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## ELECTRONIC FILING OF TAX RETURNS

### Introduction

Section 34(1) of the Tax Administration Act (TAA, 2015) grants the Commissioner General (CG) the powers to establish and operate an electronic system for filing, furnishing and servicing documents. Accordingly, the Tanzania Revenue Authority (TRA), on 6 August 2020, introduced an online filing system for the following returns:

- Statement of Estimated Tax Payable by Instalments (SETPI) (S. 89 of ITA, 2004);
- Statement of Revised Tax Payable by Instalments (S. 89 of ITA, 2004);
- Final Return of Income (ROI) (S. 91 of ITA, 2004);
- Statements and payment of tax withheld (half-yearly returns) (S. 84 of ITA, 2004); and
- Skill and Development Levy monthly return (S. 16 of VETA Act).

The introduction of an online filing of tax returns is a commendable move by the TRA, which will increase voluntary compliance, save time and bring in efficiency in the tax administration regime. It addresses the below key challenges:

- Outdated tax forms which missed key details and changes in the law. Due to growth and changes in the tax regime, the previous tax return forms did not address the differential treatment of various business operations including mining and petroleum operations, insurance, banking, etc. However, under the new online tax return forms, some of the issues have been identified and incorporated in the same to enable easy and correct assessment of taxes.
- Errors in capturing the data when issuing the assessments which resulted in unjustified demand notices especially where the incorrect assessments were issued but not delivered to the taxpayer and recovery measures taken.
- The system will allow the taxpayer to file the returns on the go at any particular time before the due date instead of the limited time i.e. working hours.

### How does it work?

To access the E-filing system for submission of tax returns (Liable Tax Returns), a taxpayer must first register on the TRA portal <https://efiling.tra.go.tz> by inserting the taxpayer's TIN and the director's TIN. The system shall then send a verification SMS on the taxpayer's mobile number which is registered on the TRA database. Therefore, should the taxpayer not receive the verification message, a visit to the TRA office will be mandatory to update the records.

Once the taxpayer has successfully registered and created an account, he/she will be able to log-in using his/her log-in credentials and proceed with other procedures.

### Appointment of declarant and audit firms

The taxpayer shall be required to appoint a declarant (principal of the company) to file the returns and the audit firm which will certify the returns (i.e. the return of income). This should be done before the taxpayer proceeds to file the return of income.

The taxpayer can, at any time, change the declarant as well as the certified tax consultant who will assist in preparing, certifying and uploading the returns.

### Templates for various returns

The templates for various returns have been uploaded to the system on the "**Download Forms**" option in the navigation panel.



### Filing of SETP and ROI by individuals

When completing the return, the taxpayer will be required to identify the location of his/her business between Tanzania Mainland or Zanzibar. The selection of the correct place of business operations is very important considering the differences in individual tax rates in Tanzania Mainland and Zanzibar.

The taxpayer will fill in all the details in relation to the source of income, final withholding payments and repatriated income, in case of a non-resident individual with a domestic permanent establishment.

Upon submission of the returns, a taxpayer shall be able to view and print the acknowledgement of submission and assessments for processing the payment and other procedures.

Further, the taxpayer can request for an extension to file the return of income online as provided for under Section 39 of the TAA, 2015, which will be reviewed by the authority and responded to accordingly.

### Filing of SETP and ROI by entities

The process of filing returns by an entity follow the same procedures above.

In addition to the above, the final return of income shall be completed by the taxpayer and submitted to the audit firm/tax consultant for certification. Once certified, the final submission will be by the taxpayer's declarant.

It is important to note that where taxpayers will require assistance in completing the returns of income, the details to log in the E-filing system will have to be shared with the tax consultants.

### Filing of the Statement and Payment of Tax Withheld from Employees

This applies to all employers (individual and entities) in Tanzania Mainland and Zanzibar.

An employer shall be required to select the place of his/her operations between Tanzania Mainland and Zanzibar.

It is important to note that under the E-filing system an employer shall be required to fill in the relevant information of the employees including TIN, type of employment, residential status, social security number, and other allowances or benefits accruing to the employees.

Upon successful upload of the returns, the taxpayer shall be able to view and print the assessment for processing the payment.

### Filing of Skills and Development Levy monthly return

An employer shall first select the location of his/her business between Tanzania Mainland and Zanzibar for filing SDL monthly returns.

Upon selection of the location of operations, an employer shall be required to fill in the information in relation to the nature of employment, number of employees, basic salary, other allowances and exemptions if any, which will further enable an employer, after submission of the return, to download the assessment of the levy payable.

#### Key important issues to note

- It is vital for the taxpayers to ensure that their information (especially the mobile number) is up-to-date as per TRA records and where there are changes, the same should be communicated to TRA;
- For effective filing of employment tax returns, the employer should obtain the TIN and the social security number of all the employees. Where the employees do not have the TIN number, the same can be applied from the TRA online TIN portal <https://ots.tra.go.tz/> and the TIN can simply be obtained through the employee's National ID number;
- A taxpayer must appoint the declarant and the audit firm/tax consultant;
- Taxpayers must note that the half-yearly certificate for SDL is not catered for in the system and hence the same should be filed manually;
- A Power of Attorney (POA) will have to be issued to the tax consultants who shall be assisting the taxpayer with the filing of return.

#### Key challenges

- It is unclear as to whether the manual filing system shall continue in parallel or not, especially in regions where connectivity is an issue. Even where the manual returns are filed, there could be challenges if the same are not updated online from the Authority's side.
- The system does not cater for taxpayers falling under the presumptive tax system.
- The portal neither includes the issuance of tax clearance certificates nor allows the taxpayer to view the statement of account, where most issues are faced in terms of reconciliation of tax paid. Although the portal provides an option to preview the return before submission, where there are errors in filing the return online, it is not clear as to how the taxpayer will go about rectifying the same.

#### User guide

The comprehensive user guide issued by TRA can be accessed by clicking [here](#).

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