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The tax implications of talent mobility in Zimbabwe

1. Introduction

The international movement of employees has become an integral feature of modern business. Multinational groups regularly deploy staff across borders to manage projects, transfer expertise, oversee operations and support clients. These arrangements raise complex tax issues, particularly in jurisdictions that do not operate a comprehensive residence-based system of taxation.

Zimbabwe does not have a special expatriate tax regime or a dedicated statutory framework for mobile employees. Instead, the tax consequences of cross-border employment are determined by the ordinary provisions set out in the Income Tax Act (Chapter 23:06). As a result, employers and advisers must assess talent mobility arrangements within Zimbabwe's general tax structure, with careful attention paid to the source rules, accrual principles and withholding obligations.

This article provides a practical overview of how Zimbabwean income tax law applies to talent mobility. It addresses the jurisdictional basis of taxation, the scope of taxable employment income, the treatment of allowances and benefits commonly associated with international assignments, employer compliance obligations and the impact of double taxation agreements.

2. Overview of the Zimbabwean income tax framework

Income tax in Zimbabwe is imposed by the Income Tax Act (Chapter 23:06). The Act adopts a structured approach to the taxation of income, beginning with the imposition of tax and proceeding through the relevant rules that define the tax base, determine when income is recognised and establish whether income falls within Zimbabwe's jurisdiction in regard to taxation.

At its core, the Act taxes amounts received or accrued from a source within Zimbabwe or from a source deemed to be within Zimbabwe. It adopts expansive definitions of income and remuneration, provides anti-deferral rules to determine when income is regarded as accrued and includes detailed source and deemed-source provisions to address both domestic and cross-border activities. The collection of employment income tax is carried out through the pay-as-you-earn (PAYE) system, which places primary withholding and reporting obligations on employers.

The Act does not differentiate between domestic and cross-border employment arrangements. Mobile employees are therefore taxed by applying the same statutory principles that govern all types of employment income. As a result, determining the source of income and the characterisation of remuneration are central to assessing tax exposure in talent mobility scenarios.

3. Basis of taxation

3.1 Source-based taxation

Zimbabwe applies a predominantly source-based system of taxation. Income is taxable only if it is received by or accrues to a person from a source within Zimbabwe or from a source deemed by the Act to be within Zimbabwe.

This approach is in contrast to the residence-based or worldwide taxation systems used in many other jurisdictions. In Zimbabwe, the central enquiry is whether the economic activity that gives rise to the income is sufficiently connected to Zimbabwe to justify the exercise of taxing rights. In the employment context, that enquiry is driven primarily by where such services are performed. Residence does not, of itself, create a general liability to tax based on worldwide income. It becomes relevant only where the Act expressly extends the source provision through statutory deeming provisions.

3.2 Ordinary residence

The Act makes use of the concept of ordinary residence but does not define it. Ordinary residence is a question of fact, determined in reference to the intention, continuity and the settled

pattern of a person's life. Relevant factors may include the maintenance of a permanent home, family and social ties, and the centre of personal and economic interests in a location.
In regard to talent mobility, an important feature of ordinary residence is that it is not terminated by a temporary absence. An employee who leaves Zimbabwe for a limited period may remain ordinarily resident, with the consequence being that certain income earned abroad may be deemed to have a Zimbabwean source.

4. Taxation of employment income

Once employment income falls within Zimbabwe's jurisdiction, the Act adopts a broad and substance-based approach. The focus is on the full economic value derived by the employee from the employment relationship, rather than narrow distinctions between different forms of reward.

4.1 Components of employment income

Salary and wages

Salary and wages are taxable where they arise from services that fall within Zimbabwe's source or deemed source rules. Services physically rendered in Zimbabwe generally result in Zimbabwean-source income, regardless of whether the employee is paid offshore or employed by a foreign entity.

Where an employee who is ordinarily resident in Zimbabwe renders services abroad during a temporary period of absence, remuneration may remain taxable in Zimbabwe under the deeming provisions set out in section 12 of the Act.

Bonuses and incentive payments

Bonuses, commission and other incentive payments are taxable where they arise from services rendered or from the employment relationship. The Act is concerned with the connection between the payment and employment, rather than the timing or label of the payment. Deferred bonuses linked to Zimbabwean services may therefore be taxable when they accrue, even if they are paid after the assignment ends.

Allowances

Allowances feature prominently in international assignment packages. Zimbabwean tax law does not treat allowances as inherently non-taxable. An allowance is taxable where it confers a private economic benefit on the employee or relieves the employee of personal expenditure.

In talent mobility arrangements, this commonly includes housing allowances, cost-of-living allowances, relocation and settling-in allowances, home leave travel allowances and school fee allowances. An allowance is less likely to be taxable where it is wholly, exclusively and necessarily incurred during the carry out of the employer's business, although such cases are limited in practice.

Benefits in kind

Section 8 of the Act expressly includes advantages and benefits as part of an individual's gross income. This provision is particularly significant for expatriate arrangements, which often involve substantial non-cash benefits.

Taxable benefits may include employer-provided accommodation, occupation quarters, furniture, vehicles, loan benefits, the payment of school fees, travel and passage benefits and communication services, such as internet and airtime in instances where private use is not excluded.

The definition of 'amount' in section 2 of the Act includes money, property and value with an ascertainable monetary value. Zimbabwean law therefore taxes both cash and non-cash remuneration.

Equity and incentive compensation

The Act does not contain detailed provisions governing employee share schemes or equity-based remuneration. Such arrangements are assessed using general gross income and accrual principles. Where equity awards arise by reason of employment, they may constitute taxable income. The relevant timing and valuation are often matters of administrative practice, making early engagement with the Zimbabwe Revenue Authority, otherwise known as ZIMRA, advisable in complex mobility scenarios.

5. Source rules for cross-border employment

Section 12 of the Act governs the sourcing of employment income and is central to the taxation of mobile employees.

5.1 Inbound employment

Under section 12(1)(b) of the Act, employment income is regarded as coming from a Zimbabwean source where services are rendered or work is performed in Zimbabwe. The place of payment and the residence of the employer are not determinative. This provision captures most inbound assignments, even where the employee remains on a foreign payroll.

Absent any treaty relief, even a short-term physical presence in Zimbabwe may result in Zimbabwean tax exposure.

5.2 Outbound employment and temporary absence

Section 12(1)(c) of the Act extends the source principle through a deeming rule. Where an employee who is ordinarily resident in Zimbabwe renders services outside Zimbabwe during a temporary absence, the resulting remuneration may be deemed to be from a Zimbabwean source.

Temporary absence is not exhaustively defined. In practice, absences not exceeding 183 days in aggregate during a year of assessment are commonly regarded as temporary, although all of the relevant facts in such circumstances must be considered. This provision ensures that short-term foreign deployments do not automatically remove income from Zimbabwe's tax base.

6. Employees' tax and compliance obligations

6.1 PAYE withholding

Employment income taxable in Zimbabwe is subject to a tax on the employee under section 73 of the Act. Employers are required to withhold the tax from their employee's remuneration as it is paid or accrues and to remit that tax to ZIMRA, in accordance with the prescribed timetables.

The withholding obligation applies broadly and extends to all forms of taxable remuneration, including allowances and benefits. The employer is the primary actor responsible for compliance and bears the principal risk where remuneration is incorrectly characterised or excluded from payroll.

6.2 Non-resident employers

Where a non-resident employer has Zimbabwean payroll exposure, ZIMRA requires the appointment of a local representative to facilitate the registration, filing and payment of employees' tax. This administrative requirement reflects a practical enforcement approach to cross-border employment arrangements.

6.3 Accrual and timing

Section 10 of the Act provides that income is deemed to have accrued even where it has not yet been physically received, has been deferred or has been credited or applied on behalf of the employee. This provision prevents the avoidance or deferment of tax through offshore payrolls or delayed payment structures.

7. Departure and exit considerations

Zimbabwe does not impose a separate exit tax on employees who leave the country. Tax exposure on departure is determined by the continued application of source and deemed source rules. Physical relocation alone does not terminate liability. The decisive question remains whether employment income continues to arise from, or is deemed to arise from, a Zimbabwean source.

8. Double taxation agreements and talent mobility

8.1 The role of double taxation agreements (DTAs)

Zimbabwe has concluded DTAs with a number of trading and investment partners. DTAs do not create taxing rights but allocate and restrict taxing rights that arise under domestic law. Section

24 of the Act provides that domestic tax provisions apply subject to an applicable DTA, with the treaty prevailing in the event of inconsistency.

DTAs are particularly relevant in the employment context, where they may limit Zimbabwe's domestic source-based taxing rights.

8.2 Employment income under a DTA

Most Zimbabwean DTAs follow the structure set out in Article 15 of the Organisation for Economic Co-operation and Development's (OECD) Model Tax Convention. Under these provisions, employment income may be taxed in the state where the employment is exercised, but taxing rights are often restricted where the employee's presence does not exceed 183 days, the remuneration is paid by a non-resident employer and the cost is not borne by a permanent establishment in the host state.

Where these conditions are met, taxation is typically allocated exclusively to the employee's state of residence.

8.3 Interaction with domestic law

In the absence of a treaty, Zimbabwe's domestic law may tax employment income derived from services rendered in Zimbabwe, even for short assignments. An applicable DTA may override this position, restricting or eliminating Zimbabwe's taxing rights.

For outbound assignments, DTAs may also moderate Zimbabwe's residence-based deeming rules, particularly where treaty residence shifts to the host state under tie-breaker provisions.

In practice, PAYE obligations are not automatically displaced by treaty relief, and employers often require confirmation or a directive from ZIMRA before adjusting their withholding activities.

9. Key practical takeaways

Zimbabwe's income tax framework applies to talent mobility through the application of general statutory principles rather than a dedicated expatriate regime. As a result, both employers and employees must approach cross-border assignments with a clear understanding of how the relevant source, accrual and withholding rules operate in practice.

For employers, employment income is defined broadly and extends beyond cash remuneration to include allowances and benefits in kind. The physical location where services are rendered remains the primary determinant of the source, while residence-based deeming rules may preserve Zimbabwean taxing rights in the case of short-term outbound assignments. PAYE obligations apply to the full economic value of the remuneration package, and cross-border or split payroll structures do not, of themselves, relieve employers of the applicable withholding and compliance responsibilities.

For employees, physical relocation alone does not determine tax exposure. Temporary work outside Zimbabwe may still give rise to Zimbabwean tax liabilities, particularly where ordinary residence is retained. In addition, employer-funded benefits commonly associated with international assignments, such as the payment of housing, travel and school fees, may constitute taxable income.

From a planning perspective, early analysis of the source of services rendered, the duration and nature of the assignments and the composition of remuneration packages is critical.

Where applicable, DTAs may modify domestic outcomes but should be carefully applied and, in practice, supported by appropriate engagement with the tax authorities. In the absence of such planning, talent mobility arrangements can give rise to unexpected tax and compliance exposure for both employers and employees.