

Tanzania National 2019/2020 Budget in Brief

July 18, 2022

Major tax reform have been proposed by the Minister of Finance in his budget speech as was disclosed on 13 June 2019. Some of the highlight 2019/20 budget are as follows:

1. Tax Amnesty Extension - Tax Payers have been granted amnesty and are now required to comply with the settling of their tax liabilities by 31st December 2019 (this is a six months extension from 30th June 2019). Penalties and interest will be waived during this period. *Hence all tax payers previously awaiting their amnesty applications will be able to be processed by the tax authority.*
2. Tax Dispute Resolution improved through:
 - a. The establishment of the Office of Tax Ombudsman to be coordinated by the Ministry of Finance and Planning and
 - b. The establishment of an independent office that will deal with tax complaints and objections of the tax i.e. Objection Desk that will deal with complaints against TRA officials regarding tax administration including corruption, arbitrary assessments and unlawful closure of businesses. *These measure is expected to enhance tax administration and result in a friendly business environment for the taxpayers.*
3. Corporate Income Tax has been reduced for new investors who will be producing sanitary pads from 30% to 25% for the two years from 2019 - 2021 to encourage new investors. Subject to a performance agreement with the government and VAT exemption removed on supply of pads. *This exemption or reduced income tax rate in the early years of production may not be an effective incentive hence not in a tax paying position. Also VAT exemption do not always reduce prices to final consumers.*
4. The annual turnover threshold for a taxpayer to file audited financial statements with the TRA has been increased to TZS 100m (from TZS 20m). Presumptive tax rates will now apply to

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- Individuals with annual turnover up to TZS 100m (previously it was between TZS 4m to TZS 20m).
- No requirement to submit audited accounts;
- Mandatory use of EFD to start from TZS14 million turnover.
- No tax if turnover is TZS 4million or less.

This is move will reduce compliance and administrative costs but will also hopefully result into voluntary compliance and widen the tax base.

5. Imports by individuals has been simplified by allowing individuals to clear their own goods without use of clearing agents.
TRA will be required to prepare guidelines and procedures in this regard. However this does not apply to transit goods.
6. No immediate tax at TIN registration for a new taxpayers. They will have up to 6 months before income tax on their business becomes due.
This is very positive to new tax payers building their new businesses. Though anti-avoidance measures need to be put in place to prevent abuse.
7. Excise duty - No major changes on excisable goods and services.
 - Duty reduced on wines made from local fruits from TZS200/L to TZS61/L;
 - No duty on aircraft lubricants used by the national carrier and others per international agreements;

- Locally made artificial hair now to attract a 10% duty while imported hair attracts a 25% import duty.

This is some sad news to the female population as beauty will now be more expensive while good new to aircraft operators.

8. Exemption of withholding tax on all fees (such as commitment fees) on loans secured by the Government from non-resident banks and financial institutions.
This will facilitate the implementation of Government projects timely.
9. Exemptions in addition to the existing exemptions on importation of aircraft, aircraft engine or parts, new exemptions are proposed for:
 - Aircraft lubricants imported by domestic operators of air transportation;
 - Imported airline tickets, flyers, calendars, diaries, labels and employees uniforms with the names of the Airline operator.
These items will be exempted if they are imported by airlines recognized under Bilateral Air Service Agreements.
10. Exemptions to VAT for the following agriculture products:
 - Imported refrigeration boxes; and
 - Grain Drying Equipment.
The measure is intended to reduce production costs and promote modern horticultural farming in the country and is expected to reduce costs incurred in grain drying for storage

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- purpose and also to stimulate production of grain crops*
11. The Road Traffic Act Cap 368 amended to:
 - Validity period of a driver's license increased from three to five years;
 - Driver license fees to increase from TZS 70,000 (from TZS 40,000);
 - Various Motor registration fees increased from the currently TZS 10,000) to TZS 50,000 for motor vehicles, TZS 30,000 for motorcycle and TZS 20,000 for tricycle
 12. The supply of electricity to Zanzibar is to be zero rated.
 13. Major administrative strategies to be implemented are:
 - to strengthen capacity for monitoring and controlling transfer pricing by international companies with the aim to increase domestic revenue;
The government has placed importance on transfer pricing as it is the first time it has been mentioned in a budget speech. This measure is likely to result in increased transfer pricing audits by the TRA in the future.
 14. Reduce and abolish nuisance levies in a bid to implement the 2017 Blueprint for regulatory reforms where several levies and fees (e.g. imposed TFDA, Government Chemist, TBS) to be removed and also eliminate the existing duplication of roles among the Government regulatory authorities. Example food and cosmetics will be managed by TBS (previously under TFDA

A very good start to implementation the spirit of the Blueprint. Multiple fees, levies and taxes are not conducive to business.

15. Other measure to facilitates better collection of revenue are:
 - Integration of domestic revenue collection systems through Electronic Fiscal Device Management System to curb issuance of fake receipts, revenue leakages in processing of tax refunds.
 - Introduction of a system to regulate gaming activities.
 - Enhance utilization of electronic system in collection of tax and non-tax revenues.

The new system to be used to regulate both operators and players to mitigate negative social economic implications and also curb the revenue leakages.

The Budget Speech clearly shows the government's intention to promote industry growth.

Other tax reforms shall be reflected in the new Finance Act, 2019 and related regulations.

We will share with you more insights and analysis on our website (www.mdmlaw.co.tz)