ZIMBABWE[1]

I. Overview of Country

Zimbabwe has a hybrid legal system that consists of common law, case law, and customary law. Zimbabwe is a parliamentary democracy and its Constitution is the supreme law of the land. Provisions in the Constitution protect the right to freedom of assembly and association.[2] On May 22, 2013, a new Constitution came into force in Zimbabwe after it was published in the government Gazette.[3] Section 58 of the Constitution provides that "(1) Every person has the right to freedom of assembly and association, and the right not to assemble or associate with others. (2) No person may be compelled to belong to an association or to attend a meeting or gathering." Despite this provision, political and civil liberties in Zimbabwe, including freedoms of assembly and association, have been largely eviscerated in recent years, largely due to the political situation.

Zimbabwe recognizes many different forms of association. The principal business entities in Zimbabwe are the public and private limited liability company, partnership, sole trader, and branch of a foreign company.[4] Zimbabwe's principal not-for profit organizations are private voluntary organizations, trusts, and unincorporated associations, known as universitas.[5]

II. Registration Procedures

A. For-Profit Organizations

a. Laws

The principal business entities in Zimbabwe are the public and private limited liability company, partnership, sole trader, and branch of a foreign company.[6] Zimbabwe ranks extremely low on the World Bank Group's Starting a Business Ranking, at 180.[7] According to the World Bank Group, it takes 90 days to start a business in Zimbabwe, which is extremely long. There are nine steps involved to register a for-profit organization, outlined below.[8]

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[1] The following memorandum was prepared by pro bono counsel for the ABA Center for Human Rights. It is intended as background information only and should not be relied upon as legal advice on a particular case. The views expressed herein have not been approved by the House of Delegates or the Board of Governors of the American Bar Association, and, accordingly, should not be construed as representing the policy of the American Bar Association.

[2] Zimbabwe Constitution, Section 58 (2013).

[3] NGO Law Monitor : Zimbabwe, *available at* http://www.icnl.org/research/monitor/zimbabwe.html [last accessed April 23, 2015] [hereinafter "NGO Law Monitor: Zimbabwe"].

[4] Deloitte : International Tax, Zimbabwe Highlights 2014, *available at* http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-zimbabwehighlights-2014.pdf [hereinafter "Deloitte : International Tax"].

[5] NGO Law Monitor: Zimbabwe

[6] Deloitte : International Tax.

[7] World Bank Group : Starting a Business, *available at* http://www.doingbusiness.org/data/exploretopics/starting-a-business [hereinafter "World Bank Group : Starting a Business"].

[8] World Bank Group : Starting a Business in Zimbabwe, *available at* http://www.doingbusiness.org/data/exploreeconomies/zimbabwe/starting-a-business/ [hereinafter "Starting a Business in Zimbabwe"].

First, a company must reserve the company name with the Chief Registrar of Companies. The reservation is valid for 30 days and can be extended for another 30 days for an additional fee. This process takes seven days to complete and costs USD 5.

Then, a company must file the memorandum and articles of association with the Registrar of Companies. The law provides for model or boilerplate articles of incorporation. On the date of incorporation, the Registrar of Companies must be notified of the appointments of the company's directors and secretaries. This is done by filing information on the directors and secretaries and any changes therein, or a list of directors and principal officers. These documents must be accompanied by a duplicate original or a printed notarized copy. This process takes 14 days to complete and costs a minimum of USD 100; the total cost is dependent on the capital of the company. In practice, companies usually start up with a low amount of capital to avoid the exorbitant stamp duty. A company may also issue shares at a premium to circumvent the requirement.

Next, a company must register with the tax authorities for income tax, VAT, and pay-as-you-earn (PAYE). Upon formation, a company must register at the regional Zimbabwe Revenue Authority Office. A copy of the company's certificate of incorporation is required for the Collector's records, along with the memorandum and articles of association and a certified copy of the identification of the assigned public officer. The company will be issued a registration number, as well as the current tax tables and PAYE receipt books. The P8 and P6 Forms now must be generated by the applicant and are not freely available. The ITF 16 Form must be completed in consultation with the Income Tax Office. According to Zimbabwe's Finance Act (as amended), companies must now budget to pay all their company tax within the trading year. The tax must be paid as follows: 10 percent by the 25th of March, 10 percent by the 25th of June, 40 percent by the 25th of September, and the balance of the estimated tax for the tax year by the 20th of December. Firms with a turnover of US $60,000 must register for VAT with the Zimbabwe Revenue Authority (ZIMRA). An application must be submitted for a Certificate of Registration (Form VAT 1), which, along with Forms VAT 2 and VAT 3, is found at ZIMRA Web site (www.zimra.co.zw). Firms with a turnover of less than US $60,000 may apply for voluntary VAT registration. This process takes 14 days to complete and there is no charge.

Simultaneous with the above two step, a company must register with the National Social Security Authority for pension and the Accident Prevention and Compensation Scheme. This process takes 14 days, and the employer and employee must each contribute 3 percent of gross monthly salary.

The company must then register with the Manpower Development Fund, with employers contributing 1 percent of their wage bill to the Manpower Development Fund. The fund allows employers to recover expenses when employees complete training. There is otherwise no charge, and this step takes up to one day, simultaneous with the above two steps.

Next, the company may pick up the form of license application notice from the City Health Department. There is a charge of USD 20 and the step is simultaneous with the above three steps.

The company then advertises the application for a trade and business license in a local newspaper. A trade and business license applicant must publicly announce the proposed application twice in a local newspaper. The form, the notice of intention to apply for the issuance of a new license, is available from the City Health Department. The first notice must be published no more than six weeks, but at least four weeks, before the application will be heard by the licensing authority. The second notice must appear seven days after the first notice. Any objections to the application must be submitted in writing to the licensing authority within seven days of the second notice. This costs USD 30 and takes 34 days on average, simultaneous with the above four steps.

The company must next submit an application form for the issuance of new licenses to the Licensing Office in Harare Municipality. Two copies of the application forms are submitted, along with proof of both publications in a local newspaper of a notice of intention to operate a business. On receipt of the application, the Licensing Office requests a police report from the applicant, as well as a similar report from the person who will be in actual and effective control of the premises to which the application relates, if that person is not the same applicant. The Licensing Office also seeks a report from the Harare Town Planner to ensure that the application is consistent with the zoned use of the premises. Application for the license can start once the Registrar of Companies grants its approval of the company name. It is also possible to apply for a temporary license pending the grant of the full license, which can take up to a month or longer. This step costs USD 530 and takes 34 days.

Lastly, the company receives inspection by the Licensing officers. The officers inspect the company site to check if the workplace premises are suitable for the intended use. The verification criteria used by the officers are specified in the relevant bylaws. This takes one day, simultaneous with the previous procedure, and there is no charge.

Information could not be found on the deregistration process.

b. Case Law

Relevant case law was not located.

B. Not-For Profit Organizations

a. Laws

There are three not-for profit organizational forms in Zimbabwe: private voluntary organizations (PVOs), trusts, and unincorporated associations (universitas).[9]

1. Private Voluntary Organizations

Not-for profit organizations can be established as PVOs for any of the activities that are provided in the PVO Act. These activities include humanitarian work, charity, human rights work, and legal aid. PVOs are meant for the benefit of the public, family, persons or for animals.[10] A PVO is defined as "any body or association or corporate or unincorporate, or any institution, the objects of which include or are one or more of the following:

1. the provision of all or any of the material, mental, physical or social needs of persons or families;
2. the rendering of charity to persons or families in distress;
3. the prevention of social distress or destitution of persons or families;
4. the provision of assistance in, or promotion of, activities aimed at uplifting the standard of living of persons or families;
5. the provision of funds for legal aid;
6. the prevention of cruelty to, or the promotion of the welfare of, animals;
7. such other objects as may be prescribed; and

[9] NGO Law Monitor: Zimbabwe.
[10] ICNL : Zimbabwe, *available at* http://www.icnl.org/research/journal/vol12iss2/special_9.htm [hereinafter "ICNL : Zimbabwe"].

8. the collection of contributions for any of the foregoing."[11]

The registration body for PVOs is the Registrar and the PVO Board, a body made up of representatives from six ministries and three PVO representatives.[12]

Not-for profit organizations that seek to carry out work as defined under section 2 of the PVO Act must be registered.[13] Section 6(1)(a) and (b) of the PVO Act reinforce this mandate by providing that "no private voluntary organization shall commence or continue to carry on its activities or seek financial assistance from any source unless it has been registered in respect of a particular object or objects in furtherance of which it is being conducted." Section 6(2) and (3) of the PVO Act prohibit any individual from serving in the management or control of such an organization with the knowledge that such institution is not registered. If one contravenes section 6(2) on collection of funds from the public, one is subject to six months imprisonment or a fine not exceeding approximately USD 200 or both; for contravening section 6(3) on managing or controlling an unregistered entity, one is subject to imprisonment not exceeding 3 months or a fine not exceeding level four (approximately USD 100) or both.[14]

There are relatively complex registration procedures for PVOs. The PVO Act provides for the registration procedures. Once an application has been lodged, the PVO in question must publish in a local paper, at its own expense, a notice as prescribed by the PVO Act calling for persons with objections to lodge them with the Registrar of PVOs within the prescribed time limit (within 21 days of the date of publication). Once the registration papers are lodged with the Registrar of PVOs, who is ordinarily the Director of Social Welfare in the Ministry of Labor and Social Welfare, the application forms are then submitted to the Private Voluntary Organizations Board (PVOB).[15]

In the case of foreign organizations, the organization must conclude a memorandum of understanding with the government. Foreign organizations that seek to carry out work in Zimbabwe, and in particular work of a humanitarian nature or whose objectives are covered under the PVO Act, are required to register as such. Most international organizations operate as PVOs and are supposed to have a direct memorandum of understanding or cooperation with the Government (usually at both national and local levels). Section 3 of the General Notice 99/2007 requires an international organization to file its application with the Registrar of PVOs. The application documents must include curriculum vitae and an Interpol or local police clearance certificate for the country representative, among other requirements.

The PVO Act prohibits individuals who have been convicted of a criminal offence involving dishonesty under statutory or common law within the past five years from occupying the position of office bearer. There is no limitation in terms of the number of the founders, nor is a minimum amount of capital required for the PVO. Operating an account or fundraising before registration is an offence under the PVO Act.[16] The PVOB makes a decision on the registration of an entity as a PVO, independently of the decision by the Registrar concerning compliance.

The PVOB may grant the application, or reject the same if the organization appears unable to abide by the objectives stated in its application or if the constitution and management of the organization fail to comply with the PVO Act.

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[11] Private Voluntary Organizations Act, Section 2.
[12] NGO Law Monitor: Zimbabwe.
[13] ICNL : Zimbabwe.
[14] NGO Law Monitor: Zimbabwe.
[15] NGO Law Monitor: Zimbabwe.
[16] Section 26.

The Act is silent regarding a time period for the review process. The organization shall be informed in full of the reasons for rejection of the application, and appeal against the decision of the PVOB lies with the Minister. The Minister may direct the PVOB otherwise or give effect to its decision.

An aggrieved person may appeal against the decision of both the PVOB and the Minister based on the Administrative Justice Act (AJA). Under Section 3 of AJA, any administrative authority responsible for or empowered to take any action affecting the rights, interests or legitimate expectations of any person must act lawfully, reasonably and fairly.

The registration of a PVO may be cancelled after giving time for the secretary of the PVO to respond; failure to respond within 90 days will constitute an offence punishable by imprisonment of one month, or a fine, or both. If the PVO fails to comply with provisions of its registration, ceases to function as such, fails to provide audited accounts, or a report to the Registrar within 3 months of being requested, then the PVOB may cancel the PVO's registration.[17]

The Registrar can initiate dissolution of a PVO if the organization ceases to operate. The assets of the organization will be disposed of in terms of its constitution.[18] The PVO Act, through its regulations, provides for how dissolution takes place.[19]

2. Trusts

Trusts are regulated under the Deeds Registries Act, which allows the Registrar of Deeds to register notarial deeds in donation or in trust. Trusts typically have unlimited objectives, which are often intended to benefit an identifiable constituency. Trusts have covered issues of human rights advocacy, media freedom, youth democracy organizations, humanitarian information and facilities, and community development organizations, among others.[20] The trust form, however, has also been used as a way of registering organizations that have faced difficulties in registering under the PVO Act. The PVO Act does not include trusts in its definition of what constitutes a PVO.[21]

The legal framework applicable to trusts with regards to registration is generally more permissive than that of the PVO Act.[22]

The minimum number of trustees is usually 3, and the maximum 10, although additional trustees are appointed in some instances as per the constitution of the organization. There is no minimum amount required to be deposited in trust; an amount sufficient to open a corporate bank account is required. Registration is completed upon submission of the deed of trust with the Registrar of Deeds, and upon payment of a processing fee for the application, which usually takes 14 working days to process. Registration is usually denied if the objectives of the deed of trust do not meet the formatting required by the courts, or no details of the trustees are provided such as date of birth, or a similarly named trust exists. If these problems are rectified, registration will normally be approved.[23]

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[17] Section 10.
[18] Section 27.
[19] Section 28(1).
[20] ICNL : Zimbabwe.
[21] PVO Act, Section 2(1)(h)(iii).
[22] NGO Law Monitor: Zimbabwe.
[23] ICNL : Zimbabwe.

Trusts usually provide for dissolution of the organization in their deeds of trust.[24]

3. Universitas

The membership form known as universitas springs from the practice of recognizing an entity which has members, a constitution, and activities that are entirely for the benefit of its members.[25] This form has a common law persona; it was recognized by the Zimbabwean Supreme Court in *Zimbabwe Lawyers for Human Rights & Anor v. The President of the Republic of Zimbabwe & Anor*. Such an entity is excluded from registering under the PVO Act and is therefore not viewed as a PVO, but instead as universitas.

The law in Zimbabwe allows individuals or groups to operate as unincorporated entities, and this appears to be utilized mostly by organizations that have been unable to register under the PVO Act or by community based organizations. Organizations operate as universitas which are not registered under any statute but are deemed operational and lawful by virtue of having a constitution and members.[26]

The legal framework applicable to universitas with regards to registration is generally more permissive than that of the PVO Act. For a universitas all that is needed is a constitution and membership and by virtue of the application of common law in Zimbabwe, such an entity will be deemed to be a legal entity.

The provisions for dissolution of not-for profit organizations operating as universitas are contained in the constitutions of these organizations; such a decision will have to be reached by at least a majority of the board members. Universitas usually provide for dissolution of the organisation in their constitution.[27]

4. Government-Sponsored Non-Governmental Organizations

The establishment of government sponsored non-governmental organizations (GONGOs), has become prevalent since 2000. Such entities include associations of workers, students, doctors, teachers, and NGOs. These government-sponsored NGOs have contributed to mixed messaging in respect to the operating environment of NGOs and the general human rights situation in the country.[28]

5. General

It is not uncommon in Zimbabwe for the Government to disrupt the activity of not-for profit organizations, especially in the lead up to elections or during humanitarian crises. Some foreign organizations operating in Zimbabwe have had their operations suspended by the Government of Zimbabwe under the guise of rooting out organizations involved in political activity through partisan distribution of relief.[29] In February 2012, the ZANU-PF governor of Mazvingo province threatened to deregister 29 nongovernmental organizations involved in providing various social services—including providing food, clothing, and assisting people with disabilities—for failing to register with his office. Although he had no legal authority to deregister NGOs, fears that such threats might spread to other provinces became a reality when on August 23, a similar threat was issued against the director of Gays

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[24] ICNL : Zimbabwe.
[25] ICNL : Zimbabwe.
[26] ICNL : Zimbabwe.
[27] ICNL : Zimbabwe.
[28] NGO Law Monitor: Zimbabwe.
[29] NGO Law Monitor: Zimbabwe.

and Lesbians of Zimbabwe(GALZ) for operating an "unregistered" organization, after he and other GALZ members were arrested.[30]

Other information could not be found on the deregistration process.

b. Case Law

Relevant case law is integrated into the above discussion.

C. Comparative Analysis

Both for-profits and not-for profits face issues with time in registering. The time period required to register a for-profit organization is very lengthy. There is no amount of time set for the registration of a not-for profit, and it can presumably be lengthy, based on the relatively complex process. The registration for both for-profit and not-for profit organizations is relatively complex.

III. Tax Laws

A. For-Profit Organizations

A company is a resident if it is incorporated in Zimbabwe or if its management and control is in Zimbabwe.[31] Companies are taxed on Zimbabwe-source income. A residence-based tax system was expected to be introduced in 2014 but delayed. Taxable income includes all income received or accrued from sources within Zimbabwe or deemed to be within Zimbabwe. Taxable income is calculated after deduction of specified expenditure and allowances.

Dividends received from a Zimbabwe company by another Zimbabwe company are exempt from income tax. Foreign-source dividends are subject to tax, with any withholding tax deducted in the foreign country able to be credited up to the amount of the tax applicable in Zimbabwe.

Capital gains tax is chargeable on gains from a source within Zimbabwe on the sale or deemed sale of immovable property and marketable securities. Capital gains withholding tax is withheld and paid by depositories, agents, or payees on a sale or transfer of specified assets, unless it can be demonstrated that the eventual capital gains tax payable upon assessment will be less than the tax withheld. A 15 percent withholding tax applies on the sales proceeds of immovable property, 1 percent is withheld on the sales proceeds of listed marketable securities, and 5 percent is withheld on the sales proceeds of unlisted marketable schemes.

The corporate tax rate is generally 25 percent, though lower rates may apply under incentive schemes. Reduced income tax rates apply to certain classes of taxpayers:

- special mine lease holders, 15 percent (but these taxpayers can incur an additional profits tax);
- manufacturing or processing companies that export 50 percent or more of their output, 20 percent; and
- companies that build, own, operate, and transfer projects, 0 percent for the first five years, 15 percent for the second five years, and standard rates thereafter.

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[30] Human Rights Watch: Zimbabwe, *available at* http://www.hrw.org/world-report/2013/country-chapters/zimbabwe?page=2 [hereinafter "Human Rights Watch: Zimbabwe"].
[31] Deloitte : International Tax.

Other tax obligations are integrated into Section II, above.

B. Not-for Profit Organizations

According to the Income Tax Law, all not-for profit organizations are generally exempt from taxation on donations and grants received, as well as membership dues.[32] Zimbabwean law does not provide for any special "public benefit" or tax-exempt" status that is available only to certain CSOs, based on the purposes which they pursue .[33]

Donations and grants received are not taxed; membership fees are also not taxed if such is not for the benefit of members or pecuniary profit.[34] Other tax laws, such as value added tax (VAT) do apply to not-for profit organizations. If the entity generates income through investment, then that income is subject to tax. If the organization operates but does not register any profit and funds are channeled to the sustainability of the organization, then profits will not be declared to warrant tax liability.[35]

Some not-for profit organizations are forced to pay exorbitant fees by local authorities in order to carry out their work. Local authorities charge not-for profit organizations amounts ranging from USD 100 to USD 1,000 per year in order to conclude a Memorandum of Understanding (MoU) with the local authorities. Where an organization refuses to pay the amount, no MoU is granted and the not-for profit organizations' activities are not allowed to proceed. This practice is alleged to have the approval of the Ministry of Local Government, Rural and Urban Development. Significantly, however, there is no legal requirement for NGOs to conclude MoUs with local authorities.[36]

C. Comparative Analysis

Not-for profit organizations appear to be treated favorably compared to for-profit organizations under Zimbabwe's Income Tax Law. However, notably, there is evidence that some not-for profit organizations are forced to pay high fees by local authorities to carry out their work, apparently with the approval of the Ministry of Local Government.

IV. Financial Transaction Laws

A. For-Profit Organizations

a. Laws

i. Foreign Investment/Foreign Funding Laws

In general, the attitude towards foreign investment is positive. There are no sectors or regions reserved for nationals to the exclusion of foreigners, but the government considers it a priority that Zimbabweans should have adequate opportunities to participate in the economy. Foreign investment is

[32] NGO Law Monitor: Zimbabwe.
[33] NGO Law Monitor: Zimbabwe.
[34] Income Tax Act Section 14
[35] ICNL : Zimbabwe.
[36] NGO Law Monitor: Zimbabwe.

not encouraged in the banking, services, retail and wholesale sectors. Majority Zimbabwean participation in new projects is preferred. Majority foreign participation is permitted in high-priority projects, though this is now subject to the Indigenization Regulations, which require that all foreign owned businesses should have 51 percent shareholding by Indigenous Zimbabweans. In 2008, the government introduced the Indigenization Act, which requires that indigenous Zimbabweans own at least 51 percent of all enterprises. In March 2010, the government issued regulations to implement the Indigenization Act. Implementation of the Act has been slow, because funding for indigenization is not readily available.

The government reserves several sectors for local investors. Under current laws, foreign investors wishing to participate in these sectors may only do so by entering into joint-venture arrangements with local partners, and foreign investors may not own more than 35 percent of the operation.

Foreign investors wishing to start a new project in Zimbabwe must first register with, and be approved by, the Zimbabwe Investment Authority (ZIA), which then issues an investment certificate. The ZIA reports that approval of investment applications now takes five days, down from the 49 days it took in 2010, thanks to implementation of a "one-stop shop" concept to coordinate the work of officials from the ZIA and other government agencies.

Foreign investment in existing companies requires approval from the Reserve Bank of Zimbabwe (RBZ), as the central bank is known. Applications are submitted to the RBZ's Exchange Control Department through the investor's commercial bank or merchant bank or other authorized foreign-exchange dealer. Foreign investors with valid investment certificates may acquire real estate.

ii. Political Contribution Laws

No information was found on laws regulating or limiting organizational contributions to political campaigns or other political activities.

b. Case Law

Relevant case law was not located.

B. Not-For Profit Organizations

a. Laws

i. Foreign Investment/Foreign Funding Laws

Significant information was not found on foreign investment laws affecting not-for profit organizations.

The NGO Bill of 2004 was enacted by Parliament, but never approved by the President, and it has since lapsed. The Bill would have prohibited local not-for profit organizations engaged in issues of governance from accessing foreign funds.[37]

ii. Political Contribution Laws

No information was found on laws regulating or limiting organizational contributions to political campaigns or other political activities.

[37] NGO Law Monitor: Zimbabwe.

b. Case Law

Relevant case law was not located.

C. Analytical Comparison

There is not enough information available on foreign investment and funding laws affecting not-for profits to make a comparison.

V. Auditing/Reporting Requirements

A. For-Profit Organizations

a. Laws

Zimbabwe's Companies Act requires all companies to provide books of account that provide fair insight into the state of affairs of the company. Compliant with Section 104 of the Act, these books must comprise the company's balance sheet, profit and loss account and cash flow statement. Financial statements must be audited by external auditors and accompanied by the auditors' report together with the directors' report which discusses the performance of the company during the last fiscal year, identifies the major issues that the company had to deal with and those expected in the future. The accounts must be filed, mailed to shareholders, and made available at the shareholders meeting.

Listed companies must also issue semi-annual reports, which are usually not audited. Copies are sent to every shareholder. In addition, several new rules were enacted in 1999. Beginning in 2000, companies must disclose in their annual reports the identity of shareholders behind nominee companies, their costs of sales, information on the markets where the company is selling its products, segment reporting, and full disclosure of relationships with other companies.

If a listed company fails to comply with any of the above reporting requirements, ZSE may decide to suspend trading in its stock. In 1999, trading in the shares of Mhangura Copper Mines and Merspin Limited were suspended because the companies had failed to comply with the exchange's disclosure standards.

There are no provisions in the Companies Act regarding the disclosure of ownership in Zimbabwean companies. The Act requires all subscribers to the memorandum of association to be recorded in the company's register of members; it also calls for the maintenance of a register of directors' shareholdings and debenture holdings. However, there are no provisions concerning the dissemination of information on substantial shareholders who own more than a specific percentage of the share capital of company. Similarly, the Stock Exchange Act does not contain rules regarding the substantial acquisition of shares or rules concerning the disclosure of ownership of shareholders when they pass through certain thresholds, as is usually the case in modern stock exchanges.

The Companies Act contains several provisions regarding disclosures of company directors, managers and advisers. First, the prospectus must include information on the composition and compensation of the board of directors. Non-compliance exposes the directors and officers of the company to the possibility of being sentenced to imprisonment of up to two years and a fine. Second, information on the aggregate amount of the directors' emoluments and pensions must be included in the accounts of the company submitted to the approval of the shareholders at the AGM or in a statement annexed thereto. Similarly, the accounts must provide the amount of any loans made by the company or by any subsidiary to any director or other officer of the company.

Each company is also required to maintain a register of directors and secretaries at its office which must contain the full name, business address, nationality, and particulars of any other directorships held by each director. Such information is provided to the registrar of companies. The latter must be notified of any changes in the information so provided. Directors are obliged to provide such information to the company so that the register can be updated.

Every company must also maintain a register of directors' shareholdings showing for each director the number, description and amount of any shares or debentures of the company or its subsidiary or holding company, which are held by him, or in trust for him or of which he has any right to become the holder. It must also include the date of and price or other consideration of the transaction, along with the nature and extent of the director's interest in the shares so recorded. This register is open for inspection to shareholders 14 days before the annual meeting. The registrar may also at any time require a copy of the register.

According to Section 186 of the Companies Act, a director who is in any way interested in a contract or proposed contract with the company must declare the nature of his interest at a meeting of the directors. He is mandated to abstain from voting in respect of such a contract or arrangement, and is not counted in the quorum present at the meeting. However, these provisions can be relaxed in the general meeting of a company.

In addition, the related party disclosure standards set out in international accounting standards form 24 (IAS 24) have recently been adopted in Zimbabwe, though the standards will be applied in a manner that takes into account the current business environment. The application of the standards will be limited to economically significant entities as well as any entities for which there exists a significant minority shareholding and in whose business the shareholders are not involved in the day-to-day management. Compliance with these disclosure standards varies by company.[38]

b. Case Law

No relevant case law could be located.

B. Not-For Profit Organizations

a. Laws

Under the PVO Act, the regulating agency over PVOs is the PVOB as constituted under the PVO Act, with the Registrar of Deeds acting or providing secretarial support to the Board. This Minister and Permanent Secretary for Labour and Social Welfare, and the Registrar of PVOs also play a regulatory role of PVOs.[39]

The Minister is authorized to send inspectors to examine the accounts and any documents of any PVO. Once a notice has been delivered to the PVO, the PVO is expected to comply by providing all required information. The documents that are effectively seized by virtue of the notice can be kept for a

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[38] The World Bank Group: ROSC, Zimbabwe, *available at* http://www.worldbank.org/ifa/rosc_cg_zimbabwe.html#6 [hereinafter "ROSC, Zimbabwe"].
[39] ICNL : Zimbabwe.

"reasonable period."[40] The reports that should be submitted to the State inspector include "any aspect of the affairs or activities of any private voluntary organization," and the inspector has the right "to examine books, accounts and any other documents that relate to the financial affairs." The reports must be submitted to the Registrar; in the past, however, few organizations have complied with this requirement and there has been no enforcement against PVOs per se, but rather against organizations deemed to be political (even if not PVOs).[41]

Trusts and universitas usually produce accounts for the benefit of their members, and such institutions are supposed to conduct internal audits in terms of their founding documents and deed of trust. The reports are submitted and approved by members at annual general meetings or extraordinary meetings. In the event of a breach of fiduciary duties of one of the members of the board or the secretariat, internal disciplinary and remedial measures are usually provided in each constitution or deed of trust.[42]

b. Case Law

No relevant case law could be located.

C. Analytical Comparison

The government appears to have a particularly broad mandate to involve itself in the affairs of PVOs.

Penalties for Non-Compliance

A. For-Profit Organizations

a. Laws

The Companies Act contains many penalties for non-compliance, some discussed above. For example, non-compliance with the disclosure of company directors, managers, and advisers exposes the directors and officers of the company to the possibility of being sentenced to imprisonment of up to two years and a fine. As another example, if the register of directors' shareholdings is not compliant, it may be an offence punishable with a fine not exceeding USD 19.

B. Not-For Profit Organizations

a. Laws

The PVO Act provides for sanctions in the event of the PVO failing to abide by provisions of the Act. Offences under the PVO Act include raising funds as an unregistered organization; being an office bearer despite having been convicted for more than five years for a crime involving dishonesty; and the failure to provide information as requested by an inspection officer. Available sanctions include fines, imprisonment or both, cancellation of the registration, suspension of board members and/or dismissal.[43]

The decision to impose sanctions or refuse registration or cancel registration is appealable before the courts. In the past years, the Minister and Registrar have not imposed any sanctions on PVOs. As for

[40] PVO Act, Section 20.
[41] NGO Law Monitor: Zimbabwe.
[42] ICNL : Zimbabwe.
[43] NGO Law Monitor: Zimbabwe.

trusts and universitas, any sanctions and state involvement is usually at the instigation of the trustees and the members of the universitas.[44]

b. Case Law

No relevant case law could be located.

C. Analytical comparison

Both for-profit and not-for profit organizations are subject to prosecution for offences, with penalties including imprisonment and fines.

OVERVIEW CHART

Issue	**For-Profit Organizations**	**Not-For Profit Organizations**	**Similarities**
Registration Procedures	The principal business entities in Zimbabwe are the public and private limited liability company, partnership, sole trader, and branch of a foreign company. According to the World Bank Group, it takes 90 days to start a business in Zimbabwe, which is extremely long. There are nine steps involved in registration.	There are three not-for profit organizational forms in Zimbabwe, private voluntary organizations (PVOs), trusts, and unincorporated associations (universitas). There is no limit on the amount of time it takes to register a not-for profit. The process of registering PVOs is relatively complex.	The registration process is relatively complex.
Tax Laws	The corporate tax rate is generally 25 percent, though lower rates may apply under incentive schemes. Reduced income tax rates apply to certain classes of taxpayers.	According to the Income Tax Law, all not-for profit organizations are generally exempt from taxation on donations and grants received, as well as membership dues. Zimbabwean law does not provide for any	

[44] ICNL : Zimbabwe.

		special "public benefit" or tax-exempt" status that is available only to certain not-for profit organizations, based on the purposes which they pursue . Some not-for profit organizations are forced to pay exorbitant fees by local authorities in order to carry out their work.	
Financial Transaction Laws	There are no sectors or regions reserved for nationals to the exclusion of foreigners, but the government considers it a priority that Zimbabweans should have adequate opportunities to participate in the economy. Foreign investment is not encouraged in the banking, services, retail and wholesale sectors. Majority Zimbabwean participation in new projects is preferred.	Significant information was not found on foreign investment laws affecting not-for profit organizations.	
Auditing/Reporting Requirements			Both the PSA Act and the Companies Act feature reporting requirements for not-for profits and for-profits, respectively.
Penalties			Both for-profit and not-for profit organizations are subject to prosecution for offences, with penalties including imprisonment and fines.