TANZANIA BUDGET NEWSLETTER

2022 – 2023

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

CONTENTS

ECONOMIC PERFORMANCE

GLOBAL ECONOMIC HIGHLIGHTS

- The global growth is projected to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023 (IMF World Economic Outlook, April 2022). Higher inflation is expected due to the supply chain shortages and high energy prices which are expected to persist in 2022. Beyond 2023, global growth is forecast to decline to about 3.3% over the medium term. The war in Ukraine has triggered a costly humanitarian crisis which has contributed to a significant slowdown in global growth in addition to inflation.
- A severe double-digit drop in GDP for Ukraine and a large contraction in Russia is more than likely, along with worldwide spill overs through commodity markets, trade and financial channels. Even as the war reduces growth, it will add to inflation. Fuel and food prices have increased rapidly. Elevated inflation will complicate the trade offs central banks face between containing price pressures and safeguarding growth.
- The war in Ukraine and economic sanctions on Russia have put global energy supplies at risk. Russia supplies around 10% of the world's energy (including 17% of natural gas and 12% of oil). The leap in oil and gas prices will add to industry costs and reduce consumers' real incomes. Outright shortages and energy rationing are possible in Europe if there is an abrupt halt to Russian supply.
- Many countries have limited fiscal policy space to cushion the impact of the war in their economies.
- China's share of global Gross Domestic Product (GDP) has been on the rise from 2010 growing from 13.68% to 18.33% in 2021. This was previously projected to rise further to 20.19% by 2026, but may be lower due to the effects of COVID-19 pandemic.

Table 1 below summarises the World Economic Outlook Projections:

TABLE 1 REAL GDP GROWTH (%)	2017	2018	2019	2020	2021	2022*	2023*
Advanced economies	2.5	2.3	1.7	-4.5	5.2	3.3	2.4
Japan	1.7	0.6	0.3	-4.6	1.6	2.4	2.3
UK	1.7	1.3	1.4	-9.8	7.4	3.7	1.2
USA	2.3	2.9	2.3	-3.4	5.7	3.7	2.3
Euro Area	2.6	1.8	1.6	-6.4	5.3	2.8	2.3
Emerging and developing areas	6.6	6.4	5.3	-2.0	6.8	3.8	4.4
China	6.9	6.7	5.8	2.3	8.1	4.4	5.1
India	6.8	6.5	4.0	-7.3	8.9	8.2	6.9

*Forecast

Source: IMF

SUB-SAHARAN ECONOMIC HIGHLIGHTS

- According to IMF, growth in the sub-Saharan African region is projected to be 3.6% in 2022 and 3.8% in 2023 as shown in Table 2.
- The World Bank predicts elevated commodity prices will support near-term recovery across the region, with higher oil prices and the gradual easing of OPEC production cuts benefiting Nigeria and Angola. Growth in Nigeria is expected to exceed 3.4% in 2022 and 3.1% in 2023, while Angola's economy is projected to grow by 3% on average in 2022-23. Growth in South Africa is forecast to moderate to its pre-pandemic trend, being held back by structural impediments and elevated levels of public debt.

- High prices for food commodities like coffee and cotton will benefit agricultural exporters (Ethiopia, Kenya, and Tanzania), however, this will also contribute to higher inflation within the countries. The IMF states that for some countries, expansion of agricultural activities will be constrained by a variety of uncertainties, including droughts and lower than average rainfall as well as intensifying conflict within the region.
- EAC has now embraced DRC which will greatly influence trade and bloc bargaining power within the region as DRC includes a consumer market of approximately 90 million people and is an economy rich in all kinds of natural resources including diamonds, gold, copper and cobalt.
- The services, tourism and manufacturing sector have been adversely affected by the pandemic. With sustained losses to income and employment as well as elevated inflation, have held back recovery in consumer spending. This has led to increasing insecurity, civil conflicts and restrained investment spending. With only around 8% of Africa's 1.4 billion population fully vaccinated poses a threat of renewed and more severe outbreaks, which could trigger recurrent disruption to activity. A prolonged pandemic could amplify past development and health challenges, derail structural and fiscal reforms, and result in lasting human capital losses.

TABLE 2

REAL GDP GROWTH (%)	2017	2018	2019	2020	2021	2022*	2023*
Sub-Saharan Africa	3.1	3.2	3.2	-1.7	4.5	3.8	4.0
Nigeria	0.8	1.9	2.2	-1.8	3.6	3.4	3.1
South Africa	1.4	0.8	0.2	-6.4	4.9	1.9	1.4
Kenya	4.8	6.3	5.4	-0.3	7.2	5.7	5.3
Tanzania	6.8	7.0	7.0	2.0	4.9	4.8	5.2
Ethiopia	10.2	7.7	9.0	6.1	6.3	3.8	5.7
Uganda	7.3	6.0	8.0	3.0	5.1	4.9	6.5

*Forecast

Source: IMF & World bank.

TANZANIA ECONOMIC HIGHLIGHTS

- Tanzania's real GDP growth rate is projected to reach 4.5% - 5.5% in the FY 2022 and average about 6% over the medium term as exports and domestic demand recover *(Source: World Bank)*. Based on domestic projections on macroeconomic assumptions, Real GDP growth rate is expected to be at 4.7% in 2022 and 5.3% by 2023.
- The supply of money has increased due to implementation of accommodative monetary policy, coupled with private sector credit growth. *(Source, BoT)*
- The Tanzanian Shilling (TZS) remained relatively stable against the currencies of major trading partners in 2021 and growth is expected to strengthen over the next two years, assuming relief in pandemic conditions and the external environment improves. However, since the end of quarter one of 2022, the Shilling has lost its value and is expected to trade at 2,326 *(against 1 US Dollar)* by the end of this quarter.

- Considering the Government's Vision 2025*: "accelerating productive investment, prioritizing human capital development, enabling agricultural transformation, leveraging digital technologies, and building public sector institutions and capabilities"* a further recovery of trade is anticipated due to improved performance in tourism sector and re-opening of trade corridors*. (African Development Bank).*
- However, energy and fuel price increases are expected to persist, raising overall inflation to 3.8% in April 2022. Spending on large infrastructure projects and depressed revenue performance are expected to widen the fiscal deficit in 2022, financed mainly by external borrowing. *(SADC Business Council).*
- The Government estimates to contain inflation at single digit between 3% to 7% in the medium term and domestic revenue collection is estimated at 14.9% of GDP in 2022/2023. In addition, tax revenue collection is projected at 11.7% of GDP.
- From a financial aspect, interest rate charged by banks has remained stable i.e. overall lending rate averaged 16.31 %, similar to 16.25% registered in the preceding month and 16.5% in April 2021. Similarly, negotiated lending rate (interest rate for prime borrowers) averaged 14.12% compared to 13.80% in the preceding month and 13.76% in April 2021. Nonetheless, interest rates offered on deposits decreased slightly in April 2022, with overall deposit rate reaching 6.81% compared with 7.02% and 6.95% recorded in last month. *(Source, BoT)*
- In terms of external sector performance, the shocks of Russia-Ukraine war along with the reviving efforts from the COVID 19 pandemic had a negative impact on the external trade. Despite experiencing deficit of USD 3,369.2 million as of April 2022 (compared to USD 1,513.6 million as of April 2021), the foreign exchange reserves remained high at USD 5,461.4 million at the end of April 2022, which is sufficient to cover 5 months of imports. *(Source, BoT monthly economic highlights, May 2022).* The government aims at maintaining foreign reserves sufficient to cover at least four months of imports of goods and services.
- External Debt averaged USD 17,361.56 million from 2011 until 2022, reaching an all time high of USD 28,355.30 Million in February of 2022. However, owing to the appreciation of the USD against other currencies in which the debt is denominated, the external debt decreased to USD 28,081.8 million in April 2022.
- The major risks to the economy are high population growth, slow and uneven job creation, low levels of education and limited access to educational and employment opportunities, that still hinder the inclusiveness of economic growth and blunting its effect on poverty reduction and the expansion of the middle class. *(https://www.worldbank.org/en/country/tanzania/publication/tanzania-economic-update).*
- In addition, Tanzania's vulnerability to the global pandemic remains high amid slow vaccination rollout. The evolution of the pandemic and the pace of vaccination, both globally and domestically, will be the most crucial factors driving Tanzania's outlook. The government needs to strengthen its pandemic response in the short term while laying the groundwork for a private-sector-led recovery over the medium-to-long term. *(https://www.tanzaniainvest.com/economy).*

BUDGET HIGHLIGHTS

The budget for 2022/2023 is the second in the implementation of the Third-Five Year National Development Plan with the theme ***"Realising Competitiveness and Industrialisation for Human Development"***. The main theme as per EAC Partner states ***is "Accelerating Economic Recovery and Enhancing Productive Sectors for Improved Livelihood."***

The priority areas in the 2022/2023 budget is to build the economy, reduce poverty and unemployment especially for youth in the sectors of agriculture, livestock, fisheries, energy, investment and trade. In addition, the Government foresees improved road infrastructures that connect regions which are identified to be important for the economy –Makongorosi – Itigi– Mokiwa, Mafinga – Mtwango – Nyololo – Mgololo, Kahama – Nyang'wale – Geita and others.

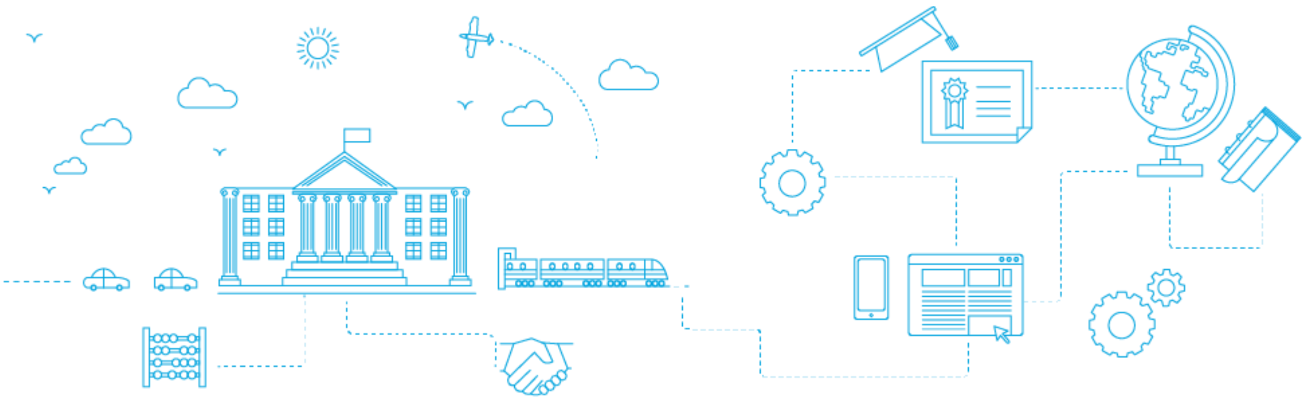
With a distressed global economy and conflict between Russia and Ukraine, the Government will focus on providing relief to people and accelerate economic recovery.

The agriculture sector has received special attention particularly in areas of ensuring food security; creating jobs for youth and women; addressing shortages of wheat and edible oil; promoting industries that add value to crops, livestock and fishery products; and ensuring raw materials are available to meet the industries raw materials requirements.

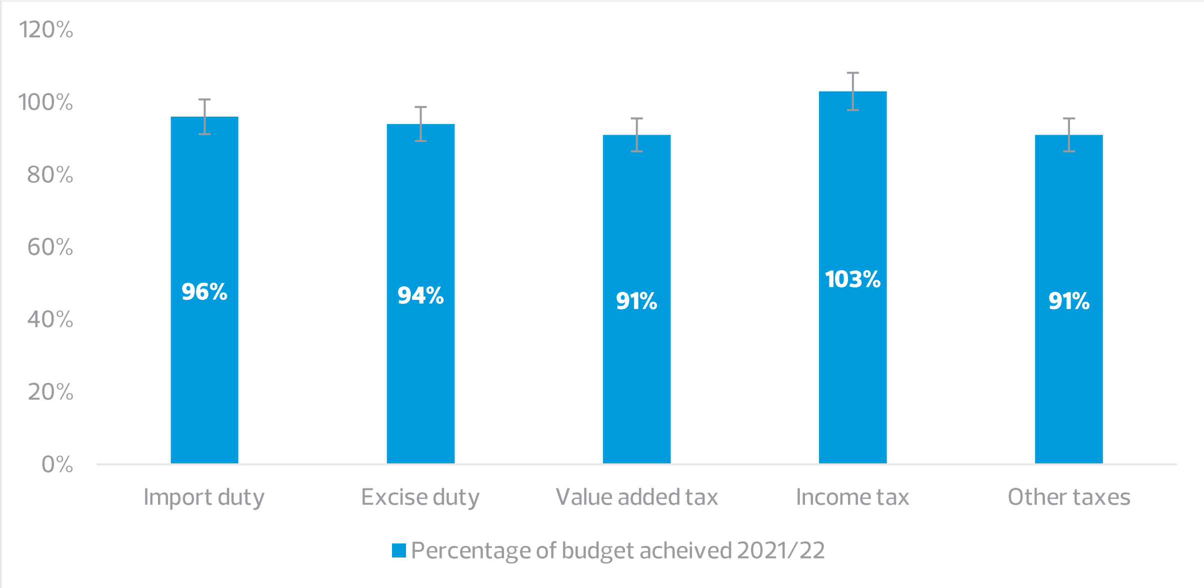
The Government aims to strengthen the ICT systems to capture small entrepreneurs in the tax system.

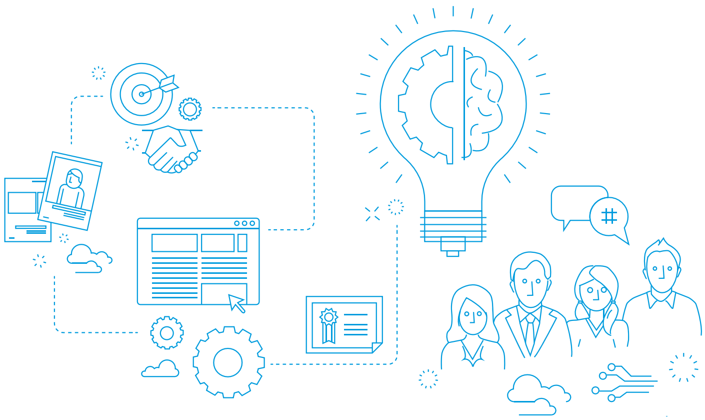
For the fiscal year 2021/22, the Government had an ambitious collection target of TZS 37.99 trillion of which 78.5% has been achieved as of April 2022. Of this, domestic revenue collection was 64% (TZS 25.69 trillion) comprising:

- Domestic revenue from taxes at 84.7%; and
- Non-tax revenues including LGA own sources, Parastatal dividends and contributions, Ministries and regions at 15.3%.

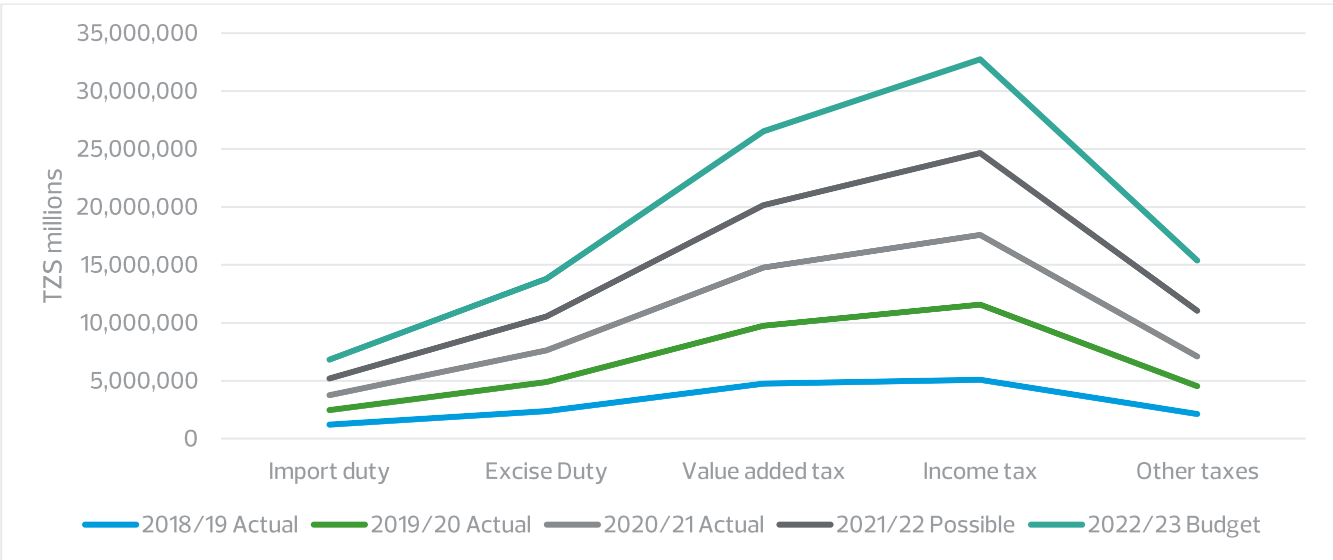


- The target achievement from domestic tax revenue collections is as follows:

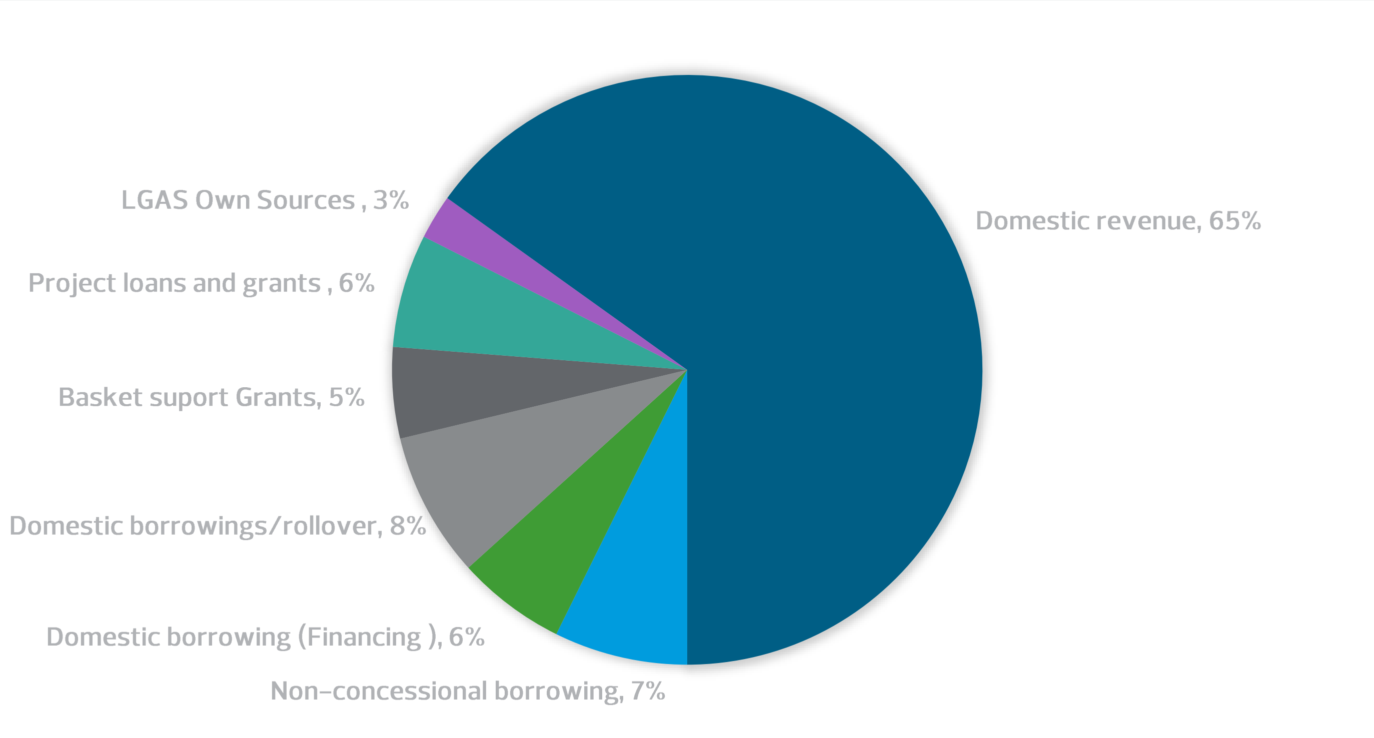




- The tax revenue collection over the past five years and 2022/23 target is outlined below:



- During the fiscal year 2022/2023, the Government plans to collect TZS 41.48 trillion as follows:



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

POSITIVES

- ***Addressing excessive assessments:*** the Government intends to address excessive tax assessments to mitigate corrupt practices in tax collection. The efficacy of implementing the Government intention in addressing the excessive assessments will assist in reducing the tax case backlogs prevailing in the Appellate Machinery. The Minister explicitly mentioned in his budget speech on overestimation of taxes to discourage taxpayers and create a corruptive environment.
- ***Bolstering digital based tax regime:*** the Government intends to make use of ICT systems in tax estimation for small entrepreneurs. Utilisation of ICT systems, specifically in the context of informal sector, will play a major role in expanding the tax base, increase voluntary tax compliance for such informal sector and ease tax administration in the country.
- ***Control on government spending:*** the fiscal budget 2022/23 proposes reduction of Government spending with key focus areas in controlling procurement and use of vehicles with the budget aiming to significantly reduce spending in the context of procurement of vehicles, spare parts, lubricants, fuel and maintenance. The budget further intends to improvise the procurement system and procedures to ensure the Government purchases are in accordance with the prevailing market prices.
- ***Expediting VAT refund approvals:*** timely approvals of VAT Refund Applications has been a major challenge for the business community. Such approvals have taken significant time and resources, hence negatively affecting the business fraternity by tying up cash that could have been utilised for investing in the business. Government's intention to expedite and fast track these refunds vide adoption of virtual verification of the lodged refunds (the newly upgraded e-Vat system) should be applauded.
- ***Reduction in Workers Compensation Fund (WCF) contribution:*** the Government proposes to reduce WCF contribution from the current zero-point six percent (0.6%) of employees' gross monthly salaries to zero-point five percent (0.5%) of the salaries. The move intends to bring equity in the contribution between Private and Public Sector employees and reduce employment costs for the private sector.
- ***Taxation policies aiming to bolster investment attraction:*** the Government seems to have delivered on its promise to create and promote conducive business environment vide empowering the Minister responsible for Finance and Planning to grant tax exemptions in the form of VAT and Income Tax for strategic investors after approval by National Investment Steering Committee (NISC) and subsequent approval by the Cabinet. This truly conforms to the intended goals of the third Five Years Development Plan (FYDP – III) in the context of building a competitive economy and stimulate investment attraction.
- ***Taxation Policies aiming to bolster agriculture prospects:*** amongst the causes cited for hiking price levels in terms of edible oil and wheat flour has been the gap between actual production and actual demand hence the need to improvise on our actual production capacity. To realise improvements in actual production capacity, the fiscal budget has proposed to introduce zero rating of VAT for locally produced edible oil as well as locally produced fertilizers for a period of one year.
- ***Addressing tax multiplicity embedded in petroleum products:*** in the bid to trim down the hiking fuel prices, the Government has shown a firm intent on revisiting levies and charges imposed in the petroleum products which contribute to the hiking fuel prices. This is a commendable move as addressing the hiking fuel prices will aid in remedying the inflationary prospects in the country.
- ***Strengthening Key Sectors to Address Unemployment:*** in the course to address the unemployment prospects in the country which has been heightened by eruption of COVID – 19, the Government intends to strengthen key sectors such as Agriculture sector and Livestock & Fisheries sector. For instance, fiscal year 2022/23 budget for Agriculture sector has been expanded from the previous TZS 294 billion in the prior fiscal year to TZS 954 billion for the fiscal year 2022/23.

CHALLENGES

- ***Proposed Revenue Budget for 2022/23:*** The 2022/23 budget represents eight percent (8%) increase in comparison to the prior budget of TZS 37.99 Trillion. As of April 2022, the Government had only collected TZS 29.84 trillion, a deficit of TZS 8.15 trillion expected to be collected in May and June 2022. Taking into consideration the revenue collection trend, it might be a daunting task for the Government to collect TZS 4.0 for each month in the remaining 2 months. With the fiscal budget 2022/23 marking eight percent (8%) increase, relevant and efficient collection strategies need to be adopted and implemented for purposes of trimming down the revenue collection deficit which adversely affects the intended objectives of the budget.

- ***Reinstatement of Remission Powers to the Finance Minister:*** the rationale for transferring the remission powers from the Finance Minister to the Commissioner in the previous fiscal budgets was to smoothen the process and allow the Commissioner to make prompt decisions on remission applications i.e. reducing bureaucracy within the process. With the fiscal budget 2022/23 proposing to reinstate such remission powers to the Finance Minister, if not properly strategised, it might prompt inefficiency in attending such remission applications from taxpayers.

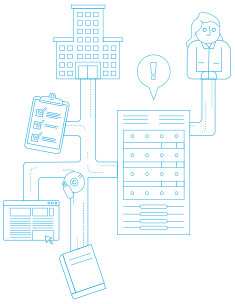
- ***Return Filing Obligations to all citizens:*** the fiscal budget 2022/23 seems to propose return filing obligations on all citizens. To reproduce the exact words of the budget *"Further, we urge all citizens with TIN to submit their annual returns to TRA* ". Though the fiscal budget 2022/23 has not specifically covered this requirement under tax amendment proposals, this is surely poised to be challenging as it stands to contravene the relevant provisions of tax laws in the context of return filing obligations.

- ***Introduction of Digital Service Tax (DST):*** in a bid to widen the tax base, the fiscal budget 2022/23 intends to introduce Digital Service Tax (DST) at the rate of two percent (2%) on the turnover of the non – resident service providers. Though the Government's intention is commendable, if not addressed and strategized efficiently, the non-resident service providers might pass the tax burden to the customers, thus potential hiking of costs for Tanzanians.

- ***Time limit on issuing tax assessment and demand notices:*** While the President during her visit to Bukoba referred to the fact that the Tanzania Revenue Authority should limit its reviews and demand notices, the budget remains silent on the same. Therefore, it is unlikely that the situation would change on the ground if there are no specific amendments to the tax laws.

- ***Key concerns/pressing tax policy proposals submitted by the stakeholders were not addressed in the budget speech. These include:***
    - ***Waiver application:*** waiver applications against making requisite tax deposits in the course of instituting objection process has always been a bone of contention between taxpayers and Commissioner General, upon rejection of such applications. Considering the recent judgements from the Court of Appeal on jurisdiction of the Tax Revenue Appeals Board (TRAB) to hear non-objection appeal cases, the taxpayers expected changes in the budget to address the issue specifically on the steps to be instituted by taxpayers upon rejection of such applications. With the fiscal budget silent on such disputed issue, the same is expected to continue being a thorn to taxpayers.
    - ***Time limit for responding to objections:*** As a measure to fast-track tax cases and reduce disputes at the appellate bodies, an amendment was proposed to S.52 of the Tax Administration Act in 2020 to introduce a time limit of 6 months for the Commissioner to determine tax objections with the assessment being treated as confirmed should the Commissioner not revert within 6 months. However,

the amendment did not serve the intended purpose and resulted in further uncertainty in terms of the process and the timelines. The fiscal budget remains silent on the deemed determination of objections. However, it remains to be seen if the same is factored under the minor changes of tax laws stated by the Minister in his speech.



- *Capping of interest and penalty:* Over the years, it has been highlighted on numerous occasions that the interest and penalty for non-compliance with tax laws are excessive and continue to accrue without factoring the principal tax due and the fact that delays in tax disputes are not in the control of the taxpayer. That is to say, the fines are not capped to the principal tax. Changes were expected on this aspect in the budget to align with the EAC.
- *VAT Registration threshold:* No change in VAT rates nor increase in threshold for registration currently at TZS 100 million.
- *Change in control tax:* S.56 of the Income Tax Act has been a major area of concern for taxpayers and continues to have an adverse impact on foreign investments. Based on numerous proposals from stakeholders on the adverse impact of S.56, it was expected that the budget would address and propose amendments to S.56.

THE INCOME TAX ACT

PROPOSED AMENDMENTS TO VARIOUS SECTIONS OF THE INCOME TAX ACT

PRESUMPTIVE INCOME TAX SCHEME

- Proposal to amend the tax rate from 3% to 3.5% on turnover exceeding TZS 11 million but not exceeding TZS 100 million. The change has been proposed with the intention to increase transparency, simplify tax assessment and enhance voluntary compliance.

STRATEGIC INVESTORS

- The proposal to centralize and grant power to the Minister responsible for Finance to waive income tax for strategic investors after approval by National Investment Steering Committee (NISC) and subsequently approved by the Cabinet. This measure is intended to attract investment in the country and align the provisions of the Income Tax Act and Investment Tax Act for better implementation of business undertakings.

WITHHOLDING TAX

- Removal of exemption to withhold income tax on individuals particularly on rentals paid for residential houses, apartments and commercial premises. This will be remitted by the tenants.
- Reduction of withholding tax rate from 15% to 10% for enhancing the film industry.
- Exempt withholding tax on Coupon for Corporate and Municipal Bond with the aim to obtain alternative financing strategy for implementation of Development Projects.
- Introduction of final Withholding Tax at a rate of 2 percent of payments made to Small Scale Miners.

CAPITAL GAIN TAX

- Exempt CGT on:
  - any transaction involved on the entry into force and implementation of Agreements involving the transfer or surrender to the Joint Venture (JV) Company of any project or the authorization, issue, distribution or transfer to the Government of the Free Carried Interest shares; and
  - equity shares freely surrendered to the Government through the Treasury Registrar.

OTHER CHARGES

- Introduce a digital Service Tax of 2 percent on the turnover of the non-resident service providers.
- An introduction of tax charged of TZS 3,500,000 on each truck and passenger buses per year.
  Introduce an advance income tax at the rate of TZS 20 per litre for retailers of petroleum products. This tax will be collected from retailers by importers of the respective product, in order to simplify the payment of taxes by Petrol stations and reduce operation costs.

TAX ADMINISTRATION ACT

PROPOSED AMENDMENTS TO VARIOUS SECTIONS OF TAX ADMINISTRATION ACT

REMISSION OF INTEREST AND PENALTY

- Proposal to amend Section 70 of the Tax Administration Act, Cap 338 by reinstating the power of the Minister of Finance and Planning to remit interest and penalty after being advised by the Commissioner General of the Revenue Authority. Remission of interest and penalty has been a contentious matter and numerous amendments have been passed previously.
- In 2018, Regulation for remission of interest and penalties was published by the Minister to provide guidance and criteria for accessing remission. However, due to challenges with implementation of the Regulations, the Act was amended to allow the Commissioner General to remit the interest and penalty at his discretion.
- The proposal as per the budget speech is intended to resolve the existing challenges and simplify the process of accessing the remission and the Minister is expected to issue further Regulations to streamline this process.
- While the intention is to simplify the process, it remains to be seen if this reinstatement will bear fruit in terms of criteria and timely remission.

INDIRECT TAXES

VALUE ADDED TAX ACT

EXEMPTIONS

The Government proposes to remove VAT on various products and services as per the table below. The measures are intended to:

- stimulate growth of the forestry sector;
- create a level playing field in the gas production sector;
- relieve the cost to the weather forecasting stations in the country;
- promote:
  - research and development in the agriculture sector;
  - chemical industry;
  - petroleum sector;
  - glue production;
  - dairy sector;
  - livestock farming;
  - pasture grass sector; and
  - fishing industry.
- ensure availability of sufficient and sustainable raw materials for local skin industries; and
- provide relief of cost to the military and armed forces by exempting the tools and machines used by the forces.

VATABLE SUPPLIES PROPOSED TO BE EXEMPT

Supplies	HS Code
Standing trees	
Wire of other alloy steel	7229.90.00
Pickling preparations for metal surfaces; fluxes and other auxiliary preparations for soldering, brazing or welding; soldering, brazing or welding powders and pastes consisting of metal and other materials; preparations of a kind used as cores or coatings for welding electrodes or rods	3810.90.00
Soap; organic surface-active products and preparations for use as soap, in the form of bars, cakes, moulded pieces or shapes, whether or not containing soap; organic surface-active products and preparations for washing the skin, in the form of liquid or cream and put up for retail sale, whether or not containing soap; paper, wadding, felt and nonwovens, impregnated, coated or covered with soap or detergent	3401.19.00
Gaskets, washers and other seals	4016.93.00
Zinc bars, rods, profiles and wire	7904.00.00
Pressure-reducing valves	8481.10.00
Stoppers, caps and lids (including crown corks, screw caps and pouring stoppers), capsules for bottles, threaded bungs, bung covers, seals and other packing access-ories, of base metal	8309.90.00
Instruments and apparatus for measuring or checking the flow, level, pressure or other variables of liquids or gases (for example, flow meters, level gauges, manometers, heat meters) used for measuring or checking the flow or level of liquids	9026.10.00
Other measuring or checking instruments, appliances and machines, not specified or included elsewhere in EAC Common External Tariff	9031.80.00
Instruments and apparatus for physical or chemical analysis (for example, polarimeters, refractometers, spectrometers, gas or smoke analysis apparatus); instruments and apparatus for measuring or checking viscosity, porosity, expansion, surface tension or the like; instruments and apparatus for measuring or checking quantities of heat, sound or light (including exposure meters); microtomes	9027.80.00
Microtomes; parts and accessories	9027.90.00
Knotted netting of twine, cordage or rope; made up fishing nets and other made up nets, of textile materials.	56.08
Moisture meter	9003.18.00
Rain gauge for weather stations	9023.00.09
pH meter	3822.00.90
Tissue culture equipment	8419.89.60
Tensiometers	9031.80.00
Refrigerated trucks	8704.21.90, 8704.22.90, 8704.23.90, 8704.31.90, 8704.32.90, 8704.90.90
Cold rooms for perishable agricultural products	9406.10.10, 9406.9010

Supplies	HS Code
Natural borates and concentrates thereof (whether or not calcined), but not including borates separated from natural brine; natural boric acid containing not more than 85% of H3BO3 calculated on the dry weight	2528.00.00
Other petroleum oils and oils obtained from bituminous minerals (other than crude) and preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, other than waste oils	2710.99.00
Glues	3505.20.00
Machineries solely and directly used in the manufacturing of fertilizers by an approved manufacturer	84 and 85
Unprocessed green vanilla pods	0905.10.00
Locally manufactured sisal twine	
Ultra-High Temperature (UHT) milk and yoghurt	N/A
Dairy packaging materials, including boxes, bottles and plastic packaging satchels	3923.30.00, 4819.10.00, 4819.20.00, 4819.20.90
Automatic Turning Table for the Lessor Machines (Ear tag supporting table)	8207.30.00
Ear tag	3926.90.90
Ear tag Applicators	8456.90.00
Lessor beam Machines	9402.90.90
Stunning box	8438.50.00
Skinning & dehiding pulling machines	8453.10.00
Pasture Seeds (pasture grass seeds)	1209.25.00
Pasture legumes seeds	1209.21.00
Pasture multiple tree seeds and pasture cuttings and rhizomes and stolons	1209.29.00
Machines and tools solely and directly used by the military and armed forces	N/A
Meteorological equipment and instruments imported by Tanzania Meteorological Agency (TMA)	N/A
Float for fishing net, fishing hooks and fishing lines	3926.09.10, 9507.20.00, 9507.90.00, 9507.30.00

ABOLISHMENT OF VAT EXEMPTION

The Government proposes to abolish VAT exemption on:

- Supply of air charter services.
- Smart phones, tablets and modems. The abolishment of VAT is triggered by the fact that the exemption did not benefit the intended final users but the traders.

ZERO RATING OF GOODS AND SERVICES

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

- Refined edible oil manufactured locally for one year.
- Fertilizer manufactured locally for one year.

The measures are intended to provide relief to consumers and farmers especially in this period of global recession. (The rate will be applicable only at ex-factory sales by manufacturers.)

OTHER CHANGES

The Government proposes the following changes on the VAT Act:

- Imposition of VAT on Digital Services without imposing income tax obligation. This change will be implemented through establishment of a simplified registration process to accommodate digital economy operators who have no presence in Tanzania thereby keeping pace with the rapid growth in the digital economy.
- Deferment of VAT for a period of 10 years on capital goods including trailers and semi-trailers; other vehicles, not mechanically propelled; parts thereof (HS Code 87.16) and unassembled tractors under HS Code 8701.20.90. The measure is intended to stimulate industrial development in the country.
- Grant the Minister responsible for Finance powers to exempt VAT on strategic investors after approval by National Investment Steering Committee (NISC). This measure is intended to align both the VAT Act and Investment Act, for better implementation of Government undertakings.

EXCISE DUTY ACT

SPECIFIC EXCISE DUTY ON NON-PETROLEUM PRODUCTS

In light of the current economic conditions, no amendments have been proposed on the specific excise duty rates for all non-petroleum products. This measure specifically considers the inflationary trend in the country and the Government's intention to build an industrial economy.

This measure also aims at encouraging the manufacturing sector, protecting domestic industries and ultimately boosting employment and increasing the sectors overall contribution to the national GDP.

OTHER AMENDMENTS TO EXCISE TAX (MANAGEMENT AND TARIFF) ACT

- Reducing license fee for manufacturers and importers of excisable goods from TZS 500,000 to TZS 300,000.
- Exempt excise duty on plastic sleeves puneet, plastic cryovac bags, MAP bags, plastic sleeves, perforated bags and poly packaging bags HS 3923.29.00, cling film HS 3921.12.90, plastic liners HS 3902.90.00 for horticulture export.
- Impose excise duty on locally manufactured sugar confectionery and imported sugar confectionery at the rate of TZS 500 per KG and TZS 700 per KG respectively. Imported sugar confectionery includes HS Code 1806.31 (chocolate); 1905.31 (biscuits) and 1704 (chewing gum).
- Impose excise duty on lead-acid used for starting piston engines (HS Code 8507.10) at 5%.

The above measures are aimed at:

- Reducing cost of production for manufacturers of excisable goods;
- Protecting local industries;
- Supporting economic growth and recovery of the sector after the impact of COVID-19 pandemic and on-going economic consequences of the Russia-Ukraine war;
- Providing relief to farmers and promote export of horticulture products; and
- Reducing environmental effects caused by consumption of lead acid batteries.

THE EAST AFRICAN COMMUNITY CUSTOMS MANAGEMENT ACT, 2004

The proposed changes on the Common External Tariff (CET) are as per the table below:

Item	HS Codes	Proposed new rate	Rate	Objective
Ceramic tiles	6907.21.00; 6907.22.00; and 6907.23.00	35% or USD 1.5 per square meter, whichever is higher for one year	25%	Protect local manufacturers against cheap, substandard and undervalued imports
Flat-rolled products	7212.20.00 and 7226.99.00	10% or USD125/MT, whichever is higher for one year	10%	Protect the local manufacturers against undervalued imports
Crude Palm Oil (CPO)	1511.10.00	0%	25%	Protect final consumers against recent price increases, enhance economic growth, employment opportunities, and value addition
Crude vegetable oils of soya beans, groundnuts, coconuts, mustard and linseed	1507.10.00; 1508.10.00; 1513.11.00; 1514.91.00; and 1515.11.00	10% for one year	0%	Promote the local production of vegetable oils
Semi-refined and refined vegetable oils	1507.90.00; 1508.90.00; 15.09; 1510.10.00; 1510.90.00; 1511.90.10; 1511.90.30; 1511.90.90; 1512.19.00; 1512.29.00;	25% or USD 500/MT whichever is higher for one year	35%	Promote and protect the domestic processing of vegetable oils using locally grown seeds and imported crude palm oil, as well as to create employment opportunities

Item	HS Codes	Proposed new rate	Rate	Objective
	1513.19.00; 1513.29.00; 1514.19.00; 1514.99.00; 1515.19.00; 1515.29.00; 1515.50.00; and 1515.90.00			
Baby diapers	9619.00.90	35% for one year	25%	Promote and protect the growth of local manufacturers of baby diapers as they have the production capacity to meet demand in the country and create employment
Cotton yarns	52.05; 52.06; and 52.07 except subheading 5205.23.00	25% for one year	10%	Promote the production of cotton yarn in the country and enhance the Cotton to Cloth (C2C) strategy
Windows and doors made of aluminum, iron, and steel	7610.10.00 and 7308.30.00	35%	25%	Promote and protect the growth of local enterprises engaged in making windows and doors, creating job opportunities, and increasing government revenue
Raw materials used for manufacturing of food flavors	1901.90.10; 3302.10.00; and 3505.10.00	0%	10%	Promote growth of local manufacturers of food flavors
Raw materials used for manufacturing of packaging materials (corrugated boxes)	4804.19.90; 4804.39.00; 4804.42.00; 4804.51.00; 4804.52.00; 4805.11.00; 4805.19.00; 4805.24.00; 4805.25.00; 4805.93.00; 4810.13.00; 4810.19.00;	0% duty remission for one year	10% or 25%	Encourage domestic production of corrugated boxes and reduce the cost of packaging materials

Item	HS Codes	Proposed new rate	Rate	Objective
	4810.31.00; and 4810.32.00			
Raw materials used to manufacture toughened glass	7005.10.00; 7005.21.00; 7005.29.00; and 7005.30.00	0% duty remission for one year	10%	Reduce costs of producing toughened glasses for the local manufacturers
Raw materials used to manufacture electrical cables	7312.10.00; 7217.20.00; 7408.19.00; 7409.11.00; 7605.21.00; 2710.19.56; 3815.90.00; 5402.19.00; 5903.90.00; 7217.20.00; 7907.00.00; 7312.10.00; and 2712.10.00	0% duty remission for one year	10%	Reduce costs of production for the local manufacturers to promote the establishment of import-substitution industries of electrical cables
Inputs used to manufacture soap	3401.20.10	10% duty remission for one year	25%	Reduce the cost of local soap production, promote local manufacturers, and create more employment opportunities
Cane sugar imported under a permit issued by Tanzania Sugar Board	1701.14.90	25% for one year	100% or USD 460/MT, whichever is higher	Cover the sugar production gap in the country
Prefabricated building	9406.20.90	0% duty remission for one year	25%	Promote investment in the livestock sector, create employment, and increase government revenue through a multiplier effect
Wigs, false beards, eyebrows and eyelashes, switches of human or animal hair or of textile materials	6704	35%	25%	Protect local manufacturers and create employment

Item	HS Codes	Proposed new rate	Rate	Objective
Partly refined petroleum oil products	2710.19.10	10%	25%	Protect consumer welfare against a significant increase in prices
Electronic Cigarettes	New HS code 8543.40.00	35%		Protect local manufacturers of tobacco against importers of electronic cigarettes

- Amend the description of HS codes 7310.29.20 and 7612.90.10 to include "cans and ends for packaging food" to include them into the scope of import duty relief of 0%. Before the amendment, these HS codes only covered "cans and ends for beverages."
- Continued duty remissions for another year on various items such as inputs for manufacturing essential medical products and supplies for fighting COVID-19, EFD machines and Point of sale (POS) registers, inputs for manufacturing baby diapers, and inputs by domestic processors of minerals, etc.
- Introduce a 4th band rate of the revised common external tariff at 35%. The band includes products of animals, agro-processing products, horticultural products, luxurious goods (human hair, wigs, cosmetics, perfumes, and beverages), refined edible oils, salt, cement, paints, soaps, tanks, packaging items, wood products, leather products, ceramics, furniture, iron and steel products, sugar confectionery (chewing gum, biscuit, and chocolates), tomato sauces, sausages and peanut butter.

MISCELLANEOUS AMENDMENTS

THE LOCAL GOVERNMENT FINANCE ACT, CAP 290

- Distribute 10% of the Local Government revenue collections to various demographics in an attempt to promote a conducive business environment. The share of collection shall be distributed as follows: 5% to improvement of the entrepreneur's infrastructure, 2% to youth loans, 2% to women and 1% to people with disabilities.
- Reduce forest produce cess from 5% to 3%.
- Exempt crop cess on seeds.
- Local councils to ensure a cost/benefit assessment is carried out before outsourcing collection arrangements to third parties and all revenues collected through Point-of-sale is to be deposited to the bank within 7 days from the date of collection.
- Corporate entities paying service levy in one council are liable to pay produce cess in another council from which it sources agricultural or other produce.
- Grant Minister responsible for Local Government, power to issue regulations for sharing monies collected as service levy from an entity/person among Local Government Authorities.
- Reduce hotel levy from 10% to 5%.

These amendments are aimed at:

- Supporting small entrepreneurs and encourage a conducive business environment;
- Ensuring that funds collected by local Councils are fully accounted for;
- Providing relief to farmers and forestry traders, enhancing productivity and supporting the growth of the Forestry Sectors; and
- Ensuring every local Council benefits from economic activity taking place in the respective jurisdiction so as to serve the community better.

THE WORKERS COMPENSATION FUND ACT, CAP 263

- Reduce the Workers Compensation Fund contribution from 0.6% to 0.5%. This proposal is aimed to bring about equity between the private and public sector employees.

THE MINING ACT, CAP 123

- Reduction in royalty rate from 3% to 1% on coal used as energy raw materials in factories.
- Reduction in royalty rate from 6% to 4% on gold minerals to be sold to the refinery centers.

The above measures are aimed at:

- Reducing production cost, attracting investments and increasing employment; and
- Supporting growth of the mining sector and ensure refineries perform to intended capacities.

THE CASHEWNUT INDUSTRY ACT, NO. 18

- In an attempt to support the growth of agriculture sector and facilitate access to financial resources for input subsidization, research and development, revenues from export levy from raw cashewnuts is to be divided as follows:
    - 50% to Ministry of Agriculture for input subsidy and the Agriculture Development Fund (ADF); and
    - 50% be remitted to Consolidated Fund.

THE EXPORT LEVY ACT CAP, 196

- Introduce an Export Levy of the higher of 30% or USD 150 per metric tonne on copper waste and scrap metals (HS Codes 7204 and 7404). This is intended to protect local manufacturers and ensure sufficient availability of raw materials to the industries.

THE NATIONAL PAYMENT SYSTEM ACT, CAP 347

- Reduce mobile money transaction levy on sending and withdrawing monies for a maximum of TZS 4,000 per transaction, down from TZS 7,000 per transaction.
- Extend base and include all electronic transactions.

These changes are aimed to rationalize the transaction levy on all electronic transactions.

THE INSURANCE ACT, CAP 394

- Expand scope of mandatory insurance to include public markets, commercial buildings, imported goods, marine vessels, ferries and pontoons. This is aimed at enhancing financial inclusivity and increasing uptake of insurance.

THE FOREIGN VEHICLE TRANSIT CHARGES ACT, CAP 84

- In order to align transit charges with COMESA to resolve existing challenges of fee misalignment of trucks entering Tanzania from other EAC countries, it is proposed to reduce transit charges for vehicles exceeding 3 axels from USD 16/100km to USD 10/100kms (or its equivalent).

THE BANK OF TANZANIA ACT, CAP 197

- Set a limit on Government borrowing to not exceed 18% of approved domestic revenue in the current fiscal year. This change has deviated from the current rate of one-eighth of the domestic revenue collected in the preceding financial year. This change is aimed at harmonizing the borrowing rates with other EAC countries as well as to enable the Government budget execution.

AMENDMENT OF VARIOUS FEES AND LEVIES

MINISTRY OF LIVESTOCK AND FISHERIES

- Abolishment of various import fees on livestock animals such as cattle, sheep, goat, pigs and mules.
- Abolishment of various import fees on poultry parent stock Day Old Chicks (DOC) and hatching eggs.
- Reduction in import fees of beef / mutton animal products.
- Reduction in export fees for milk and milk products such as yogurt, skimmed milk, powdered milk etc.
- Abolishment of import and export fees on incubator and livestock identification items such as ear tags and ear tag applicators.
- Abolishment of registration fees for animals in quarantine, animal holding grounds and checkpoints.
- Reduction in export license fee for Tanzanian citizens on dried fish from salty lakes and all types of sea shells (except prohibited species).

MINISTRY OF AGRICULTURE

- Abolish impoundment fee of TZS 200 per square meter of surface area water stored in irrigation dams.
- Increase export permit application fee for manufactured fertilizer from USD 0.2 to USD 0.5 per ton.

These measures are aimed at promoting production and utilization of local fertilizer in the country to enhance employment and provide relief to farmers dealing with irrigation farming.

MINISTRY OF INFORMATION, COMMUNICATION AND INFORMATION TECHNOLOGY

- Introduction of a fee between TZS 1,000 to TZS 3,000 on the television decoder subscription depending on the use.

MINISTRY OF CULTURE, ARTS AND SPORTS

- Introduce a levy of 1.5% on equipment used to produce, distribute, duplicate and preserve works of art, writing and other creative works such as music, films, books, photography and other forms of creative work.

TANZANIA BUREAU OF STANDARDS

- Reduction in batch certification fee on imported sugar from TZS 6 per KG to TZS 2.5 per KG with an aim to reduce cost for sugar importers and consequently provide relief to consumers.

OCCUPATIONAL SAFETY AND HEALTH AUTHORITY (OSHA)

- Abolish peak expiratory and flow test fee of TZS 10,000 and TZS 25,000 respectively. This measure aims at improving the overall business environment especially for industries.

TANZANIA ATOMIC ENERGY COMMISSIONS

- Reduce radiation test fees from 0.2% of FOB to 0.1% of FOB on exports of food chain material including fertilizers, tobacco and tobacco products, and imported relief of food. This will result in control of illicit trafficking and promote export of value-added finished products.
- Reduction in various other fees and levies charged by the Tanzanian Atomic Energy Commissions.

FIRE AND RESCUE FORCES

- Reduction in various fees and levies charged under the Fire and Rescue Act, CAP 427 as a measure intended to reduce cost of doing business.

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