TANZANIA BUDGET NEWSLETTER

2023 – 2024

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

CONTENTS

ECONOMIC PERFORMANCE

GLOBAL ECONOMIC HIGHLIGHTS

- The global growth is projected to decline from 3.4% in 2022 to 2.8% in 2023 and later rise to 3.0% in 2024 (IMF World Economic Outlook, April 2023). Beyond 2023, global growth is forecast to rise to about 3.0% over the medium term. The war in Ukraine and the lingering effects of the COVID19 pandemic have triggered costly humanitarian crisis which has contributed to a significant slowdown in global growth, in addition to inflation.
- Global inflation is expected to decrease more slowly than initially anticipated, from 8.7% in 2022, to 7.0% in 2023. These high figures are a result of demand pressures, supply shocks, currency depreciation against the US Dollar, and a tightened labour market condition. However, global inflation is projected to ease to 4.9% in 2024.
- China's economy reopening was hampered in the fourth quarter of 2022 with the country facing multiple large outbreaks of the contagious SARS-CoV-2 variants leading to a decline in mobility and economic activity. This also gave way to the return of supply disruptions temporarily. Chinese economy responded with variety of measures such as; tax relief for firms, monetary easing and measures to encourage completion of unfinished real estate projects. China absorbs between 5% to 10% of exports from different geographical regions, that makes its reopening of the economy an incentive for growth in economies with strong trade links and reliance on Chinese tourism.
- Growth in the volumes of world trade is expected to decline from 5.1% in 2022 to 2.4% in 2023, reflecting the slowdown in global demand after two years of trying to catch-up from the pandemic recession and the shift in the composition of spending from traded goods back towards domestic services.

- The economy of Sub-Saharan Africa is expected to decline to 3.6% in 2023. This headline figure does not tell the entire story of the significant variation across the region. It is expected for many countries to record a slow growth this year, especially non-resource intensive economies, but the regional average will be weighed down by sluggish growth in some key economies, such as South Africa.

Table 1 below summarises the World Economic Outlook Projections:

TABLE 1					
REAL GDP GROWTH (%)	2019	2020	2021	2022	2023*
Global Economy	2.8	-2.8	6.3	3.4	2.8
Advanced Economies	1.7	-4.2	5.4	2.7	1.3
Emerging and Developing Economies	3.6	-1.8	6.9	4.0	3.9
Sub-Saharan Africa	3.3	-1.7	4.8	3.9	3.6
Tanzania	7.0	4.8	4.9	4.7	5.2

*Forecast

Source: IMF

SUB-SAHARAN ECONOMIC HIGHLIGHTS

- According to IMF, economic recovery has been interrupted as growth in the sub-Saharan African region is projected to decline to 3.6% in 2023 from 3.9% in 2022 as activities are projected to decline for a second year in a row. Many countries in the region are set to register slow growth this year, especially non-resource intensive economies, such as South Africa.
- The combination of higher global interest rates, elevated sovereign debt spreads, and exchange rate depreciations, have given rise to a funding squeeze for many countries in the region. This will cause the economy to remain subdued in 2023 while a prediction of recovery in 2024 is in sight, due to subsiding inflation, and the slowdown of the tightening of monetary policy.
- Persistent global inflation and tighter monetary policies have led to higher borrowing costs for Sub-Saharan African countries and have placed greater pressure on exchange rates. This affects a region that is already struggling with elevated macroeconomic imbalances.
- The World Bank has recommended four policies to help address economic imbalances with the current financial constraints faced by the region, which are; containing inflation, consolidating public finances and strengthening public financial management and difficult funding conditions, allowing the exchange rate to adjust, while mitigating the adverse effects on the economy, and ensuring that important efforts to fund and address climate change do not crowd out basic needs.
- The Sub-Saharan Africa is poised to grow at 4.2% in 2024 from 3.6% in 2023, this is driven by higher private consumption and investment. There are three (3) matters that are expected to be linked to this growth such as; global economic activity recovery, receding of inflation due to slow pace of the monetary policy tightening in the second half of 2023, and crude oil prices that are expected to continue to fall by about 6% in 2024, relative to previous year as demand pressures subside.

REAL GDP GROWTH (%)	2019	2020	2021	2022	2023*
Sub-Saharan Africa	3.2	-1.7	4.5	3.8	3.6
Nigeria	2.2	-1.8	3.6	3.3	3.2
South Africa	0.3	-6.3	4.9	2.0	0.1
Kenya	5.4	-0.3	7.2	5.7	5.3
Tanzania	7.0	4.8	4.9	4.7	5.2
Ethiopia	9.0	6.1	6.3	6.4	6.1
Uganda	7.8	-1.3	6.0	4.9	5.7

*Forecast

Source: IMF & World Bank

TANZANIA ECONOMIC HIGHLIGHTS

- Tanzania's real GDP growth rate is projected to increase to 5.2% in 2023 from 4.7% in 2022 and will rise to 6.2% in the year 2024 as exports and domestic demand recover *(Source: IMF)*.
- Tanzania's twelve-month inflation has declined for three consecutive months to record 4.3% in April 2023, compared with 4.7% in the previous month. This decline was due to lower commodity prices in the world market and improved food supply in the country and neighbouring countries. The outlook for the reminder of the 2023 year is projected to stay within the 5.4% target of the country.
- Money supply growth was consistent with the monetary stance, with a year-on-year growth of 17.2% in April 2023, against the target of 10.3%. This growth was greatly contributed by sustained strong growth of credit to the private sector of around 23% above the target of 10.7% for 2023.
- However, the external sector of the economy continues to face spill over effects of the war and lingering effects of the COVID pandemic. This is evidenced by elevated commodity prices, disrupted supply chains, rising current account deficit and pressure on foreign exchange. As a result, foreign exchange reserve closed at US dollars 4.9 billion in April 2023, sufficient to cover 4.4 months of imports, which is within the country benchmarks of at least 4 months.
- The banking sector remained stable amid shocks, evidenced by adequate capital, liquidity and profitability. In the first quarter of 2023, banks' deposits and assets continued to increase, in line with the ongoing recovery of economic activities and enhanced use of digital financial services. Non-performing loans ratio has decreased to 5.54% in April 2023 compared with 8.25% registered in April 2022.

BUDGET HIGHLIGHTS

The budget for 2023/2024 is the third in the implementation of the Third Five Year National Development Plan (2021/22-2025/26) with the theme ***"Realising Competitiveness and Industrialization for Human Development"*** which in turn supports the main theme agreed by EAC Partner states for the FY 2023/24 ***"Accelerating Economic Recovery, Climate Change Adaption/Mitigation and Enhancing Productive Sectors for Improved Livelihood."***

The priority areas in the 2023/2024 budget is focused on completion of prominent and strategic projects such as:

- Construction of the Standard Gauge Railway (SGR)
- Revitalization of Air Tanzania Company Limited (ATCL)
- Implementation of the Julius Nyerere Hydropower Project (2,115 MW)
- Construction of Ruhudji (358 MW) and Rumakali (222 MW) hydropower facilities
- Advancement of Liquefied Natural Gas (LNG) initiatives
- Development of the J.P. Magufuli bridge (Kigongo-Busisi)
- Establishment of special economic zones, including the strategic investment area in Bagamoyo

These projects are anticipated to yield significant and immediate outcomes in terms of economic growth, job creation and income generation.

Given the global economic distress caused by the COVID pandemic and the conflict between Russia and Ukraine, the Government's primary emphasis will be on achieving an inclusive and competitive economy. This will be accomplished through a focus on industrialization, promoting services, fostering human development, and skills development.

In the FY 2023/24, various strategies will be employed to boost revenue generation. These include:

- Improving the investment and business environment;
- Amending laws to encourage private sector participation;
- Expanding the tax base through business registrations and combating tax evasion;
- Raising public awareness for voluntary tax payment;
- Utilizing ICT systems for efficient revenue collection, promoting the use of the Government Electronic Payment Gateway (GePG) and control numbers;
- Optimizing Electronic Fiscal Devices (EFDs) for better tax collection;
- Evaluating and limiting tax exemptions;
- Conducting research to enhance revenue collection;
- Improving the systems and management of public institutions for increased efficiency;
- Raising awareness for investment in domestic government bonds;
- Collaborating with development partners for grants and loans;
- Leveraging credit ratings for additional international financial resources; and
- Implementing the Alternative Project Financing (APF) Strategy to expand funding options for development projects.

To ensure the successful implementation of strategies aimed at improving investment and revenue generation, the Government has implemented some enhancements and has projected additional strategies, including:

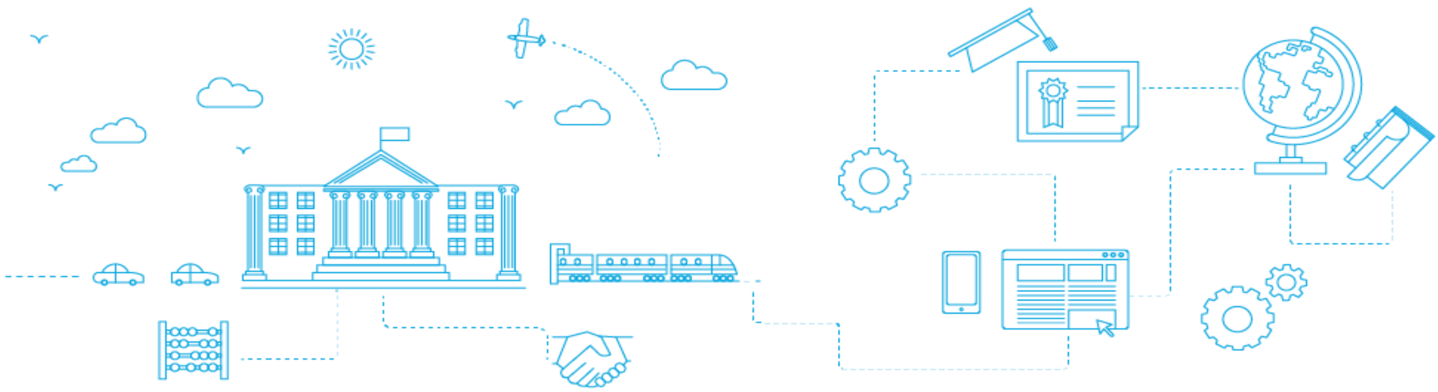
- Establishment of Tax Ombudsman Office with the main function of addressing conflicts and promoting fairness in tax-related matters specifically the disputes involving taxpayers and the Revenue Authority (TRA). This office began its operations in February 2023.
- Actively working on developing a new electronic public procurement system with the assistance of local experts. The primary objective of this system is to enhance efficiency in public procurement processes. Additionally, the system will establish price limits for commonly used goods and services, ensuring they align with market prices. The anticipated timeframe for the system to become operational is July 2023.
- Strengthening the Productive Sectors by maintaining collaborations with various industries such as agriculture, livestock, fisheries, manufacturing, and processing. The goal is to boost productivity levels. The implementation of this strategy involves a budget of TSH 600 billion, with TSH 280 billion provided by the Bank of Tanzania and a concessional loan of USD 150 million from the World Bank. These efforts aim to enhance production for SMEs and foster increased exports.
- Using ICT to integrate the operations of various institutions involved in facilitating investment. These include the Prime Minister's Office - Labour, Youth, Employment and Disability; Ministry of Lands, Housing and Human Settlements; National Identity Authority (NIDA); Tanzania Immigration Department; BRELA; TRA; TIC; TBS; TMDA; NEMC; TANESCO; OSHA which is expected to streamline investment processes and enhance efficiency. The Government is in the final stages of developing the Tanzania Electronic Investment Single Window (TeIW) system.

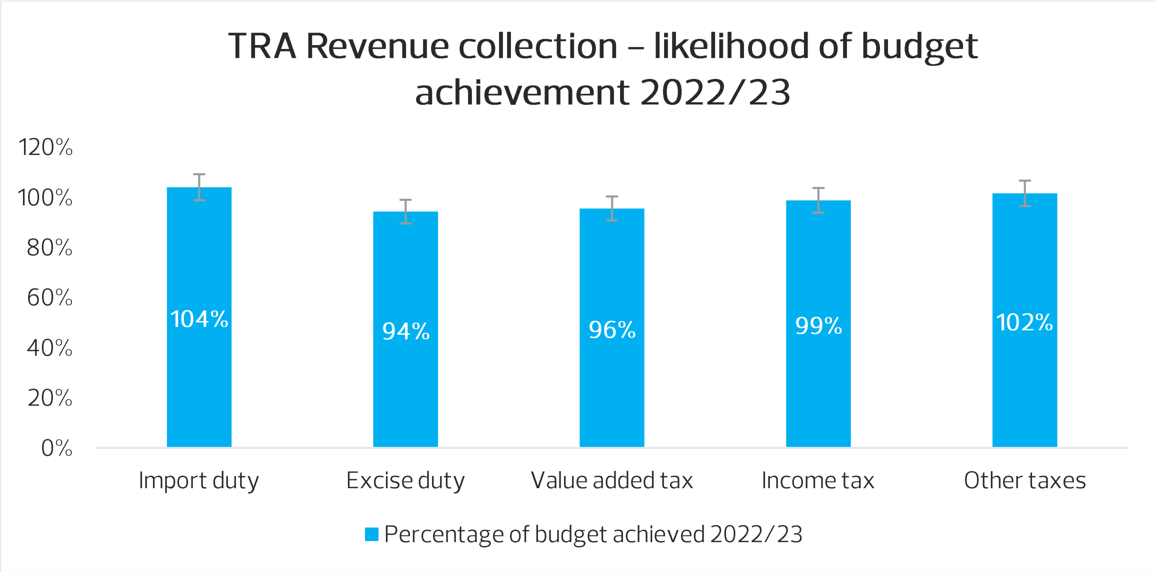
In terms of expenditure, the Government aims to enhance productivity, efficiency, and reduce unnecessary spending through the following measures:

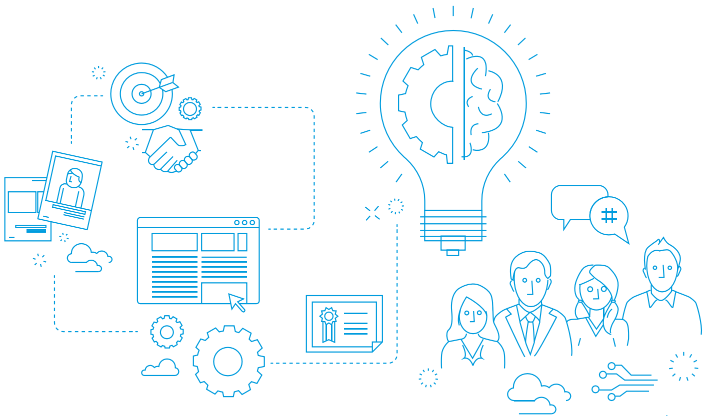
- Ensuring prudent use of public funds in accordance with laws and guidelines;
- Enhancing the use of ICT for government activities, including virtual meetings and paperless operations;
- Improving management of public institutions to increase efficiency and reduce reliance on the Consolidated Fund;
- Conducting real-time audits to minimize cost overruns in project implementation; and
- Reviewing the Public Procurement Act to enable strategic sourcing and prevent misappropriation of public funds, thus ensuring value for money.

The budget for FY 2023/24 has risen to TSH 44.38 trillion, reflecting a 7% increase compared to the previous fiscal year's budget of TSH 41.48 trillion. In the fiscal year 2022/23, the Government set an ambitious goal of collecting TSH 28 trillion from domestic revenues. As of April 2023, the Government achieved 77% of this target. Looking ahead to the FY 2023/24, the government aims to generate TSH 31.3 billion in domestic revenue, which represents 71% of the total budget. This includes both tax and non-tax revenues.

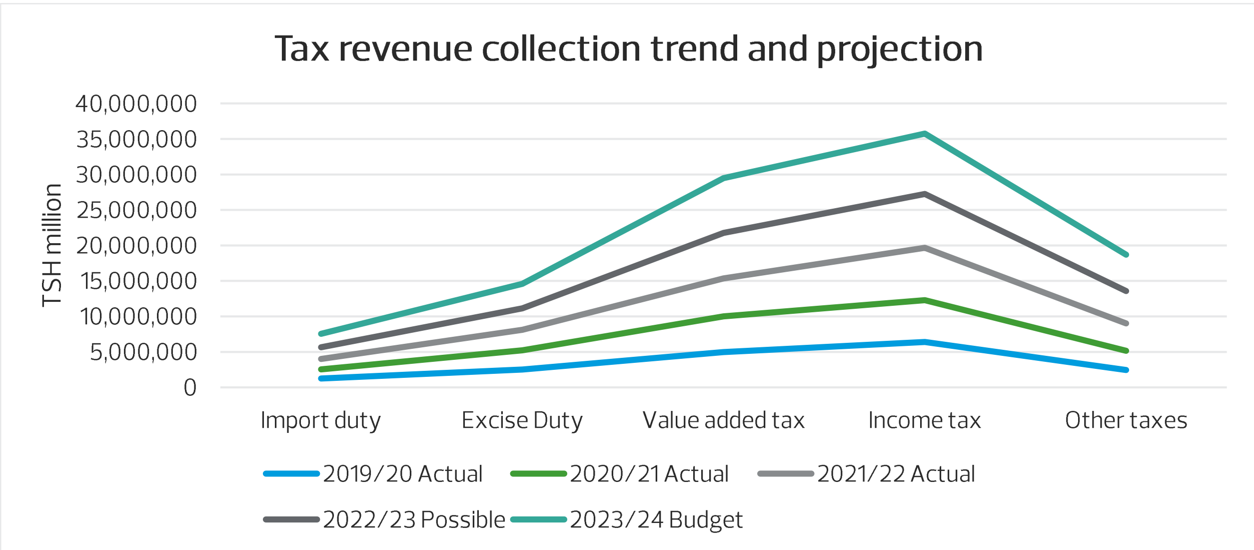
- The target achievement from domestic tax revenue collections is as follows:



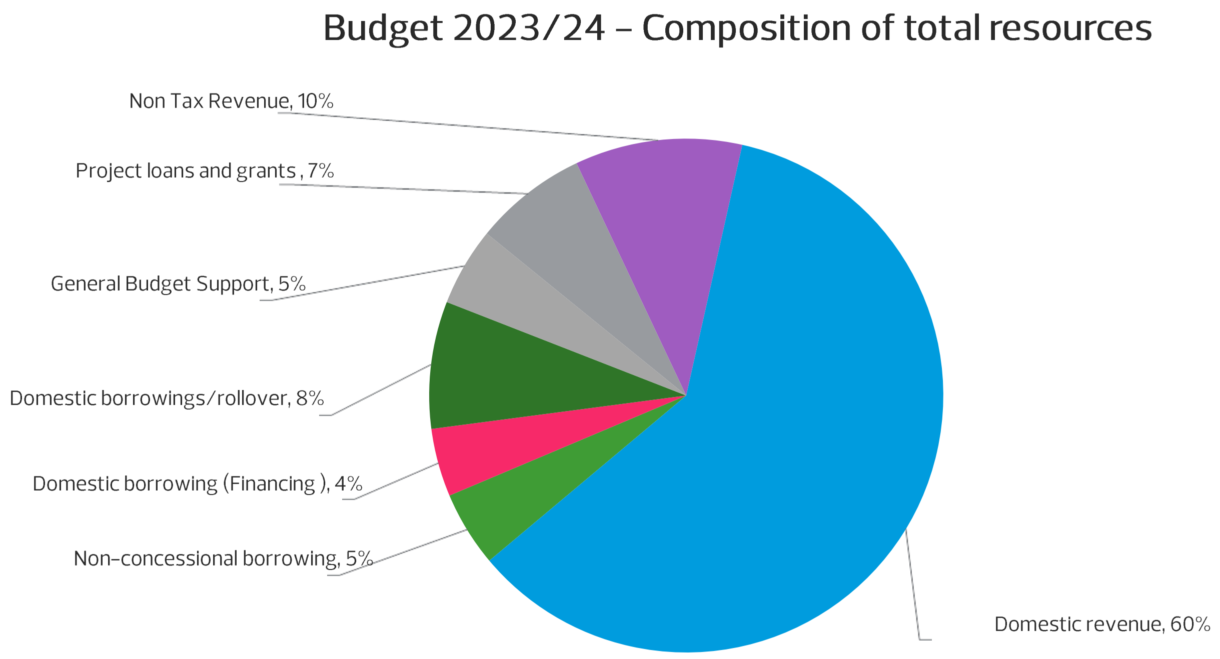


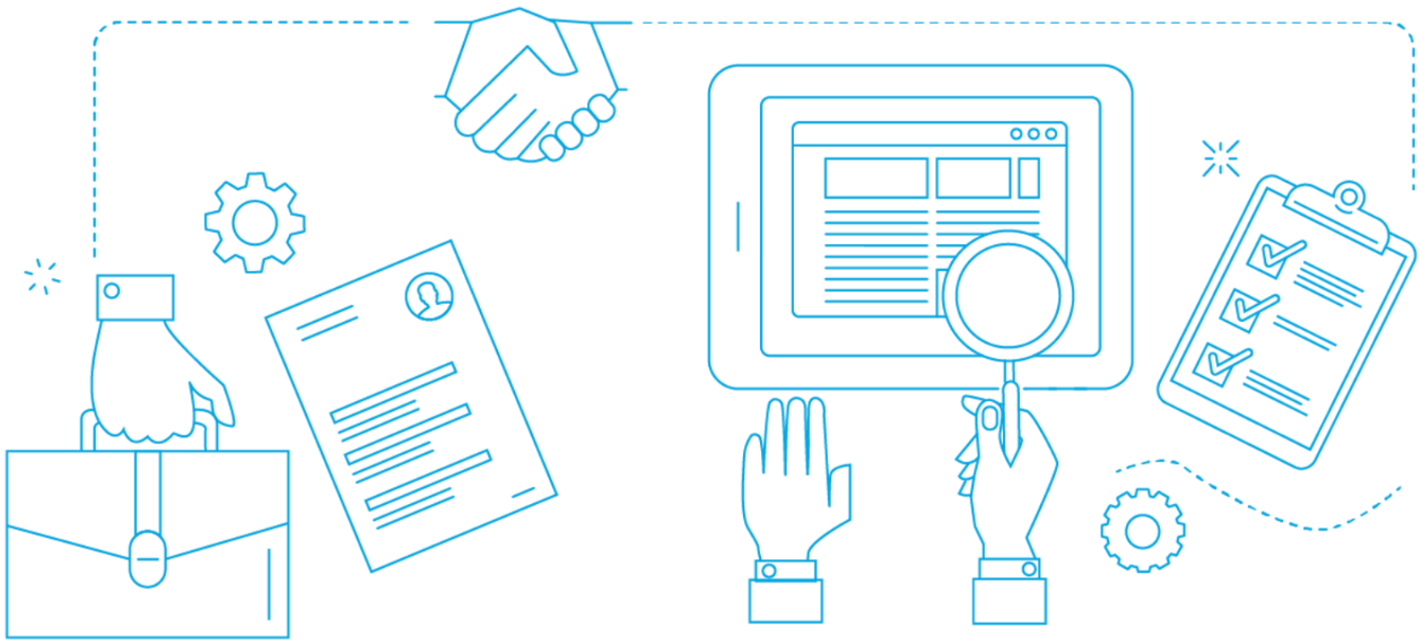


- The tax revenue collection over the past five years and 2023/24 target is outlined below:



- During the fiscal year 2023/2024, the Government plans to collect TSH 44.38 trillion from the following sources:





IN SUMMARY:
THE POSITIVES AND CHALLENGES OF THE PROPOSED CHANGES IN THE BUDGET

POSITIVES

- ***Application of S.56***: Introduction of Section 56 in the Income Tax Act in 2012 was prompted by offshore corporate restructurings that resulted in changes in the ownership of Tanzanian assets without any tax implications. This created a situation where the Tanzania Revenue Authority lacked the jurisdiction to tax such transactions. However, when the law was enacted in 2012, it applied to both direct and indirect changes (offshore and onshore) in ownership, leading to uncertainties and deterring investments and acquisitions in Tanzania. Addressing this long-standing issue, the Minister proposed to narrow the scope of Section 56 to exclude transactions and internal restructuring that occur within Tanzania, specifically focusing on direct transfers of ownership. This proactive measure is praiseworthy as it will foster investment opportunities and facilitate the acquisition of local entities. The anticipated outcome is the creation of a more favourable business environment that stimulates economic growth.

- ***Reduction of Skills and Development Levy (SDL) by 0.5%:*** With the aim of promoting employment and further reducing employment costs, the Government is committed to ongoing reforms related to SDL. As part of these efforts, the Minister has proposed a reduction in the SDL rate from 4% to 3.5%. This reduction follows a previous pattern of gradually decreasing the SDL rate, starting with a reduction from 6% to 5% from 1 July 2013, followed by further reduction to 4.5% from 1 July 2016, and then 4% from 1 July 2020. Additionally, the Minister has highlighted the intention to introduce a Skills and Development Levy exemption certificate, subject to consultation with the Minister of Education, if it serves the nation's best interests to support economic growth and enhance workforce.

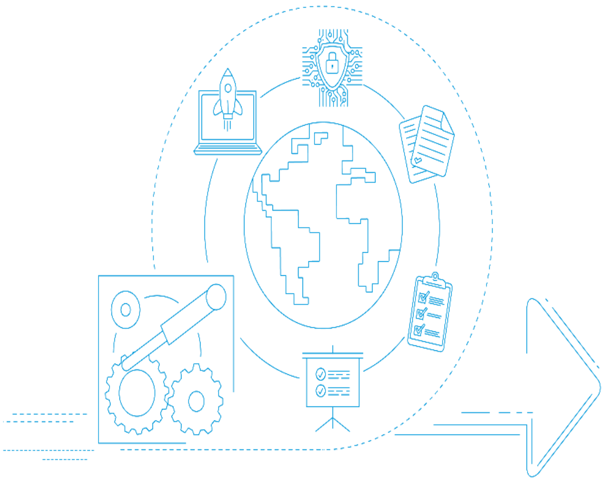
- ***Increase of VAT registration threshold from TSH 100M to TSH 200M:*** The budget introduces a notable change by raising the VAT registration threshold from TSH 100 million to TSH 200 million, an increase after eight long years. This adjustment comes in response to long-standing proposals from the private sector and is accompanied by a proposal to gradually raise the threshold to TSH 500 million. The primary objective of this change is to improve administrative efficiency and reduce compliance costs for businesses, leading to increased tax compliance and lighter administrative burdens for both taxpayers and the Tanzania Revenue Authority (TRA). Moreover, the higher threshold is expected to decrease refund claims and combat fraudulent activities, enhancing transparency and accountability within the tax system. Overall, this change signifies a significant step towards supporting businesses, promoting compliance, and streamlining tax administration in Tanzania.

- ***Removal of Withholding Tax requirement on non-commercial tenancy:*** Under the Income Tax Act, withholding tax from rent payments are considered as Final Withholding Tax i.e. once the tenant remitted the tax to the Tanzania Revenue Authority (TRA), the landlord was not required to pay any further tax if they were not engaged in the business of renting. However, with the introduction of the Finance Act, 2022, non-commercial tenants were obligated to withhold payments made to their landlords for residential apartments. This requirement created compliance challenges and prompted a year-long outcry from individual landlords and tenants seeking a more practical approach. In response to these concerns, the current budget proposes the removal of withholding tax requirement for non-commercial tenancy. The proposed change seeks to provide a more favourable environment for residential leasing.

- ***Abolishment of mobile money transactions levy:*** The Minister has proposed the abolition of the mobile money transaction levy, which will eliminate double taxation and encourage remote money transfers. This move addresses the public's concerns about unreasonable charges and promotes the use of electronic funds. Additionally, the proposal includes a 50% increase in the levy on mobile money withdrawals to encourage preferred mobile money payments and collaboration with financial service providers shows a commitment to financial inclusion and supporting Tanzania's digital transformation. The removal of the mobile money transaction levy aligns with global trends, fosters convenience and efficiency in electronic payments, and reflects the government's responsiveness to public feedback.

- ***Advance tax payable by the transport sector:*** In the 2022-23 Budget, the Minister introduced a change by proposing an advance tax applicable in the transport sector. The aim was to expand the tax base and address the issue of small-scale transporters evading taxes. Initially, it appeared that the government intended to introduce indicative tax rates specifically for small-scale transporters operating under the presumptive tax scheme, as stated in the budget speech and Finance Bill, 2022. However, when the Finance Act, 2022 was enacted, the provision encompassed all transporters, regardless of their turnover. This amendment sparked controversy and led to lobbying by the transport sector, mainly due to the fact that the advance tax did not consider whether the taxpayer generated any profits during the year. To address these concerns, the Minister has proposed a rectification measure to apply indicative tax rates for individual transporters with annual gross revenue below TSH 100 million only. This adjustment seeks to bring fairness and balance by aligning the advance tax requirement with the revenue generated by transporters, ensuring a more equitable approach to taxation within the sector.

- ***Bolstering a digital tax regime:*** The Government remains committed to harnessing the potential of IT infrastructure to enhance efficiency in tax administration with various projects. A key focus is the utilization of ICT systems for various purposes, including the centralization of payments to different regulatory authorities with use of a single control number. In line with this objective, the Minister highlighted the introduction of a "Single Window Payment System" for the collection of fees, levies, and penalties. The integration of ICT systems, particularly within the informal sector will contribute to expanding the tax base by encouraging voluntary tax compliance. Furthermore, the adoption of ICT systems will streamline tax administration processes, making them more convenient and accessible throughout the country.



- ***Reduced Capital Gains Tax to 3% of the sales value for those property sellers who do not have expense records:*** One of the challenges in calculating Capital Gains Tax (CGT) on the sale of land has been the lack of expense records among taxpayers. This made it difficult to assess the cost of land, resulting in the imposition of a 10% CGT based on the sale value. However, the proposal of a reduction to 3% of sales value or appraised land value can address this issue. Under the proposed method, the sale value or the appraised land value will be used as a more convenient base for calculating CGT. This change is advantageous as it simplifies the calculation process for taxpayers who do not have records of expenses related to their land. While this change is beneficial and more practical, it is important to note that some vendors may raise concerns that a 10% tax on profits could be larger in certain circumstances compared to the 3% tax based on the sale value or appraised land value. It strikes a balance between ease of implementation and fairness in taxation, ensuring a more streamlined process for both taxpayers and the Tanzania Revenue Authority (TRA).

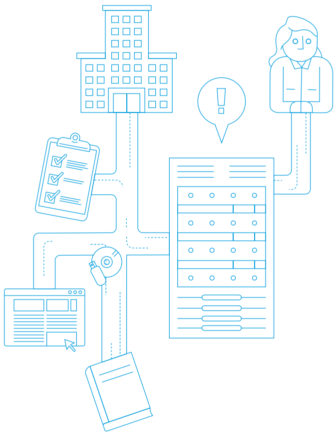
- ***Clarity on Primary data server***: In 2021, the Finance Act introduced a requirement to maintain a "primary data server" in Tanzania for storage of documents in electronic form in the United Republic of Tanzania. However, due to the cost of maintaining physical primary data server in the country, it was not feasible for all taxable or liable persons storing data in electronic form, to have the servers in the country. The proposed change defines to include "physical server in the country, virtual or any other server which stores data that is created or collected by the taxable or liable person in the ordinary course of business. This would reduce business costs in investing on ICT equipment and other ancillary services, enabling access to information virtually.

- ***Emphasis on private sector contribution:*** The budget places significant importance on acknowledging the private sector as a key stakeholder in supporting the government's development agenda. The budget highlights the collaboration between the government and the private sector in driving key sectors forward, such as expediting mineral research, shipping, and the clearing and forwarding of cargo. The government's confidence in the private sector is evident through the approval of the Public-Private Partnership (PPP) Act by Parliament. This act aims to enhance the implementation of various projects through PPP arrangements, further strengthening the partnership between the government and private sector.

- *Reduction of penalty for EFD-related offenses:* Responding to the concerns raised by taxpayers regarding the penalties associated with offenses related to Electronic Fiscal Devices (EFD) receipts, the Minister has proposed a reduction of penalties from TSH 4.5 million to 20% of the tax evaded or a minimum of TSH 3 million, whichever amount is greater. This adjustment is designed to address the disproportionate and unrealistic penalties previously imposed, particularly for small-scale traders. However, there could be challenges in determining the 20% of the tax evaded considering the penalty is mostly applied based on reconciliations. This would encourage voluntary compliance, promote fairness, and close any existing loopholes that may facilitate corruption.
- *Excise duty exemption on electric vehicles and vehicles using Compressed Natural Gas (CNG)*: In order to promote environmental sustainability and reduce reliance on imported fuels, the excise duty exemption would encourage cleaner energy sources and reduced emissions. It would also address the foreign currency spent on fuel imports, which contributes to foreign exchange reserve deficits.
- *Exemption of capital gains tax on internal restructuring of mining companies*: For those mining companies that have entered into a Framework Agreement between the Government and the investor to form a partnership entity, will be exempted from paying capital gains tax when transferring the shares from one entity to another. This thereby allows change of hands/disposal of shares between investors with no capital gains tax implications and hence, not impacting the Government's commitment to the Framework Agreement.
- *Cargo clearance permitted where assessed tax is disputed:* The proposal of introducing a procedure to allow for cargo clearance/release while the tax assessments are disputed, after paying the tax not in dispute, will enable businesses continue their operations. This will result in lesser congestion at the port, reduced costs for storage at port, custom warehouse rent and demurrage charges payable to shipping line.

CHALLENGES

- ***Key concerns/pressing tax policy proposals submitted by the stakeholders were not addressed in the budget speech. These include:***
    - ***VAT on tourism:*** Despite the Minister's recognition of the significant contribution of the tourism sector and its growth in 2022, particularly following the successful "The Royal Tour" initiative led by Her Excellency President Samia Suluhu Hassan, one crucial factor inhibiting the further development of the industry has not been addressed in the budget. This pertains to the VAT rate applied to various park fees, which continues to impede the growth of the tourism sector.
    - ***Storage facility:*** The registration process for storage facilities has been a major concern for businesses, leading to controversies and uncertainties. However, the national budget does not address this issue, and it remains uncertain whether any changes will be proposed in the Finance Bill, 2023. The Minister mentioned minor changes to tax laws in his speech, but it is unclear if they will cover this matter.
    - ***Waiver application:*** The application for waivers, which allows taxpayers to avoid making required tax deposits during the objection process, has been a source of disagreement between taxpayers and the Commissioner General. Recent court rulings on the jurisdiction of the Tax Revenue Appeals Board (TRAB) to handle non-objection appeal cases have created expectations for changes in the budget. Taxpayers were hoping for specific measures to be outlined for the steps to be taken after the rejection of such applications. Unfortunately, the budget speech did not address this disputed issue, meaning it will likely continue to cause problems for taxpayers. However, the budget does mention measures to curb such as Tax Ombudsman.
    - ***Time limit for responding to objections:*** In an effort to expedite tax cases and reduce disputes, an amendment was proposed in 2020 to introduce a six-month time limit for the Commissioner to decide on tax objections. If the Commissioner fails to respond within this period, the assessment would be treated as confirmed. However, this amendment did not achieve its intended purpose and resulted in further uncertainty regarding the process and timelines. The fiscal budget does not address the issue of deemed determination of objections. It remains to be seen whether the minor changes to tax laws mentioned by the Minister and the Tax Ombudsman office which has been operationalised from February 2023 will address this matter.



    - ***Capping of interest and penalty:*** Concerns have been raised multiple times regarding the excessive interest and penalties imposed for non-compliance with tax laws. These charges continue to accumulate without considering the principal tax due, and taxpayers have no control over the delays in tax disputes. In other words, the fines are not limited to the principal tax amount as in other EA countries. It was expected that the budget would address this issue to align with the East African Community (EAC) standards.
    - ***Presumptive tax threshold:*** Although the Minister's commendable proposal to raise the VAT threshold to TSH 200 million, with a gradual increase to TSH 500 million, aims to alleviate compliance costs for small traders and businesses, the budget does not include a corresponding increase to the presumptive tax threshold of TSH 100 million. This may continue to burden small businesses and hinder their growth despite the efforts to reduce compliance costs in other areas.

THE INCOME TAX ACT

PROPOSED AMENDMENTS TO VARIOUS SECTIONS OF THE INCOME TAX ACT

EXEMPTIONS

- Income tax on investments including dividend from shares, treasury bonds and bills issued by the National Health Insurance Fund (NHIF). Intention is to facilitate the provision of medical services to retired members and their partners who do not contribute to the Fund after retirement; and
- Capital Gains Tax on internal restructuring of the mining companies. This exemption shall be applicable to the restructuring, which are according to the Framework Agreement entered between the Government and the investor to form a partnership entity. The measure is intended at facilitating the implementation of the Government commitments in accordance with the Framework Agreements.

ABOLITIONS

- Withholding tax on rent by individual tenants for non-commercial properties. This would help in relieving tenants from the complexity of withholding rental tax on behalf of the landlord; and
- The requirement of section 56 of the Act on transactions involving transfer of shares at the local level. This measure is intended at encouraging domestic investments.

REDUCTIONS

- Capital Gain Tax from 10% of the gain to 3% of the sale value for property sellers who do not keep records in relation to the expenses/costs of asset. As a result, it would simplify tax assessment for those taxpayers who can't keep records of their costs and facilitate a smooth transfer of ownership.

OTHER AMENDMENTS

- Amendments to/introduction of new indicative tax rates to apply to individual transporters whose annual gross sales do not exceed TSH 100 million shillings. These rates apply to those individuals who are not required to prepare accounts and file tax returns, as per below.

Category	Minimum Rate (TSH)	Maximum Rate (TSH)
Passenger Service Vehicles	250,000	2,200,000
Cargo Service Vehicles	250,000	2,200,000
Tour Service Vehicles	650,000	2,400,000
Private Hire Service Vehicles	65,000	750,000

- Introduction of Income Tax at the rate of 2% of payments to Artisanal and Small Miners (ASM) to increase the tax base and ensure equity in taxation.
- Introduction of Income Tax of 10% on Income accrued due to Verified Emission Reduction (VER) with the intention to broaden the tax base and enhance equity in taxation.

TAX ADMINISTRATION ACT

PROPOSED AMENDMENTS TO VARIOUS SECTIONS OF TAX ADMINISTRATION ACT

- Clarity on the definition of "primary data server" is provided and it now includes physical server in the country, virtual or any other server which stores data that is created or collected by a taxable or liable person in the ordinary course of business. This proposed change will be effective 1st January 2024 and intention is to reduce investment cost and enable access to information.
- Amendment of the fine imposed for failure to issue EFD receipt or not using EFD machine, which ranges from TSH 3,000,000 to TSH 4,500,000 to 20% of the tax evaded or TSH 3,000,000, whichever is greater.
- Fine for failure to demand EFD receipt or not reporting denial to issue EFD receipt is also amended to 20% of the value of tax evaded or TSH 30,000, whichever is greater. The intention is to reduce the burden of the fines imposed to encourage voluntary compliance and enable the Government to achieve its revenue target.

INDIRECT TAXES

VALUE ADDED TAX ACT

VAT THRESHOLD

The Government proposes to increase VAT registration threshold from TSH 100 million to TSH 200 million with an aim to gradually increase such threshold to TSH 500 Million. This measure aims to increase efficiency and reduce cost of compliance for small and medium traders, thereby curbing non-compliance.

EXEMPTIONS

The Government proposes to introduce VAT exemption on:

- Sale and lease of aircraft, aircraft engines, or parts by a local operator of air transportation. The move aims to promote the growth of the aviation sector.
- Supply of precious metals, gemstones, and other precious stones at buying centres, mineral markets, and Gem houses designated by the Mining Commission under the Mining Act or refinery situated in Mainland Tanzania. This aims to increase mineral trade at the mineral hubs and increase the mining sector's percentage contribution to the GDP.
- Moulds used solely by pharmaceutical manufacturers. This aims at creating a competitive advantage for domestically manufactured pharmaceuticals.
- Gaming odds and gaming software as part of gaming supplies. The move intends to clarify the word gaming supply.

To amend the exemption schedule of the VAT Act to be in line with current Common External Tariff book of 2022.

ZERO RATING OF GOODS AND SERVICES

Also, the Government proposes to charge 0% VAT on:

- Textiles products manufactured using domestically produced cotton for a period of one year. The measure aims to provide relief to farmers and local textile industries.
- Locally manufactured fertilizer for a period of one year. This move intends to relieve farmers and consumers of agricultural produce.

VATABLE SUPPLIES PROPOSED TO BE EXEMPT

Supplies	HS Code
Inputs for the manufacture of insecticides and acaricides (i.e., Benzalkonium Chloride and Glutaraldehyde)	2916.32.00
Imported prefabricated structures by poultry farmers (subject to the signing of a Performance Agreement with the Government)	9406.20.90
Inputs for the manufacture of packaging materials (i.e., Polypropylene USP (Medical Grade) and Polyethylene Terephthalate) subject to the signing of a Performance Agreement with the Government	3902 and 3907, respectively

OTHER CHANGES

The Government proposes the following changes to the VAT Act:

- Introduce deferment of VAT on locally manufactured capital goods.
- The Value Added Tax deferment on importation will cease to have effect after 3 years.
- The measure aims at promoting local manufacturing of capital goods, creating employment and ensuring capital goods are available at affordable prices.

EXCISE DUTY ACT

PROPOSED CHANGES TO EXCISE DUTY RATES

- Adjust specific duty rate by 10% on non-petroleum products excluding domestically manufactured wines, spirits, and confectionery products. This aims to restore equality of relative price and protect government revenue.
- Adjust specific duty rate by 20% on beer and tobacco products. This aims to restore equality of relative price and protect government revenue.
- Introduce excise duty of TSH 20 per kilogram on imported and local cement. The measure aims to increase government revenue and taxing the carbon emission effect caused by producers of the product.

Item	HS Codes	Proposed new rate	Current rate	Aims to
Domestic manufactured drink products	2208.60.00	TSH 2,466.45 per litre	TSH 4,386.6 per litre	Create a competitive advantage for locally manufactured products
Petroleum oils and oils obtained from bituminous minerals (other than crude) and preparations not elsewhere specified or included, containing by weight 70 percent or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, containing biodiesel, other than waste oils.	2710.20.00	TSH 80 per litre	NIL	Widen the tax base and increase government revenue
Imported energy drink	2202.99.00	TSH 600 per litre	TSH 589.05 per litre	Increase competitive advantage of locally produced energy drinks
Electric non-utility vehicles with only electric motor for propulsion and Compressed Natural Gas (CNG) vehicles	8702.40.11; 8702.40.19; 8703.80.10;	NIL (frozen for 3 years)	-	Enhance reliability in electric and natural gas, both of

Item	HS Codes	Proposed new rate	Current rate	Aims to
	and 8703.80.90			which are domestically available Reduce demand for foreign currency
Motor vehicles with engine capacity of more than 1000cc but not exceeding 2000 cc capable of being charged by plugging to external source of electric power	8703.40.00, 8703.50.00, 8703.60.00 and 8703.70.00.	5%	NIL	Bring about equity with other motor vehicles of the same capacity
Motor vehicles, with engine capacity of more than 2000cc capable of being charged by plugging to external source of electric power	8702.10.11, 8702.10.19, 8702.20.11, 8702.20.19, 8702.30.11, 8702.30.19, 8702.90.11, 8702.90.19, 8703.40.00, 8703.50.00, 8703.60.00, 8703.70.00, and 8703.90.90.	5%	NIL	Bring about equity with other motor vehicles of the same capacity
Motor vehicles older than five years used for transportation of passengers	8702.20.22, 8702.20.29, 8702.20.99, 8702.30.22, 8702.30.29, 8702.30.99, 8702.40.22, 8702.40.29 and 8702.40.99.	10%	NIL	Widen tax base and enhance equality on taxation of used Motor vehicles
Other Cigars, cheroots, cigarillos, and cigarettes, of tobacco or of tobacco substitutes	2402.90.00	30%	NIL	Subject tobacco substitutes into the scope of duty and widen tax base
Water tobacco	2403.11.00	30%	NIL	Subject tobacco substitutes into the scope of duty and widen tax base
Electronic cigarettes, vape products, and shisha	8543.40.10, 8543.40.90 and 9614.00.00	30%	NIL	Subject tobacco substitutes into the scope of duty and widening tax base

Item	HS Codes	Proposed new rate	Current rate	Aims to
Imported and domestically manufactured gambling machines	9504.30.00	20%	NIL	Increase government revenue

- Amend the excise schedules of The Excise (Management and Tariff) Act to be in line current Common External Tariff Book of 2022 (CET 2022).

THE EAST AFRICAN COMMUNITY CUSTOMS MANAGEMENT ACT, 2004

- Amend item 27 of Part B to the fifth schedule to read "Biogas Digesters." The measure aims to widen the exemption scope to cover all Bio digesters instead of only plastic biodigesters.
- Proposal to add new subheading 1701.99.20 under heading 17.01 to cater to other refined sugar (for industrial use).
- Introduce new subheading 7612.90.10, attracting a duty of 10% instead of 25%, previously applicable for heading 76.12 and 73.10. The measure intends to provide relief on the importation of Aerosol cans made of base metal.
- Split subheading 8703.80.00 (Other vehicles, with only electric motor for propulsion) to provide a separate tariff for unassembled electric vehicles, which attract 0% duty. The move aims at promoting the local assembly of such vehicles.

In addition to some measures that were effected during the financial year 2022/23 which remain the same in the proposed financial year 2023/24, the following new changes (stay of application/duty remissions) have been proposed for the financial year 2023/24:

Item	HS Codes	Proposed new rate	Current rate	Aims to
Other paper, paperboard, cellulose wadding and webs of cellulose fibers.	4811.90.00	25% for one year	10%	Protect local manufacturers of POS and thermal paper rolls used in issuing EFD receipts
Vitenge	5208.51.10; 5208.52.10; 5209.51.10; 5210.51.10; 5211.51.10; 5212.15.10; 5212.25.10; 5513.41.10; and 5514.41.10	35% for one year	50%	Reduce the price of the commodity to the final consumers and protect their welfare
Imported cotton grey fabric	5208.11.00; 5208.12.00; 5208.13.00; 5208.19.00; 5209.11.00; 5209.12.00; 5209.19.00; 5210.11.00;	Higher of 25% or 0.25 USD per meter for one year	25%	Give local manufacturers of cotton grey a competitive advantage against imported products

Item	HS Codes	Proposed new rate	Current rate	Aims to
	5210.19.00; 5211.11.00; 5211.12.00; 5211.19.00; 5212.11.00; and 5212.21.00			
Imported Smart cards by the National Identification Authority	8523.52.00	0% for one year	25%	Reduce costs and facilitate the issuance of National ID cards
Polyester/ Nylon Twine	5607.50.00	25% for one year	10%	Protect local manufacturers and create more employment
Ceramic tiles	6907.21.00; 6907.22.00; and 6907.23.00	Higher of 35% or USD 2 per square meter for one year	25%	Encourage local production of ceramic tiles
Nails, tacks, drawing pins, corrugated nails staples (other than those of heading 83.05), and similar articles of iron or steel, whether or not with heads of other materials	7317.00.00	Higher of 35% or USD 350 per metric ton for one year	35%	Promote competitive advantage of the local products of the same characteristics
Inputs/raw materials used to manufacture capital goods/equipment for various sectors	72.14; 72.15; 72.16; 32.08; 73.07; 83.11; 85.44; 68.06; 74.19; 72.08; 73.06; 73.12; 73.15; 73.18; 84.82; 84.83; 72.22; 73.04; 84.81; 84.84; 7325; 40.10; and 76.06	0% for one year	10%, 25% or 35%	Promote domestic production of capital goods
Raw materials (wire Rod)	7213.91.10; and 7213.91.90	0%	Higher of 25% or USD 200 per metric ton	Promote local production of wire products and employment creation

Item	HS Codes	Proposed new rate	Current rate	Aims to
Inputs (base oil) used to manufacture lubricants	2710.19.59	0%	10%	Promote domestic production of lubricants
Inputs used to manufacture wiring harnesses for vehicles and motorcycles	8538.90.00; 4016.99.00; 8205.59.00; 8536.10.00; 8536.69.00; 8536.90.00; 8547.20.00; 3926.90.90; 3917.32.00; and 8544.30.00	0% for one year	10% or 25%	Promote domestic investment in the production of wiring harness
Inputs used to manufacture radiators	7409.11.00; 7409.19.00; 7410.11.00; 7410.12.00; 7409.21.00; 8001.10.00; and 3810.90.00	0% for one year	10%, 25%, or 35%	Promote domestic investment and production of radiators
Footwear; grains and vegetables like almonds, hazelnuts, macadamia nuts, cucumbers and gherkins; live animals like cows, goats, sheep; coffins; fish; cassava and natural honey	4421.20.00; 6402.19.00; 6403.19.00; 6403.51.00; 6404.19.00; 6404.20.00; 6405.20.00; 6405.90.00; 0802.11.00; 0802.22.00; 0802.61.00; 2001.10.00; 0102.29.00; 0102.39.00; 0102.90.90; 0103.91.00; 0103.92.00; 0104.10.90; 0104.20.90; 0407.21.00; 0409.00.00; 0714.10.00 and Chapter 3	35%	10% or 25%	Promote the competitiveness of local produce against imported ones

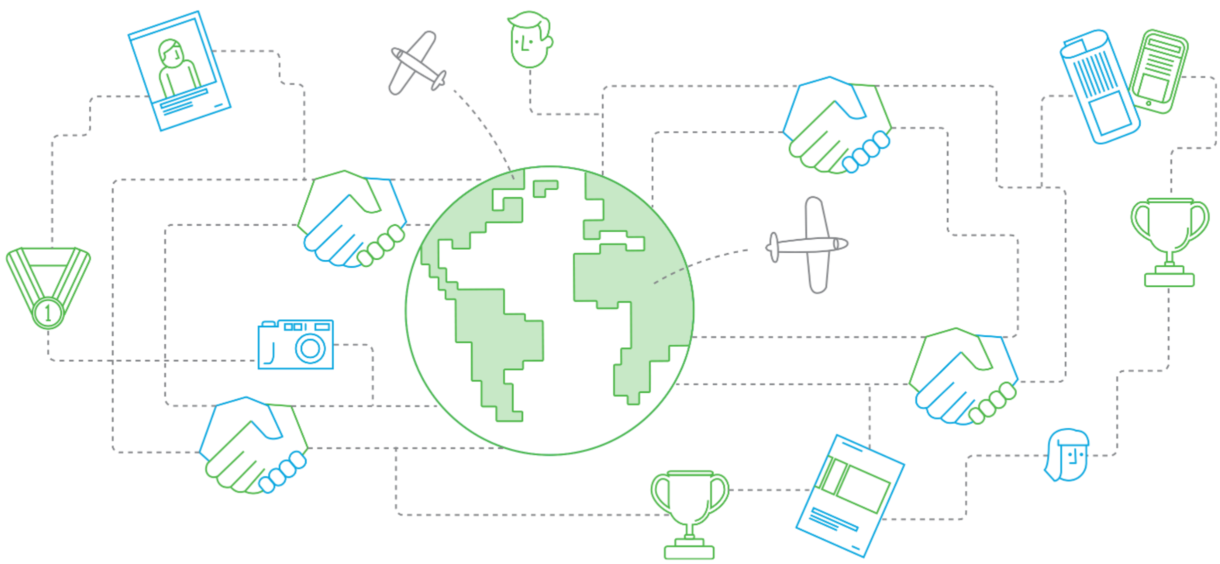
Item	HS Codes	Proposed new rate	Current rate	Aims to
Buses for transportation of more than 25 persons imported for rapid transport project	8702.10.99 and 8702.20.99	0% for one year	25%	De-congest the city and ease the transportation system within the country
Cane sugar imported under a permit issued by the Tanzania Sugar Board.	1701.14.90	35%	Higher of 100% or USD 460/MT	Cover the sugar production gap in the country
Wire of iron or non-alloy steel	72.17	25%	0% or 10%	Protect local manufacturers
Inputs used to manufacture tyres	7217.30.10	0%		Reduce the cost of local production
Inputs used to manufacture wire products, needles, springs, rope, pins, nails, electric cables	7217.10.00, 7217.20.00, 7217.30.90 and 7217.90.00	10%		Protect local manufacturers

Various measures proposed that were taken into effect in the FY 2022/23 continue being implemented in FY 2023/24 including but not limited to:

- Duty remission on vehicles with only electric motor for propulsion is order to promote assembly of such vehicles in the region;
- Duty remission on inputs to manufacture essential medical supplies for fighting COVID 19;
- Nil duty rate on cash registers and EFD machines;
- Duty remission on other packing containers for processed milk, coffee etc.

EXPORT LEVY ACT

- Waive 80% export levy on raw or semi-processed (wet blue) hides & skin exported by investors under EPZ. The measure aims to reduce the costs of destroying these byproducts due to a lack of a domestic market.



MISCELLANEOUS AMENDMENTS

THE LOCAL GOVERNMENT FINANCE ACT, CAP 290

- Introduction of an electronic system to monitor online advertisements through several media platform.
- Reduce the rates of billboard fees as below:-

Mode **	Old rate per SQFT (TSH)	New rate per SQFT (TSH)
Non-illuminated billboard	10,000	7,000
Illuminated billboards	13,000	10,000

*** Billboards with business names and placed within the respective commercial areas will not be subject to billboard fees.*

- Transfer the mandate to collect billboard fees from the Commissioner General of TRA to the President's Office Regional Administration and Local Government (PO-RALG).
- Integration of Property tax and Land rent to be paid through one control number which will be remitted to the consolidated fund; of which 20% will be disbursed to LGA to facilitate collection and monitoring. The Ministry of Land will enter into an MoU with PO-RALG with respect to collection of land rent.
- Empower the Minister responsible for Local Government to collect service levy (0.3 percent of turnover) from Electronic Money Issuance Licenses (EMI) on behalf of the Local Government Authorities and distribute the collected amount to the respective Councils.

These amendments are aimed at:

- Encouraging businesses to increase visibility of their products and services.
- Increasing efficiency by reducing administration costs and effective management and monitoring of collections.

THE LOCAL GOVERNMENT AUTHORITIES (RATING) ACT, CAP 289

- Changes proposed in property taxes as below:

Structure	Old rate (TSH)	New rate (TSH)
Normal building (one level)	12,000	18,000
Per each storey in a multi-storey building	60,000	90,000

- These rates will be charged for 3 years while the Government continues to set the basis of charging the relevant tax based on the value of the property.

- The property valuation exercise will start in the financial year 2023/24 and taxation of properties based on the value of property will start in the financial year 2026/27.
- The PO-RALG will be in charge of the valuation exercise collection of the property tax from January 2024. In the meantime, property tax will continue to be collected through purchase of electricity tokens (LUKU).
- These amendments are aimed at aligning tax paid with actual value of property.

THE ROADS AND FUEL TOLLS ACT, CAP 220

- Increase the Road and Fuel Tolls by TSH 100 per litre of Petrol and Diesel. It is proposed that funds collected from this measure to be used also for the implementation of Strategic Projects.

THE NATIONAL PAYMENT SYSTEMS ACT, CAP 437 AND THE ELECTRONIC AND POSTAL COMMUNICATIONS ACT, CAP 306

- Remove mobile money transaction levy on sending and receiving money electronically.
- Increase mobile money transaction levy by 50% on withdrawals.
- Abolish the daily levy imposed on each SIM Card.

The above measures are aimed at:

- Eliminating double taxation in one transaction as well as stimulating the electronic payment transactions.
- Fulfilling the Government's goal of building a digital economy by reducing the use of cash.

IMMIGRATION ACT, CAP 54

- Allow issuance of residence permit (Residence Permit Class B) to any investor (who is not a resident in Tanzania) but will invest to buy a house (in Tanzania) with a capital of not less than USD 150,000.

- The permit will only be issued after the investment authorities and Minister responsible for housing are satisfied that the relevant capital has come from abroad.

- This is intended to attract investment in the country and increase foreign exchange.

LAND RENT ACT, CAP 113

- Various changes proposed as below:

Amendment area	Old rate	New rate
Premium charge on land value	0.5%	0.25%
Certificate of Occupancy fees	TSH 50,000	TSH 25,000
Registration fees (% of land rent)	20%	10%
Application fee	TSH 20,000	TSH 5,000
Fees for Deed plan	TSH 20,000	NIL

- Director of the Council will be assigned the responsibility of collecting the Land rent on behalf of the Ministry of Land, Housing and Human Settlements Development. In addition, 20% of the collection will be returned to the Councils to enable them in the collection activities and monitoring/follow-up.

  The above amendments intend to reduce the cost of planning, formalization and ownership of land in order to encourage a larger area of the country to be planned, formalized and owned by the people.

- The Government will also revive the Plot Development Fund in order to strengthen implementation of land sector plans including planning, surveying and titling. This is aimed at enhancing formal land ownership to citizens, controlling unplanned settlements, reducing land conflicts and increasing citizens economic empowerment.

THE MINING ACT, CAP 123

- Exempt refinery centres from paying the 1% inspection fee with an aim to stimulate the growth of the transportation of minerals by small mining sector as well as attracting more investment and promoting employment.

THE VOCATIONAL EDUCATION AND TRAINING ACT, CAP 82

- Reduce Skills and Development Levy (SDL) from 4% to 3.5%
- Grant powers to the Minister of Finance (after consultation with the Minister of Education) to issue an SDL exemption certificate provided it is for the interest of the Nation.
- Change in distribution of the remittance from two thirds to the Treasury and one third to the Fund to one third each to the Ministry Responsible for Employment, Higher Education Students' Loan Board and VETA fund.

The above measures aim to reduce operational costs for employers and is also in line with the Government's commitment of reducing the SDL rate gradually.

THE GAMING ACT, CAP 84

- Introduce a limitation of not more than two table games to Forty Machines Site operations.
- Increase gaming levy from TSH 10,000 to TSH 30,000 per slot machine in bar sites (clubs/places selling liquor).
- Reduce tax rate on Gross Gaming Revenue (GGR) for Forty Machines Site operations from 25% to 18%.
- Introduction of various fees as follows:

Type	Application fee	Principal license fee
Slot machines in shops	TSH 500,000	USD 10,000
Slot machines in bar sites	TSH 500,000	TSH 10,000
Forty machines sites	TSH 500,000	TSH 5,000

This would promote fairness in taxation with related gaming operations and sustainability in the industry.

THE EXPORT LEVY ACT, CAP 196

- Waive the 80% export levy on raw or semi processed (wet blue) hides and skin exported outside Tanzania by investors who are in the Export Processing Zone (EPZ). This aims to reduce overall investment costs. Currently, high costs are spent on destroying by-products due to lack of domestic market.

AMENDMENT OF VARIOUS FEES AND LEVIES

MINISTRY OF INVESTMENT, INDUSTRY AND TRADE

- Abolish the 15% penalty charged by TBS on the value of products imported without a certificate of quality inspection (Certificate of Conformity – COC).
- Imported products without quality assurance certificate will be subjected to an inspection upon arrival and will be charged the inspection fee without penalty.

MINISTRY OF WORKS AND TRANSPORT

Amendment of various fees as follows:

Type	Old rate	New rate
Right of Way fees for use of roads reserve corridor for installation of fibre optic cables	USD 1,000 / km	USD 200 /km
Annual management charge	USD 1,000 / km	USD 100 / km

This amendment aims to facilitate access to quality communication services by enabling distribution of communication infrastructures from Regions to Districts, and from Districts to customers.

MINISTRY OF HOME AFFAIRS

Amendment of various fees to reflect inflationary changes and value for money, as follows:

Type	Old rate	New rate
Certificate of good conduct for non-resident	USD 25	USD 50
Clearance certificate of good conduct for residents	TSH 2,000	TSH 10,000
Fee of examination of disputed documents	TSH 50,000	TSH 75,000
Fee for property loss report	TSH 500	TSH 1,000
Fee for driving license clearance for foreign drivers	NIL	TSH 10,000
Private firearms warehouse license (per annum)	TSH 1,000,000	TSH 1,500,000
Registration fee for a new trainer of a driving school	TSH 10,000	TSH 20,000
Permit fee for possession of firearms		
i. Pistols	TSH 70,000	TSH 100,000
ii. Shotgun	TSH 35,000	TSH 50,000
iii. Muzzle loading gun	TSH 35,000	TSH 50,000
iv. Rifle	TSH 35,000	TSH 50,000
v. Other firearms	TSH 35,000	TSH 50,000

MINISTRY OF NATURAL RESOURCES AND TOURISM

- Abolishment of fees on grading and regrading accommodation facilities established inside and outside protected areas.
- Reduction of Tourism Business License fees for accommodation establishments owned by Tanzanians as follows:

Type	Old rate (USD)	New rate (USD)
Five-star hotels	2,500	1,500
Four-star hotels	2,000	1,000
Three-star hotels	1,500	500
Two-star hotels	1,300	300
One-star hotels	1,000	200
Ungraded accommodation establishment in protected area	1,000	300
Homestay	400	100
Hostels	400	200

These changes are intended to reduce operational costs and attract investment into the sector.

MINISTRY OF LIVESTOCK AND FISHERIES

- Livestock

  Amendment of various fees as tabled below:

  a) Amendment of fees on poultry/eggs

Poultry eggs	Unit	Current Rate (TSH)	Proposed Rate (TSH)
More than100 trays of Table eggs	Trays	200	NIL
More than 100 trays of hatching eggs	Trays	500	NIL

b) Import and export fee for animal and animal products

Animal/Animal Product	Unit	Import Fees (TSH)		Export Fees (TSH)	
		Current Rate	Proposed Rate	Current Rate	Proposed Rate
Semen	Straw/Bag	2,000	NIL	2,000	NIL
Sexed Semen	Straw	2,000	NIL	2,000	NIL
Hides	Kilogram (kg)	400	NIL	10	NIL
Skin	Kilogram (kg)	-	-	5,000	NIL
Extension of permit about to expire	Permit	50,000	100,000	50,000	100,000

- Fisheries

  Amendment of various fees for products including permit for movement of movement of fish and fishery products (dagaa, furu) dried/chilled fish and fish maw.

MINISTRY OF AGRICULTURE

Various amendments proposed for application fees for registration/renewal of agriculture research service providers, research projects, project time extension and information access.

MINISTRY OF CULTURE, ARTS AND SPORTS

Introduction of levy of 1.5% on vinyl, Mini Disc, Compact Disc, DVD and SD Memory to enhance enforcement of copyright.

REGISTRATION INSOLVENCY AND TRUSTEESHIP AGENCY (RITA)

Amendment of various fees on birth and death registration; adoption of a child; marriage; trustees incorporation; administration of estate of the deceased; and fees relating to administration.

OCCUPATIONAL SAFETY AND HEALTH AUTHORITY (OSHA)

Abolishment of inspection fee of TSH 200,000 charged on gas installation per station with an aim to enable business environment and stimulate investment of gas station as an alternative clean energy.

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