



**Tanzania Budget Highlights 2019/20**  
Unravelling the Puzzle

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# Preamble

Our budget highlights present a brief description of the main tax and related regulatory changes contained in the 2019/20 Budget speech as presented by the Minister of Finance and Planning, Dr. Philip Mpango. A more detailed analysis, incorporating our views, will follow as soon as the Finance and related Bills tabled by the Minister of Finance are published.

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# Tax provisions

## Corporate Tax

- The turnover threshold for individuals and businesses to prepare and file audited financial statements is now increased from TZS 20 Million to TZS 100 Million.
- The Income Tax Act is amended to introduce a presumptive tax regime for taxpayers with an annual turnover of TZS 4 Million to TZS 100 Million who will not be required to submit financial statements to the Tanzania Revenue Authority for determining income tax with a view of lessening the tax compliance burden.

### Proposed presumptive tax rate structure

Turnover	Tax payable where records are not maintained	Tax payable where records are maintained
Where turnover does not exceed TZS 4,000,000	NIL	NIL
Where turnover exceeds TZS 4,000,000 but does not exceed TZS 7,000,000	TZS 100,000	3% of turnover in excess of TZS 4,000,000
Where turnover exceeds TZS 7,000,000 but does not exceed TZS 11,000,000	TZS 250,000	TZS 90,000 plus 3% of turnover in excess of TZS 7,000,000
Where turnover exceeds TZS 11,000,000 but does not exceed TZS 14,000,000	TZS 450,000	TZS 230,000 plus 3% of turnover in excess of TZS 11,000,000
Where turnover exceeds TZS 14,000,000 but does not exceed TZS 100,000,000		TZS 450,000 plus 3.5% of turnover in excess of TZS 14,000,000

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- The presumptive tax rates in the first schedule of the Income Tax Act have also been reduced.
- Exemption from withholding tax on various fees charged to Government on loans received from non-residential banks and other international financial institutions with the view of lowering the costs of the government accessing external finance.
- Reduction of corporate income tax for new investors involved in the production of sanitary pads from 30% to 25% for two years from 2019/2020 to 2020/2021. This is subject to the investor signing a performance agreement with the government.

### Value Added Tax (VAT)

- Zero rating of supply of electricity services from Tanzania Mainland to Tanzania Zanzibar.
- Elimination of restriction on input tax credit in respect of exportation of raw agricultural products.
- VAT exemption on sanitary pads has been abolished.
- The Minister proposed that the following items which currently are standard-rated supplies, to be exempt from VAT:
  - Imported refrigeration boxes used in horticultural farming;
  - Grain drying equipment for agricultural products;
  - Aircraft lubricants imported by domestic operators, National Air Force, or Airlines Corporations recognised in Bilateral Air Service Agreement; and

- Airline tickets, flyers, calendars, diaries, labels and employee uniforms with the names of the Airline operator imported by airlines recognised under a Bilateral Air Service Agreements.

### Customs Duties

The EAC Member States agreed to effect changes to the Common External Tariff (CET) and amend the EAC Customs Management Act (EAC-CMA), 2004. The theme remains “Transforming Lives through industrialisation and job creation for shared prosperity among the people of the East African Community”.

The proposed fiscal changes are as follows:

- Granting duty remission on:
  - Equipment and appurtenant used for polishing and heat treatment of Gemstones at the rate of 0% instead of 25% for one year;
  - Paper used as raw material for the manufacturing of packaging materials for export of horticulture products at the rate of 0% instead of 10% for one year;
  - Agricultural seeds packaging materials at the rate of 0% instead of 25% for one year;
  - Aluminium alloys at the rate of 0% instead of 25% for one year; and
  - Raw materials used to manufacture baby diapers at a rate of 0% instead of 10%.

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- Common External Tariffs (CET) rates. Granting stay of application on:
  - Roasted coffee at the rate of 35% instead of 25% for one year;
  - Reinforcement bars and hollow profiles at the rate of 25% or USD 250 metric ton whichever is higher for one year;
  - Horticultural products at the duty rate of 35% instead of 25% for one year; and
  - Monofilament at a rate of 10% instead of 0% for one year.
- Common External Tariffs (CET) rates. The imposition of import duty on:
  - Flat-rolled products of iron or non-alloy steel and flat-rolled products of other alloy steel of width of 600mm or more at the rate of 10% or USD 125 per metric ton whichever is higher for one year;
  - Flat-rolled products of iron or non-alloy steels at the rate of 25% or USD 200 per metric ton whichever is higher for one year;
  - Flat-rolled products of iron or non-alloy steel at the rate of 10% or USD 250 per metric ton whichever is higher for one year; and
  - Flat-rolled products at the rate of 25% or USD 250 per metric ton whichever is higher for one year.
- The imposition of an export levy on wet blue leather at a rate of 10%.
- Exemption from import duty on lubricants for aircraft, uniforms, calendars, diaries, and pens used in the provision of air services.
- Continue to grant duty remission on:
  - Wheat grain at the rate of 10% instead of 35% for another year;
  - Printed Aluminum Barrier Laminates (ABL) at the rate of 0% instead of 25% for one year;
  - RBD palm stearin at the rate of 0% instead of 10% for one year; and
  - A selected list of raw materials and industrial inputs for manufacturers of textiles and footwear.
- Granting stay application on:
  - Paper used to manufacture exercise books and textbooks by applying a rate of 15% from 25%;
  - Electronic Fiscal Devices (EFD's) used to collect Government revenues by applying a rate of 0% instead of 10% for another year;
  - Safety matches by applying a rate of 25% or USD 1.35 per kilogram for one year;
  - Nails, tacks, drawing pins, corrugated nails staples by applying a rate of 25% or USD 350 per metric ton whichever is higher for one year;
  - Sausages and similar products by applying a rate of 35% instead of 25% for one year;
  - Chewing gum by applying a rate of 35% instead of 25% for one year;
  - Other sugar confectionery (sweets), biscuits, chocolates by applying a rate of 35% instead of 25% for one year;
  - Tomato sauce by applying a rate of 35% instead of 25% for one year;
  - Mineral water by applying a rate of 60% instead of 25% for one year;
  - Meat and edible offal by applying a rate of 35% instead of 25% for one year;

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- Semi-refined and refined/double refined edible oil (e.g. sunflower oil, palm oil, groundnuts oil, olive oil, maize corn oil etc.) by applying a rate of 35% instead of 25% for one year;
- Gypsum powder by applying a rate of 10% instead of 0% for one year;
- Worn clothes by applying a rate of 35% or USD 0.40/kg, whichever is higher for one year;
- Continue to impose import duty on:
  - Crude edible oils (e.g. sunflower oil, palm oil, groundnuts oil, olive oil, maize corn oil etc.) and apply a duty rate of 25% instead of 10% or 0% for one year.
  - Consumption sugar imported under specific arrangements (to cover the shortage in the domestic market) at the duty rate of 35%.

### Excise Duties

- Excise duty is levied on importation or production of goods. The amount or rate of excise duty is typically adjusted annually to cater for inflation and other macroeconomic indicators.
- The Minister has proposed not to amend the excise duty rates upwards for the majority of non-petroleum products on the back of tamed inflation and the government's desire to spur industrial development that protects local manufacturers. However, excise duty for some products will change as follows:
  - Reduction of duty from TZS 200 to TZS 61 per each litre of wine produced locally with domestic fruits (except grapes) with contents exceeding 75%;

- The imposition of duty at 10% on locally made artificial hair whereas imported artificial hair will be charged at 25%;
- Exemption of from duty on imported aircraft lubricants by domestic operators, National Air Force, or airlines corporations recognised in Bilateral Air Services Agreements;
- The imposition of duty at 10% on imported pipes and plastic materials.
- It is expected that the Finance Bill will propose an adjustment of excise duty on petroleum products in line with annual inflation.

### Other miscellaneous amendments to various acts

#### *Tax amnesty*

- The Minister proposes to extend the period for the tax amnesty for another six months up to December 2019 to taxpayers who had already applied for amnesty.

#### *Road Traffic Act*

- Proposed amendment is to extend the validity of driving license period from 3 years to 5 years as well as increasing the fees from TZS 40,000 to TZS 70,000.
- Increase of the registration card fee for all forms of motor vehicles from TZS 10,000 to TZS 50,000; for a motorcycle from TZS 10,000 to TZS 30,000; and tricycle from TZS 10,000 to TZS 20,000.

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## **Budget Act**

- The proposal is to give powers to the Paymaster General to extend the period (initially limited to 3 months) granted to him to approve expenditures on funds remaining from the previous financial year.

## **Implementation of the Blueprint from Regulatory Reforms to improve Business Environment**

- The Government intends to improve the business environment by abolishing various fees and levies which were imposed by various regulatory authorities and institutions that will be effected through the Finance Bill 2019 and Government Notices. The total number of fees and levies that will be abolished amounts to 54 for the first phase of the implementation.
- Apart from the review of the fees and levies, the focus will also be on the elimination of the existing duplication of responsibilities among the ministries' regulatory authorities and institutions.
- Some of the notable institutions and regulators where the changes are to be introduced include:
  - Tanzania Food and Drugs Authority (TFDA);
  - Tanzania Bureau of Standards (TBS);
  - Government Chemist Laboratory Authority (GCLA);
  - The Ministry of Livestock and Fisheries;
  - The Ministry of Natural Resources and Tourism; and
  - The Ministry of Water.

## **Policy and Administrative measures to improve the collection of government revenue**

- Individuals will now be allowed to clear their goods without the assistance of clearing and forwarding agents however, this will not be applicable to goods on transit.
- Establishment of "The Office of the Tax Ombudsman" within the Ministry of Finance which will be responsible for receiving and working on unbiased information and complaints from taxpayers with respect to tax administration, including corruption and unfair closures of businesses by tax officials.
- Improvement of the utilization of an electronic system in the collection of tax and non-tax revenues.
- Finalisation of integrating the domestic revenue collection systems through Electronic Fiscal Device Management System (EFDMS) for curbing revenue leakages in the processing of tax refunds, issuance of fake receipts and others.
- Introduction of a system for regulating the gaming activities to ensure responsible gaming and that the government gets a fair share from the gaming industry.
- Proposed establishment of a dedicated desk in the TRA offices for dealing with all complaints and disputes by taxpayers. It is anticipated that the complaints will be dealt within 24 hours.
- A proposed six-month relief from tax payments for investors and businessmen after obtaining the Tax Identification Number (TIN) to enable the businesses to undertake the necessary preparations.

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# Sectoral Highlights

## Agriculture and environmental conservation

- Considering the agricultural sector is key to industrial development in Tanzania as the large portion of industrial raw materials depend on the agriculture sector, the government plans to give the sector special attention.
- Special focus will be on implementing the Agricultural Sector Development Programme II (ASDP II), strengthening Agricultural Crop Boards, improving and promoting the establishment of crop cooperative societies so as to enable them to access credit from financial institutions for investment in various agricultural activities and establishment of small industries for crops value addition.
- Key tax proposals targeted at the agricultural sector include:
  - VAT exemption on imported refrigeration boxes used in horticultural farming;
  - VAT exemption on Grain Drying Equipment;
  - Elimination of restriction on input tax credit in respect of exports of raw agricultural products;
  - Grant Duty Remission on agricultural seeds packaging materials and apply a duty rate of 0% instead of 25% for local producers of agricultural seeds for one year; and
  - Abolition of 15 levies including movement permit fee for transportation of day-old chick charged by the Ministry of Livestock and Fisheries.

## Manufacturing

- The Government, together with its counterparts in East Africa plans to continue to protect local manufacturers and to enhance competitiveness of domestically produced products.

- Conducive environment for the industrial economy will continue to be created by focusing on various enablers such as infrastructure, human capital, and building and searching for markets and reducing pitfalls faced by investors.
- Key tax proposals targeted at the manufacturing sector include:
  - Reduction of the Corporate Income tax rate from 30% to 25% for two years up to 2021 to promote local manufacturing of sanitary pads;
  - Reduction of excise duty rate on wine produced with domestic fruits produced locally other than grapes with contents exceeding 75% by TZS 139 per litre;
  - The imposition of an excise duty rate of 10% on pipes and plastics materials (tubes, pipes and hoses and fittings) in order to protect local manufacturers;
  - Duty remission and application of a duty rate of 0% on raw materials used to manufacture baby diapers, equipment and appurtenant used for polishing and heat treatment of gemstones, paper used as raw material for manufacturing of packaging materials for export of horticulture products, locally manufactured agricultural seeds packaging materials and aluminium alloys;
  - Imposition and increase of import duty on flat-rolled products and monofilaments;
  - Increasing import duty on second-hand clothing in order to improve local textile industries; and
  - Abolishing VAT exemption on sanitary pads.

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## Financial sector

- To reduce the cost of funding of various government projects, the government has proposed exemption from withholding tax on various fees charged on Government on loans received from non-resident banks and other international financial institutions. The fees to be exempt include commitment fees, insurance premium fees, insurance management fees, arrangements fees and any other fees imposed as part of costs of such loans.

## Motor taxes

- The government aims at reducing the costs of acquiring a driving license by extending the period of validity of the driving license from the current three years to five years. Further, the acquisition fee for the driving license is proposed to be increased from TZS 40,000 to TZS 70,000; and
- In addition, the Government targets to increase revenue by increasing registration fees for motor vehicles.

## Administration

- Transfer pricing is also an area the government is planning to increase focus on by strengthening the capacity for monitoring and controlling.
- The government intends to conduct monitoring and evaluation, especially on development projects in an attempt to maintain discipline in the use of public funds.
- Administration of tax and non-tax revenue collections will also be strengthened through the use of Government Electronic Payment Gateway System (GePG) in order to increase efficiency in budget implementation while ensuring the collection of taxes do not affect businesses.
- In an attempt to promote production and protection of local industries against the unfair external competition, the government plans to continue review tax rates and abolish unnecessary fees and levies.
- The Government is finalising integrating the domestic revenue collection systems through Electronic Fiscal Device Management System (EFDMS) in order to curb revenue leakages and improve government revenues.

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