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Date: 22 Jul 2010

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Government Proposes Changes to Financial Markets and Tax Structure

The Minister of Finance (MoF) issued, on 14 July 2010, the mid-year fiscal review, which includes a series of amendments to the local capital market and the country's tax structure. The government also made additional announcements regarding the current monetary regime. The main points are outlined below:

Amendments to Capital Markets Infrastructure

- The Securities Commission of Zimbabwe (SECZ) is expected to develop a Central Securities Depository (CSD) by December 2010. According to the government, the new CSD will assure that the majority of securities transactions are processed in an electronic book-entry form. The MoF expects the CSD to operate in accordance to the International Organisation of Securities Commissions (IOSCO)'s guidelines on securities settlement.
- The Zimbabwe Stock Exchange (ZSE) plans to introduce an automated trading platform by the end of 2010, in order to replace the current Open Cry trading system.

Amendments to Tax Structure

- From 1 August 2010, interest earned on Foreign Currency Accounts (FCAs) will no longer be tax-exempt.
- The withholding tax rate applicable to non-resident investors will be reduced from 20% to 15%, effective from 1 September 2010.
- Capital gains tax on unlisted securities will be cut from 10% to 5%, effective from 1 September 2010.

Announcements on Currency Regime

- The multiple currency regime will remain unchanged until 2012. The current policy was adopted in February 2009.

For more information, please refer to the official publication here: [The 2010 Mid-Year Fiscal Policy Review](#).

Market Information Impact

Zimbabwe

This information affects the data contained in the Stock Market, Taxation and Local Market Administrative Organisations sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Zimbabwe

Market Rating: BB

Market Flash Impact: Positive

The establishment of a CSD, aimed at guaranteeing that securities transactions are processed electronically and in accordance with IOSCO guidelines, would improve settlement conditions in Zimbabwe.

In addition, the introduction of a new trading platform should eliminate manual processing in the stock exchange, making trading more transparent and lead to improved surveillance against market manipulation and other forms of fraudulent practice.

However, the specific details of these projects have not been made available to the public; hence the impact on the various risk categories is unclear at this stage although such developments are clearly an improvement on existing arrangements and will therefore be positive for the overall risk assessment.

Related Flash: [Plan to Establish CSD, 30/10/2009 \(click to view\)](#)

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