BUDGET NEWSLETTER–TANZANIA

2021 – 2022

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

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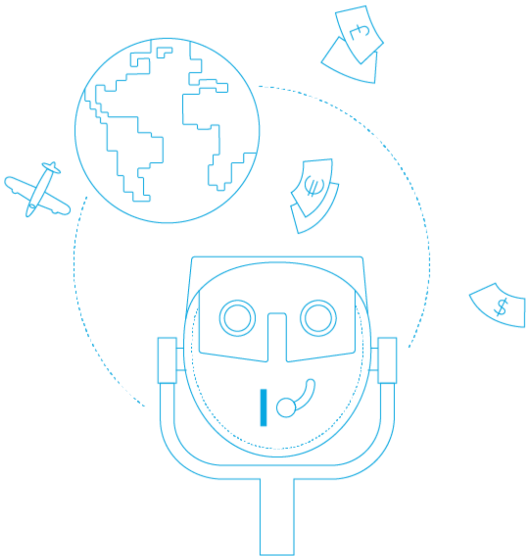
ECONOMIC PERFORMANCE

GLOBAL ECONOMIC HIGHLIGHTS

- It has been one year since COVID-19 was declared a global pandemic, a year of significant social and economic turmoil. Yet, despite high uncertainty about the path of the pandemic, a way out of this crisis is becoming increasingly visible.
- Multiple vaccines have reduced the risk of the need for critical care, while adaptation to the pandemic life has enabled the global economy to do well despite subdued overall mobility, leading to a stronger-than-anticipated rebound.
- Stronger fiscal support in some advanced economies (especially the United States) has further improved the overall economic outlook.
- The IMF, in estimates released in April 2021, is now projecting a stronger recovery in 2021 and 2022 for the global economy, with growth expected to be 6% in 2021 and 4.4% in 2022 (after an estimated contraction of 3.3% in 2020). Among advanced economies, the United States is expected to surpass its pre-COVID GDP level in 2021 while others will return to pre-COVID levels only in 2022.
- Among emerging markets and developing countries, China had already returned to pre-COVID GDP in 2020, whereas many others are not expected to do so well into 2023.
- Recovery paths among countries remain divergent. Cumulative per capita income losses over 2020-2022, compared to pre-pandemic projections, are equivalent to 20% of 2019 per capita GDP in emerging markets and developing economies (excluding China). This has reversed gains in poverty reduction, with an additional 95 million people expected to have entered the ranks of the extreme poor in 2020, and 80 million more undernourished than before.



- Future economic outlook depends not just on the effect of vaccines on caseloads but also on the effectiveness of economic policies deployed across the globe and the evolution of financial conditions and commodity prices.
- Consistent with the projected global recovery, oil prices are projected to grow 30% in 2021 while metal prices are projected to accelerate strongly in 2021, largely due to the economic rebound in China. Food prices are also expected to pick up this year.

REAL GDP GROWTH (%)	2016	2017	2018	2019	2020*	2021*	2022*
Advanced economies	**1.8%**	**2.5%**	**2.3%**	**1.6%**	**-4.7%**	**5.1%**	**3.6%**
Japan	0.8%	1.7%	0.6%	0.3%	-4.8%	3.3%	2.5%
UK	1.7%	1.7%	1.3%	1.4%	-9.9%	5.3%	5.1%
USA	1.7%	2.3%	3.0%	2.2%	-3.5%	6.4%	3.5%
Euro Area	1.9%	2.6%	1.9%	1.3%	-6.6%	4.4%	3.8%
Emerging and developing A	6.8%	6.6%	6.4%	5.3%	-1.0%	8.6%	6.0%
China	6.9%	6.9%	6.7%	5.8%	2.3%	8.4%	5.6%
India	8.3%	6.8%	6.5%	4.0%	-8.0%	12.5%	6.9%

*Forecast
Source: IMF

SUB-SAHARAN ECONOMIC HIGHLIGHTS

- In the emerging market and developing economies, vaccine procurement data suggests that effective protection will remain unavailable for most of the population in 2021 – which increases the risk of lockdowns and other containment measures in these economies in 2021 and 2022.
- Tourism based countries face particularly difficult prospects considering the expected slow mobilization of cross-border travel over the medium term. Despite the global recovery, global travel remains subdued, and tourist inflows into Africa are not expected to return to pre-pandemic levels until 2023.
- The pandemic continues to have a significant impact on sub-Saharan Africa. Following the largest contraction ever for the region (-1.9% in 2020), growth is expected to rebound to 3.4% in 2021, significantly below pre-pandemic expectations.
- The recovery in advanced economies will be driven in large part by the extraordinary level of policy support, including significant fiscal stimulus and continued accommodation by central banks. For countries in sub-Saharan Africa, this is not generally an option. Most countries within the region entered the second wave with depleted monetary and fiscal buffers.
- Consequently, IMF estimates indicate that sub-Saharan Africa is expected to be the world's slowest growing region in 2021. The region is expected to grow 3.4% in 2021, supported by improved exports and commodity prices, along with a recovery in private consumption and investment. However, per capita output is not expected to return to 2019 levels until after 2022.

- The current outlook is subject to greater-than-usual uncertainty — sub-Saharan Africa could face repeated COVID-19 waves before vaccines become widely available. Other key risks include the availability of external finance, political instability, and the return of climate-related shocks such as floods or droughts.
- Seventeen countries within the region were either in debt distress or at high risk of distress in 2020 (one more than before the crisis). These countries represent about 25% of the region's GDP and 17% of the region's debt stock.
- IMF estimates show that sub-Saharan Africa's low-income countries face additional external funding needs of $245 billion over 2021-2025, to help strengthen the pandemic response.
- Employment within the region fell by about 8.5% in 2020, with more than 32 million people thrown into extreme poverty.
- The second half of 2020 also saw a surge in prices for many staple crops, reversing an earlier decline over the first months of the pandemic, with some regions experiencing food price spikes and increased food insecurity (Burkina Faso, Democratic Republic of the Congo, Mali, Niger, Zimbabwe).

REAL GDP GROWTH (%)	2016	2017	2018	2019	2020*	2021*	2022*
Sub-Saharan Africa	1.5%	3.1%	3.2%	3.2%	-1.9%	3.4%	4.0%
Nigeria	-1.6%	0.8%	1.9%	2.2%	-1.8%	2.5%	2.3%
South Africa	0.4%	1.4%	0.8%	0.2%	-7.0%	3.1%	2.0%
Kenya	5.9%	4.8%	6.3%	5.4%	0.6%	6.0%	5.7%
Tanzania	6.9%	6.8%	7.0%	7.0%	1.0%	2.7%	4.6%
Ethiopia	8.0%	10.2%	7.7%	9.0%	6.1%	2.0%	8.7%
Uganda	0.3%	7.3%	6.0%	8.0%	-2.1%	6.3%	5.0%

*Forecast

Source: IMF

BUDGET HIGHLIGHTS

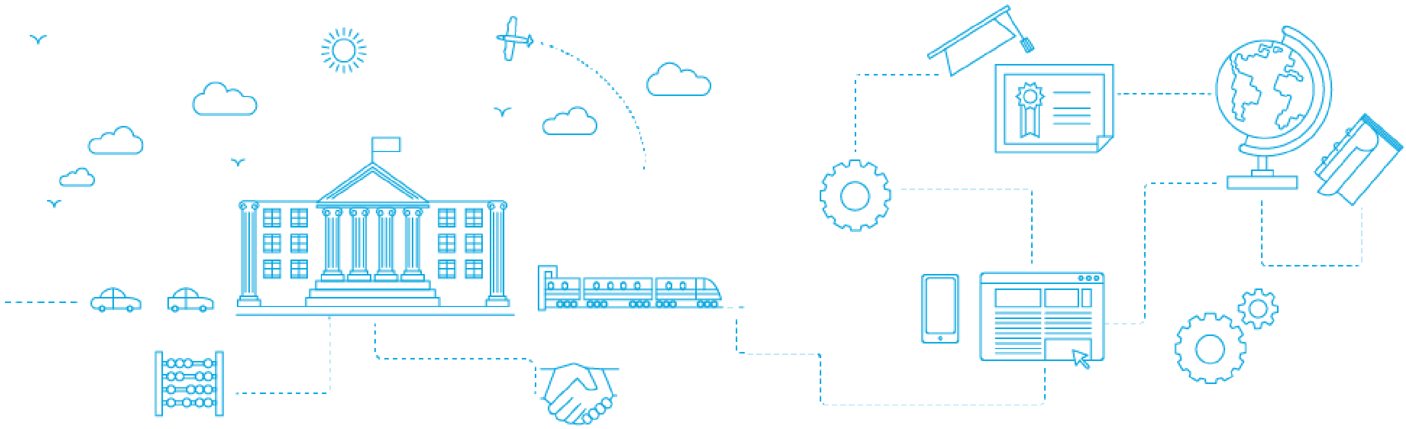
The budget for 2021/22 is the first in the implementation of the Third Five Year National Development Plan (2021/22 to 2025/26) with the theme of ***"Realising competitiveness and industrialisation for Human Development"***. The five priority areas include:

- Realising an inclusive and competitive economy;
- Deepening industrialisation and service provision for value-addition of agricultural products;
- Investments and trade promotion;
- Human development; and
- Skills development.

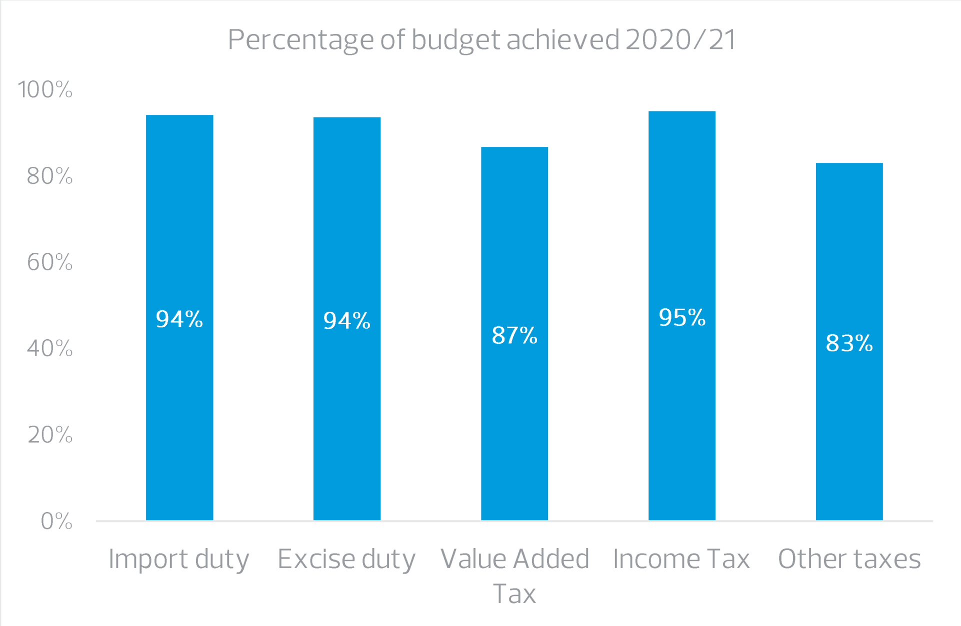
The Government will focus on enhancing the economy's competitive position regionally and globally by improving business and investment environment, promoting stability, promoting innovation, developing and improving road, railway, bridges, water and air transport infrastructures, thereby building a vibrant society.

The agriculture sector also received special attention by the Government particularly in areas of promoting industries that add value to crops, livestock and fishery products with focus on irrigation and crop storage infrastructure, improving products for national and international markets and modernisation of ancillary services in the sector.

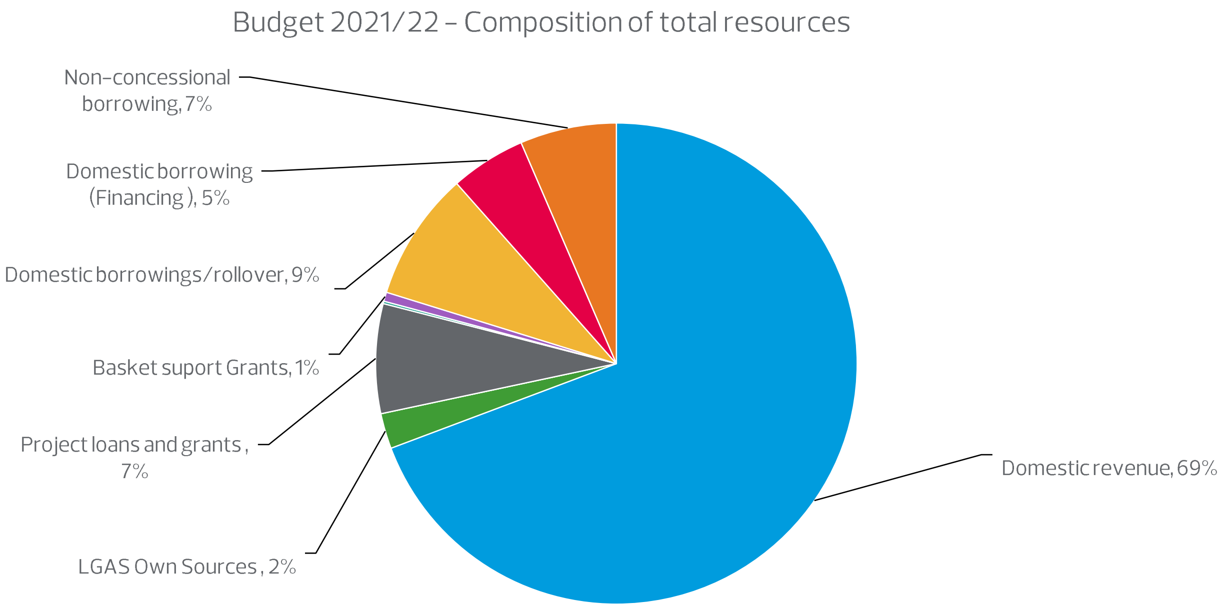
Other sectors that have received emphasis include mining, tourism, financial and insurance services, and industries associated with development of pharmaceutical and medical equipment. The Government has also planned to focus on improving social services in the areas of health, water sanitation and education.



For the fiscal year 2020/21, the Government had an ambitious collection target of TZS 34.8 trillion. Out of this, domestic sources (taxes) accounted for TZS 20.3 trillion (58.3%). The target achievement was as follows:

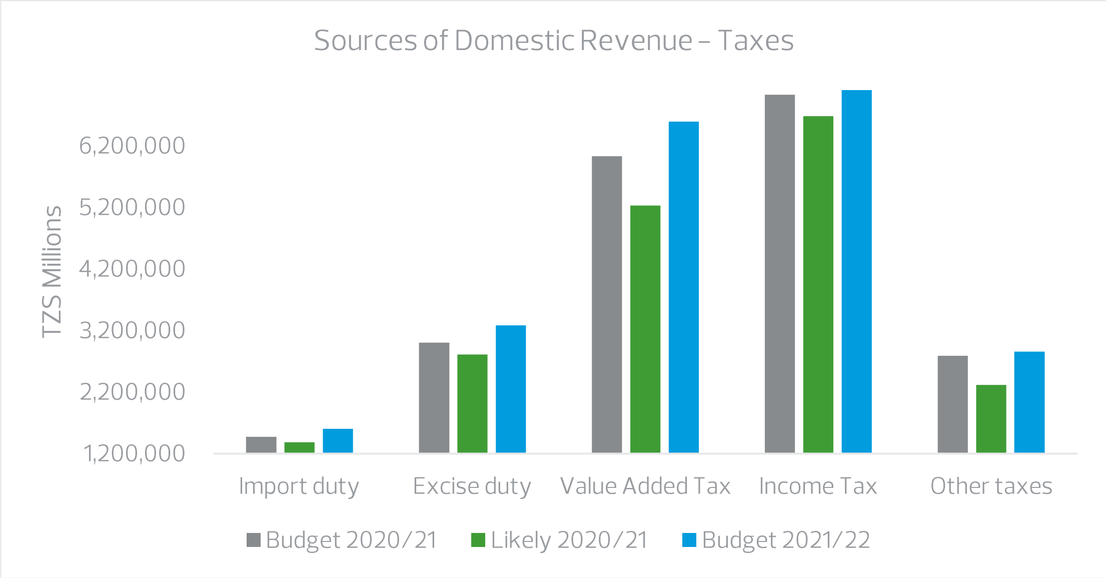


During the fiscal year 2021/22, the Government plans to collect TZS 36 trillion which comprises the following:

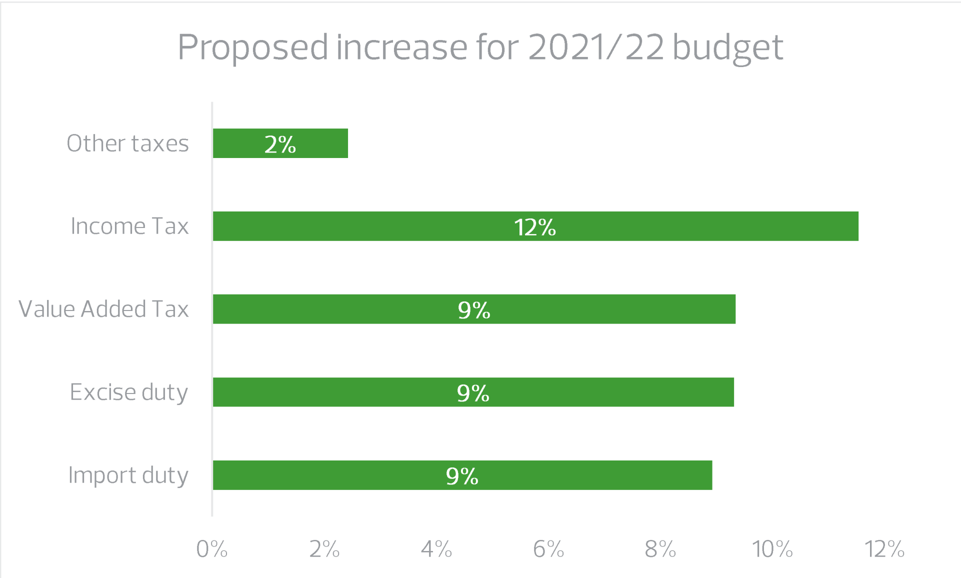


- The total collection target of taxes for the year 2021/22 is TZS 22.1 trillion compared to TZS 20.33 trillion in 2020/21, which marks an increase of 9 % in revenue collection
- Non-tax revenue collection (including LGA's own sources) is targeted at TZS 3.11 trillion for 2021/22 down from TZS 3.74 trillion targeted in the prior year
- Grants and concessional loans from external sources in 2021/22 are targeted to reach TZS 2.95 trillion up by 8% from the fiscal year 2020/21. Domestic and other non-concessional borrowings are budgeted at TZS 7.3trillion compared to TZS 7.9trillion in the prior year

The sources of total domestic revenue from taxes comprise of:



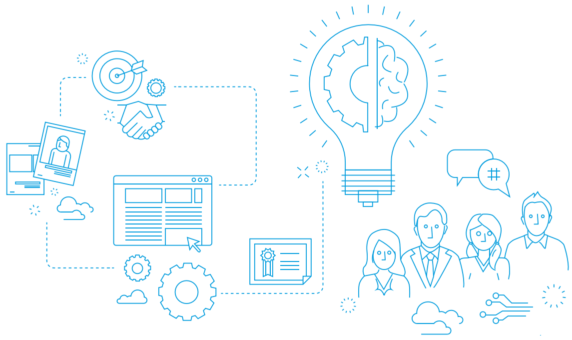
The proposed increase for collection from domestic tax sources range from 2% to 12% as shown below



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

POSITIVES

- ***Proposed VAT Exemptions:*** the Government proposes to avail VAT exemptions on various items including cold rooms utilised in horticulture, imported precious metals and raw materials utilised in refining and smelting by local industries, insurance premium on livestock farming and goods and services to be utilised in East Africa Crude Oil Pipeline (EACOP) whether imported or locally purchased.
- ***Intra Union VAT Challenges:*** the Government proposes to address certain intra union VAT challenges impacting the flow of trade between Tanzania Mainland and Zanzibar. It intends to restore VAT refund for goods purchased in Tanzania Mainland and utilised in Zanzibar by registered persons. Till now the goods manufactured in Tanzania Mainland were zero-rated. This resulted in Zanzibar traders paying VAT on other goods purchased from Tanzania Mainland and the same goods were again subjected to VAT in Zanzibar. The proposed amendment aims to iron out the double taxation in Zanzibar.
- ***VAT Exemption Process:*** the Government intends to empower the Commissioner General (CG) of Tanzania Revenue Authority (TRA) to grant VAT exemptions on Government funded projects. The move is aimed at improving efficiency in the VAT exemption process, with beneficiaries required to lodge VAT exemption requests directly to the CG.



- ***Reduction in PAYE rate:*** Proposal to reduce PAYE from nine percent (9%) to eight percent (8%) in the second taxable band. The reduction will result in additional net take home of TZS 2,500 per month.
- ***Abolishing Value Retention Fee (VRF):*** the Government proposes to abolish the six percent (6%) VRF charged on higher education loans. The move intends to provide relief to employees in form of shortening the loan repayment and reduced costs.
- ***Tax exemption on interest earned on Government Bonds:*** the Government proposes to continue to exempt interest income derived from Treasury Bonds with maturity period of not less than three (3) years. The move intends to attract investments from local investors.
- ***Reinstatement of Minister's exemption powers:*** the Government proposes to reinstate Minister's powers on granting Income Tax exemptions to development projects funded by the Government on specific projects, grants and concessional loans without seeking prior approval from the Cabinet. This move intends to expedite the process of exemption.
- ***Reduction in Workers Compensation Fund (WCF) contribution:*** the Government proposes to reduce WCF contribution from the current one percent (1%) of employees' gross monthly salaries to zero-point six percent (0.6%) of such salaries. The move intends to reduce employment costs for the employer and boost employment prospects in the Country.
- ***Reduction in advertisement fees:*** the Government proposes to reduce outdoor advertising fees on illuminated and non-illuminated advertisements, wall signs advertisement fees, electronic sign advertisement fees, poster promotion fees and short-term advertisement fees. The move intends to reduce business costs for businesses while increasing revenue from advertisements.

- ***Increase in SDL eligibility threshold:*** the Government proposes to increase the threshold for SDL from current four (4) employees to ten (10) employees. The move intends to reduce employment related costs for small businesses and boost employment prospects in the country.
- ***Reinstatement of CG's remission powers:*** the Government proposes to reinstate the CG's powers on remission of interest and penalties in accordance with the provisions of relevant tax laws. The remission of interest and penalties by the CG is subject to a reasonably good cause warranting such remission.
- ***Religious health institutions exemption:*** the Government is poised to exempt Religious Health Institutions from SDL obligation. The move is aimed at reducing employment costs for such health institutions and improve the expansion of health facilities in rural areas.
- ***Removal of nuisance fees:*** the Government proposes to amend rates of fees and levies charged by Ministries i.e. Ministry of Agriculture & Ministry of Home Affairs, Agencies, Regulatory Authorities and Regions & Independent departments. The move is in line with the concerns raised by the stakeholders.
- ***Abolishment of Transfer Pricing (TP) penalty:*** the Government proposes to abolish the penalty of hundred percent (100%) of the adjusted amount for failure to comply with the requirements of the law. This requirement was indeed an onerous one which raised significant concerns from the investors. This change will indeed be a welcome relief to the taxpayers.
- ***Licenses for insurance companies:*** Insurance companies with good record of conduct shall be given permanent licenses and for those with repeating irregularities shall be granted 3 years only, with close monitoring by the Regulator. This is a commendable move for the sector and shall reduce bureaucracy in licensing procedures.
- ***Electronic access to investors to process all the permits and licenses:*** the Government intends to set up one single electronic window to provide access to investors to process all the permits and licenses electronically. This would be a welcome relief for investors and reduce the timeframe investors take to set up their business.
- ***Removal of 15% refundable additional import duty deposit on sugar for industrial use*** which shall increase/improve the liquidity position of the domestic industries.

CHALLENGES

- ***Revenue budget proposed for 2021/22:*** The 2021/22 budget is 4% higher than the one for 2020/2021, however, based on the collections to April and the collection likely to be achieved by June, the increase is 21%. Considering there is already a shortfall of 14% in the 2020/21 budget, it might be a challenge achieving the 2021/2022 target. From our analysis of the last two (2) years, the actual collections on an average year on year (YOY) have increased by 2% only, whereas in 2021/2022, a 4% increase is proposed.
- ***Proposed Property Tax Collection mechanism:*** the Government is poised to strengthen revenue leakages vide integration of property tax in the electricity bill or prepaid meter on monthly basis. A person doesn't usually purchase the tokens on a monthly basis thus the question of how the proposed property tax will be spread over the month period is still an area requiring further clarification.
- ***Imposition of additional levies:*** the Government proposes to impose additional levies on mobile money transactions and SIM cards on the basis of the ability of the user to recharge the balance. With users already lamenting high transaction costs in mobile money related transactions, the imposition of additional levies is sure to pose further challenges on that front.
- ***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 CG upon rejection of such applications. The taxpayers banked their hopes on 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 poised to continue being a thorn to taxpayers.

DIRECT TAXATION

- As a measure to relieve employees from employment tax burden, the Government has fronted a proposal to reduce minimum P.A.Y.E rate from 9% to 8% as well as reduction of specific rate for other succeeding bands by TZS 2,500 P.M (TZS 30,000 P.A). The revised P.A.Y.E bands have been summarised below:

Individual Income Tax Rates – Old bands				
Taxable Income Year 2020 – 2021 TZS. P.m.			Rate %	Cumulative Tax TZS p.m.
0	–	270,000	Nil	0
270,001	–	520,000	9	22,500
520,001	–	760,000	20	70,500
760,001	–	1,000,000	25	130,500
Over 1,000,000			30	

Individual Income Tax Rates – New bands				
Taxable Income Year 2021 – 2022 TZS. P.m.			Rate %	Cumulative Tax TZS p.m.
0	–	270,000	Nil	0
270,001	–	520,000	8	20,000
520,001	–	760,000	20	68,000
760,001	–	1,000,000	25	128,000
Over 1,000,000			30	

- Interest income earned from Government bonds with maturity period of not less than three years shall be exempted from income tax. The exemption aims to encourage investment in treasury bonds for financing the Government projects.

- To reinstate power of the Minister to grant exemption on implementation of specific projects, grants and concessional loans without seeking approval from the cabinet. This aims at reducing bureaucratic procedures on the implementations of these projects. However, the above power is limited to the extent that there is an agreement between the donor/lender and the Tanzanian Government which provides for such exemption.

- Introduction of 2% non-final withholding tax obligation to processing industries, millers and other Government agencies when making payment to suppliers of agro-products, fisheries and livestock. This excludes payment made to small scale farmers and sale to Agricultural Marketing Cooperative Societies.
  - The main challenge from this could be how one will define small scale farmers;
  - Further, this could be a set back on the promotion of industrial economy since most farmers might opt to export unprocessed products where there will be no requirement to withhold taxes.
- Introduce 5% depreciation allowance to all assets under East African Crude Oil Pipeline (EACOP). This intends to align utilization of the assets over the lifetime of the respective pipeline.
- Introduce special income tax system for small scale individual miners whose turnover does not exceed TZS 100 Million P.A. Such individuals will be taxed in the following manner:
  - 3% special tax rate charged on the sales value of the minerals;
  - 0.6% of sales value deemed PAYE from employment income of individual miner's employees;
  - These taxes shall be payable at the time when individual is selling minerals. This aims at protecting cash flow movement problems which were experienced when these individuals were paying taxes by instalments.

TAX ADMINISTRATION ACT

- All fines and penalties from rulings of tax offences by the Courts shall be collected by the Court and not the Revenue Authority. The measure aims at streamlining the collection and accounting of these revenues.
- Revoke the power vested to the Minister to make regulations in respect of remission of interest and penalties. The measure aims at giving the Commissioner General (CG) full power/authority in determination of remission applications in an efficient and effective manner.
- Remove the penalty of 100% of sales adjusted for failure to substantiate how the transaction was carried out at an Arm's length between related parties under the Transfer Pricing Regulations. This is one of the huge reliefs to all taxpayers engaged in controlled transaction as the penalties were unrealistic and painful to the taxpayers.

INDIRECT TAXATION

VALUE ADDED TAX

VAT exemptions are proposed on:

Item	HS Code	Aims to
Cold rooms	9406.10.10 and 9406.90.10	Reduce production costs and promote modern horticultural farming
Imported precious metals and raw minerals		Promote importation of precious metals and raw minerals for refining and smelting by Local industries thereby increasing business, employment and Government revenue.
Insurance of livestock farming		Reduce costs of livestock farming in addition to the crop insurance granted last year
Imported and Local Purchases of Goods and Services for East African Crude Oil Pipeline (EACOP)		Reduce operational cost of the pipeline project from Uganda through Tanzania to the port
Crude Oil	2709.00.00	Provide relief to final consumer including relief on the operational costs of the EACOP
Artificial grass for football pitches in City Councils	5703.30.00 and 5703.20.00	Promote sports in the country (exemption subject to approval by Tanzania Football Federation (TFF))
Contactless Smart Cards and Card Consumables for National Identification Authority	3921.11.90 3921.11.90	Reduce cost of producing National Identification cards
Smartphones Tablets Modems	8517.12.00 8471.30.00 or 8517.12.00 8517.62.00 or 8517.69.00	Promote usage of data services in the country in order to attain the target of 80 percent of users of internet services by 2025 against the current penetration of 46 percent of users
Aluminium and Stainless-steel Milk cans	7310.29.90, 7310.10.00 and 7612.90.90	Reduce production costs and promote modern dairy milk industry

Item	HS Code	Aims to
Solar Lights	85.13 and 94.05	Align the treatment with the EAC-CMA exemption which aims to exempt equipment for generation of solar energy, leaving out the distribution and transmission to the appliances that use energy. The measure is also intended to bring equality for users of all kinds of energy
Imported or Local Purchases of Goods and Services by Non-Governmental Organisations (NGO's)		Reduce the burden of costs for NGOs provided it is solely for implementation of projects through an agreement with the Government of the United Republic that provides Value Added Tax exemption on the project

Other changes proposed on the VAT include:

- The exemption granted on cans with HS Code 7310.29.20 has been abolished;
- Zero rated VAT on transportation services of Crude oil and all other related services attached in transportation of crude oil through the pipeline which will be constructed under an interGovernmental agreement between the Government of Tanzania and Government of Uganda (EACOP).
- Limitation of VAT deferment on Capital Goods as specified under chapters 84, 85 and 90 of the EAC CET. This measure is intended to address abuse of incentives granted due to lack of clarity;
- Reinstatement of power to grant VAT exemption on Government and donor funded projects to the Commissioner General, Tanzania Revenue Authority. However, there is no clear guidance whether the existing Value Added Tax (Exemption Monitoring Procedures) Regulations, 2018 are automatically revoked.
- Amendment of section 55A of VAT Act, whereby the products manufactured in mainland Tanzania which are consumed in Zanzibar will attract VAT at standard rate as also products manufactured in Zanzibar. The input VAT will be claimed by the registered persons in Zanzibar and Mainland Tanzania accordingly. With the difference in the VAT rates in Tanzania Mainland and Zanzibar, the Minister has proposed integration of the VAT systems in Mainland Tanzania and Zanzibar in order to enhance the effectiveness of the VAT refund mechanism.

EXCISE DUTY

Changes proposed on the excise duties imposed under the Excise (Management and Tariff) Act, CAP 147, are as follows, with the aim of encouraging local manufacturing/discouraging imports:

- Continue to charge the same specific excise duty rates for all non-petroleum products except for spirits and local beer manufactured using locally grown malt barley;
- Reduction of excise duty rate for beer made from locally grown and malted barley by 19% from TZS 765 per litre to TZS 620 per litre;
- Introduction of excise duty of 10 percent on imported and locally produced synthetic (plastic) fibres (HS Code 55.11 and 56.07) except fishing twine (HS Code 5607.50.00); and
- Introduction of excise duty at 10 percent on imported used Motorcycles aged more than 3 years (HS Code 8711).

THE EAST AFRICAN COMMUNITY CUSTOMS MANAGEMENT ACT, 2004

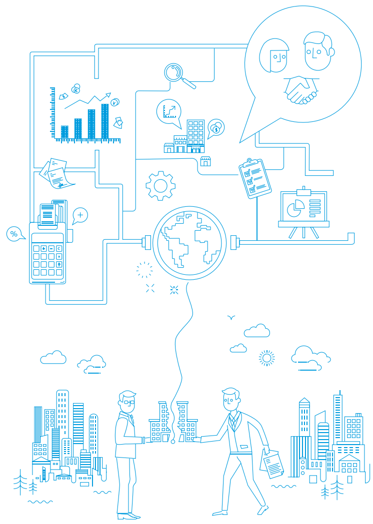
The proposed changes on the Common External Tariff (CET) are as per the table below.

Item	HS Codes	Proposed new rate	Rate	Aims to
Buses with carrying capacity of more than 25 persons imported for rapid transport project	8702.10.99 and 8702.20.99	10% for one year	25%	De-congest the city and ease the transportation system within the country
Cotton yarns	52.05, 52.06 and 52.07	25% for one year	10%	Increase production of cotton yarns in the country by increasing value addition of cotton and enhance cotton to cloth (C2C) strategy
New pneumatic tyres of rubber, of a kind used on motorcycles	4011.40.00	25% for one year	10%	Protect local manufacturers of pneumatic tyres
Peanut Butter	2008.11.00	35%	25%	Promote growth of small and medium enterprises
Wires of other alloy steel	7229.20.00 and 7229.90.00	0% for one year	10%	Reduce the cost to local manufacturers in the steel industry
Milk cans	7310.10.00 and 7310.29.90	0% for one year	25%	Provide relief for the dairy sector
Organic surface-active agents (Anionic) used by manufacturers of detergents and liquid soaps	3402.11.00	0% for one year	10%	Reduce the cost of inputs by local manufacturers
Raw material used in leather processing	3208.20.00 and 3210.00.10	0% for one year	10% or 25%	Promote growth of local leather industries
Raw materials used to manufacture different types of fertilizers for fertilizer manufacturers	2710.99.00; 2528.00.00; and 3505.20.00	0% for one year	10% or 25%	Promote growth of local manufacturers of fertilizers
Packaging materials for processed tobacco	5310.10.00	0% for one year	25%	Promote growth of local manufacturers of tobacco

Packaging materials for processed tea	4819.20.90; 5407.44.00; and 3923.29.00	0% for one year	25%	Promote growth of local manufacturers of tea (blenders)
Aluminium alloy circles used to manufacture cooking pots	7606.92.00	10% for one year	25%	Reduce cost of local production of aluminium cooking pots
CKD for Three-Wheel Motorcycle excluding Chassis and its components	8704.21.90	10% for one year	25%	Reduce cost of production for local manufacturers of Three-Wheel Motorcycles used for cargo transportation
Inputs used to manufacture glass Reinforced Plastic pipes including Polyester Film 50mm & 200mm; Tissue Mat 30gr; Chopped Strand Mat/Knitted glass Mat; Mesh cloth liner; Sand holding cloth (Polyester Mesh); Direct Roving (2400 TEX); Direct Roving (600 TEX); Chop Roving; Surface Liner; Rubber O ring; Rubber Gasket; and Resin Cystitis	3920.61.10; 7019.39.00; 7019.31.00; 6006.90.00; 6006.90.00; 7019.12.00; 7019.12.00; 7019.12.00; 3920.10.10; 4016.93.00; 4016.93.00; and 3907.91.00	0% for one year	10% or 25%	Promote local manufacturers and create more employment opportunities
Flat-rolled products of other alloy steel, of a width of 600 mm or more	7225.30.00	0%	10%	Reduce costs to local manufacturers
Raw materials used for manufacturing of packaging materials (corrugated boxes)	4805.24.00 and 4805.25.00	10%	25%	Encourage domestic investment in production of corrugated boxes and reduced packaging materials cost

- Continued duty remissions for another year on various other items such as inputs for manufacture of essential medical products and supplies for fighting COVID-19, EFD machines and POS registers, ceramic tiles, inputs by domestic processors of cotton lint, raw materials and industrial inputs used to manufacture textiles and footwear, etc.

- Removal of the requirement to deposit 15% refundable additional import duty deposit on imported sugar for industrial use. The use of ETS will track the production and use of industrial sugar.
- Adoption of USD 50 as the minimum value where customs duties shall not be collected.
- Commissioner General shall be revested powers to value the imported printed fabrics (Vitenge) in accordance with the Valuation Principles stipulated in the Act. Valuation for those who cannot justify their declared values to range between USD 0.55 to USD 1 per meter of Polyester Kitenge and USD 0.60 to USD 1 per meter of Cotton Kitenge.



MISCELLANEOUS AMENDMENTS

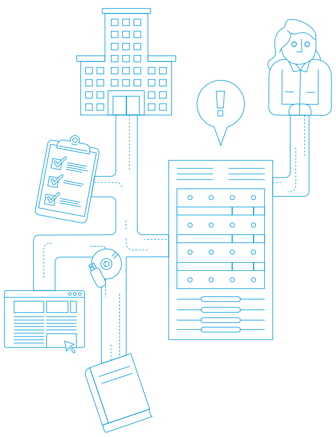
STAMP DUTY

The budget also proposes various changes on the stamp duty charges, this comes as the measure for the Government to align its stamp duty rates with current economy as well as to increase its tax revenue. The proposal aims to amend charges as follows:

Instrument	Old rate	Proposed rate
Normal stamp duty	TZS 500	TZS 2,000
Memorandum and Articles of Association	TZS 5,000	TZS 10,000
Partnership instruments (with capital between TZS 100,000 – TZS 1,000,000)	TZS 2,000	TZS 5,000
Partnership instruments (with capital above TZS 1,000,000)	TZS 5,000	TZS 10,000
Instruments of dissolution of Partnership	TZS 1,000	TZS 10,000

The Stamp Duty Act is among the oldest laws administered by the TRA, and it has never been amended from time to time (last amendments were done in 2009) which makes its rates some what not inline with the current economic status in the country. Hence, this move will increase the Government revenue without directly affecting taxpayers.

THE VOCATIONAL EDUCATION AND TRAINING ACT, CAP 82



In order to reduce the employment costs to the employer and create more job opportunities, the following amendments are proposed under the VETA Act:

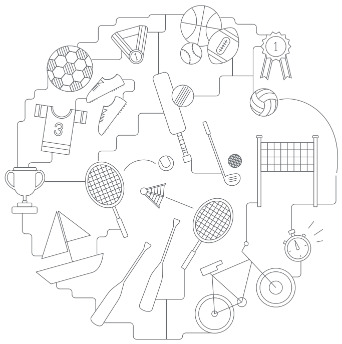
- To increase the minimum threshold for SDL eligibility from 4 employees to 10 employees;
- To exempt religious health institutions from the obligation to pay Skills and Development Levy (SDL). This aims at reducing hospitals operational costs which in turns reduce the costs to patients as well as boosting employment related opportunities;
- To introduce SDL at 0.4% of the sales value of minerals to individuals engaged in a small-scale mining operation. The SDL will be payable at the time of selling minerals and payment of royalty. The move aims to create convenience to small scale miners and protect the tax base.

THE GAMING ACT

With aim to encourage local gaming activities over international online gaming as well as creating fair environment within the industry, the Government proposes the following changes:

Tax base	Old rate	Proposed rate
Winning tax on all sports betting	20%	15%
Gross Gaming Revenue on all sports betting	25%	30%
Gaming tax on Virtual gaming (% of Gross gaming revenue)	0%	10%
Tax on gaming products licenced under pilot study (% of Gross gaming revenue)	0%	10%

The above changes could yield the Government more revenue from the gaming industry.



THE SOCIETY ACT

The Government proposes to introduce/amend the following charges under the Society Act, CAP 337:

Base	Old charges	Proposed charges
Application of new certificate of registration - damaged	0	TZS 100,000
Application for correction of misrepresentation by the applicant	0	TZS 50,000
Application for change of physical/postal address	0	TZS 50,000
Application for registration	TZS 10,000	TZS 50,000
Annual fees for religious societies	TZS 20,000	TZS 100,000
Annual fees for non-religious societies	TZS 40,000	TZS 50,000
Annual fees for foreign religious societies	USD 30	USD 60
Annual fees for foreign non-religious societies	USD 30	USD 60
Application for change of name	TZS 50,000	TZS 100,000
Application for change of constitution	TZS 50,000	TZS 100,000
Application for certified true copy of the original	TZS 20,000	TZS 50,000
Application for new certificate – loss first time	TZS 50,000	TZS 100,000
Application for new certificate – loss second time	TZS 50,000	TZS 200,000
Search fee by society	TZS 50,000	TZS 100,000
Search fee by member of the public	TZS 50,000	TZS 200,000

LAND RENT

A focus on improving community welfare, and on the other hand increasing Government revenue vide enhancing voluntary compliance, the proposal made to amend The Land Rent Act, Cap 113 is primed on the table below:

Tax base	Old rate	Proposed rate
Premium rate for new land occupancy	2.5%	0.5%
Premium rate for regularising Land	1%	0.5%

THE LOCAL GOVERNMENT FINANCE ACT

Minister proposed to amend The Local Government Finance Act in the following manner:

- To clarify circumstances under which entities liable to service levy may be exempted from produce cess levy. This aims to resolve ambiguity on the interpretation of the provision.
- To reduce outdoor advertising fees per Square foot in the following manner:

Base	Old charges	Proposed charges
Illuminated advertising	TZS 18,0000	TZS 13,000
Non-illuminated advertising	TZS 15,000	TZS 10,000
Wall sign advertisement	TZS 15,000	TZS 10,000
Electronic sign advertisement	TZS 20,000	TZS 15,000
Vehicular advertisement	TZS 15,000	TZS 10,000
Short-term advertisement/promotion	TZS 55,000	TZS 50,000
Every poster for first 100 posters and every other bunch of 100 or part thereof	TZS 100,000	TZS 50,000

The proposed amendments aim at reducing advertisement costs which would in turn create conducive business environment.

FIRE AND RESCUE ACT

The minister proposes to amend Fire and Rescue Act by introducing the following exemptions:

- To exempt Horticultural farms from fire levy;
- To exempt rural and urban petrol stations from paying fire compliance certificate fee;
- To rescind fire inspection fee on farms/plantations and farm houses which were charged between TZS 100,000 – TZS 1,000,000;
- For areas used in trade fair events, proposal to increase exempted area from up to 2,000m to up to 10,000m;
- Increase number of borders in education boarding schools from 100 boarders to 200 boarders

OTHER FEES AND CHARGES

- Unlike previous periods where Insurance companies were renewing their licenses on yearly basis; the proposed amendment will favour Insurance companies with good track record of compliance to enjoy a permanent license, while those with irregularities will be issued a licence valid for three years. This measure intends to promote compliance and reduce bureaucracy in insurance license applications.
- A centralised electronic window (e-window) maintained by the government that shall be accessible to investors with regards to permits and licence processing. This aims to ease the requisite procedures hence, reduce lengthy course of action and improve investment attraction.
- A proposed change on the Environmental Management (Fees and Charges) Regulation, 2019 to amend the fees for destroying expired medicines form TZS 1,000,000 to TZS 100,000; as well as environment annual fees from TZS 200,000 to TZS 100,000. The proposed measures seek to expand revenue collection as well as maintain public safety.
- Introduction of specific charge of TZS 70,000 per consignment instead of 1% charged on FOB that was payable in relation to clearance fee charged by Tanzania Meat Board.
- A noteworthy relief on the reduction of electrical inspection, electrical insulation test and general inspection fee from TZS 590,000 to TZS 150,000 that is payable to OSHA.
- Relief to Motorcycles "Bodaboda" and three-wheelers "bajaj" on the amount of fines payable when convicted for breach of road traffic rules; the fine is proposed to be reduced to TZS 10,000 from TZS 30,000. The proposed

amendment is intended to widen revenue collection from road traffic fines, however on the other hand it might lead to accelerated road accidents on the basis of affordability of such fines.

- A target measure of increasing revenue collection by reducing the registration fees from TZS 10 million to TZS 5 million for every three years in respect of Personalized Plate Number for vehicles. Such change is proposed to be made vis-à-vis Motor Vehicle (Tax Registration and Transfer) Act, CAP 124
- The proposed changes to The Public Audit Act, CAP 148 that intends to give power to the CAG to audit all parastatals and a conferred power to be responded by the Minister responsible for Finance to respond to the CAG report on the parliament session preceded by submission of such report. This is intended to promote accountability on public funds utilization and promote transparency.
- Introduction of Government guarantee on its institutions and organizations upon securing of credit facilities. The proposed amendment is slated to promote self-driving operations of such institution and reduce burden to the government on funding the same.
- To enhance discretional compliance and plug loopholes of government revenue losses, a penalty of TZS 500,000 is intended to be imposed on employers upon failure to submit monthly returns to Commissioner for Labour disclosing details of non-resident employees including details of monthly earnings. Further, potential imposition of 12 months imprisonment, a fine of TZS 10 million or both, for employers who fail to submit the requisite information to the Labour Commissioner might be considered.
- An introduction of registration fee of TZS 60,000 for registration of Irrigation communities and Irrigation service fees of 5% of seasonal harvest for an area for irrigation communities. The aim is to protect the tax base.
- With a sight of increasing revenue collection, the government is targeting to impose a Levy of between TZS 10 to TZS 10,000 on each mobile money transaction for remitting and withdrawing depending on the volume. In addition, a levy of TZS 10 to TZS 200 per day on the recharge balance to mobile users will be imposed should the Electronic and Postal Communication Act, CAP 306 be amended.
- The imposition of additional fuel levy on kerosene to control adulteration of petrol and diesel since the price of the same will increase with the effect of increasing the Road and Fuel tolls. The fuel toll has increased from TZS 150 to TZS 250.
- Radioactive analysis fee which is charged at a rate of 0.2% of FOB for food crops exported to other countries with no requirement of Radioactive Analysis to be abolished.
- For the purpose of promoting diplomacy and good relation, VISA/pass fees for higher education institution students in Tanzania – Mozambique students exchange programme has been eliminated. In addition, introduction of new arrangement which permits retention of Visa fees paid and collected in Tanzania Zanzibar on the basis of collection jurisdiction. The proposed amendment is extended to other types of revenues; the rationale behind the proposed amendment is to accord the deviation principle and reduce the so called "Union challenges"
- Tourism promotion by reducing TALA license from USD 2,000 to USD 500. Through this tourism sector will be enhanced and government collection from the said sector will boost up.

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