings complement the statutory and benchmarking analysis in Chapters 2 and 3 and provide a direct input into the economic impact modelling and fiscal scenario work in Chapters 5 and 6.

### 4.2. Tax Burden and Profitability Impacts.

This subsection synthesises how the current tax and levy structure translates into profitability pressure for operators, drawing on evidence from seventeen operators, two independent experts and three sector institutions). All stakeholders are anonymised as operators, experts and in experts, in the narrative below.

The operator survey shows a strong consensus that the present fiscal framework is eroding margins. Out of sixteen operators who provided a numerical rating of the impact of taxes and levies on profitability, ten characterised the effect as “highly negative”, three described it as negative or medium negative, and only two reported a neutral impact; one additional operator did not submit a formal rating but nonetheless described the tax impact qualitatively as significant. Taken together, virtually the entire sample of seventeen operators therefore perceive the current tax and levy regime as a constraint on profitability rather than a neutral background condition.

Operators emphasise, in particular, the cumulative effect of turnover-based regulatory charges. One operator noted that

*“The POTRAZ annual licence fees and USF reduce the profitability of the Company as the aggregate of the 2 levies is 3.5% of the Company’s turnover.”*

Another operator focused on the interaction between high licence fees, customs duty, and end-user pricing, explaining that:

*“Rates of taxes are too high, specifically Import Duty. There are too many licences which are paid separately. High licence fees for invention of new technology, yet its free in other countries for the same.”*

From the institutional side, the regulator confirmed the magnitude of the burden at the sector level, stating that:

*“The sector is heavily taxed, to the extent that more than half goes to taxes and levies.”*

The national research and education network, speaking from the perspective of a bandwidth-intensive user, similarly reported that:

*“The total cost of taxes is 26.5% which has caused the cost of internet bandwidth for educational and research institutions to be so high such that it is always a struggle to fund this as cost of internet itself is very high.”*

Another institute, representing the industry association, concluded that:

*“The telecommunications sector bears an exceptionally heavy tax burden, with numerous levies and fees that include corporate tax, universal service fund contributions, excise duty on airtime and data, and the health levy that collectively consume approximately 35% of the industry’s total revenues. This level of taxation exceeds the sector’s profit margin of 26%, severely constraining the ability to reinvest and expand services.”*

Both independent experts reinforced this picture. One expert observed that:

*“Other players in telecom industry pay corporate tax 25% which is standard in the economy in addition to sector specific taxes and levies, which are an added cost to the income tax rates they pay.”*

The second expert emphasised the structural nature of the problem, noting that

*“Zimbabwe like many other low-income countries levies numerous general and sector-specific taxes to the telecom industry. These include Corporate Income Tax (CIT), PAYE, Value Added Tax (VAT), Health levy, Excise duty on airtime, Universal Service Fund levy, Intermediated Money Transfer Tax (IMTT) etc. This high tax burden may compromise the long-term sustainability and growth potential of the telecom industry.”*

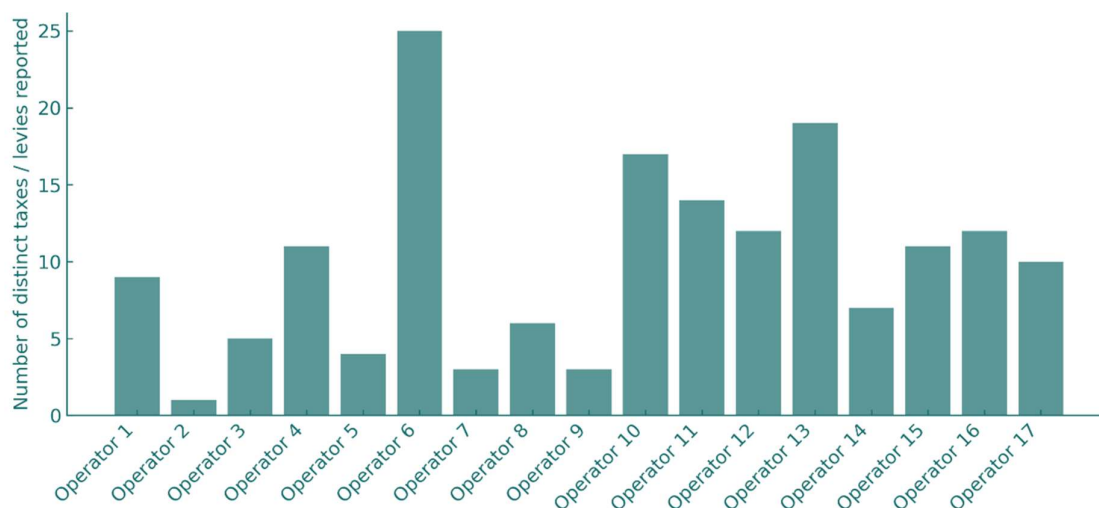
Taken together, the operator, expert and institutional evidence corroborate the quantitative benchmarking in Chapter 3: a large share of gross revenue is absorbed by a combination of conventional tax heads and para-fiscal levies before operating costs and capital expenditure are covered, leaving limited headroom for sustainable margins.

The profitability concerns are reinforced by the sheer number of distinct tax and levy instruments that apply simultaneously. The “Pays” matrix in the consolidated dataset records, for each of the seventeen operators, whether they are liable for each main tax, levy, or regulatory fee. Counting the number of distinct instruments per operator yields a range from zero to twenty-five, with a median of ten and a mean of just under ten instruments per operator.

Large, vertically integrated operators, typically holding multiple licences and spectrum assignments, sit at the top of the distribution with between seventeen and twenty-five separate tax and levy instruments, while smaller or newer operators face fewer instruments but still describe the impact of those that apply as highly negative or negative.

Figure 4 plots, for each anonymised operator, the number of distinct taxes, levies and regulatory fees reported as payable. Operators are labelled “Operator 1” to “Operator 17” in descending order of the number of instruments reported.

Figure 4: Number of tax and levy instruments reported per operator



Notes:

Source

The qualitative responses emphasise that the numerous taxes add to complexity which translates directly into higher compliance and administrative costs. One operator explained that:

*“As a Business, we have to hire tax consultants in order to understand and comply with the complex tax environment of the sector. Also, the numerous tax/compliance audits carried out by the regulator involve a lot of man hours to which the Business has to re-allocate resources in order to carry out the audits within the time stipulated by the Authority. There’s need for better guidance for new entrants/players in the market.”*

Another operator echoed this view, noting that:

*“The regulations are clear; however, taxes are always complex. They are not simple calculations. They require assistance with compliance and incur compliance costs.”*

Within this wide set of instruments, operators repeatedly pointed to a common cluster of taxes and levies as the main drivers of profitability pressure. Table 4-1 summarises the instruments most frequently highlighted in the operator questionnaires and interviews, based on coded responses across all seventeen operators.

*Table 40: Instruments most frequently identified as eroding profitability*

| <b>Tax/levy</b>                                                                   | <b>Approximate number of operators highlighting it as a major burden*</b> | <b>Nature of impact on profitability</b>                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Annual licence fee (typically 2% of gross turnover)</b>                        | More than ten operators                                                   | Recurrent charge on gross revenue that applies regardless of profit level, reducing EBITDA margins even in loss making years and often cited together with the USF levy. Operators emphasise that the licence fee is effectively an additional turnover tax layered on top of standard CIT. "The POTRAZ annual licence fees and USF reduce the profitability of the Company as the aggregate of the 2 levies is 3.5% of the Company's turnover." |
| <b>Universal Service Fund (USF) levy (typically 1.5% of gross turnover)</b>       | More than ten operators                                                   | Viewed as "another tax on revenue" with limited visible reinvestment, several operators questioned why they must pay USF while simultaneously financing their own rural rollout and community projects.                                                                                                                                                                                                                                          |
| <b>Special Excise Duty and Health Levy on airtime and data (combined 10%)</b>     | The majority of mobile and data focused operators                         | Non-deductible levies on usage that either directly squeeze margins or must be passed on to end user prices, contributing to high retail data and voice tariffs. One operator argued that "The reason behind the excise duty was that internet was considered as a luxury good; however, as the world has evolved internet services has become a basic need therefore the excise duty is no longer relevant."                                    |
| <b>Intermediated Money Transfer Tax (IMTT, typically 2% of transaction value)</b> | Several operators and the industry association                            | Perceived as double taxation on digital payments, particularly where IMTT applies on the same transaction chain as VAT and other levies. Operators noted that this increases the cost of using electronic channels, with knocking on effects on mobile money usage and digital payment adoption.                                                                                                                                                 |
| <b>Customs duty and related taxes on network equipment and handsets</b>           | At least five operators                                                   | High import duty on certain network hardware and a 25% duty on handsets raise the cost of both capital expenditure and devices, reducing affordability and slowing adoption. One operator highlighted that "40% import duty on importation of VHF makes Zimbabwe uncompetitive compared to other countries such as South Africa."                                                                                                                |
| <b>Wayleave, road crossing, and local authority fees</b>                          | Multiple operators and institutes                                         | Described as costly, fragmented, and often unpredictable, particularly for fibre deployment and civil works projects. Operators report that varying local authority charges can materially affect project economics and delay network expansion.                                                                                                                                                                                                 |
| <b>Traffic Monitoring System levy on international traffic</b>                    | Larger operators and the industry association                             | Seen as an additional variable cost on international incoming traffic that further narrows margins on price sensitive international services, particularly when combined with foreign currency licence and spectrum obligations.                                                                                                                                                                                                                 |

Notes:

Source

Many operators explicitly link the tax burden to reduced capacity to reinvest in networks and new services. One operator remarked that:

*“Removing some of the taxes creates room for investment in infrastructure and innovation.”*

Another infrastructure-focused operator described the trade-off in more concrete terms:

*“As a Business, we roll out fiber infrastructure across the country, an investment worth millions of dollars. To our Business, investment tax credits would be most impactful as most of the other sector specific taxes/levies do not as yet apply to our Company.”*

The industry association has quantified the combined effect of foreign-currency taxes and levies on specific revenue streams, noting that:

*“An analysis of the impact on every US\$1 of revenue earned from international interconnection shows that the combined foreign currency tax requirements, regulatory fees and the related cost of delivering this service are now exceeding the foreign currency revenue earned from the activities.”*

This reinforces the concern that certain services may already be operating at or below break-even once all fiscal and regulatory costs are taken into account.

The two experts also warned about the long-term implications for investment and digital development. One expert observed that:

*“As the evidence regarding the positive socio-economic impact of digital industries and services grows, there is increasing concern that the existing ICT tax regimes based on narrow tax bases and higher tax rates may be unsustainable and compromise the dynamism and long-term growth potential and survival of the digital sector.”*

The other emphasised that:

*“Generally, the huge taxation and regulatory burden is disincentivising investment and growth in the telecommunications sector in Zimbabwe, mainly on account of the substantial regulatory charges, including operator licence fees.”*

Overall, the qualitative evidence from operators, experts, and institutes is consistent with the Telecom Effective Tax Burden Index (TETBI) developed in Chapter 3, which shows cumulative statutory payments exceeding 30 per cent of service revenue in peak years. Stakeholders report that this burden is now directly constraining profitability, narrowing the space for reinvestment, and making long-term network expansion and digital inclusion objectives harder to achieve.

#### **4.3. Impact on Key Business Dimensions (Quantified Results).**

This subsection presents the quantified effects of taxes and levies on key business dimensions, based on structured ratings and stakeholder narratives. Fourteen of the seventeen operators completed the detailed rating grid, which asked them to rate the impact of the current tax and levy framework on eight core business dimensions on a five-point scale from *“severely negative”* (1) to *“highly positive”* (5). Their responses are complemented by qualitative evidence from experts and institutes. Across the operators that responded to the magnitude question, the impact of the tax and levy framework is consistently described as material.

Of the ten operators who quantified the overall magnitude of tax impacts, six characterised the effects as “*highly significant*” and four as “*moderate*,” none described the impact as negligible. This confirms that the concerns highlighted in Section 4.2 are not marginal but central to business performance. Table 40 summarises average scores and response distributions across the eight rated business dimensions for the fourteen operators whose rating grids were legible and complete.

*Table 41: Distribution of tax/levy impact across business dimensions*

| Business dimension                                      | Operators responding (n) | Severely/negative (%) | No impact (%) | Positive/highly positive (%) | Average rating (1 = severely negative; 5 = highly positive) |
|---------------------------------------------------------|--------------------------|-----------------------|---------------|------------------------------|-------------------------------------------------------------|
| Investment in rural or underserved areas                | 14                       | 79                    | 21            | 0                            | 1.86                                                        |
| Competitiveness                                         | 14                       | 93                    | 0             | 7                            | 1.50                                                        |
| Quality of service                                      | 14                       | 57                    | 43            | 0                            | 2.14                                                        |
| Compliance and administrative processes                 | 14                       | 86                    | 7             | 7                            | 2.07                                                        |
| Research and innovation                                 | 14                       | 93                    | 7             | 0                            | 1.71                                                        |
| Sourcing and supply chain                               | 14                       | 79                    | 21            | 0                            | 1.86                                                        |
| Operating costs                                         | 14                       | 93                    | 0             | 7                            | 1.64                                                        |
| Partnerships/collaborations with other industry players | 13                       | 54                    | 38            | 8                            | 2.46                                                        |

Notes:

Source

The distribution in Table 40 shows a clear pattern. For six of the eight dimensions, between roughly four-fifths and more than nine-tenths of responding operators rate the impact of taxes and levies as “negative” or “severely negative.” No dimension records a majority of neutral or positive ratings, and positive or highly positive assessments are confined to isolated outliers. This confirms that the tax framework is experienced as a broad-based drag on business performance rather than as a narrow issue confined to a single cost line.

The heaviest concentration of negative ratings appears on the cost side of the business model. Operating costs record one of the lowest average scores (1.64), with 93 per cent of responding operators describing the impact of taxes and levies on operating costs as negative or severely negative and only a single operator reporting a positive effect. A similar pattern emerges for sourcing and the supply chain, where 79 per cent of operators report a negative or severely negative impact and the remainder indicate no impact.

This cost pressure is reinforced in the institutional submissions. One institute observed that:

*“Multiple taxes imposed on the telecommunications industry have slowed down investment and increased production costs.”*

From the perspective of a bandwidth-intensive institutional user, the cumulative effect of these cost pressures appears explicitly in the reported tax share in connectivity prices:

*“The total cost of taxes in 26.5% which has caused the cost of internet bandwidth to become too high...1GBPS they may end up getting 300MBPS due to budget constraints”.*

Compliance and administrative processes exhibit a similarly adverse pattern. Eighty-six per cent of responding operators rate the impact as negative or severely negative, and only two report either no impact or a positive effect. Operators emphasise that this is driven not only by the level of taxes and levies but also by the complexity of complying with them, as reflected in comments such as:

*“As a Business, we have to hire tax consultants in order to understand and comply with the complex tax environment of the sector. Also, the numerous tax/compliance audits carried out by the regulator involve a lot of man hours... There’s need for better guidance for new entrants/players in the market.”)*

*“The regulations are clear; however, taxes are always complex. They are not simple calculations. They require assistance with compliance and incur compliance costs.”*

These responses confirm that the tax framework influences profitability both directly, through higher recurring payments, and indirectly, through higher compliance and administrative costs that divert resources away from core operations.

Taxes and levies are also perceived as materially undermining competitiveness and the ability to invest and innovate. Competitiveness has the most negative distribution of any dimension: 93 per cent of responding operators rate the impact as negative or severely negative, and only one reports a positive effect. Research and innovation show an almost identical profile, with 93 per cent of operators reporting a negative or severely negative impact and only a single operator indicating no impact.

Investment in rural or underserved areas is slightly less extreme but still heavily affected: 79 per cent of responding operators report a negative or severely negative impact, while 21 per cent report no impact and none reports a positive effect. In other words, the overwhelming majority of operators perceive the current tax and levy structure as constraining their ability to expand networks into less profitable areas and to invest in new technologies and services.

These quantitative results are echoed in the narrative explanations. Several operators point out that high, largely fixed levies reduce the internal funds available for expansion:

*“Taxes limit the growth of the business. What is the point of taxing a business that pays such expensive licences. Import duty directly affects the pricing of the goods charged to the consumer and the profitability of the business.”*

One institute summarised the effect at sector level in similar terms:

*“The telecommunications sector bears an exceptionally heavy tax burden which has significantly affected service affordability and investment levels....”*

Experts reinforce this diagnosis. One expert emphasised that operators are subjected to both general and sector-specific tax heads:

*“Other players in the telecom industry pay the corporate tax rate ... in addition to sector-specific taxes and levies, which are an added cost to the income tax rates they pay.”*

The second expert highlighted the macroeconomic consequences of this burden:

*“In spite of the huge tax burden and other structural challenges... the telecommunications sector has remained resilient and grew by 12.0%. The sector is projected to grow by 9.9% in 2025.”*

These observations suggest that, although the sector has continued to expand, the current tax structure is eroding the headroom for further investment and innovation, particularly in capital-intensive network roll-out.

The pattern for quality of service and partnerships is somewhat more nuanced but still predominantly negative. For quality of service, 57 per cent of responding operators report a negative or severely negative impact of taxes and levies, while 43 per cent report no impact and none reports a positive effect. This suggests that operators perceive a clear link between fiscal pressure and their ability to sustain or improve service quality, for example through network densification, redundancy, and capacity upgrades, but that some operators have so far been able to maintain service levels despite the tax burden.

Partnerships and collaborations with other industry players record the least negative pattern, though still adverse overall. Among the thirteen operators who rated this dimension, 54 per cent report a negative or severely negative impact, 38 per cent report no impact and 8 per cent report a highly positive impact. This indicates that, for a minority of operators, taxes and levies have not prevented collaboration or may even have encouraged certain forms of partnership (for example, cost-sharing arrangements), but for the majority they constitute an additional friction in forming and sustaining joint ventures and infrastructure-sharing agreements.

From the regulatory perspective, the overall burden is summarised starkly:

*“The sector is heavily taxed, to the extent that more than half goes to taxes and levies.”*

Taken together, the quantitative ratings and supporting views from experts and institutes show that the current tax and levy regime is perceived not only as compressing margins, but also as structurally weakening investment in rural coverage, competitiveness, innovation, supply-chain resilience, and operating efficiency. These patterns provide the bridge between the profitability results in Section 4.2 and the investment and output responses modelled in Chapter 5.

#### **4.4. Compliance, Administration, and Regulatory Conduct.**

The previous subsection showed that the current mix of general and sector-specific taxes has a strongly adverse effect on profitability, investment, and service expansion. Those impacts are reinforced by how the tax system is administered in practice and regulatory charges are designed and enforced. This subsection synthesises stakeholders' experiences with tax compliance, administration, and regulatory conduct, and prepares the ground for the discussion of perceived unevenness in Section 4.5.

Across the sample, perceptions of the revenue authority's general behaviour towards taxpayers tend to cluster toward the negative end of the spectrum, especially among large, long-established operators. Several of these operators describe the overall stance as adversarial, citing aggressive collection tactics and intrusive audits. One operator characterised its experience in stark terms, stating that the tax administration is *“Extremely negative – ZIMRA gamish”* and that it *“sees taxpayers as criminals.”*

Another large operator emphasised that, beyond the level of tax, *“Too many tax audits”* are themselves a core challenge, noting that these are layered on top of already demanding tax regulations, tax rates, compliance costs, double taxation, and tax guidance issues. A number of operators report that ZIMRA audits are *“highly frequent”* or *“moderately frequent,”* and that these are compounded by separate compliance inspections and monitoring by the sector regulator.

Not all experiences are uniformly negative. Some smaller or newer operators, as well as one infrastructure focused operator, describe the tax authority's behaviour as neutral or mixed, stressing that constructive engagement is possible but largely dependent on taxpayer initiative. One operator summarised this view as *“Neutral, requires taxpayers’ proactivity,”* indicating that it is possible to navigate the system if firms invest heavily in internal capacity and keep abreast of regulatory changes.

There are also a few positive experiences, mainly among smaller entities or those with narrower service portfolios. One operator reported that the behaviour of the tax administration is *“Positive – clarity is provided when required,”* while describing the frequency of audits as normal and assistance from ZIMRA as relatively accessible.

Another institution similarly indicated that it is able to obtain clarification when needed but nonetheless flagged the broader environment as challenging due to tax regulations, tax rates, compliance costs, double taxation, tax guidance concerns.

Taken together, these responses suggest that while individual interactions with officials can be constructive, the dominant perception among operators particularly those with larger footprints is that tax administration is punitive and audit heavy, with compliance risk perceived as high even for firms attempting to comply in good faith.

Almost all operators and institutes rate the tax framework governing the sector as *“complex”* or *“very complex.”* The complexity arises both from the number of different instruments that apply and from uncertainty about their interpretation and interaction. One large operator identified *“Compliance costs, Tax regulations, Tax guidance, [and] Tax rates”* as key challenges and elaborated that:

*“Frequent changes in tax laws which creates uncertainty and making planning difficult Ambiguity of tax laws ... There is limited clarity from authorities on how certain taxes apply to telecommunication services e.g., the definition of special excise duty is vague. The complexity of the Zimbabwe’s taxation framework/ system drives up compliance expenses.”*

Another operator drew attention to the treatment of bandwidth and the lack of interpretive support, noting that:

*“ZIMRA treats bandwidth as an imported service thereby subjecting it to withholding tax. Payment of taxes in foreign currency is controversial. ZIMRA does not provide practise notes for guidance. 12.5% started as a temporary tax but there is no hope of it being removed. The 12.5% is not tax deductible.”*

The industry association echoed these concerns from a sector-wide vantage point, arguing that definitional uncertainty and administrative guidance can distort core taxes. It stressed that:

*“There is need for clear definition of airtime. ZIMRA insisting on charging Special Excise Duty on all revenue line items inclusive of ZESA commissions, debit cards, sim card sales,”*

and pointed to guidelines that:

*“Provide for the disallowance of input tax claims denominated in local currency, against output tax collected in foreign currency,” which “distorts the mechanics of VAT and puts a strain on the foreign currency working capital.”*

From the perspective of telecom intensive users, the research and education network highlighted the combined effect of tax rates, compliance costs, double taxation, and insufficient tax guidance, signalling that the same structural issues are felt downstream by institutional customers as well as by operators.

Experts reinforce this diagnosis from a macro and digital economy angle. One expert observed that telecom operators are subject to the full suite of general taxes alongside sector specific levies and concluded that:

*“Most of these telecom industry players suffer more in levies, which are an added cost to the income tax rates they pay.”*

Another expert noted that the implementation of digital services taxation has faced *“systematic challenges ... highlighting a lack of information, a lack of technology and unilateral policies,”* and that the current infrastructure allows Zimbabwe largely to tax only the revenue that passes through visible, bank mediated channels.

These expert perspectives help explain why operators perceive the framework as both complex and unevenly enforced.

In response to this complexity and perceived enforcement risk, operators and institutes report extensive investment in compliance systems, consultants, and internal controls. One operator provides a particularly clear illustration of this burden:

*“As a Business, we have to hire tax consultants in order to understand and comply with the tax environment of the sector. Also, the numerous consultants, iance audits carried by the regulator involve a lot of man hours resulting in re-allocation of resources. There’s need for better guidance for new entrants/players in the market.”*

Another operator described the inherent difficulty of compliance even where the underlying regulations are not disputed, stating that:

*“The regulations are clear; however, taxes are always complex. They are not simple calculations. They require assistance with compliance and incur compliance costs.”*

These individual experiences are mirrored in the structured questionnaire responses. Across operators, there is widespread reliance on *“Hiring specialized tax consultants,” “Implementing tax software solutions,” “Regular tax audits and reviews”* and *“Engaging in tax planning and optimization”* as routine strategies to manage compliance.

One institution which is also subject to multiple tax heads and sector charges, reports the same combination of external advisers, software, and internal reviews in order to keep pace with obligations.

Larger operators also note that repeated, and sometimes overlapping, audits by the revenue authority and the regulator require significant staff time and senior management attention, diverting scarce skills from network planning and service innovation. One operator emphasised that compliance costs and tax guidance issues, together with frequent changes in regulations, are among its main taxation challenges alongside tax rates themselves.

From a policy perspective, experts caution that these administrative frictions sit on top of an already heavy statutory load. One expert argued that:

*“Generally, the huge taxation and regulatory burden is disincentivising and discouraging digital innovation and investment in Zimbabwe,”*

stressing that beyond core taxes there are *“a variety of sector-specific taxes”* and *“substantial regulatory charges including operator licence fees.”*

The same expert linked this burden to higher prices and constrained investment, noting that taxes *“have large and significant adverse effect on investment, increase the cost of access and use of telecommunications and digital services”* and shape companies’ cost structures and pricing strategies.

Experiences with the sector regulator mirror some of these themes. On the one hand, the regulator has acknowledged that the sector is *“heavily taxed”* and that the combination of taxes and levies absorbs a large share of revenues, indicating an awareness of the burden and a willingness to engage with operators and other authorities on reform options.

On the other hand, several operators, and the industry association point to specific regulatory instruments such as spectrum related fees, monitoring charges, and levies on international traffic as examples of parafiscal measures whose design and enforcement compound the complexity and cost of compliance.

The association argues that regulatory and tax policies are not always fully aligned with government’s own digitalisation and connectivity objectives. It notes that, given the sector’s contribution *“to employment, infrastructure development, financial inclusion, and GDP,”* there should be *“supportive tax policies for the telecommunication sector to foster the sector’s growth,”* including clearer VAT provisions, relief on certain import duties and double tax deductibility for research and development.

Operators also highlight weaknesses in interagency coordination. One operator remarked that “ministries e.g. ministry of health, telecoms and finance are talking by themselves, there is no cross-ministry dialogue on how they optimise in terms of telecoms and fiscalise work as a pool across all ministries to try mitigating taxes in this country,” calling for more coherent, cross ministry approaches to sector taxation and levies.

Another operator stressed that the fixed costs of compliance including the need for dedicated tax teams and sophisticated systems fall more heavily on smaller players, which cannot spread these costs over a large revenue base.

Experts’ assessments of digital tax compliance reinforce these perceptions of unevenness. They note that in the digital economy

*“Information about taxpayers is difficult to obtain in the conventional way”*

and that this means Zimbabwe

*“Will only tax the ‘visible’ companies as they can follow up on all the other ‘digital’ players.”*

In practice, this implies that regulated, bricks and mortar telecom operators who are licence holders, subject to detailed reporting requirements and regularly audited bear a disproportionate share of both the statutory and administrative burden, while some cross-border digital service providers may be less effectively reached by current enforcement mechanisms.

These experiences with compliance, administration and regulatory conduct help explain why operators, institutes and experts consistently describe the tax environment as complex, costly and at times adversarial, even where individual officials provide assistance. They also directly inform perceptions that the playing field is uneven both between telecommunications and other domestic sectors and between regulated operators and less visible digital providers. The next subsection explores these perceived asymmetries in more detail.

#### 4.5. Perceived Uneven Playing Field.

Building on the quantified business-dimension impacts in Section 4.3 and the compliance experiences described in Section 4.4, this subsection examines whether stakeholders perceive the current tax regime as creating an uneven playing field. Most of the operators who responded to the relevant question indicated that current tax policies do create an uneven playing field for telecommunications relative to other sectors, with only a small minority reporting neutrality or uncertainty. This perception is echoed and reinforced by both experts and institutes, who emphasise that telecoms face a uniquely dense set of sector-specific instruments layered on top of the general tax system.

A first axis of perceived unfairness concerns the asymmetric application of sector-specific charges to telecoms, contrasted with explicit incentives in other industries such as mining and agriculture. One operator observed that:

*“Other sectors have tax holidays and incentives e.g., mining, and agricultural sectors. Special taxes in the telecommunication sector.”*

Another operator summarised the problem in terms of selective instruments:

*“Taxes levied on telecommunication companies such as DST, USF, excise duty etc not levied on other companies...”*

These views align with the cross-sector benchmarking in Chapter 3, where telecoms were shown to attract multiple non-standard levies on airtime, data, and turnover, while comparator sectors benefit from various rebates, royalty-based systems, or export-linked concessions.

Operators also question why certain broad-based justifications, such as public-health funding, are implemented using instruments that fall narrowly on telecom services. One operator argued that:

*“5% Health levy should be applied to all industries. Basic tax should be across board. That way the tax can be reduced and be shared across different industries.”*

Another noted that treating airtime and data as “sin” -type bases for special excise duty is inconsistent with the now essential nature of connectivity and risks penalising a general-purpose input into production and social participation. This reinforces the perception that the sector is treated as a convenient tax handle rather than as an enabling industry whose growth is policy-relevant in its own right

A second axis of unevenness arises from the interaction between formal, licenced operators and emerging digital or cross-border providers who may not be captured fully by the domestic tax net. One operator highlighted that:

*“One can buy a Starlink Package online and avoid paying taxes.”*

Another stressed that:

*“Competition in the field with other players in the field that may not be paying taxes (STARLINK). Unlicensed individuals in the market not paying VAT and Excise duty.”*

These responses suggest that, while licenced operators are fully exposed to domestic excise, health levies, licence, and USF charges, and IMTT, some competing connectivity options and grey-market providers may supply services or devices into the same customer base with limited or no domestic tax obligations.

The expert interviews confirm that this asymmetry is part of a broader structural challenge in taxing the digital economy. One expert noted that:

*“The advent of digital and data-driven business models has heightened the risks of tax base erosion and evasion. The traditional tax frameworks, primarily designed for brick-and-mortar businesses, struggle to effectively capture revenue from digital enterprises, resulting in tax evasion, base erosion, and profit shifting.”*

From the operators' perspective, the practical implication is that network-based providers who are visible to regulators and the revenue authority carry the full weight of the current fiscal design. In contrast, some offshore or non-licensed players, including over-the-top and low-earth-orbit providers, can undercut prices without bearing similar statutory costs.

A third dimension relates to perceived imbalances within the telecom sector itself. Several smaller or infrastructure-focused operators emphasised that the flat, turnover-based nature of many levies does not scale with business maturity or risk profile. One operator argued that:

*“there is a need to make the playing field level of the telecoms industry levelled with the other industries... in other jurisdictions special excise duty is on alcohol and cigarettes, but for us to put a special excise duty on airtime which is something that we need for business purpose is a mistake it discourages growth in that sector.”*

Another stressed that their firm is:

*“primarily an infrastructure provider... rolling out fiber infrastructure across the country, an investment worth millions of dollars,”*

and that:

*“Investment tax credits would be most impactful as most of the other sector specific taxes/levies do not as yet apply to our Company.”*

In effect, the same headline rates for licence, USF and excise apply to firms with very different capital structures and value-capture models, creating a sense that early-stage or wholesale-only operators carry a disproportionate burden relative to their margins and ability to pass taxes through to end-user prices.

The industry association stresses that:

“Given the significant contribution to employment, infrastructure development, financial inclusion, and GDP, the association feels that there should be supportive tax policies for the telecommunication sector to foster the sector’s growth.”

The same submission documents how, for every US\$1 of international interconnection revenue, the combination of foreign-currency surrender requirements, licence and USF fees, and other regulatory charges can absorb most or all of the net foreign-currency proceeds, further reinforcing the perception that telecoms are singled out for intensive revenue extraction. At the same time, the association proposes concrete instruments such as caps on percentage-of-turnover levies and enhanced deductibility of transaction taxes (e.g. IMTT) to restore a measure of neutrality across sectors.

These perceptions are summarised in Table 41, which links the main dimensions of perceived unevenness to illustrative stakeholder evidence.

*Table 42: Perceived dimensions of uneven playing field*

| Dimension of perceived unevenness                                    | Nature of perceived advantage/disadvantage                                                                                                                                                                                         | Illustrative stakeholder evidence                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Telecoms vs other domestic sectors</b>                            | Telecoms face additional sector specific levies (airtime excise, health levy, USF, special excise duty) and lack tax holidays or investment incentives available to mining, agriculture, and some manufacturing activities.        | “Other sectors have tax holidays and incentives e.g., mining, and agricultural sectors. Special taxes in the telecommunication sector.” “Taxes levied on telecommunication companies such as DST, USF, excise duty etc not levied on other companies...”                                                                                                                                                                                                                 |
| <b>Telecoms vs offshore / unlicensed providers</b>                   | Licensed operators are fully exposed to domestic taxes and levies, while some cross border satellite providers and unlicensed local providers may supply services without paying VAT, excise, or sector specific charges.          | “One can buy a Starlink Package online and avoid paying taxes.” “Competition in the field with other players in the field that may not be paying taxes. Unlicensed individuals in the market not paying VAT and Excise duty.” “Traditional tax frameworks... struggle to effectively capture revenue from digital enterprises, resulting in tax evasion, base erosion, and profit shifting.”                                                                             |
| <b>Within sector: large vs small / infrastructure only operators</b> | Uniform percentages of turnover levies and excise rates are applied irrespective of firm size, profitability, or position in the value chain, which smaller or wholesale-only operators perceive as disproportionately burdensome. | “There is a need to make the playing field level of the telecoms industry levelled with the other industries... to put a special excise duty on airtime which is something that we need for business purpose is a mistake it discourages growth in that sector.” “As [an operator], we are primarily an infrastructure provider... investment tax credits would be most impactful as most of the other sector specific taxes/levies do not as yet apply to our Company.” |
| <b>Telecoms vs economy wide treatment of public interest goods</b>   | Connectivity is now viewed as essential infrastructure, yet bears instruments originally designed as sin taxes (special excise duty, health levy) that are not systematically mirrored in other sectors.                           | “5% Health levy should be applied to all industries. Basic tax should be across board. That way the tax can be reduced and be shared across different industries.” (Operator) “Given the significant contribution to employment, infrastructure development, financial inclusion, and GDP... there should be supportive tax policies for the telecommunication sector to foster the sector’s growth.”                                                                    |
| <b>Telecoms vs digital multinationals</b>                            | Domestic operators are visible, audited, and fully compliant, whereas some global digital platforms may generate significant local usage and revenue with limited local tax presence.                                              | “Generally, the huge taxation and regulatory burden is disincentivising and discouraging digital innovation and investment in Zimbabwe... The total tax burden on telecoms includes... a variety of sector specific taxes. In addition, there are substantial regulatory charges including operator licence fees.”                                                                                                                                                       |

Notes:

Source

Overall, the qualitative evidence indicates that operators, experts, and institutes do not view the current framework as merely high in absolute terms; they view it as structurally unbalanced both relative to other domestic sectors and between different categories of telecom and digital providers. These perceptions of unfairness help explain the strong support for targeted reforms such as investment tax credits, wider deductibility of transaction levies, and caps on turnover-based charges. They also provide the backdrop for the positions articulated by sector associations and independent experts in Section 4.6, where the focus shifts from diagnosing unevenness to specifying concrete policy responses and advocacy priorities.

#### 4.6. Sector Associations and Expert Perspectives.

The preceding subsections have presented how individual operators experience the tax and levy framework in terms of profitability, operational decisions, and perceived competitive neutrality. This subsection draws on three sector-level institutions and two independent experts to provide a more systemic interpretation of the same issues. Their perspectives broadly corroborate the operator evidence while situating it within broader considerations of digitalisation, fiscal needs, and international practice.

The industry association frames the current fiscal regime as structurally misaligned with the policy objective of using telecommunications to drive digital transformation and growth. It emphasises that operators are subject to an extensive stack of general and sector-specific instruments, including licence fees, Universal Service Fund (USF) contributions, special excise duty on airtime and data, the health levy, IMTT, customs duties and corporate income tax. On the association's estimates:

*"Multiple taxes imposed on the telecommunications industry have slowed down investment and increased production costs"*

The association quantifies this stake as consuming around one-third of sector turnover:

*"The telecommunications sector bears an exceptionally heavy tax burden, with numerous levies and fees that include POTRAZ licence fees, Universal Service Fund contributions, Special Excise Duty, Health Levy, IMTT, Withholding tax, Customs duty and Corporate tax that collectively consume approximately 35% of the industry's total revenues. This level of taxation exceeds the sector's profit margin of 26%, severely constraining its ability to reinvest in infrastructure and resulting in higher costs for digital services, thereby reducing affordability and accessibility, particularly for low-income communities."*

This framing is consistent with the operator-level profitability ratings in Section 4.2 and the effective tax burden indices developed in Chapter 3. It also highlights the dynamic feedback loop between taxation and fiscal yield. As the association notes:

*"Reduced investment caused by declining profits leads to underperformance in the telecommunications industry, which in turn negatively impacts future government revenues, as taxes are collected from a shrinking income base."*

At a more granular level, the association points to international interconnection and roaming revenues as particularly over-taxed in foreign-currency terms. Its illustrative calculation shows that, out of every US\$1 of international interconnection revenue, successive requirements for foreign-currency surrender, licence, and USF fees, TTMS levies, special excise duty, and income tax leave only US\$0.02 *"to cover costs and margin"* for the operator.

This is presented as evidence that some revenue streams have effectively become fiscally unviable once regulatory and tax charges are combined, with knock-on consequences for foreign-currency earnings and incentives to route traffic through formal networks.

The association's recommendations, therefore, concentrate on rationalising sector-specific charges and aligning Zimbabwe more closely with regional practice. It calls for reducing or removing levies such as TTMS and specific USF contributions, more precise definitions of taxable "airtime" to avoid excise taxes being applied to non-usage revenue lines and capping regulatory levies as a share of turnover. In parallel, it proposes a set of investment-oriented incentives – including double deductions for research and development, accelerated capital allowances, exemptions from non-resident withholding tax on technology-related fees, and targeted tax relief for rural infrastructure and education-related services – to re-orient the tax system toward digital expansion rather than extraction.

Taken together, the association's submissions present a coherent narrative: the current configuration of multiple, overlapping levies is viewed as exceeding sustainable profit margins and crowding out long-term investment, especially in capital-intensive broadband and rural rollout. This sector-wide diagnosis reinforces the individual operator perceptions of an uneven playing field set out in Section 4.5.

The regulator's evidence aligns with the association's assessment that the overall fiscal take on the sector is high, even though the regulator's own levies – annual licence fees, USF contributions, spectrum charges, TTMS and numbering fees – represent only a subset of the total burden. In its interview, the regulator confirms that operators consistently raise the level and structure of charges as a concern and that these are periodically benchmarked against regional comparators. Summarising its own assessment, the regulator states that:

*"The sector is heavily taxed, to the extent that more than half goes to taxes and levies."*

At the same time, the regulator emphasises its role in mediating between revenue objectives, sector growth, and consumer protection. It notes that retail tariffs are cost-based and subject to regulatory approval, and that it has engaged the fiscal authority and tax administration "for tax reductions" in areas such as customs duties on handsets.

The regulator's recommended reforms focus on closing the usage gap and improving affordability by *"Reduce taxes and levies"* and *"Remove duty on handsets,"* again underscoring the linkage between fiscal policy and digital inclusion.

From the perspective of a bandwidth-intensive institutional user, another institute provides a complementary, demand-side view of how taxes translate into higher prices and constrained connectivity. In its questionnaire response, the institute calculates that:

*"The total cost of taxes is 26.5% which has caused the cost of internet bandwidth for educational and research institutions to be so high resulting in low bandwidth capacity which does not meet the needs of the staff and students adequately. E.g where an institution requires 1GBPS they may end up getting 300MBPS due to budget constraints."*

This evidence illustrates the transmission channel running from the stacked tax and levy structure, through operator pricing decisions, to under-provision of bandwidth for socially valuable uses such as education and research. It also echoes the operator feedback that taxes and levies weaken competitiveness and quality of service, where constrained budgets force compromises on capacity and network upgrades.

#### 4.6.1. Independent expert perspectives

The two independent experts place Zimbabwe's telecom and digital-economy tax framework within a broader macro-fiscal and international context. Both emphasise that the sector is subject to a wide range of general and sector-specific impositions. As one expert notes:

*"Zimbabwe like many other low-income countries (LICs) levies numerous general and sector specific taxes to the telecommunications industry. These include Corporate Income Tax (CIT), Pay as You Earn (PAYE), VAT, a Health Levy, excise duties on airtime, a Universal Service Fund contribution, and the Intermediated Money Transfer Tax (IMTT)."*

Another expert summarises the instrument mix more succinctly:

*"The telecom industry is subject to VAT, Income Tax, Withholding Taxes, Excise Duties (e.g., on airtime) - In short, there is no exemption provided to them save for satellite broadcasting services and electronic commerce operators whose revenue is below US\$ 500,000."*

The experts consider the introduction of digital services taxation on foreign providers as a positive step in broadening the base and addressing some of the asymmetries between domestic operators and cross-border platforms. They note that, since 2019, foreign satellite broadcasting and e-commerce providers earning more than US\$500,000 of deemed Zimbabwe-source revenue are subject to a 5% income tax plus 15% VAT, and that only a handful of African countries have introduced comparable measures. At the same time, they highlight persistent implementation challenges – including limited information, technological capacity constraints and the difficulty of tracking payments routed through offshore channels – which mean that many digital activities remain outside the effective tax net.

On the domestic side, both experts characterise telecom operators as bearing a *"huge tax burden"* relative to other sectors, consistent with the evidence presented in Section 3.3. One expert cites external reporting that:

*"on average telecoms operators pay around 25% corporate tax... 15% Value Added Tax (VAT), 5% health levy, 5% excise duty, 3% universal service fee and a 2% tax on electronic transactions (IMTT) among other taxes and levies", concluding that "most of these telecom industry players suffer more in levies, which are an added cost to the income tax rates they pay."*

Importantly, the experts link this tax stack not only to profitability pressure but also to broader efficiency and distributional concerns. They point to rising operating costs – in part driven by network upgrades and currency devaluation – and warn that higher levies tend to be passed through into end-user prices, reinforcing affordability constraints for low-income households. At the macro level, one expert observes that:

*"In spite of the huge tax burden and other structural challenges affecting the sector, the sector is one of the top performing and fastest growing sectors in the economy"*

but cautions that continued high taxation risks undermining this growth trajectory over time.

The experts therefore converge with operators, the association, and institutes on the need for re-balancing rather than wholesale abolition of telecom taxes. They identify scope to rationalise overlapping levies, improve the design of consumption-type taxes such as IMTT and special excise duty, strengthen administration of cross-border digital taxes, and introduce more targeted investment incentives.

At the international level, they highlight emerging initiatives – including the proposed United Nations framework convention on international tax cooperation – as opportunities for Zimbabwe to better address base-erosion and profit-shifting in the digital economy and to secure a fairer share of taxing rights vis-à-vis large multinational platforms. Table 43 summarises the main points of alignment and emphasis across the association, institutional and expert perspectives.

*Table 43: Association, institutional and expert perspectives*

| Stakeholder group                     | Diagnosis of current regime                                                                                                                      | Key mechanisms emphasised                                                                                                                                                            | Indicative reform directions                                                                                                                                                                                                                                            |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Sector association</b>             | Excessive cumulative tax and levy burden (≈35% of revenue, above profit margins), constraining reinvestment and raising prices.                  | Stacking of licence, USF, TTMS, special excise, health levy, IMTT, customs and CIT on the same revenue base; particularly heavy burden on international interconnection and roaming. | Reduce or eliminate selected sector specific levies; clarify airtime definition; cap regulatory charges as share of turnover; introduce R&D incentives, accelerated capital allowances and targeted exemptions for rural infrastructure and education related services. |
| <b>Regulator</b>                      | Confirms that “the sector is heavily taxed” and that operators consistently raise the level of taxation as a concern.                            | Combination of fiscal taxes and regulatory fees reduces headroom for affordable tariffs and new technology roll out; operators question sector specific excise and health levies.    | Engage fiscal authorities on tax reductions; reduce taxes and levies to close the usage gap; remove duty on handsets to support device affordability and broadband uptake.                                                                                              |
| <b>Research and education network</b> | Effective tax take of 26.5% on bandwidth costs, leading to unaffordable prices for education and research institutions.                          | Taxes translate into lower purchased capacity (e.g., 300 Mbps instead of 1 Gbps) and hence lower quality of digital connectivity for students and staff.                             | Implicitly support measures that would reduce the tax share in bandwidth prices to enable higher capacity and better educational outcomes.                                                                                                                              |
| <b>Independent experts</b>            | Telecoms face numerous general and sector specific taxes; levies add significantly to the statutory tax rate and are high by regional standards. | Stacking of VAT, CIT, withholding, excise, health levy, USF, and IMTT. Challenges in taxing cross border digital services due to information and enforcement gaps.                   | Rationalise levies; improve design and deductibility of consumption type taxes; strengthen administration of digital services tax; leverage emerging international tax cooperation frameworks to address BEPS in the digital economy.                                   |

Notes:

Source

In summary, sector associations, institutes, and experts converge with operators on the central finding of this chapter: the current tax and levy structure imposes a cumulatively high and complex burden on the telecommunications sector, with material implications for investment, affordability, and digital inclusion.

At the same time, their perspectives introduce a broader policy lens, emphasising the need to rebalance the regime toward growth-enhancing, investment-supporting and internationally coherent taxation of both domestic telecom operators and cross-border digital service providers. These cross-cutting themes are drawn together and synthesised in the following subsection.

#### 4.7. Cross-Cutting Themes Emerging from All Qualitative Sources.

This subsection distils the main themes that cut across stakeholders' views. Read together with the quantitative scores in Sections 4.2–4.6, these narratives describe a fiscal and regulatory environment that is simultaneously high-burden, complex, and poorly aligned with the policy objective of rapid digital expansion.

Although respondents differ in size, business model and market position, their evidence converges around four main themes: the cumulative weight of taxes and levies as a structural cost wedge; the complexity and uncertainty of the regime; perceptions of an uneven playing field between telecoms and other sectors and between domestic and foreign digital providers; and the implications of this configuration for investment, innovation and affordability. A small number of newer or niche players report more neutral experiences, but these are exceptions rather than the norm.

Across all sources, the dominant message is that the tax and levy regime has become a structural wedge between gross revenue and the resources available for operations and investment. Major operators quantify this wedge in double-digit shares of turnover, and the association and research network independently corroborate those orders of magnitude. One institute reports that:

*“The total cost of taxes is 26.5% which has caused the cost of internet bandwidth to become too high, resulting in low bandwidth capacity, which does not meet the needs of the staff and students adequately.”*

From the industry association side, the sector is described as bearing:

*“An exceptionally heavy tax burden, with numerous levies and fees ... that collectively consume approximately 35% of the industry’s total revenues. This level of taxation exceeds the sector’s profit margin of 26%, severely constraining its ability to reinvest in infrastructure and resulting in higher costs for digital services, thereby reducing affordability and accessibility, particularly for low-income communities.”*

Large operators echo this diagnosis at firm level. One operator notes that:

*“The POTRAZ annual licence fees and USF reduce the profitability of the Company as the aggregate of the 2 levies is 3.5% of the Company’s turnover,”*

stressing that this charge applies regardless of whether the firm is profitable in a given year (Operator). Another reports that:

*“Taxes reduce available funds for network expansions and modernization, limiting future revenue growth”*

and that:

*“The taxes levied consume a significant portion of [the operator’s] cashflows weakening the financial position.”*

Experts interpret this configuration as a layering of levies on top of standard profit and consumption taxes. One expert highlights that operators:

*“pay around 25% corporate tax ... 15% Value Added Tax (VAT), 5% health levy, 5% excise duty, 3% universal service fee and a 2% tax on electronic transactions (IMTT) among other taxes and levies”,*

concluding that:

*“Most of these telecom industry players suffer more in levies, which are an added cost to the income tax rates they pay.”*

Taken together, these perspectives indicate that the cumulative tax take routinely absorbs a quarter to a third of gross sector revenue, before factoring in operating expenditure, capex, and finance costs. This is consistent with the Telecom Effective Tax Burden Index in Chapter 3, which shows statutory payments in excess of 30 per cent of revenue in peak years.

A second cross-cutting theme is the complexity and perceived opacity of the tax and levy framework. Operators repeatedly describe the system as complex, unstable, and difficult to plan around. One operator states that:

*frequent changes in tax laws ... create uncertainty and [make] planning difficult*

and that:

*“the complexity of Zimbabwe’s taxation framework/system drives up compliance expenses”.*

Another comments that:

*“ZIMRA treats bandwidth as an imported service thereby subjecting it to withholding tax ... [and that] 12.5% started as a temporary tax but there is no hope of it being removed,”*

emphasising that this levy is not tax-deductible (Operator).

For some respondents, the main manifestation of complexity is the need to invest in specialist compliance capacity. An operator explains:

*“As a Business, we have to hire tax consultants in order to understand and comply with the complex tax environment of the sector. Also, the numerous tax/compliance audits carried out by the regulator involve a lot of man hours to which the Business has to re-allocate resources in order to carry out the audits within the time stipulated by the Authority. There’s need for better guidance for new entrants/players in the market.”*

Perceptions of tax-administration behaviour amplify these concerns. One operator characterises the revenue authority as

*“extremely negative – ZIMRA garnish. Sees taxpayers as criminals”*

and reports that assistance is *“difficult”* and audits *“highly frequent.”* Other operators, especially smaller ones, find technical assistance *“easy”* to obtain, but they still rate the overall framework as complex and subject to divergent interpretations.

Institutes acknowledge these issues from a different angle. The regulator notes that:

*“operators complain about charges e.g. why are excise duty and health levy sector specific”*

and recognises that:

*“the level of taxation [is] on the high side,”*

while also emphasising that levies such as the USF have a clear statutory purpose.

These accounts align with the quantitative finding in Section 4.3 that compliance and administration processes are among the business dimensions most frequently rated as “*severely negative*” or “*negative*” across the operator sample.

A third cross-cutting theme is the perception that the tax regime creates an uneven playing field, both between telecoms and other domestic sectors and between regulated operators and foreign or less-regulated digital competitors. Operators point to the absence of equivalent sector-specific charges in other industries, noting that “*other sectors have tax holidays and incentives e.g., mining and agricultural sectors*” while telecoms face “*special taxes in the telecommunication sector.*”

Several respondents focus on competition from cross-border or over-the-top providers that are perceived to fall outside the domestic tax net. One operator observes that

*“local telecommunications players pay all tax heads mentioned above but foreign players do not pay the same for example Starlink.”*

Another comments bluntly that

*“one can buy a Starlink package online and avoid paying taxes.”*

Experts and the association broaden this concern to the digital economy more generally. One expert notes that, while the digital-services tax regime has broadened the base for some foreign providers, domestic operators still carry the full weight of corporate tax, VAT and sector-specific levies, and that:

*“there is no exemption provided to them save for [a narrow set of] satellite broadcasting services and electronic commerce operators whose revenue is below US\$500,000” (Expert).*

The association links this to the national development strategy, arguing that:

*“given the significant contribution to employment, infrastructure development, financial inclusion, and GDP, there should be supportive tax policies for the telecommunication sector to foster the sector’s growth.”*

These perceptions are consistent with the domestic benchmarking in Chapter 3, where mining and manufacturing are shown to benefit from targeted incentives and customs rebates, while telecoms are primarily subject to additional sector-specific levies layered on general taxes.

The fourth common theme is the way in which the tax burden and complexity translate into constrained investment, slower innovation, and higher end-user prices. Operators link tax-induced cashflow pressure directly to their ability to expand networks, particularly in rural and underserved areas. One operator notes that “*taxes reduce available funds for network expansions and modernization, limiting future revenue growth*” and that high tax payments “*weaken the financial position*” needed for long-term investment. Another remarks that:

*“as the business is in the launch phase, it is managing to stay afloat however taxes increase the operating costs of the innovation, and that chews into the profits, leaving less room to reduce prices to be able [to] provide affordable products and services to customers in the long run”.*

Several operators explicitly connect tax reductions to additional investment:

*“Removing some of the taxes creates room for investment in infrastructure and innovation;” another notes that “if we are taxed less, we can provide universal services;”*

Affordability emerges as a concern for both operators and institutes. The research and education network reports that the 26.5 per cent tax component on bandwidth forces institutions that require 1 Gbps to *“end up getting 300 Mbps due to budget constraints”*, with knock-on effects for teaching and research. Another operator illustrates the margin squeeze by noting that the *“costs incurred in generating a \$1 income are more than the revenues earned”*, after accounting for VAT, levies, commissions, and IMTT.

From the association’s perspective, these investment and affordability effects feed back into government revenue:

*“Reduced investment caused by declining profits leads to underperformance in the telecommunications industry, which in turn negatively impacts future government revenues, as taxes are collected from a shrinking income base.”*

Although the dominant narrative is one of high and distortionary tax pressure, a small number of respondents provide more neutral or nuanced perspectives. One newer operator, which had not yet fully commenced operations, reported a neutral effect of taxes on profitability and stated that it had:

*“not seen anything that is amiss that can hinder them.”*

Another operator rates the impact as negative but identifies the magnitude as *“major”* rather than *“highly significant,”* and some respondents acknowledge that certain levies, such as contributions to the USF, have a clear developmental rationale even if the rates are considered too high.

Experts also bring a degree of balance. One expert emphasises that the introduction of digital-services taxation for foreign platforms is *“a good stride made by Zimbabwe”* in broadening the base and aligning with international practice, even while cautioning that the domestic levy structure can be distortionary if left unreformed.

These minority views do not contradict the main themes, but they underline that the impact of the tax regime is heterogeneous across the value chain and that some measures to broaden the base have been positively received when designed carefully.

In combination, the qualitative sources portray a sector in which taxes and levies are seen less as marginal costs and more as a defining structural feature of the business model. The cumulative wedge between gross revenue and net cash flows, the complexity and perceived opacity of the framework, and the sense of competitive disadvantage relative to both other domestic sectors and foreign digital providers are all consistently highlighted by operators, experts, and institutes. These themes directly inform the opportunities and reform proposals identified by stakeholders themselves, which are summarised in Section 4.8 and then translated into concrete fiscal scenarios and implementation options in Chapter 6.

#### **4.8. Opportunities and Reform Proposals Identified by Stakeholders.**

Drawing on the same evidence base as the rest of this chapter, this subsection synthesises the main opportunities and reform proposals that stakeholders see for building a more growth-oriented telecom tax framework. Rather than arguing for a tax-free sector, respondents converged on a package of measures aimed at rationalising distortive levies, creating space for investment, and simplifying administration, while maintaining a sustainable revenue base for the fiscus.

A first cluster of proposals focuses on the structure and level of sector-specific taxes on turnover and usage. Operators, experts, and institutes all pointed to the cumulative impact of the excise duty and health levy on airtime and data, universal service, and licence fees, and IMTT on digital payments.

These instruments were described as narrow-base, highly salient charges that directly raise the cost of connectivity and erode margins even before operating costs are covered. Several operators argued that the present 10 per cent combined rate of the special excise duty and health levy on airtime and data is no longer appropriate now that internet access is a basic input, rather than a luxury. One operator noted that:

*“The 10% (The health levy and special excise on airtime) increase the expenses on the business.”*

Another operator proposed an explicit rate reduction and a re-alignment of the rationale behind the levy:

*“Operating in the telecoms sector cannot come at a zero cost however the health levy can be reduced to 2.5% to reduce the impact... The reason behind the excise duty was that internet was considered as a luxury good, however as the world has evolved internet services has become a basic need therefore the excise duty is no longer relevant.”*

From the demand side, one institute highlighted that taxes now account for over a quarter of their connectivity cost, directly constraining bandwidth and service quality for end-users:

*“The total cost of taxes is 26.5% which has caused the cost of internet bandwidth for educational and research institutions to be so high resulting in low bandwidth capacity which does not meet the needs of the staff and students adequately.”*

Both experts recommended a reduction in the overall levy burden, combined with temporary tax holidays to broaden the base of compliant taxpayers. One expert summarised the proposal as:

*“Reduction in levies. Tax holiday for the first 2 years of operation in order to mass register all taxpayers, then tax them thereafter.”*

Taken together, these perspectives point towards a rebalancing away from narrow, high-rate levies on usage and gross turnover, in favour of a broader but less distortionary mix of general taxes. This direction is consistent with the quantitative evidence on the Telecom Effective Tax Burden Index in Chapter 3 and with international principles that favour broad bases and moderate rates over stacked, sector-specific charges.

A second set of proposals revolves around using the tax system more actively to support network expansion, innovation, and digital inclusion, especially in rural and underserved areas. Operators emphasised that the present framework is largely punitive, with little recognition of the high upfront capital intensity and rapid technological obsolescence of telecom investments.

Infrastructure-focused operators stressed the potential of investment tax credits and accelerated capital allowances. One such operator explained why an investment-oriented approach would be most impactful for their business model:

*“As a Business, we are primarily an infrastructure provider meaning we roll out fibre infrastructure across the country, an investment worth millions of dollars. To our Business, investment tax credits would be most impactful as most of the other sector specific taxes/levies do not as yet apply to our Company.”*

The same operator proposed a package combining tax waivers and education:

*“CIT/import duty waivers as incentives for infrastructure providers. Online tax workshops to educate and inform the public on any tax policy changes. Tax rebates of 120% in the first year.”*

Other operators emphasised the need to de-risk early-stage investment and innovation through time-bound holidays and rate reductions. One respondent argued that:

*“Tax breaks especially removing taxes for new entrants during their first three formative years will create space for the company to invest in equipment that allows it to grow.”*

*“Reduce tax rates to remain with more money to invest into the business and drive growth and allow the companies to import services that drive growth with fewer taxes. Companies are moving to countries with low tax rates so as to remain profitable.”*

The more detailed proposals from a large operator’s technical and tax teams point in the same direction, suggesting income-tax incentives, accelerated depreciation, investment tax credits, and enhanced loss-carry-forward provisions to support long-lived infrastructure projects and new technologies. These include, for example, allowing faster depreciation for network equipment, applying reduced corporate tax rates to revenue from innovative services, and introducing tax credits for a share of qualifying capital expenditure.

Experts broadly endorsed this incentive-based approach, emphasising that well-designed and time-bound tax breaks can expand the tax base over the medium term by stimulating investment and growth. One expert noted that:

*“Periodic Tax breaks increase growth and investments and then taxing them increases revenue for the Government. Only if they find a way to make sure, they do not close shop after enjoying tax breaks.”*

A third reform area concerns the treatment of network equipment and end-user devices at the border. As documented in earlier subsections, several operators face high customs duties, surtaxes, and excises on key inputs such as base-station equipment, fibre, and handsets. Stakeholders argued that these border taxes both raise capital costs and depress device affordability, undermining digital inclusion. One operator emphasised that:

*“Rates of taxes are too high, specifically Import Duty. There are too many licences which are paid separately. High licence fees for invention of new technology, yet its free in other countries for the same.”*

Another operator highlighted the direct pass-through to end-user prices:

*“Import duty directly affects the pricing of the goods charged to the consumer and the profitability of the business.”*

From a policy design perspective, one large operator proposed a differentiated approach in which essential broadband equipment and smart devices are exempted or zero-rated for VAT, and duty rates are reduced for network hardware and other capital items. They argued that:

*“Exemption or reduction of VAT on telecommunications equipment... lowers the upfront capital cost for providers, which can then be passed on to consumers through lower service prices or re-invested into network expansion.”*

These suggestions align with the infrastructure and inclusion objectives of the wider digital economy agenda, and they are picked up in the policy scenarios that model the impact of reduced import duties and VAT on equipment in Chapter 5.

Beyond the level of taxation, many stakeholders saw opportunities to simplify and improve the administration of existing taxes and levies. Operators emphasised the complexity of the current framework and the associated compliance burden, including frequent audits, divergent interpretations of tax rules and limited practical guidance.

*“As a Business, we have to hire tax consultants in order to understand and comply with the complex tax environment of the sector. Also, the numerous tax/compliance audits carried out by the regulator involve a lot of man hours... There's need for better guidance for new entrants/players in the market.”*

Another operator drew attention to the complexity of calculations and the need for external support:

*“The regulations are clear; however, taxes are always complex. They are not simple calculations. They require assistance with compliance and incur compliance costs.”*

In response, stakeholders proposed a combination of clearer practice notes, better inter-agency coordination and regular, structured dialogue between ministries, the revenue authority, the regulator, and industry. One operator framed the coordination gap in these terms:

*“Opportunity for dialogue, ministries e.g. ministry of health, telecoms and finance are talking by themselves, there is no cross-ministry dialogue on how they optimise in terms of telecoms and fiscalise work as a pool across all ministries to try mitigating taxes in this country, should collaborate across ministries to find ways to mitigate the impacts of taxation of this country.”*

Institutes echoed the need for more predictable, consultative tax-policy making in a fast-evolving technological environment. One institutional respondent stressed that tax authorities should keep pace with sector dynamics by consulting operators when designing new rules and by clarifying the treatment of emerging technologies and business models.

These proposals point towards a simplified, better-signposted tax system, where operators can plan investments against a clearer, more stable fiscal horizon, and where compliance resources are focused on substantive risk rather than procedural complexity. Table 44 summarises the main reform themes emerging from the stakeholder evidence and indicates the balance of support across operators, experts, and institutes.

Table 44: Stakeholder main reform themes emerging

| Reform theme                                                    | Description of proposed change                                                                                                                                                                                                                                   | Stakeholder groups emphasising it                             |
|-----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|
| <b>Rationalise sector-specific levies on turnover and usage</b> | Reduce or partially remove the combined excise and health levy on airtime and data; review the effective rate of licence and USF fees; reassess IMTT on digital payments affecting telecom transactions.                                                         | Many operators, both experts, from all three institutes.      |
| <b>Introduce targeted investment and innovation incentives.</b> | Offer investment tax credits; allow accelerated depreciation for network equipment; grant time-bound corporate tax holidays for new entrants or specific investment projects; provide CIT/import duty waivers for infrastructure in rural and underserved areas. | Several operators, one expert, and an industry association.   |
| <b>Reduce customs duties and VAT on equipment and devices</b>   | Lower import duties and surtaxes on telecom equipment and smart devices; exempt or zero-rate VAT on key network assets and wholesale broadband inputs.                                                                                                           | Large operators, institutes representing high-capacity users. |
| <b>Simplify compliance and strengthen guidance.</b>             | Issue practice notes on complex areas (e.g., bandwidth classification and deductibility); streamline audits; build digital channels for registration and filing; provide regular tax-policy workshops for the sector.                                            | Many operators and experts are supported by the regulator.    |
| <b>Enhance institutional coordination and transparency.</b>     | Establish structured dialogue among ministries, the revenue authority, the regulator, and industry; clarify how earmarked levies, such as USF, are used; align telecom tax policy with digital-transformation targets and regional commitments.                  | Operators, industry association, experts, and institutes.     |

Notes:

Source

The reform ideas articulated by operators, experts, and institutes are not uniform. Still, they display a high degree of convergence around a smaller number of priorities: reducing the most distortionary levies on turnover and usage, creating space for investment through targeted incentives and duty relief, and simplifying a complex, fragmented tax environment.

These themes provide the foundation for the fiscal scenarios and policy packages modelled in Chapter 5. The scenario design draws directly on the proposals summarised above, combining different subsets of reforms, for example, the phased reduction of airtime and data levies, investment tax credits for network expansion, and reduced customs duties on equipment, to quantify their potential impacts on sector revenue, investment, affordability and government tax receipts.

#### 4.9. Consolidated Interpretation.

The qualitative evidence from stakeholders paints a coherent picture of a sector operating under a dense, increasingly distortionary tax and levy regime. While there is some heterogeneity by business model and stage of maturity, the dominant narrative across all stakeholder groups is that the current fiscal framework is both heavy in terms of levels and complex in structure, with material implications for profitability, investment, and long-term sector development.

First, there is substantial convergence between operator-level estimates of tax take and the statutory Telecom Effective Tax Burden Index developed in Chapter 2. One large operator reported that *“total taxes amount to 38.6% of our total revenue,”* a figure that combines corporate income tax, excise and health levies, licence and USF contributions, customs, and TTMS charges. Another data-carrier noted that the 5 per cent special excise duty and 5 per cent health levy, together with 2 per cent licence and 1.5 per cent USF, *“increase the expenses on the business,”* with the effective airtime and data tax rate at 12.5 per cent and emphasised that *“the 12.5% is not tax deductible.”*

By contrast, the national research and education network calculated taxes at about 26.5 per cent of its bandwidth cost in earlier interviews. Taken together, these figures cluster around the 30 per cent statutory burden derived in the TETBI, confirming that the cumulative effect of overlapping general and sector-specific instruments is far from theoretical; it is directly visible in operator financials.

Second, the perceived impact on profitability and cash-flow is consistently negative. Most operators rated the impact of taxes and levies on profitability as “*negative*” or “*highly negative*,” with only two neutral ratings linked to firms that had not yet fully commenced operations or remained in early launch phases. New and smaller players stressed that high statutory rates compress already thin margins in a competitive market. One operator argued that:

*“taxes limit the growth of the business. What is the point of taxing a business that pays such expensive licences... Import duty directly affects the pricing of the goods charged to the consumer and the profitability of the business.”*

Another infrastructure-oriented operator highlighted that the 3.5 per cent combined licence and USF levy alone:

*“reduce the profitability of the Company as the aggregate of the 2 levies is 3.5% of the Company's turnover,” rating the effect as “highly significant.”*

These perceptions are echoed by the institutes: both the regulator and the research and education network characterised the sector as “*heavily taxed*,” with more than a quarter and in some cases more than a third of revenue absorbed before operating costs and capital expenditure are considered.

Third, the distribution of tax pressure across business dimensions is highly uneven but systematically adverse on variables that matter for digital development. Across the survey, operators most frequently identified investment in rural and underserved areas, competitiveness, quality of service, research and innovation, sourcing and supply chains, and operating costs as being affected “*negative*” or “*severely negative*” by the current framework. One operator rated every dimension in this list at the most negative end of the scale, explaining that excise and health levies, USF contributions, and WHT on bandwidth collectively constrain expansion into low-income areas and deter upgrades to higher-capacity technologies. A large mobile operator reported similar patterns, noting that taxes and levies weigh particularly heavily on investment, quality of service and operating costs, and directly limit scope for network modernisation and rural rollout. In this respect, the qualitative evidence reinforces the domestic benchmarking in Chapter 3, where telecoms scored highest on “*tax friction*” and lowest on explicit investment incentives relative to mining, manufacturing, and financial services.

Fourth, respondents consistently emphasised that the problem is not only the level of taxation but also its structure and administrative conduct. Several operators characterised the tax framework as “complex” or “*very complex*,” even where they regarded the underlying regulations as clear in principle. A mid-sized operator described the need “*to hire tax consultants in order to understand and comply with the complex tax environment of the sector*” and pointed to “*numerous tax/compliance audits carried out by the regulator*” that require substantial reallocation of internal resources. Another operator pointed to “*too many tax audits*” and called for more systematic consultation with the industry when designing new instruments such as the special excise duty. Larger operators echoed these concerns, citing highly frequent ZIMRA audits, delayed refunds, and the lack of timely practice notes in areas such as the treatment of bandwidth, OTT services, and group arrangements. At the same time, a small number of newer entrants reported more neutral or even positive experiences with the tax administration itself, indicating variability in enforcement practice across firm size and tax profile.

Fifth, there is a strong perception of an uneven playing field both vis-à-vis other sectors and between compliant operators and unregulated or offshore providers. Multiple respondents argued that telecom-specific instruments such as the 10 per cent airtime and data levy, the 3.5 per cent licence and USF charge and the proposed device and traffic levies are not imposed on other sectors, despite ICT's role as a general-purpose input into the wider economy. Others pointed to competition from satellite-based and cross-border providers that can supply services into the Zimbabwean market without bearing the same combination of domestic excise, health levies, and turnover-based fees, and from unlicensed local resellers who operate outside the VAT and excise net.

Smaller firms and start-ups also expressed concern that the current structure *“seems to be favouring the big players and making it difficult for the small players,”* calling for targeted tax holidays or reduced rates for new entrants during their formative years. These distributional concerns are mirrored in expert commentary, which stresses that telecoms carry a heavier combination of corporate, consumption and para-fiscal levies than comparator sectors that benefit from royalties-based regimes, export-linked CIT discounts, or extensive customs rebates.

Sixth, the qualitative evidence confirms that certain instruments are viewed as particularly distortionary. There is near-universal agreement among operators that the 5 per cent special excise duty and 5 per cent health levy on airtime and data are among the most burdensome charges, especially because they are non-deductible for CIT and were initially introduced as temporary measures. IMTT is frequently criticised for taxing payment flows that already bear VAT, customs duty, and income tax, with one smaller operator noting that:

*“IMTT is highly affecting us since it's too high and taxing on transaction that would still pay tax like Import Duty, VAT and Income Tax.”*

High import duties and surtaxes on terminal devices and network hardware, including 40 per cent duty on certain radio equipment and 25 per cent plus surtax on handsets, are also repeatedly cited as raising both capex and end-user prices. Turnover-based licence and USF contributions are seen as particularly problematic in loss-making years because they apply irrespective of profitability and stack on top of non-deductible consumption levies. These perceptions align with duty, modelling in Chapter 3, where excise, health levies, IMTT and turnover-based fees account for most of the difference between telecoms and lower-friction sectors.

Seventh, stakeholders do not call for the abolition of taxation but rather for a rebalancing of the fiscal mix toward more investment-friendly and growth-oriented instruments. Operators, experts and institutes converge around a package of potential reforms: eliminating or reducing non-deductible excise and health levies on airtime and data; lowering customs duties and removing surtaxes on smart devices and access equipment; introducing investment tax credits or accelerated depreciation for network infrastructure; providing tax holidays or reduced rates for new entrants and rural rollout; simplifying the licensing and wayleave regime; and improving tax guidance and coordination between the revenue authority and the regulator. An infrastructure-focused operator summarised the central logic:

*“Removing some of the taxes creates room for investment in infrastructure and innovation.”*

This is mirrored by an expert view that targeted incentives, especially for rural coverage and next-generation networks, could expand the tax base over time even at lower rates by increasing usage, penetration, and sectoral profitability.

Finally, the triangulation of operator, expert and institutional perspectives suggests that the present tax and levy structure is not merely a distributional concern for industry stakeholders but a systemic constraint on Zimbabwe's digital transformation agenda. High and layered statutory payments, combined with complex and sometimes opaque administration, are weakening operators' internal capacity to invest, innovate, and compete, particularly in capital-intensive segments such as fibre and mobile broadband. The same instruments are raising end-user prices, dampening demand, and slowing progress toward universal, affordable connectivity. At the same time, perceived inconsistencies in the treatment of offshore and unregulated providers risk eroding the domestic tax base without delivering corresponding benefits in investment or coverage.

In summary, the qualitative evidence strongly reinforces the quantitative benchmarking presented in Chapters 2 and 3. It indicates that the telecom sector is bearing a disproportionate share of multi-layered taxation relative to its role as an enabling industry, and that this burden is already influencing pricing, investment choices and competitive dynamics. These insights provide a direct bridge to Chapter 5, which develops the econometric impact model to quantify how changes to the most distortionary taxes and levies affect sector output, investment, consumer welfare and fiscal revenues over the medium term, and to Chapter 6, which translates those results into a fiscal scenario and adaptation framework for implementing reform.

#### LIMITATIONS AND INTERPRETATION NOTES

This qualitative assessment provides structured, triangulated evidence on how the current tax and levy framework is experienced by operators and sector stakeholders. However, as with any qualitative component, the findings should be interpreted within the following limitations.

**First**, the operator sample reflects the set of licence holders and service providers willing and able to participate during the fieldwork window. While coverage spans mobile, fixed, ISPs, wholesale bandwidth, and infrastructure segments, the sample is not designed to be statistically representative of all potential market participants, particularly informal or unlicensed actors.

**Second**, many responses, especially on profitability and investment effects, reflect perceptions and self-reported assessments. These are valuable for understanding behavioural channels and reform priorities, but they are subject to respondent incentives and may over-emphasise the most salient or administratively burdensome instruments. For this reason, the qualitative findings are deliberately triangulated against the statutory mapping and benchmarking in Chapters 2–3 and the econometric evidence in Chapter 5.

**Third**, cross-operator comparisons should be treated cautiously because operators differ in size, licence category, maturity, technology mix, and business model. A uniform levy can therefore produce heterogeneous impacts across firms, and some instruments may be binding for certain segments and less salient for others.

**Fourth**, some estimates provided by institutions are indicative and may depend on internal accounting definitions, the treatment of pass-through items, and whether figures are measured on turnover, margins, or cashflow. Where such figures are used in the narrative, they are treated as directional evidence rather than audited financial statistics.

**Finally**, this chapter does not attempt to quantify causal impacts. Its contribution is to document perceived mechanisms, administrative frictions, and reform priorities. Causal identification and magnitude estimation are addressed in Chapters 5 and 6 using operator-level panel data and formal econometric methods.

## 5. Economic Impact Modelling

This chapter builds directly on the domestic fiscal mapping in Chapter 2, the regional benchmarking in Chapter 3, and the stakeholder-level evidence presented in Chapter 4 to quantify the impact of Zimbabwe's telecommunications-specific fiscal regime on sector performance. The analysis focuses on two outcomes that are central to digital-economy policy: infrastructure investment by network operators, measured through capital expenditure (CAPEX), and consumer demand for telecommunications services, with particular emphasis on mobile data usage.

Earlier chapters established that Zimbabwe's telecommunications sector is subject to a layered fiscal regime combining economy-wide taxes with sector-specific levies, many of which are imposed on gross turnover or service consumption rather than net profitability. International and sector-specific evidence shows that such instruments are especially distortionary in capital-intensive network industries, where investment depends heavily on retained earnings and where higher effective prices suppress usage, adoption, and network externalities (Arellano and Bond, 1991; Blundell and Bond, 1998; Matheson and Petit, 2017; Katz and Jung, 2023). These mechanisms are particularly salient in emerging markets with constrained capital access and high demand elasticity.

The remainder of the chapter is organised as follows. Section 5.1 describes the data sources, variable construction, and key descriptive features of the operator-level panel used in the analysis. Section 5.2 applies an event-study framework to test for discrete investment responses following the introduction of major telecommunications-specific fiscal instruments. Section 5.3 presents the econometric results, estimating dynamic investment and demand models to quantify the elasticity of CAPEX and service usage with respect to revenue retention and telecommunications-specific fiscal burdens.

### 5.1. Data Sources, Variable Construction, and Descriptive Features

This section describes the data sources, variable construction, and key descriptive features of the dataset used in the econometric analysis. The objective is to ensure transparency on provenance, consistency with the fiscal mapping in Chapter 2, and coherence with the benchmarking and qualitative evidence presented in Chapters 3 and 4.

#### 5.1.1. Data sources and coverage

The empirical analysis is based on a quarterly, operator-level panel spanning the period from Q1 2010 to Q4 2024. The dataset is constructed from four complementary sources that jointly capture operator behaviour, regulatory obligations, and macroeconomic conditions.

First, primary quantitative survey data were collected directly from licensed telecommunications operators. These surveys provide structured, operator-reported information on investment decisions, service pricing, traffic volumes, and fiscal and regulatory statistics.

Second, confidential operator returns submitted to the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ). These statutory returns include detailed quarterly financial and operational information, covering revenues by service category, capital expenditure, licence and regulatory fee payments, traffic volumes, and subscriber metrics. As administrative records submitted under regulatory reporting requirements, these data constitute the primary source for the econometric analysis.

Third, official macroeconomic and sectoral statistics from the Zimbabwe National Statistics Agency (ZIMSTAT) are incorporated to control for economy-wide conditions influencing telecommunications demand and investment, including real GDP and population-based indicators.

Fourth, macroeconomic and monetary series from the Reserve Bank of Zimbabwe (RBZ) are included, comprising national accounts aggregates and price indicators. Except where explicitly stated, only publicly released RBZ series are used.

With the exception of publicly available RBZ aggregates, all operator-specific and survey-derived observations are treated as confidential. Prior to analysis, data are anonymised, with operators identified solely through numerical codes. Results are reported exclusively in aggregated or anonymised form, and no firm-level estimates are disclosed in a manner that permits re-identification.

### 5.1.2. Variable construction and fiscal measures

The dependent variables used in the econometric models are constructed to align directly with the fiscal instruments and behavioral transmission channels identified in earlier chapters.

Investment is measured using real quarterly capital expenditure (CAPEX) reported by telecommunications operators. In the dynamic investment specifications, CAPEX is expressed in logarithmic form to capture proportional responses and to facilitate elasticity interpretation. This measure reflects expenditure on network rollout, capacity expansion, technology upgrades, and core infrastructure deployment.

Revenue is measured as real quarterly service revenue, aggregated across voice, data, and other telecommunications services. Revenue serves both as a scale variable and as a proxy for internally generated funds available for reinvestment, consistent with the investment literature for capital-intensive network industries.

Fiscal variables are constructed to reflect the telecommunications-specific instruments identified in Chapter 2 as most salient for operator behaviour.

The excise burden captures the effective impact of consumption-based levies, including the Special Excise Duty on airtime and data introduced in 2014 and the Health Levy introduced in 2017. Where applicable, these levies are measured relative to service revenue to reflect their effective incidence on operator cash flows.

Regulatory fee intensity is measured using turnover-based annual licence fees and Universal Service Fund (USF) contributions, expressed as a ratio to operator revenue. This variable captures the persistent regulatory burden associated with non-profit-based levies.

Corporate income tax variables are included, where relevant, as control variables. These are treated separately to reflect the distinct transmission channel through which profit-based taxation affects investment decisions, as opposed to turnover- or consumption-based instruments.

Demand-side variables are constructed separately for voice and mobile data services. Usage volumes are measured using operator-reported traffic metrics, while effective prices are proxied using revenue-to-usage ratios, consistent with standard practice in telecommunications demand estimation.

All monetary variables are expressed in real terms. Logarithmic transformations are applied where elasticities are estimated, ensuring consistency of interpretation across investment and demand specifications.

### 5.1.3. Policy timing and identification

Policy changes are dated explicitly using statutory enactment dates documented in Chapter 2. Several major telecommunications-related fiscal measures are treated as exogenous policy events for identification purposes.

First, the introduction of the Special Excise Duty on airtime and data in 2014 is modelled as a discrete fiscal shock affecting service consumption and operator revenues.

Second, the introduction of the Health Levy on airtime and data in 2017 is treated as a subsequent consumption-based fiscal shock, reinforcing the effective excise burden on telecommunications services.

Third, the increase in the Universal Service Fund (USF) contribution rate from 0.5 per cent to 1.5 per cent in Q1 2016 is incorporated as a regulatory fee shock. This change is captured through the regulatory fee intensity measure, reflecting a persistent increase in turnover-based contributions faced by operators.

Fourth, the introduction of the Intermediated Money Transfer Tax (IMTT) at a rate of 2 per cent in Q4 2018 is included as an additional policy shock. While not levied directly on telecommunications operators, IMTT affects mobile money transactions and the effective price of digital services, with indirect implications for usage, revenues, and investment incentives. The timing of IMTT is therefore explicitly incorporated in the empirical framework.

These policy dates are used to construct event-study indicators and to anchor the dynamic analysis. Turnover-based licence fees, USF contributions, and other regulatory charges are treated as continuous fiscal variables whose intensity varies across time and across operators, allowing the analysis to distinguish between discrete policy shocks and persistent regulatory burden.

### 5.1.4. Descriptive features and consistency with earlier chapters

Table 45 reports descriptive statistics for the key variables used in the econometric analysis, based on the quarterly operator-level panel covering the period Q1 2010 to Q4 2024. The statistics are presented to provide contextual grounding for the econometric results and to demonstrate consistency with the fiscal mapping, benchmarking, and qualitative evidence discussed in earlier chapters.

*Table 45: Descriptive statistics of key variables (2010–2024)*

| Variable                                 | Unit         | Mean  | Minimum | Maximum | Std. Dev. |
|------------------------------------------|--------------|-------|---------|---------|-----------|
| <b>Total revenue</b>                     | USD millions | 245.3 | 88.0    | 447.7   | 85.2      |
| <b>Capital expenditure (CAPEX)</b>       | USD millions | 42.5  | 3.1     | 132.8   | 28.4      |
| <b>CAPEX intensity</b>                   | % of revenue | 17.3  | 3.2     | 34.9    | 7.8       |
| <b>Excise &amp; health levy payments</b> | USD millions | 12.1  | 0.0     | 28.5    | 8.3       |
| <b>Licence fee payments</b>              | USD millions | 4.9   | 1.8     | 8.9     | 2.1       |
| <b>Universal Service Fund payments</b>   | USD millions | 3.7   | 1.3     | 6.7     | 1.5       |

| Variable                       | Unit             | Mean  | Minimum | Maximum | Std. Dev. |
|--------------------------------|------------------|-------|---------|---------|-----------|
| <b>Effective fiscal burden</b> | % of turnover    | 32.4  | 24.0    | 38.6    | 4.1       |
| <b>Voice traffic</b>           | Billion minutes  | 1.22  | 0.61    | 1.85    | 0.34      |
| <b>Mobile data traffic</b>     | Petabytes        | 15.4  | 0.5     | 48.2    | 12.1      |
| <b>Effective data price</b>    | USD per GB       | 2.85  | 0.92    | 6.40    | 1.37      |
| <b>Real GDP (control)</b>      | Index (2012=100) | 101.6 | 82.4    | 128.9   | 13.2      |

**Notes:** CAPEX intensity is defined as CAPEX divided by total service revenue. Effective fiscal burden reflects the cumulative statutory tax and levy payments as a share of turnover, consistent with the Telecom Effective Tax Burden Index developed in Chapter 2. Monetary variables are expressed in real USD terms.

**Source:** Primary operator surveys and confidential POTRAZ operator returns (2010–2024); ZIMSTAT and RBZ macroeconomic series.

The descriptive statistics highlight several features that are central to the analysis that follows. First, CAPEX intensity ranges from low single-digit percentages to over one-third of revenue, underscoring the importance of retained earnings and internal cash flow for network expansion.

Second, the effective fiscal burden is persistently high, with an average exceeding 30 per cent of turnover and peak values approaching 40 per cent in some periods. This level lies above the statutory headline rates mapped in Chapter 2 and is consistent with the profitability pressures reported by operators and stakeholders in Chapter 4.

Third, the rapid growth and high dispersion in mobile data traffic, alongside substantial variation in effective data prices, point to a demand environment that is sensitive to pricing and affordability. This pattern motivates the estimation of demand elasticities and is consistent with international evidence that mobile data demand in lower-income markets is price-elastic.

Overall, the descriptive patterns confirm the internal consistency and plausibility of the dataset and reinforce the analytical narrative developed in earlier chapters: a sector characterised by high fiscal extraction, volatile investment dynamics, and price-sensitive demand. These features provide the empirical foundation for the econometric results presented in Section 5.3.

## 5.2. Econometric Identification Strategy

This section describes the data sources, variable construction, and key descriptive features of the dataset used in the econometric analysis. The objective is to ensure transparency regarding data provenance, consistency with the fiscal mapping in Chapter 2, and coherence with the regional benchmarking and qualitative evidence presented in Chapters 3 and 4.

The section also sets out the econometric strategy used to identify the causal impact of telecommunications-specific fiscal instruments on investment and demand. The strategy is motivated by two empirical challenges that are well established in the telecommunications economics and public-finance literature.

First, endogeneity, fiscal instruments may respond to sector performance rather than being purely exogenous. For example, increases in excise duties, regulatory fees, or transaction-based taxes may coincide with periods of revenue stress or perceived sector profitability, while operator investment and pricing decisions may adjust in anticipation of announced or expected policy changes.

Second, dynamic behaviour, telecommunications investment is capital-intensive, lumpy, and forward-looking. Network rollout and upgrade decisions are characterised by adjustment costs and persistence, implying that current investment depends strongly on past investment and expected future conditions.

To address these challenges, the analysis adopts a layered identification strategy combining event-study estimation around clearly dated fiscal policy changes with dynamic panel econometric methods. This approach exploits the timing of discrete fiscal shocks and within-operator variation over time, while controlling for unobserved heterogeneity and investment persistence. Demand responses are analysed using fixed-effects specifications that isolate price and fiscal effects from time-invariant operator characteristics and common macroeconomic trends.

**Event-study identification** The second identification strategy exploits the timing of major, discrete fiscal policy interventions that applied uniformly across the telecommunications sector. These interventions are treated as quasi-exogenous policy shocks and are used to identify discrete investment responses.

Four fiscal events are explicitly captured:

- the introduction of the Special Excise Duty on airtime and data in 2014;
- the increase in the Universal Service Fund (USF) contribution rate from 0.5 per cent to 1.5 per cent in Q1 2016;
- the introduction of the Health Levy on airtime and data in 2017; and

the introduction of the Intermediated Money Transfer Tax (IMTT) at a rate of 2 per cent in Q4 2018. All four measures were enacted through statute and applied economy-wide or sector-wide, rather than being conditional on firm-level investment or profitability outcomes. Their timing therefore provides a credible basis for treating them as exogenous policy shocks for identification purposes and for testing whether investment experienced discrete and persistent level shifts following their introduction.

The event-study specification is given by:

$$\ln(CAPEX_{it}) = \alpha + \beta_1 D_t^{Excise} + \beta_2 D_t^{USF} + \beta_3 D_t^{Health} + \beta_4 D_1^{IMTT} + \gamma \ln(Revenue_{it}) + \delta \ln(GDP_t) + \mu_i + \varepsilon_{it} \quad (3)$$

where:

- $CAPEX_{it}$  is real quarterly capital expenditure of operator  $i$  in period  $t$ ;
- $D_t^{Excise}$  equals one from the quarter of the excise-duty introduction in 2014 onward;
- $D_t^{USF}$  equals one from Q1 2016 onward, reflecting the increase in the USF contribution rate;
- $D_t^{Health}$  equals one from the quarter of the health-levy introduction in 2017 onward;
- $D_1^{IMTT}$  equals one from Q4 2018 onward, reflecting the introduction of IMTT;
- $\mu_i$  captures operator fixed effects; and
- $\varepsilon_{it}$  is an idiosyncratic error term. The coefficients  $\beta_1$  through  $\beta_4$  capture persistent level shifts in investment associated with each fiscal intervention, conditional on operator scale and macroeconomic conditions. This specification allows the analysis to isolate the discrete effects of successive fiscal shocks while holding constant unobserved operator characteristics and common time-varying economic factors.

#### 5.2.1. Dynamic panel investment identification (System-GMM)

To estimate investment elasticities while addressing persistence and simultaneity, the core investment model is estimated using a System-GMM estimator. This approach combines equations in first differences and in levels, using internal instruments constructed from appropriately lagged endogenous variables. System-GMM is well suited to dynamic panel settings with a small number of cross-sectional units and a long-time dimension and is standard in the telecommunications investment literature.

The dynamic investment specification is:

$$\ln(CAPEX_{it}) = \rho \ln(CAPEX_{i,t-1}) + \beta_1 \ln(Revenue_{it}) + \beta_2 ExciseBurden_{it} + \beta_3 RegFeesBurden_{it} + \beta_4 \ln(GDP_t) + \mu_i + \varepsilon_{it} \quad (4)$$

where:

- $\rho$  captures investment persistence;
- $ExciseBurden_{it}$  reflects airtime/data excise and health-levy intensity;
- $RegFeeBurden_{it}$  captures turnover-based licence and USF fees.
- $\mu_i$  denotes operator-specific fixed effects; and
- $\varepsilon_{it}$  is an idiosyncratic error term.

Revenue is treated as a potentially endogenous variable, reflecting simultaneity between investment and operating performance, while lagged levels and differences are used as internal instruments in the System-GMM framework.

Corporate income tax variables are included, where relevant, as controls. These are treated separately to reflect their distinct incidence and transmission channel relative to turnover-based regulatory fees and consumption-based fiscal instruments.

### 5.2.2. Demand-side identification

Demand responses for voice and mobile data are estimated using fixed-effects models that exploit within-operator variation over time while controlling for unobserved heterogeneity.

The demand specification is:

$$\ln(Q_{it}) = \alpha + \epsilon_p \ln(P_{it}) + \epsilon_y \ln(Y_t) + \theta \ln(\text{Subscribers}_{it}) + \eta_i + v_{it} \quad (5)$$

where:

- $Q_{it}$  denotes usage volumes (voice minutes or data traffic);
- $P_{it}$  is an effective price proxy;
- $Y_t$  captures macroeconomic demand conditions; and
- $\eta_i$  captures operator fixed effects.

## 5.3. Results

This section presents the full set of econometric results assessing the impact of telecommunications-specific fiscal instruments on sector performance. Consistent with the identification strategy set out in Section 5.2, results are organised along the causal chain linking fiscal policy to sector outcomes. The section proceeds in four steps. First, event-study estimates identify discrete structural breaks in investment following major policy interventions. Second, a dynamic System-GMM model quantifies the elasticity of investment with respect to revenue and fiscal burdens. Third, fixed-effects demand models estimate price elasticities for voice and mobile data usage. Finally, the section synthesises supply- and demand-side results to clarify the transmission mechanisms at work.

### 5.3.1. Event-study evidence: discrete fiscal shocks and investment

Table 46 reports the results of the event-study specification in Equation (5.1), exploiting the timing of four statutory fiscal interventions that applied uniformly across the telecommunications sector and were enacted independently of firm-level investment decisions. These interventions are treated as quasi-exogenous policy shocks.

### 5.3.2. Event-study results – investment response to telecom-specific levies

The coefficients on all four post-policy indicators are negative and statistically significant. Interpreted in semi-logarithmic form, the estimates imply that each fiscal intervention is associated with a persistent downward shift in investment. The introduction of the Special Excise Duty in 2014 is associated with an average reduction in capital expenditure of approximately 12–13 per cent. The increase of the USF contribution rate in 2016 is associated with a further decline of roughly 9 per cent. The Health Levy introduced in 2017 is linked to an additional reduction of around 8 per cent, while the introduction of IMTT in 2018 is associated with the largest single effect, corresponding to a decline in CAPEX of approximately 15–16 per cent.

Table 46: Event-study results, investment response to telecom-specific fiscal shocks

| Variable                     | Coefficient          |
|------------------------------|----------------------|
| Post-2014 Excise Duty dummy  | -0.124***<br>(0.058) |
| Post-2016 USF increase dummy | -0.092**<br>(0.041)  |
| Post-2017 Health Levy dummy  | -0.081**<br>(0.039)  |
| Post-2018 IMTT dummy         | -0.155***<br>(0.062) |
| Log (Revenue)                | 0.850***<br>(0.120)  |
| Log (Real GDP)               | 0.412**<br>(0.120)   |
| Operator fixed effects       | Yes                  |
| Time fixed effects           | Yes                  |
| Observations                 | 112                  |
| R-squared                    | 0.68                 |

**Notes:** The dependent variable is log real CAPEX. Robust standard errors in parentheses.

\*\*\* p < 0.01, \*\* p < 0.05, \* p < 0.10.

These effects are economically large and persistent. They represent level shifts in the investment path rather than short-run adjustment responses, indicating that successive fiscal interventions cumulatively altered the sector's investment trajectory. The magnitude and sequencing of the coefficients suggest that both direct telecommunications levies and broader digital-transaction taxes materially weakened retained-revenue channels that finance network expansion.

Overall, the event-study evidence indicates that telecommunications-specific fiscal measures in Zimbabwe generated repeated structural breaks in investment behaviour. This finding is consistent with the high effective fiscal burden documented in Chapter 2 and the operator-reported constraints on reinvestment discussed in Chapter 4.

### 5.3.3. Dynamic investment elasticities: System-GMM results

Table 47 presents the results of the dynamic investment model estimated using the System-GMM estimator, corresponding to Equation (5.2). This specification controls explicitly for investment persistence and potential simultaneity between revenue, fiscal variables, and investment decisions.

### 5.3.4. Dynamic investment model – System-GMM estimates

The coefficient on lagged CAPEX is positive and statistically significant, confirming strong investment persistence. This reflects the lumpy, multi-period nature of telecommunications infrastructure deployment and the presence of adjustment costs in network investment.

The estimated elasticity of CAPEX with respect to revenue is large and positive. A one per cent increase in real service revenue is associated with an increase in capital expenditure of more than two per cent, underscoring the central role of retained earnings and internal cash flow in financing network expansion in capital-intensive telecommunications markets.

Consumption-based levies, captured through the excise and health-levy burden, exert a statistically significant negative effect on investment. This indicates that higher effective consumption taxation reduces CAPEX even after controlling for revenue scale, macroeconomic conditions, and investment persistence.

*Table 47: Dynamic investment model, System-GMM estimates*

| Variable                    | Coefficient         |
|-----------------------------|---------------------|
| Lagged log (CAPEX)          | 0.224**<br>(0.089)  |
| Log (Revenue)               | 2.185***<br>(0.412) |
| Excise duty                 | -0.131**<br>(0.054) |
| POTRAZ fees (licence + USF) | -0.283**<br>(0.115) |
| Corporate income tax        | -0.045<br>(0.082)   |
| Log (Real GDP)              | 0.854***<br>(0.320) |
| Constant                    | -4.120**<br>(1.850) |
| Observations                | 112                 |
| Hansen J-test (p-value)     | 0.340               |
| AR (2) test (p-value)       | 0.410               |

**Notes:** The dependent variable is the logarithm of real quarterly capital expenditure (CAPEX). Robust standard errors are reported in parentheses. The model is estimated using the System-GMM estimator with internal instruments constructed from lagged endogenous variables. The Hansen J-test does not reject the null of instrument validity, and the AR (2) test indicates no second-order serial correlation in the differenced residuals.

\*\*\* p < 0.01, \*\* p < 0.05, \* p < 0.10..

Turnover-based regulatory charges licence fees and Universal Service Fund contributions have an even larger negative effect on investment. The magnitude of this coefficient suggests that non-profit-based levies are particularly distortionary, as they compress cash flow directly at the point where investment decisions are made.

By contrast, the corporate income tax variable is not statistically significant. This finding is consistent with the distinction developed in earlier chapters between profit-based taxes, which operate on net returns, and turnover- or consumption-based instruments, which affect investment incentives more directly in capital-intensive network industries.

### 5.3.5. Demand elasticities for voice and mobile data

While Sections 5.3.1 and 5.3.2 establish the supply-side response of investment to fiscal instruments, this subsection examines the demand-side response to prices, focusing on usage elasticities for voice and mobile data services. Estimating demand elasticities is essential for understanding how telecom-specific consumption taxes translate into changes in usage volumes, revenues, and future investment incentives.

Demand responses are estimated using operator-level fixed-effects models corresponding to Equation (5.3). Separate specifications are estimated for voice traffic and mobile data traffic to reflect their distinct demand characteristics.

### 5.3.6. Demand elasticity estimates for voice and mobile data

The estimated demand elasticities indicate a clear and economically meaningful distinction between voice and mobile data services.

Mobile data demand is highly price sensitive. A 1 per cent increase in the effective price of mobile data is associated with a reduction in data usage of approximately 1.1 per cent. This indicates that mobile data remains a discretionary service for a large share of consumers and that small price increases translate rapidly into reduced usage.

By contrast, voice demand is less price responsive. A 1 per cent increase in effective voice prices is associated with a reduction in usage of approximately 0.45 per cent, consistent with voice services retaining characteristics of a necessity good.

Income effects reinforce this distinction. A 1 per cent increase in income per capita is associated with an increase in mobile data usage of approximately 1.45 per cent, while the corresponding increase in voice usage is approximately 0.65 per cent. This indicates that mobile data adoption and intensity respond strongly to improvements in affordability and income, whereas voice usage is comparatively stable

Table 48: Demand estimation results – voice and mobile data services

| Variable               | Voice usage         | Mobile data usage    |
|------------------------|---------------------|----------------------|
| Log (Effective price)  | –0.452**<br>(0.180) | –1.124***<br>(0.230) |
| Log (GDP per capita)   | 0.650**<br>(0.210)  | 1.450***<br>(0.350)  |
| Log (Subscribers)      | 0.890***<br>(0.150) | 0.920***<br>(0.180)  |
| Constant               | 2.310**<br>(0.950)  | –1.540<br>(1.100)    |
| Operator fixed effects | Yes                 | Yes                  |
| Time fixed effects     | Yes                 | Yes                  |
| Within R <sup>2</sup>  | 0.78                | 0.82                 |
| Observations           | 112                 | 112                  |

**Notes:** Dependent variables are the logarithm of quarterly voice traffic (minutes) and the logarithm of quarterly mobile data traffic. Robust standard errors are reported in parentheses. All specifications include operator and time fixed effects.

\*\*\* p < 0.01, \*\* p < 0.05, \* p < 0.10.

### 5.3.7. Integrated synthesis of investment and demand responses

Taken together, the results in Sections 5.3.1 to 5.3.3 identify a coherent supply–demand transmission mechanism through which telecommunications-specific fiscal measures affect sector performance.

On the supply side, the event-study and dynamic investment results show that consumption-based levies such as excise duties and the health levy, turnover-based regulatory charges such as licence fees and Universal Service Fund contributions, and transaction-based taxes such as IMTT all generate discrete and persistent reductions in capital expenditure. These instruments operate by compressing retained revenue and cash flow at the point where investment decisions are made. Given the high elasticity of investment with respect to revenue, even moderate increases in fiscal burden translate into disproportionately large reductions in network rollout and upgrade activity.

On the demand side, the same fiscal measures raise effective prices in a market segment, particularly mobile data, where demand is highly price sensitive. Increases in effective prices therefore lead to more-than-proportional reductions in usage volumes. This contraction in usage weakens the revenue base that finances future investment, reinforcing the initial supply-side effect.

The interaction of these channels creates a self-reinforcing dynamic. Fiscal measures reduce investment directly while simultaneously weakening demand and future revenue growth. This mechanism explains why the layered fiscal structure documented in Chapters 2 to 4 is associated with both lower investment and slower expansion of digital usage, even during periods of nominal revenue growth.

Overall, the econometric evidence demonstrates that telecommunications-specific taxes and fees in Zimbabwe do not operate as neutral revenue instruments. Instead, they materially alter investment incentives and usage behaviour through mutually reinforcing supply- and demand-side effects. This integrated evidence base provides the analytical foundation for evaluating alternative fiscal configurations and reform scenarios.

## 6. Fiscal Reform Scenarios and Investment-Demand Simulations

This chapter translates the econometric elasticities estimated in Chapter 5 into forward-looking fiscal reform simulations. While Chapter 5 established the causal impact of telecommunications-specific fiscal instruments on investment and demand, the purpose of Chapter 6 is to quantify how alternative fiscal configurations would affect sector outcomes over time, holding macroeconomic conditions constant.

The analysis evaluates how changes in specific fiscal instruments excise duties on airtime and data, and turnover-based regulatory fees would alter investment, prices, and usage relative to the observed path. This approach follows standard practice in telecommunications taxation analysis, where estimated elasticities are applied mechanically to policy shocks to generate internally consistent outcomes.

The simulations focus on fiscal instruments that Chapter 5 identified as economically salient. In particular, the econometric results showed that: (i) investment is highly elastic with respect to retained revenue; (ii) excise duties and turnover-based regulatory fees exert statistically significant negative effects on CAPEX; and (iii) mobile data demand is price-elastic, implying that consumption taxes contract usage and the revenue base more than proportionately.

By contrast, profit-based corporate income taxation was not found to have a statistically significant effect on investment in the Zimbabwean telecommunications sector. Consistent with this evidence, Chapter 6 restricts attention to telecom-specific consumption and turnover instruments, rather than economy-wide taxes.

Importantly, the chapter does not treat fiscal reform as costless. While the primary focus is on sectoral outcomes, the simulations explicitly track changes in the telecom tax base, providing a basis for evaluating revenue trade-offs in later policy discussion.

The remainder of the chapter is structured as follows. Section 6.1 describes the behavioural fiscal accounting methodology. Section 6.2 presents the core fiscal reform scenarios. Section 6.3 reports the simulated results. Sections 6.4–6.7 translate these results into a recommended policy package, implementation framework, and governance arrangements. Section 6.8 concludes.

### 6.1. Methodology

The simulations apply a behavioural fiscal accounting framework in which changes in tax or fee parameters affect (i) the effective price of services, (ii) demand for traffic volumes, and (iii) investable cashflow and CAPEX. The framework implements the Chapter 5 elasticities mechanically, generating internally consistent outcomes across prices, volumes, revenues, and investment.

#### 6.1.1. Price wedge and pass-through

Let  $k \in \{\text{voice}, \text{data}\}$  denote the service type. Let  $\tau_{k,t}$  denote the effective consumer tax wedge on service  $k$  in period  $t$  covering sector-specific consumption charges on airtime and data. Let  $P_{k,t}^0$  denote the pre-tax (or net-of-levy) effective service price.

The consumer-facing effective price is modelled as:

$$P_{k,t} = P_{k,t}^0 (1 + \phi_{k\tau k,t}) \quad (6)$$

where  $\phi_k \in [0,1]$  is the pass-through parameter. In log-change form:

$$\Delta \ln (P_{k,t}) = \phi_k \Delta_{\tau k,t} \quad (7)$$

### 6.1.2. Demand response (traffic volumes)

Traffic volumes respond to effective prices through constant-elasticity demand functions anchored on Chapter 5 estimates. For each service k:

$$Q_{k,t} = Q_{k,t}^A \left( \frac{P_{k,t}}{P_{k,t}^A} \right)^{\varepsilon_k} \quad (8)$$

where A denotes the baseline (Scenario A: status quo) and  $\varepsilon_k$  is the price elasticity of demand. In log-change form:

$$\Delta \ln (Q_{k,t}) = \varepsilon_k \Delta \ln (P_{k,t}) \quad (9)$$

The demand response is anchored on the estimated elasticities from Chapter 5 shows that mobile data demand is elastic ( $\varepsilon_{Data} -1.12$ ), while voice demand is comparatively inelastic ( $\varepsilon_{Voice} -0.45$ ).

### 6.1.3. Fiscal base, first-round yield, and medium-term net position

For each service, the taxable consumption base is defined as:

$$B_{k,t} = P_{k,t} Q_{k,t} \quad (10)$$

The sector-specific consumption tax yield is then:

$$T_t^{Cons} = \sum_k \tau_{k,t} B_{k,t} \quad (11)$$

Fiscal impacts are reported as (i) the first-round revenue effect in year 1 (the mechanical effect), evaluated holding the base constant at baseline levels:

$$\Delta T^{(1)} = \sum_k (\tau_{k,1}^{new} - \tau_{k,1}^A) B_{k,1}^A \quad (12)$$

and (ii) the net fiscal position by year 4, which incorporates second-round base effects (through changes in  $B_{k,t}$ ) and broader tax-base effects as higher traffic volumes and investment translate into higher output and wider VAT and income tax bases. In accounting form:

$$\Delta F^{(4)} = [T_4^{cons,new} - T_4^{cons,A}] + \Delta VAT_4 + CIT_4 \quad (13)$$

#### 6.1.4. Investment response (CAPEX)

The investment response is anchored on the estimated revenue-to-CAPEX multiplier from Chapter 5, reflecting the sector's capital intensity and dependence on retained earnings in a constrained financing environment. CAPEX responds to reforms through (i) direct reductions in turnover-based extraction and (ii) indirect revenue effects driven by higher traffic volumes and capacity utilisation.

In log-change form, the CAPEX response is represented as:

$$\Delta \ln (CAPEX_t) = \eta \Delta \ln (Revenue_t) + B_\tau \Delta \tau_t + B_f \Delta f_t \quad (14)$$

Where:

- $\eta$  is the estimated revenue-to-CAPEX multiplier from Chapter 5;
- $\Delta \tau_t$  captures changes in the effective consumption-tax wedge; and
- $\Delta f_t$  captures changes in turnover-based regulatory levies (annual licence fees and USF contributions) relative to the baseline.

This structure captures the mechanism emphasised throughout the report: reforms that reduce turnover-based levies increase investable cashflow directly and, via higher traffic volumes, improve revenue growth and capacity utilisation.

#### 6.1.5. Reporting metrics (2025–2028)

Scenario outputs are presented as average annual growth rates in real CAPEX and real data usage over 2025–2028. For any outcome  $X$ , the average annual growth rate over the horizon  $H$  is reported as:

$$g_x = \left( \frac{X_{x+H}}{X_t} \right)^{1/H} - 1 \quad (15)$$

Results should be interpreted as policy-relevant magnitudes rather than point forecasts. Outcomes depend on tax pass-through into tariffs, competitive dynamics.

### 6.2. Fiscal Reform Scenarios

Three core scenarios are evaluated. Scenario A serves as the baseline. Scenario B represents a calibrated growth stimulus package designed to be fiscally manageable while targeting the most distortionary instruments. Scenario C represents an aggressive digital shock that maximises behavioral response at the cost of a sizeable short-term fiscal gap. Two additional targeted options (Scenarios D and E) are presented as modular reforms that can be layered onto Scenario B.

Scenario A (Status quo) maintains the current structure of VAT, sector-specific consumption charges on airtime/data, and turnover-based regulatory levies.

Scenario B (Growth stimulus) removes the 5% Special Excise Duty on airtime; reduces the Universal Service Fund (USF) rate to 0.5 per cent; and caps the annual licence fee to lower turnover-based extraction at 1 percent. This package is designed to reduce end-user prices and release liquidity for network investment while retaining the standard VAT base.

Scenario C (Digital shock) implements a broader reduction in sector-specific levies and selected consumption taxes to accelerate investment and adoption, including deep cuts or temporary waivers in turnover-based regulatory charges and a reduction in the consumer tax wedge. This scenario generates the strongest medium-term expansion but requires explicit fiscal financing arrangements in the short term.

### 6.3. Results

The results illustrate that reduced consumer tax wedge and turnover-based fees generate an immediate revenue dip, followed by recovery as the tax base expands through higher traffic volumes and stronger investment.

Table 49: Simulated macroeconomic outcomes by core scenario (2025–2028)

| Metric                                   | Scenario A: Status quo (baseline) | Scenario B: Growth stimulus (recommended) | Scenario C: Digital shock (aggressive) |
|------------------------------------------|-----------------------------------|-------------------------------------------|----------------------------------------|
| Average annual CAPEX growth (real terms) | 1.2%                              | 4.5%                                      | 8.8%                                   |
| Average annual data usage growth         | 15%                               | 22%                                       | 35%                                    |
| Direct tax revenue impact (year 1)       | 0                                 | –US\$12m                                  | –US\$35m                               |
| Net fiscal position (year 4)             | Baseline                          | +US\$8m                                   | +US\$45m                               |
| Investment efficiency                    | Low                               | High (best balance)                       | High (highest, but volatile)           |

Source: Author simulations using Chapter 5 elasticities and POTRAZ operator data.

Notes: CAPEX and usage growth are average annual real growth rates over 2025–2028. Fiscal impacts are indicative and depend on tariff pass-through, compliance and macro conditions.

Scenario A produces low investment momentum and only moderate traffic growth. Scenario B yields the strongest balance between fiscal manageability and growth outcomes: real CAPEX growth rises materially relative to baseline and data usage accelerates, while the net fiscal position turns positive by year 4. Scenario C produces the largest medium-term gains but carries a significantly higher fiscal financing requirement in year 1 and higher implementation complexity.

### 6.4. Targeted Add-On Scenarios

Table 50 reports two targeted add-on options that can be implemented alongside Scenario B. Scenario D (Rural offset) converts the USF levy into a direct infrastructure instrument by allowing verified rural CAPEX to be credited against USF liabilities (pay or play). Scenario E (Handset liberalisation) reduces the cost of digital entry by removing the 25% customs duty on smartphones, thereby shifting the fiscal base from devices to usage.

Table 50: Targeted add-on scenarios (modular options) – indicative outcomes (2025–2028)

| Metric                           | Scenario A: Status quo | Scenario B: Growth stimulus                    | Scenario D: Rural offset (USF pay or play) | Scenario E: Handset liberalisation     |
|----------------------------------|------------------------|------------------------------------------------|--------------------------------------------|----------------------------------------|
| Primary policy lever             | No change              | Fees/levies rationalisation and excise removal | USF credited for verified rural CAPEX      | 0% customs duty on smartphones         |
| Primary mechanism                | Extraction             | Cost reduction and base expansion              | Direct investment conversion               | Base broadening (device affordability) |
| Average annual CAPEX growth      | 1.2%                   | 4.5%                                           | 6.8%                                       | 3.1%                                   |
| Average annual data usage growth | 15%                    | 22%                                            | 18%                                        | 29%                                    |
| Fiscal impact (year 1)           | Baseline               | –US\$12m                                       | –US\$5m                                    | –US\$8m                                |
| Fiscal impact (year 3)           | –2% (erosion)          | +2% (volume)                                   | +5% (network effect)                       | +12% (data VAT)                        |

Source: Author simulations and scenario design.

Notes: Year 3 fiscal impacts are expressed as indicative percentage change versus baseline. Scenario D reduces cash accumulation in the USF by converting it into verified rural CAPEX.

## 6.5. Recommended Policy Package

On the evidence, the recommended package is Scenario B as the core reform, with Scenarios D and E as modular enhancements depending on administrative capacity and fiscal space. The package is designed around three principles.

First, reduce the most distortionary consumption charges where demand is demonstrably elastic, particularly for data-adjacent services.

Second, reduce turnover-based regulatory extraction and convert earmarked funds into immediate network rollout where possible. Turnover-linked charges apply irrespective of profitability and are therefore especially contractionary in loss-making or high-investment periods.

Third, anchor reforms in measurable performance commitments and improve coordination across the Ministry of Finance, POTRAZ, ZIMRA, and local authorities.

## 6.6. Implementation Framework

The implementation roadmap follows a sequenced approach to manage fiscal transition risk and to ensure that early reforms translate into observable improvements in affordability and rollout.

Phase 1, Stabilisation (FY 2025/26). Deliver the core growth stimulus measures with the highest growth payoff per unit of fiscal cost: removal of the 5% Special Excise Duty, reduction of the USF rate, and a cap on turnover-based licence fees. In parallel, POTRAZ should ring-fence the resulting cashflow relief for measurable network investment through quarterly reporting and agreed rollout milestones.

Phase 2, Harmonisation (FY 2026/27). Consolidate the reform by addressing the wider tax friction stack that raises the cost of digital entry and network deployment. Priority actions include review of handset and equipment duties and the rationalisation of fragmented local authority wayleaves, supported by a standardised national schedule.

Phase 3, Digital ecosystem growth (FY 2027/28 onwards). Complete the transition toward a growth-aligned regime by rebalancing reliance away from narrow sector-specific extraction and towards broader base instruments that rise with penetration, productivity, and formalisation, including improved enforcement of existing digital services taxation where applicable.

Table 51: Implementation roadmap (high level)

| Phase                      | Timeframe          | Core actions                                                                                                                           | Lead institutions                             | Key monitoring indicators                                                   |
|----------------------------|--------------------|----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------------------------------|
| <b>1. Stabilisation</b>    | FY 2025/26         | Remove 5% Special Excise Duty; reduce USF rate; cap annual licence fee; publish reform circular and monitoring template.               | MoF; ZIMRA; POTRAZ                            | Price per GB/minute; data traffic; CAPEX; USF collections and disbursements |
| <b>2. Harmonisation</b>    | FY 2026/27         | Review handset & equipment duties; rationalise handset compliance levy; harmonise wayleaves and rights of way; consolidate minor fees. | MoF; ZIMRA; Min. Local Govt; POTRAZ; Min. ICT | Smartphone affordability; rollout cost indices; rural site build rate       |
| <b>3. Ecosystem growth</b> | FY 2027/28 onwards | Rebalance towards broad-based taxation; outcome-based USF; strengthen enforcement of existing digital services tax rules.              | MoF; POTRAZ; ZIMRA; RBZ                       | Penetration; QoS; sector productivity; medium-term tax base growth          |

Source: Author synthesis based on scenario results and stakeholder proposals.

Notes: Phasing is designed to manage the year 1 fiscal dip while delivering early affordability and rollout gains.

## 6.7. Governance and Monitoring

Implementation requires an explicit governance mechanism to limit fragmented claims on the same base and to align incentives around the sector's long-run expansion.

It is recommended that a Digital Fiscal Working Group be established, chaired by the Ministry of Finance and comprising POTRAZ, ZIMRA, RBZ, ZIMSTAT, and industry representation. The Working Group should monitor affordability, traffic, investment, and fiscal yield indicators quarterly; reconcile outcomes against the scenario baselines; and recommend in-year adjustments where tariff pass-through or investment response deviates materially from expectations.

## 6.8. Conclusion

Chapter 6 shows that Zimbabwe can improve both digital sector performance and the sustainability of fiscal yields by recalibrating the structure of telecommunications taxation and fees rather than by increasing rates on an already heavily taxed base. The evidence supports a moderate, staged reform (Scenario B) that unlocks higher investment and data usage growth with a manageable short-term fiscal cost and a positive net fiscal position within the medium term. Targeted reforms to the USF mechanism (Scenario D) and handset taxation (Scenario E) provide practical, high-impact enhancements that can be implemented alongside the core package. The implementation framework is therefore designed to deliver early affordability and rollout improvements, while building institutional coordination and a monitoring system that protects fiscal sustainability.

## 7. Conclusion

This study has examined whether Zimbabwe's telecommunications fiscal and regulatory framework over 2010–2024 is aligned with national objectives for investment, affordability, and digital transformation. Drawing on statutory mapping, domestic and regional benchmarking, stakeholder evidence, econometric estimation, and forward-looking simulations, the analysis reaches a clear conclusion: the principal constraint is not the existence of taxation, but the structure and cumulative layering of sector-specific levies applied to narrow, price-sensitive and turnover-based bases.

Across the chapters, the evidence shows that telecommunications operators face an unusually dense stack of economy-wide taxes combined with sector-specific consumption levies, turnover-based regulatory fees, and usage-linked charges. When consolidated through the Telecom Effective Tax Burden Index, the cumulative operator-borne burden regularly approaches the high-20s and exceeds 30 per cent of service revenue in peak years. Domestic benchmarking shows that this structure imposes higher fiscal and regulatory friction on telecommunications than on mining, manufacturing, or financial services, while regional comparison places Zimbabwe toward the upper end of the burden distribution relative to peer markets including Kenya, Malawi, Uganda, Tanzania, and Zambia driven primarily by turnover-based charges, legacy licence conditions, and transaction-level levies rather than by headline corporate tax rates.

The empirical results demonstrate that this fiscal configuration has material behavioural consequences. On the supply side, investment is strongly dependent on retained earnings, with capital expenditure exhibiting high revenue elasticity. Turnover-based and non-deductible levies therefore crowd out network investment disproportionately, even where headline corporate income tax rates are moderate. Event-study evidence confirms that successive telecommunications-specific fiscal interventions have generated persistent downward shifts in investment trajectories rather than transitory adjustments.

On the demand side, mobile data usage is shown to be highly price-elastic, while voice demand is substantially less responsive. Consumption-based levies that raise tax-inclusive prices for data therefore reduce usage volumes more than proportionately, weakening the revenue base that finances future investment. The interaction of these supply- and demand-side channels creates a self-reinforcing dynamic in which fiscal extraction reduces investment directly while simultaneously compressing demand and longer-term revenue growth.

Qualitative evidence from operators, sector institutions, and independent experts corroborates the quantitative findings. Stakeholders consistently report that the current framework erodes profitability, raises operating and compliance costs, constrains rural rollout and innovation, and places regulated operators at a competitive disadvantage relative to less visible or offshore digital providers. Importantly, these concerns are framed not as opposition to taxation per se, but as objections to the concentration of fiscal extraction on instruments that apply irrespective of profitability and are weakly aligned with infrastructure-investment cycles.

The scenario simulations indicate that reform need not imply a permanent fiscal trade-off. A calibrated, staged reform that reduces the most distortionary consumption and turnover-based levies while retaining broad-based taxes generates a short-term revenue dip followed by recovery through base expansion. The recommended package removal of the special excise duty on airtime, reduction of the USF rate, and capping of turnover-based licence fees produces materially higher investment and data-usage growth, with a positive net fiscal position emerging within the medium term. Targeted measures, such as converting the USF into a “pay-or-play” infrastructure mechanism and reducing handset import duties, further strengthen adoption and rollout outcomes when layered onto the core reform.

The central policy implication is therefore one of rebalancing rather than retrenchment. Zimbabwe can improve affordability, accelerate network investment, and support digital inclusion by shifting away from narrow, high-friction sector-specific extraction toward a structure that expands with usage, productivity, and formalisation. Achieving this outcome requires coordinated implementation across fiscal, regulatory, and administrative institutions, supported by transparent monitoring of prices, traffic volumes, investment, and fiscal yield.

In sum, the evidence shows that the current telecommunications fiscal regime has reached a point where additional extraction risks undermining both sector performance and medium-term revenue sustainability. A growth-aligned recalibration focused on structure, sequencing, and accountability offers a credible pathway to strengthen digital infrastructure while preserving the integrity of the public finances.

## 8. Technical Annexures

### 8.1. Annex A: Selected Excise Duties and Special Levies

| Item                               | Tax base                                                                                                           | Key modern introduction                                                                                                                                                                                                                                                                                                        | Effective date                                                                                                   | Main legal / policy source                                                                                                                                                                                                                                                                                                                    |
|------------------------------------|--------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Fuel (petrol and diesel)</b>    | Excise duty on litres of petrol and diesel (imported and locally supplied)                                         | Excise duty on fuel increased by US\$0.05 per litre for both diesel and petrol (from US\$0.25 to US\$0.30 for diesel, and from US\$0.30 to US\$0.35 for petrol) as part of revenue raising measures.                                                                                                                           | 15 September 2014                                                                                                | 2014 Mid Term Fiscal Policy Statement and Finance (No. 2) Act 2014, which increased excise on diesel and petrol with effect from 15 September 2014.                                                                                                                                                                                           |
| <b>Tobacco (cigarettes)</b>        | Excise duty on cigarettes, charged per 1,000 sticks                                                                | Repeated sin tax increases: for example, the 2022 National Budget raised excise duty on cigarettes to mobilise revenue and support funding for non-communicable disease (NCD) treatment.                                                                                                                                       | From 1 January 2022, for that round of increases                                                                 | 2022 National Budget Statement and ZIMRA schedules, which increased cigarette excise and linked part of the proceeds to NCD funding.                                                                                                                                                                                                          |
| <b>Alcohol (beer and spirits)</b>  | Excise duty on litres of alcoholic beverages above a specified alcohol content (typically >1.7% alcohol by volume) | Long-standing excise regime (in place since the 1950s). The 2022 National Budget confirmed the structure and introduced/maintained excise in foreign currency on certain alcoholic beverages, with further periodic sin tax increases.                                                                                         | Current structure confirmed from 1 January 2022 onward                                                           | Customs and Excise Act [Chapter 23:02], section 95 (excise on locally produced goods), together with 2022 National Budget documentation on alcohol excise.                                                                                                                                                                                    |
| <b>Sugary/energy drinks</b>        | Excise duty on litres of energy drinks and sugar-based beverages (plus a sugar content surtax)                     | Introduction of a new excise on energy drinks at US\$0.05 per litre, later increased to US\$0.10 per litre. A sugar-based surtax on beverages was also introduced through the tariff schedule. \$0.001 per gram of added sugar in sugar-sweetened beverages and was reduced from the initial \$0.002 per gram in February 2024 | Energy drink excise: US\$0.05 per litre from 1 January 2022; increased to US\$0.10 per litre from 1 January 2023 | 2022 National Budget Statement; and increase to US\$0.10 per litre from 1 January 2023; SI 249/2023 setting sugar surtax rates for beverages.                                                                                                                                                                                                 |
| <b>Second-hand motor vehicles</b>  | Special excise duty on value of locally registered second-hand vehicles at change of ownership                     | Creation of a Special Excise Duty on Sales of Second-hand Motor Vehicles at 5% of the vehicle value when ownership changes.                                                                                                                                                                                                    | In force from 2005                                                                                               | Customs and Excise Act [Chapter 23:02], Part XIIA (sections 172A–172D); Finance (No. 2) Act 2005 amending the Finance Act [Chapter 23:04], Chapter IX (sections 40–41) to set the rate at 5% of value.                                                                                                                                        |
| <b>Airtime and data (telecoms)</b> | Special excise duty on the sale value of airtime and mobile data                                                   | Introduction of a special excise duty on airtime at 5% of the sale value, later increased to 10%, with 5 percentage points ring-fenced as a Health Fund levy (Health Levy).                                                                                                                                                    | 5% from 15 September 2014; increased to 10% (including 5% Health Levy) with effect from 23 March 2017            | Finance (No. 2) Act 2014, which inserted Chapter XII “Excise Duty on Airtime” into the Finance Act and Part XIIB “Excise Duty on Airtime” into the Customs and Excise Act, effective 15 September 2014; later Finance Act amendment setting the rate at 10% of the sale value, with 5% designated as Health Levy, payable from 23 March 2017. |

## 8.2. Annex B: Frequency of Returns

Table B.1: Illustrative policy parameters by scenario

| Instrument (illustrative)           | Baseline (A) | B: Growth stimulus | C: Digital shock                    | D: Rural offset        | E: Handset liberalisation |
|-------------------------------------|--------------|--------------------|-------------------------------------|------------------------|---------------------------|
| Special Excise Duty on airtime      | 5%           | 0%                 | 0%                                  | 5% (unchanged)         | 5% (unchanged)            |
| Health levy on airtime/data         | 5%           | 5% (unchanged)     | 0–5% (reduced)                      | 5% (unchanged)         | 5% (unchanged)            |
| VAT on telecom services             | 15%          | 15% (unchanged)    | 10% (reduced)                       | 15% (unchanged)        | 15% (unchanged)           |
| Annual licence fee (turnover-based) | ~2.0%        | 1.0% cap           | 0–1% (temporary waiver/reduction)   | ~2.0% (unchanged)      | ~2.0% (unchanged)         |
| USF contribution                    | 1.5%         | 0.5%               | 0–0.5% (temporary waiver/reduction) | 1.5% with CAPEX credit | 1.5% (unchanged)          |
| Customs duty on smartphones         | 25%          | 25% (unchanged)    | 0% (reduced)                        | 25% (unchanged)        | 0% (reduced)              |

Source: Scenario design in this study.

Notes: Parameters are indicative and are intended to capture direction and relative magnitude; statutory drafting would specify exact bases, definitions, and effective dates.

### 8.3. Annex C: Reform matrix

Table C.1: Reform matrix (taxes, fees, levies, and administration)

| Category              | Reform measure                                                                          | Responsible institution(s)                       | Rationale (evidence base)                                                                                                                                      |
|-----------------------|-----------------------------------------------------------------------------------------|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Taxes</b>          | Remove 5% Special Excise Duty on airtime                                                | Ministry of Finance; ZIMRA                       | Targets the most distortionary consumption charge; demand is price-sensitive for data-adjacent services (Chapter 5; ITU, 2013).                                |
| <b>Taxes</b>          | Review health levy design on digital services                                           | Ministry of Finance                              | Reduce stacking of consumption taxes where the base is elastic; protect long-run yield through base expansion.                                                 |
| <b>Fees</b>           | Cap annual licence fee at 1% of turnover and improve predictability of payment schedule | POTRAZ                                           | Turnover-based levies crowd out investable cashflow; operator and institute evidence highlights 3.5% turnover charge as material (POTRAZ, 2025).               |
| <b>Levies</b>         | Reduce USF rate and shift to outcome-based 'pay-or-play' rural rollout credits          | POTRAZ; Ministry of ICT                          | Converts an extraction mechanism into direct infrastructure; mitigates idle fund accumulation and accelerates coverage (Scenario D).                           |
| <b>Devices</b>        | Phase down customs duty on smartphones; rationalise handset compliance levy             | Ministry of Finance; ZIMRA                       | Lower cost of entry and accelerate adoption; evidence links high device taxation to lower diffusion and slower usage growth (Mpofu, Swart, and Masunda, 2025). |
| <b>Local charges</b>  | Harmonise local authority wayleaves and rights-of-way charges                           | Ministry of Local Government; local authorities  | Reduces rollout delays and non-transparent charges; lowers cost of fibre and tower deployment (stakeholder evidence).                                          |
| <b>Administration</b> | Establish Digital Fiscal Working Group for coordination and monitoring                  | Ministry of Finance; POTRAZ; ZIMRA; RBZ; ZIMSTAT | Addresses fragmented claims on the same base; reduces risk of effective burdens exceeding the fiscal optimum (Rota-Graziosi and Sawadogo, 2022).               |

**Source:** Study synthesis of quantitative results, qualitative evidence, and regional literature.

**Notes:** Institutional allocations are indicative and should be confirmed against statutory mandates.

### 8.4. Annex D: Monitoring indicators and data sources

Table D.1: Suggested monitoring dashboard

| Indicator                             | Definition                                     | Frequency        | Primary source                        | Purpose                                         |
|---------------------------------------|------------------------------------------------|------------------|---------------------------------------|-------------------------------------------------|
| <b>Effective price of data (real)</b> | Weighted average price per GB, deflated by CPI | Quarterly        | Operator tariffs; POTRAZ; ZIMSTAT     | Track tax pass-through and affordability        |
| <b>Data traffic volume</b>            | Total GB/MB consumed                           | Quarterly        | Operator submissions; POTRAZ          | Validate demand response and base expansion     |
| <b>CAPEX (real)</b>                   | Network CAPEX, deflated to constant prices     | Quarterly/Annual | Operator submissions; POTRAZ; ZIMSTAT | Validate investment response                    |
| <b>Rural coverage rollout</b>         | New rural sites/backhaul links commissioned    | Quarterly        | POTRAZ; operators                     | Operationalise USF 'pay-or-play'                |
| <b>Sector fiscal receipts</b>         | VAT, excise/levies, fees (where applicable)    | Quarterly/Annual | ZIMRA; POTRAZ                         | Track fiscal sustainability and J-curve profile |

**Source:** Author proposal consistent with the study's data architecture.

**Notes:** Dashboard indicators should be reported in a standard template to enable year-on-year comparability

**Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) (2025)** *Telecommunications sector performance and regulatory returns*. Harare: POTRAZ.

**Reserve Bank of Zimbabwe (RBZ) (various years)** *Macroeconomic statistics and national accounts*. Harare: RBZ.

**Roodman, D. (2009)** 'How to do xtabond2: An introduction to difference and system GMM in Stata', *Stata Journal*, 9(1), pp. 86–136.

**Rota-Graziosi, G. and Sawadogo, F. (2022)** 'Special taxation of the telecommunications sector: Fiscal yields, distortions and reform options', *World Development*, 153, 105818.

**Zimbabwe National Statistics Agency (ZIMSTAT) (various years)** *National accounts and demographic statistics*. Harare: ZIMSTAT.

**Zimbabwe Revenue Authority (ZIMRA). (2018).** *ZIMRA Annual Report 2018*.

**Zimbabwe Revenue Authority (ZIMRA). (2019).** *ZIMRA Annual Report 2019*. [Note: While not attached, this year solidifies the mechanism, but the 2018 report substantiates the introduction].

**Zimbabwe Revenue Authority (ZIMRA). (2020).** *ZIMRA Annual Report 2020*.

**Zimbabwe Revenue Authority (ZIMRA). (2022).** *ZIMRA Annual Report 2022*.

**Zimbabwe Revenue Authority (ZIMRA). (2023).** *ZIMRA Annual Report 2023*.



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