

Norbert
One of the
RSM team



TANZANIA TAX HIGHLIGHT – ADVANCE RULING: NAVIGATING CUSTOMS WITH CERTAINTY

Introduction

In the dynamic landscape of international trade, where every shipment can be a potential challenge, the introduction of Section 248A in the EAC Customs Management Act, 2004, emerges as a game-changer, drawing inspiration from the World Customs Organization's (WCO) Trade Facilitation Agreement. This groundbreaking provision, assented to in 2017 and commenced in November 2019, empowers taxpayers within the East African Community (EAC) to proactively shape their trade destiny by leveraging the principles advocated by the WCO.

As global markets evolve, the need for transparency and predictability in customs procedures has never been more crucial. Imagine a world where taxpayers can pre-emptively address potential disputes, sidestep penalties, and ensure seamless clearance at the border – this is the transformative promise that Section 248A holds for businesses within the East African Community (EAC).

Beyond being a legal provision, Section 248A sparks a conversation about empowerment, efficiency, and the collective pursuit of a harmonized trade landscape.



Understanding the Advance Ruling Concept

Section 248A of the EAC Customs Management Act, 2004, is a beacon of certainty for taxpayers seeking clarity on their customs obligations.

This provision allows taxpayers to apply to the Commissioner of Customs & Border Control for an Advance Ruling, addressing queries relating to tariff classification, rules of origin, or customs valuation only, prior to importation.

An Advance Ruling, essentially a written decision by the Commissioner, serves as a valuable tool in mitigating risks and uncertainties associated with cross-border trade.

There are several benefits to pursuing such a ruling, including:

1. Significant reduction in the likelihood of border disputes, penalties, and delays, offering taxpayers a pre-emptive shield against potential challenges;
2. By providing predictable and transparent outcomes, the Advance Ruling fosters trade facilitation and compliance, creating an environment where businesses can confidently operate;
3. The Advance Ruling is binding on both the Commissioner and the taxpayer, for up to 12 months.

Crucially, this mechanism enhances the overall efficiency and effectiveness of both customs administration and the East African Community (EAC) integration process. By harmonizing customs procedures and practices across the EAC Partner States, Section 248A contributes to the region's overarching goal of seamless and streamlined cross-border trade.

The Application Process

In order to make a request for an Advance Ruling, and taxpayer is required to make a written application to the Commissioner, providing all relevant information to assist the Commissioner in making the decision. This may include a detailed description of the goods, their origin, value, tariff classification, and any other relevant details deemed necessary by the Commissioner.

Upon receiving the application and sufficient information, the Commissioner shall have 30 days to either issue the advance ruling or decline to issue a ruling, which would be accompanied with reasons for the inability to issue the ruling.

While the Act provides for 30 days for the Commissioner to issue the ruling or give reasons for inability to issue the ruling sought, the process may take longer if sufficient information is not received by the Commissioner. A taxpayer is therefore advised to provide all relevant information to the Commissioner, with the application, to ensure the ruling is received in time.

Where a taxpayer is dissatisfied by the ruling given, they can apply for review of the decision to the Commissioner, within 30 days of the ruling being given. If the taxpayer is dissatisfied with the appeal decision of the Commissioner, an appeal to the Tax Appeals Board can be made, as provided for under Sections 229 and 230 of the Act.

Conclusion

Section 248A emerges as a pivotal addition to the EAC Customs Management Act 2004. Beyond offering taxpayers a mechanism to secure certainty and predictability regarding their customs obligations, it catalyses promoting trade facilitation and regional integration. As the EAC continues its journey towards harmonized customs procedures, Section 248A stands as a testament to the region's commitment to creating a favourable and supportive environment for international trade.

As Tanzania progresses in its journey to promote the manufacturing sector, we urge all taxpayers to capitalize on the opportunities that arise. The proactive utilization of Advance Rulings is a strategic advantage that can redefine your approach to cross-border trade.

Should you need any assistance/clarifications in respect of the above, please reach out to the below or your usual RSM contact.

Mit Sinai
Tax Director
 RSM (Eastern Africa)
 Consulting Ltd
msinai@tz.rsm-ea.co.tz

Goodluck Mboya
Tax Consulting Supervisor
 RSM (Eastern Africa)
 Consulting Ltd
gmboya@tz.rsm-ea.co.tz



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