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Tanzania Budget Highlights 2018

Understand. Reflect. Respond.

Preamble

This publication provides a snapshot of the tax and related measures contained in the 2018/19 Budget speech presented by Hon. Dr. Philip I. Mpango, the Minister for Finance and Planning. We also highlight the key sectors that have been impacted by provisions in this year's budget statement.

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Tax Measures

Corporate Income Tax

- Reduction of corporate income tax rate from 30% to 20% for new investors in the pharmaceutical and leather industries for five years from 2018/2019 to 2022/2023.
- The Minister responsible for finance will no longer be restricted from providing income tax exemption to government projects financed by non-concessional loans i.e. loans with market based interest rates. The current provisions of the income tax legislation limits the Minister's power to exempt income derived from such projects.
- Introduction of withholding tax exemption on interest paid on Government loans provided by Banks and Financial Institutions to finance government projects.

VAT

- The following items, which are currently standard rated supplies will be exempt from VAT:
  - Packaging materials produced for use by local manufacturers of pharmaceutical products;
  - Imported animal and poultry feeds additives; and
  - Sanitary pads.
- The Minister for Finance will be given power to provide VAT exemption for Government projects funded by non-concessional loans as well as VAT exemption on agreements entered between the Government of Tanzania and a financial institution/bank that is representing another Government.

Customs Duties

Introduction

- The EAC Member States, through a Pre-Budget Consultation of the respective Finance Ministers, met in Arusha, Tanzania on 4 May 2018 and agreed to effect changes to the Common External Tariff ("CET") and amend the EAC Customs Management Act, 2004.

Fiscal Measures

The proposed fiscal changes are as follows:

- Grant duty remission on:
  - Papers used to manufacture exercise books and textbooks [under HS Codes 4804.11.00; 4804.21.00; 4804.31.00; and 4804.41.00] by applying a duty rate of 15% instead of 25%;
  - Papers used as raw materials for manufacturing of Gypsum board [HS Code 4805.92.00] and apply a duty rate of 0% instead of 10% for one year.
  - Self-Adhesive Label [HS Code 4821.10.90] and apply a duty rate of 10% instead of 25% for one year;
  - Printed Aluminium Barrier Laminates (ABL) [HS Code 3920.10.90] and apply a duty rate of 0% instead of 25% for one year;
  - Inputs used to manufacture pesticides, fungicides, insecticides and acaricides as approved by the relevant authorities at 0%;
  - RBD Palm stearin [HS Code 1511.90.40] and apply a duty rate of 0% instead of 10% for one year; and
  - A selected list of raw materials (a list of these has been submitted to the EAC Secretariat) and industrial inputs for the manufacturers of textiles and foot wear.

- Stay of application of Common External Tariff (CET) rates for one year on the following:
  - Gypsum Powder falling under HS Code 2520.20.00 and apply a duty rate of 10% instead of 0%;
  - Crude Palm Oil (HS Code 1511.10.00) and apply a duty rate of 25% instead of 0%;
  - Crude edible oils (for example sunflower oil, palm oil, groundnuts oil, olive oil, maize corn oil etc.) and apply a duty rate of 25% instead of 10% or 0%;
  - Semi-refined and refined/double refined edible oil (for example sunflower oil, palm oil, groundnuts oil, olive oil, maize corn oil etc.) and apply a duty rate of 35% instead of 25%;
  - Nails, tacks, drawing pins, corrugated nails staples (HS Code 7317.00.00) excluding those of heading 83.05 and other articles of iron or steel and apply a duty rate of 25% or USD 350 per metric ton whichever is higher;
  - Safety matches (HS Code 3605.00.00) and apply a duty rate of duty rate of 25 percent or USD 1.35 per kilogram;
  - Potatoes (HS Code 0701.90.00) and apply a duty rate of 35% instead of 25%;
  - Chewing gum (HS Code 1704.10.0) and apply a duty rate of 35% instead of 25%;
  - Other sugar confectionary (sweets), (HS Code 1704.90.00), Biscuits (HS Code 19.05), chocolates (HS Code 18.06) and apply a duty rate of 35% instead of 25%;
  - Tomato sauce (HS Code 2103.20.00) and apply a duty rate of 35% instead of 25%;
  - Mineral water (HS Code 2201.10.00) and apply a duty rate of 60% instead of 25%;
  - Meat and edible offal under chapter 12 and apply a duty rate of 35% instead of 25%;
  - Sausages and similar products (HS Code 1601.00.00) and apply a duty rate of 35% instead of 25%.
- Continue to grant duty remission on:
  - Wheat grain falling under (HS Code 1001.99.10 and 1001.99.90) at a rate of 10% instead of 35% for another year; and
  - Electronic Fiscal Devices (EFD's) used to collect Government revenues (HS Code 8470.50.00) at a rate of 0% instead of 10% for another year.
- Amendments to the EAC CET:
  - Imposition of import duty at 35% on consumption sugar imported under specific arrangements (to cover the shortage in the domestic market);
  - Reduction of duty rate on PolyVinyl Alcohol [with HS Code 3905.30.00] from 10% to 0%; and
  - Split of HS Code 8903.99.00 and introduction of HS Code 8903.99.10 to include Motor Boat Ambulance which will have a CET of 0%.
- Amendments to the EAC Customs Management Act, 2004:
  - Import duty exemption on motorcycles for rally cars; and
  - Import duty exemption on various types of motor vehicles for transportation of tourists (including Motor Cars, Sight Seeing Buses and Overland Trucks).

Excise Duties

- Excise duty is levied on importation or production of some non-petroleum products and the rates/amount of duties may change annually to cater for inflation. In general, there are no changes on excise duty for locally produced non-petroleum products.
- Excise duty has been increased on some imported non-petroleum products [amounts in brackets display the level of increase in excise duty]:
  - Imported water including mineral waters containing added sugar or other matter of flavor [by TZS 3.05 per litre].
  - Imported fruit juices [by TZS 11 per litre];
  - Imported beers [by TZS 38.25 per litre];
  - Imported non-alcoholic beers including energy drinks and non-alcoholic beverages [by TZS 28.05 per litre];
  - Wine produced with more than 25 percent of imported grapes [by TZS 117 per litre];
  - Imported spirits [by TZS 174.05 per litre];
  - Cigarettes containing domestic tobacco less than 75 percent [by TZS 2,661.75 per thousand cigarettes]; and
  - Excise Duty on cut rag or cut filler [by TZS 1,344.4 per kilogram].
- Introduction of excise duty of TZS 200 per litre on wine produced with domestic fruits (such as banana, rozera, tomato etc.) other than grapes with contents of at least 75 percent domestic fruits.
- Excise duty will now be managed through the use of Electronic Tax Stamps from 1 September 2018. This is meant to stem revenue leakages as it will enable the revenue authority to obtain production data on a timely basis from manufacturers.

Miscellaneous Provisions

Tax amnesty

- The Government intends to introduce 100% tax amnesty on interest and penalties to encourage compliance. The amnesty will be valid from 1 July 2018 to 31 December 2018.

Gaming Taxes

Increase in gaming taxes as per the table below:

Item	Previous rate/ amount	Proposed rate/ amount
Gross sales in sports betting operations	6%	10%
Each slot machine per month	TZS 32,000	TZS 100,000
Gross gaming revenue for land based casino operators	15%	18%
Gross gaming revenue for forty machines	15%	20%

Policy and administrative measures

- Introduction of treasury single account for payment and collection of all Government funds. The measure aims to reduce costs of operations and ensure effective control and management of the funds.
- Crop boards will be required to deposit all fees and levies imposed on sale of crops into the paymaster general account; this aims to prevent revenue leakage and ensure effective administration of the activities of the boards.

Others

- Local authorities will be required to allocate 10% of their collections for women and youth empowerment within their jurisdiction.
- Corporations producing unprocessed agricultural products will now be required to pay produce cess in addition to the city service levy.
- Government institutions and agencies will enjoy exemption from land rent.

The following fees and levies have been abolished:
  - The salt subsector:
  - Produce cess imposed on salt producers by the Local Governments;
  - 1% inspection and clearance fees of gross value of minerals;
  - Mangrove Levy;
  - Fee for reviewing salt project concept paper charged;
  - Fee imposed on solar salt panel;
  - Salt mining centres supervision fees;
  - Salt mining centres registration fee;
  - Environmental Impact Assessment fee;
  - Reduction of OSHA levy from TZS 2 million to 1 million; and
  - Reduction of application fee for export permit of minerals from USD 100 to TZS 20,000 per annum.
- Occupational Safety and Health Administration ("OSHA"):
  - Application form fees for registration of working places;
  - Registration of working places levy;
  - Fines relating to fire and rescue equipment;
  - OSHA compliance license of TZS 500,000; and
  - Consultancy fee of TZS 450,000.

Sectoral Highlights

Agriculture

- Allocation of TZS 170.2 Billion, an increase of 20% compared to FY 2017/2018.
- Measures to be put in place to boost the sector include:
  - Sustainable use of agricultural land and water;
  - Reliable and available agricultural inputs;
  - Strengthening of agricultural research;
  - Constant procurement and supply of agricultural inputs;
  - Warranting post-harvest control, value addition and assured market;
  - Empowering the crop boards;
  - Sponsoring students to various Agricultural training institutes for diploma and degree courses;
  - Forming and reviewing of policies and regulations on various crops;
  - Improve land management by allocating areas for feeding livestock;
  - Enhance sustainable livestock keeping by conducting training to livestock keepers;
  - Develop more milk products by increasing dairy cattle through artificial insemination;
  - Reviving agricultural processing industries;
  - Implementation of second phase of Agricultural Sector Development Program aimed at boosting the industry; and
  - Enhance investment in deep-sea fishing and development of processing industries for fish products.

Trade, industry and investment

As a recognition of the importance of this sector, the theme of the 2018/19 Budget is "to build an industrial economy that will stimulate employment and sustainable social welfare".

- The sector has an allocated budget of TZS 143.33 Billion, being TZS 21.1billion (or 17.28%) increase from the prior year.
- Some of the priority areas are: textiles, leather and meat, fish, edible oil, medicines and medical equipment, food and animal feeds and mining sector.
- Specific measures include:
  - Boost capital for National Entrepreneurship Development Fund (NEDF);
  - Developing industrial areas for stakeholders operating under Small Industries Development Organizations (SIDO);
  - Support and develop economic zones of Ruvuma, Tanga, Kigoma and Manyoni. Additionally, develop Bagamoyo Special Economic Zone, Kigamboni Industrial park and Kurasini Logistics Centre;
  - Strengthening research and development activities for the Tanzania Industrial Research and Development Organization (TIRDO), Centre for Agricultural Mechanization & Rural Tech (CAMARTEC), Tanzania Engineering and Manufacturing Design Organization (TEMDO), Dodoma leather & Dodoma Special Economic Zone; and
  - Construction of special industrial areas.

ICT

- Telecommunication sector contributed to the economic growth by 13.1% in the current fiscal year as compared to 10.3% in the last year.
- In order to continue facilitating growth in the sector, the Government plans to:
  - Complete the third phase of construction of the national fibre optic network;
  - Build a backup data center in Dodoma and Zanzibar;
  - Establish the national business portal that will provide information to businesses and investors. The portal will also be a platform for application of business licenses;
  - Set up telemedicine system in public hospitals to improve provision of health services;
  - Set up e-procurement system to promote procurement efficiency in government institutions;
  - Build an infrastructure that supports GSM technology for mobile phones;
  - Establish ICT professional accreditation framework to protect, develop and recognize the expertise;
  - Prepare a business plan that will enhance the use of mobile money transactions; and
  - Put in place an action plan to enhance and develop centers for technological development and creativity in the country.

Financial Services Sector

- To finalize the new Capital Markets Regulation.
- Introduction of new products in the market e.g. Negotiable Certificate of Deposits (NCDs), Closed-Ended Investment Funds (CIS), Real Estate Investments Trusts (REITs) and introduction of retail bonds (Micro-saving products).
- Tanzania Insurance Regulatory Authority (TIRA) to complete National Insurance Policy and Regulations to foster its revenue.
- National Insurance Corporation (NIC) to launch agriculture insurance and digital system for COMESA insurance.
- Amend the Anti-Money Laundering Act, 2006 and the supporting Regulations of 2012 to address current needs.

Education

- Continue to finance fee-free basic education.
- Increase in Higher Education Students loans.
- Strengthen the education delivery environment by establishing technical teachers' board.
- Strengthen education training for teachers by improving existing infrastructure and building new colleges.

Health

- Improvement of vaccination to control contagious diseases.
- Increase the budget for procurement of medicines, immunization, equipment, medical equipment and reagents.

Infrastructure

- Procurement of new aircrafts and reviving Air Tanzania Company Limited (ATCL).
- Continue with the construction of the new central line standard gauge railway.
- Construction of roads connecting regions and rural roads.

Energy

- Increase production of electricity through implementation of major projects including River Rufiji (stiegler's gorge), Kinyerezi I, II & III, Somanga Fungu, Mtwara, Kakono, Rusumo, Murongo/Kikagati, Malagarasi, and Ruhudji power projects.
- Supply and installation of natural gas for household use and industries in selected regions.
- Extension of implementation of the third phase of rural electrification through (REA III).
- Investing in projects to develop other energy sources such as geothermal, wind, solar energy.

Oil & Gas

- Funds have been allocated for compensation of affected residents to pave way for implementation of construction of crude oil pipeline from Hoima (Uganda) to Tanga.
- Exploration of new energy sources is a priority with special focus on new oil and natural gas fields. The TPDC has continued to do further exploration on Blocks 4/1B and 4/1C and is looking for suitable strategic partners.
- Discussion of the Host Government Agreement (HGA) between the government and investors and undertaking Front End Engineering Design for the construction of LNG plant.

Mining

- Enhancing collection of revenues from mining activities through continuous audits on production and sales of minerals by both large scale and small scale mining companies.
- Empower small miners through constant training on modern ways of mining and allocate special areas where such miners will be operating.
- Strengthen processes associated with minerals value addition. The government is to look for suitable investors who are ready to invest in mineral refining in Tanzania. A specific bill to provide incentives to such investors will be put in place.

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