



TANZANIA TAX HIGHLIGHT – AUTHORISED ECONOMIC OPERATORS

Introduction

As the world becomes increasingly interconnected, Tanzania, like its EAC counterparts, is navigating the complex waters of international trade. This article delves into the transformative journey of Tanzania's customs operations, exploring the implementation of the Authorized Economic Operator (AEO) program, a World Customs Organization (WCO) initiative. Through the lens of Tanzania's experience, we will uncover how this program is reshaping the landscape of international trade, fostering a more efficient, secure, and facilitative environment for traders. Below, we summarise the AEO concept and its impact on Tanzania's trade dynamics.

Understanding the AEO Concept

The AEO is a program initiated by the WCO to enhance the efficiency and security of international trade. It represents a paradigm shift in customs operations, moving from a goods-focused approach to a trader-focused approach. The program recognizes compliant traders as 'low-risk', allowing customs authorities to streamline their operations and facilitate smoother trade flows.

Tanzania, as part of the East African Community (EAC), adopted the AEO program in 2008. The implementation process involved aligning national customs operations with the AEO standards, training customs personnel, and educating traders about the benefits of becoming an AEO. Despite challenges such as resource constraints and the need for significant procedural changes, Tanzania has successfully integrated the AEO program into its customs operations.

Traders involved in the international supply chain and carry out customs-related activities in the EAC can apply for AEO status.

The applications will be assessed in line with nature of business carried out by the applicants, and the AEO status will be related to the specific traders categories that the trader has qualified for. The categories are importers, exporters, clearing and forwarding agents, transporters, manufacturers (involved in import and export) and bonded warehouse operators.

The Authorization Process

Becoming an AEO in Tanzania involves a four-stage process:

1. **Application:** Traders lodge their application with the Customs administration.
2. **Approval:** The Customs administration reviews the application and checks the applicant's compliance records.
3. **Memorandum of Understanding (MoU):** Approved applicants sign a MoU with the Customs administration, outlining their responsibilities and benefits as an AEO.
4. **Certification:** The EAC Secretariat issues a certificate to the applicant, officially recognizing them as an AEO.



The applicant will also need to provide the following information to be eligible to apply for AEO status:

- A record of compliance showing that the applicant has not contravened any tax law for at least 3 years prior to making the application;
- That the applicant maintains timely, accurate, complete and verifiable records relating to customs transactions, and that it has systems in place to ensure compliance;
- That the applicant is financially solvent (and has been for at least the past 3 years) and that it does not have any outstanding tax liabilities;
- The applicant must demonstrate a high level of awareness on security and established safety measures, internally and in its business activities with clients;
- Volume of business which shall be used to in a risk assessment to determine eligibility;
- The nature of goods traded; and
- That the applicant's trade partners demonstrate high level of awareness of established security and safety measures.

Benefits of Being an AEO

Some of the key benefits enjoyed by AEOs include:

- Automatic processing of declarations;
- Reduced physical examination of goods and documents;
- Expedited payment of refunds;
- Guaranteed renewal of certain customs licenses; and
- Priority treatment of cargo in the clearance chain

These benefits, among several others, lead to cost and time savings for traders, making the AEO program an attractive proposition for businesses involved in international trade.

The AEO program has had a significant impact on Tanzania's trade dynamics, facilitating faster and more efficient trade flows. Looking ahead, the EAC is pursuing mutual recognition with other trading blocs, which would allow EAC AEOs to enjoy similar benefits when trading outside the EAC region. This represents an exciting future prospect for AEOs in Tanzania and the wider EAC region.

CONCLUSION

The AEO program is a key component of modern customs operations, offering a win-win solution for both customs authorities and traders. By focusing on the traders rather than the goods, customs authorities can effectively manage risks, streamline their operations, and facilitate international trade.



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