

A woman wearing a bright pink shirt is shown from the chest down, holding a long, white receipt with both hands. She is standing in a shopping cart filled with various groceries, including a large white milk carton, a blue water bottle, a smaller clear water bottle, a bunch of green leafy vegetables, and a red tomato. The background is slightly blurred, showing other items in the cart and a hint of a store environment.

**Deloitte.**

Tanzania Budget  
Highlights 2016  
The Story Behind  
the Numbers

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## NAVIGATION

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THANK YOU

# Preamble

Our publication incorporates changes based on the 2016 Budget speech. Some changes may arise when the Finance Bill 2016 and subsequently the Finance Act 2016 are published.

This publication constitutes only a brief guide and is not intended to be a comprehensive summary of the tax law and practice. While all reasonable care has been taken in the preparation of this guide, Deloitte and its associates accept no responsibility for any errors it may contain, whether caused by negligence or otherwise, or for any loss, however caused, or sustained by any person that relies on it.

June 2016

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# Budget highlights

## *Tax provisions*

### **Pay As Your Earn**

- Lowest income band (income not exceeding TZS 170,000) now subject to 9% tax, down from 11%;
- Members of Parliament to be taxed on the final gratuity that they receive at the end of their Parliamentary term.

### **Corporate Tax**

- Payments (arising from rent and interest) retirement funds to be subject to withholding tax;
- Capital gain tax to apply on the disposal of shares by non-resident shareholders controlling less than 25% of a Tanzanian resident entity;
- Commissioner General now empowered to determine minimum market value for purposes of withholding tax on rental income.

### **Value Added Tax**

- Soya beans and unprocessed agricultural products to be treated as exempt for VAT purposes.
- Vitamins and food supplements to be listed under the exempt schedule.
- VAT exemption extended to water treatment chemicals approved by the Health Ministry;
- Bitumen products under HS Code 27.13, 27.14 and 27.15 to be exempt for VAT purposes.
- Insurance for aviation industry to become exempt;
- A VAT exemption moratorium on the tourism sector has been removed. Tour guide services, game drives, safaris and ground transport services will now be subject to 18% VAT.

- VAT between Mainland and Zanzibar will be charged based on the destination principle.
- Financial services except interest on loans to be subject to 18% VAT.

### **Custom Duties**

Increase in duty rates (based on custom values) as follows:

- Cement from 25% to 35% for one year.
- Structures and part of structures of iron and steel under HS Heading 7308 from 10% to 25%.
- Pre-fabricated buildings under HS Code 9406.00.90 from 10% to 25%.
- Made up fishing nets of HS Code 5608.11.00 from 10% to 25%.
- Oil and petrol filters under HS Code 8421.23.00, and intake air filters under HS Code 8421.31.00 from 10% to 25%.
- Paper products falling under HS Heading 4804 from 10% to 25%.
- Specific duty rate on worn clothes and shoes from 0.2 US\$/kg to 0.4 US\$/kg.

Duty remissions granted on:

- Motor vehicle air filters at 0% to local manufacturers.
- Splints which are raw materials used in the manufacture of matches under HS Code 4421.90.00 at 0%.
- Raw materials for production of aluminum cans under HS Heading 7606 at 0%.

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Duty remissions progressively reduced on:

- Sugar and sugar confectionery, from current rate of 10% to 15% (2016-17), to 20% (2017/18) and to 25% (2018/19).

Increase Common External Tariffs (CET) rate on:

- Flat rolled products of iron or non-alloy steel under HS Heading 7208 from 0% to 10%.
- Aluminum milk cans under HS Code 7612.90.90 from 10% to 25%.

Decrease the CET rate of:

- Iron and steel products under HS Code 7308.10.00 from 25% to 0% for 1 year.
- Automotive bolts and nuts under HS Code 7318.15.00 from 25% to 10% for 1 year.
- Wheat grain under HS Heading 1001 from 35% to 10% for 1 year.

Increase in CET rates of:

- Crude edible oil under HS Code 1511.10.00 from 0% to 10% for 1 year.

Amendment of the EAC Customs Management Act, 2004 to include exemptions/remission of duty on:

- Refrigeration equipment for human dead bodies under HS Code 8418.69.90.
- Incinerator's equipment and materials.
- CMA to include blood collection tubes.
- Inputs for the manufacture of deep cycle batteries.
- Inputs or raw materials for use in the manufacture of solar equipment.

Amendment of the EAC Customs Management Act, 2004 to abolish remission of duty on uniforms for hospital staff.

### Excise Duties

- A general 5% inflationary adjustment on items that are subject to specific excise duties, except for bottled water and petroleum products.
- Excise duty increased on non-alcoholic beverages (i.e. carbonated soft drinks, both imported and locally produced juices).
- Excise duty increased on alcoholic beverages (beers, wines and spirits).
- Cigarettes and other tobacco products will be subject to higher excise duty rates.

Natural gas, lubricating greases and oils to be subject to higher excise duty rates.

A 10% excise duty to apply on all commissions received for the provision of mobile money transfers.

### Miscellaneous

- The Vocational Educational and Training Act Cap 82 has been amended to reduce skills and development levy from 5% to 4.5%.
- Review of the Tanzania Investment Act 1997 to align it with the exemptions in the VAT Act 2014.
- The Motor vehicle (Tax on Registration and Transfer) Act Cap 124 has been amended to:
  - (1) increase registration fee from the TZS 150,000 to TZS 250,000 for motor vehicles and from TZS 45,000 to TZS 95,000 for motor cycles and tricycles
  - (2) increase personalized registration number fee from TZS 5,000,000 to TZS 10,000,000 for every three years.

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- Various Acts have been amended to mandate the Tanzania Revenue Authority to collect property tax. The mandate has been moved from the Local Government Authorities.
- The Government has abolished various fees and levies imposed by Tanzania Foods and Drugs Authority (“TFDA”), Cotton Board, Tea Board, Coffee Board and Cashew nut Board.

# Contacts



## CEO

**Sammy Onyango**  
sonyango@deloitte.co.ke

## Deputy CEO

**Joe Eshun**  
jeshun@deloitte.co.tz

## Office leaders

**Robert Kagoro**  
Burundi and Rwanda  
Managing Partner  
nkagoro@deloitte.com

## Solomon Gizaw

Ethiopia  
Managing Partner  
sgizaw@deloitte.com

## Iqbal Karim

Mombasa, Kenya  
Managing Partner  
ikarim@deloitte.co.ke

## Eshak Harunani

Tanzania  
Managing Partner  
eharunani@deloitte.co.tz

## George Opiyo

Uganda  
Managing Partner  
gopiyo@deloitte.co.ug

## Service line leaders

**Joe Wangai**  
Audit leader  
jwangai@deloitte.co.ke

**Rodger George**  
Advisory leader  
rogeorge@deloitte.com

**Nikhil Hira**  
Tax leader  
nhira@deloitte.co.ke

## Tax leaders

**Nikhil Hira**  
nhira@deloitte.co.ke

**Fred Omondi**  
fomondi@deloitte.co.ke

**Lillian Kubebea**  
lkubebea@deloitte.co.ke

**Getu Jemaneh**  
gjemaneh@deloitte.com

## Offices

### Burundi

42 Boulevard de la Liberté  
B.P 6444, Kinindo  
**Bujumbura**  
Tel: +257 76 443 000

### Ethiopia

5th Floor, Mina Building  
Ethio-China Friendship Avenue  
**Addis Ababa**  
Tel: +251 0 115 527666

### Kenya

Deloitte Place  
Waiyaki Way, Muthangari  
**Nairobi**  
Tel: +254 20 4230 000 or  
+254 20 4441 344

10th Floor  
Imaara Building, Kizingo  
Opposite Pandya Memorial Hospital  
Off Nyerere Road  
**Mombasa**  
Tel: +254 41 222 5827 or  
+254 41 2221 347

### Rwanda

1st Floor, Umoja Building  
KN3 Road  
**Kigali**  
Tel: +250 783 000 673

### Tanzania

10th Floor, PPF Tower  
Corner of Ohio Street & Garden Avenue  
**Dar es Salaam**  
Tel: +255 22 211 6006 or  
+255 22 2169000

### Uganda

3rd Floor Rwenzori House  
1 Lumumba Avenue  
**Kampala**  
Tel: +256 41 7 701000 or  
+256 41 4 34385

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