TANZANIAN GOVERNMENT BUDGET FOR 2016/2017 FISCAL YEAR

KEY HIGHLIGHTS

'Industrial Growth for Job Creation'

1. OBJECTIVES OF THE 2016/2017 BUDGET

- To address challenges facing Tanzanians so as to bring new hope for better life to our people, especially to low income earners; *and*
- To transform the economy into real middle income status through sustaining macroeconomic stability and developing industries that will foster job creation particularly for the youths, and enhancing agricultural productivity in order to increase income for the majority who depend on this sector.

"The main emphasis of the 2016/17 Budget is to implement aspirations of the fifth phase Government in resolving challenges facing citizens. Moreover, the Government is determined to develop industries which are the basis for a sustainable economy towards attaining middle income status by 2025 hence improving the living standards of the majority"

"The Government budget for 2016/17 aims at improving the basic infrastructure for the provision of water, power and transportation for industrial development, as well as raising production of agricultural produce which are used as industrial raw materials. Efforts will be directed at reducing tax evasion and plugging loop holes for tax avoidance, to create new sources of revenue, and insist the use of Electronic Fiscal Devices (EFDs) in order to increase revenue collection and in the same spirit to control unnecessary expenditure. The Budget also focuses on creating conducive environment for business and investment so as to attract domestic and foreign investors in industrial and agricultural development"

2. ACHIEVEMENTS AND SHORTFALLS IN 2015/2016 GOVERNMENT BUDGET

- The Government aimed at raising TZS 22.49 trillion [from domestic and foreign sources]
- Out of TZS 22.49 trillion, TZS 13.99 trillion [62.2%] were estimates for domestic revenue collections
- Budget policies aimed at minimizing unproductive tax exemptions; increasing the use of electronic systems in revenue collection and widening tax base
- Bird's eye view of 2015/2016 domestic revenue collections achievements:

	Budgeted	**Actual**	**Achievement Rate**
Tax Revenue	TZS 12.36 trillion	TZS 10.17 trillion	82.28%
Non Tax Revenue	TZS 1.11 trillion	0.97 trillion	87.39%
Local Government Authorities Own Sources of Revenue Collections [For example – City Service Levy, Parking Fees, Property Taxes]	TZS 0.52 trillion	0.344 trillion	66.15%
TOTALS	**TZS 13.99 trillion**	**TZS 11.48 trillion**	**82.06%**

"The good performance of tax and non-tax revenue was championed by the leadership of the fifth phase Government in revenue collection and minimizing losses from tax, levies and various fees. However, LGAs own sources were below the target due to inefficiency revenue collection systems and low property tax collection compared to the available potential"

- The Government also expected to mobilize grants and concessional loans amounting to TZS 2.32 trillion from Development Partners. However, actual amount mobilized was TZS 1.51 trillion

- The Government also planned to borrow TZS 6.18 trillion [TZS 4.03 trillion from domestic sources and TZS 2.15 trillion from foreign sources] to finance development projects and rollover treasury bills and bonds

- However, as of April 2016 TZS 3.94 trillion was borrowed from domestic sources. With regards to foreign borrowings, the Government concluded financing arrangements with African Development Bank amounting to USD 674.3 million

- Unfavorable global market conditions led to the increase in borrowing costs and ultimately affected realization of external loans for the Government

- 2015 general elections were financed from domestic resources

- The Government financed free education program for primary and secondary schools

- In 2015/2016 fiscal year there was an increase in number of students accessing higher education loans from 99,069 in 2014/2015 fiscal year to 123,798 in 2015/2016 fiscal year

- The Government cleared material arrears owed to contractors, suppliers of goods and services, and Government employees

"Notwithstanding the aforementioned achievements, several challenges are still prevalent and these include; tax evasion involving collusion between businessmen and unethical tax collectors; low awareness of the new Value Added Tax Act of 2014; low compliance by businessmen in the use of EFDs coupled with citizens' culture of not demanding EFD receipts upon purchase of goods or services; complex environment in collecting tax from the informal sector; ghost workers and illegitimate students accessing higher education loans; and mismatch between revenue and expenditure arising from increased demand for improvement of infrastructure such as water, railway, ports, airport and roads"

- As of March, 2016 the national debt stock amounted to USD 20.94 billion compared to USD 19.69 billion recorded in June, 2015 which is equivalent to an increase of 6.34 percent

- Out of this amount, public debt was USD 17.93 billion and private external debt was USD 3.01 billion. In addition, the public debt increased by 6.01 percent compared to USD 16.92 billion in June, 2015

- This increase was mainly caused by Government borrowing to finance development projects

- Among the projects financed include: construction of roads and bridges, strategic cities development project, construction of 400 kV transmission line from Iringa to Shinyanga, the Dar es Salaam Bus Rapid Transport, Natural Gas Processing Plants and Pipeline, construction of Julius Nyerere International Airport terminal three and Upper Ruvu and Lower Ruvu Water Projects

"Despite the observed increase in national debt stock, the debt is still sustainable. This is supported by the Debt Sustainability Assessment conducted in September, 2015 which revealed that the national debt is sustainable in the medium and long term"

3. MACRO-ECONOMIC PROJECTIONS AND POLICY TARGETS FOR 2016/2017 BUDGET

1. Real Gross Domestic Product [GDP] is projected to grow by 7.2 percent in 2016 from real growth of 7.0 percent in 2015;

2. Containing inflation at single digit in the range of 5.0 to 8.0 percent in 2016;

3. Domestic revenue including Local Government Authority's own sources is projected at 14.8 percent of GDP in 2015/16 and maintain an upward trend to 16.9 percent of GDP in 2016/17;

4. Tax revenue is projected at 13.8 percent of GDP in 2016/17 from an estimate of 12.6 percent of GDP in 2015/16;

5. Total expenditure is estimated to increase from 23.2 percent of GDP in 2015/16 up to 27.0 percent of GDP in 2016/17;

6. Fiscal deficit is projected at 4.5 percent of GDP in 2016/17 from an estimate of 4.2 percent of GDP in 2015/16;

7. The ratio of current account deficit to GDP is projected at 7.9 percent in 2015/16 and narrow down to 7.5 percent in 2016/17; and

8. Maintain gross official reserves sufficient to cover at least 4.0 months of projected imports of goods and services by June 2017.

GDP = Gross Domestic Product = *the total value of goods produced and services provided in a country during one year.

<u>The above targets will be achieved under the following key assumptions:</u>

1. Continued peace, security, stability and tranquility in the country, regionally and globally;

2. Stability of oil prices in the world market;

3. Favorable weather conditions in the country and the region;

4. Sustaining macroeconomic stability and social economic gains including GDP growth, external trade, money supply, domestic revenue, expenditure and social services;

5. Pursuing prudent monetary and fiscal policies to ease inflation and reduce interest rate spread;

6. Stability in the global economy; and

7. Enhanced private sector participation in the economy particularly in industrial investment.

4. REVENUE COLLECTION POLICY FOR 2016/2017 FISCAL YEAR

The fifth phase Government is determined to increase and strengthen domestic revenue collection through several measures. In 2016/17 Government revenues are projected to increase and therefore reduce budgetary dependency. In achieving this, the revenue policies for 2016/17 will focus on the following areas:

1. Ensure effective use of electronic systems and devices in revenue collection so as to increase efficiency and minimize revenue losses;

2. Continue widening tax base including formalization of the informal sector;

3. Strengthening monitoring of revenue collection in Government institutions and agencies;

4. Continue with measures to control and reduce tax exemptions; and

5. Continue strengthening management and undertake frequent inspections at the ports, airports, and border posts to ensure appropriate tax collection.

"The Government will continue to control tax exemptions to religious institutions and investors to ensure they are productive and beneficial to the nation. In view of this, the Government will amend relevant legislations in order to address tax exemption abuses. These amendments will be incorporated in the Finance Bill 2016. **Among other things, the amendments will require beneficiaries to pay taxes and apply for refunds which will be reimbursed upon verification"**

With effect from 2016/17, administration and collection of non-tax revenue including property tax will be under the Tanzania Revenue Authority (TRA).

This decision is based on TRA's experience in revenue collection, existing tax collection systems and coverage across the country as well as lessons learned from other countries like Ethiopia and Rwanda.

Moreover, the Government will continue to enforce the use of electronic systems in non-tax revenue collection in order to enhance efficiency and control revenue losses.

The targeted non-tax revenue sources include: levies, fees and fines such as court and traffic fines, entrance fees to national reserves and sports grounds as well as permits for natural resources harvests.

5. EXPENDITURE POLICY FOR 2016/2017 FISCAL YEAR

The Government will prudently manage the use of public funds in line with existing legislations and other directives.

The aim is to control expenditure, leakages and misappropriation of public funds with a view to direct savings to development projects.

In addressing these issues, the Government will take the following actions:

1. To match monthly expenditure with actual revenue collected to avoid accumulation of arrears. All Accounting Officers are required to adhere to accounting instructions issued including entering into commitments only after receiving exchequer;

2. To ensure that payments to contractors and suppliers are supported by Local Purchased Orders-LPOs generated from the IFMS;

3. To table before the Parliament amendments of the Public Procurement Act 2011. The amendments aim at fixing loopholes leading to misappropriation of public funds and ensure value for money in public procurement;

4. To control expenditures in public institutions, regularly monitor operational costs and take appropriate actions;

5. To ensure that all Local Government Authorities are connected to the Tanzania Inter-Bank Settlement System (TISS);

6. To ensure that public institutions operating commercially, do not depend on Government subventions; and

7. To strengthen management of public funds including monitoring and evaluation of development projects.

6. PRIORITY AREAS:

- Evaluate privatized industries and put in place strategies to revamp them – textiles, livestock products, agro-processing, rubber products, cashew nuts, tobacco, sugar cane, tea and paddy. Appropriate action will be taken against those who do not comply with privatization agreements.

- Improvement of infrastructures related to power, water, roads, ports and railways.

- The Government intends to address unnecessary bureaucracy and expedite decision making, propose tax incentives, facilitate availability of credit through TIB Development Bank and other financial institutions in order to attract investors and private sector.

- The Government through Embassies, High Commissions and Diaspora will strengthen economic diplomacy in order to attract more investors from both developed and emerging economies including China, India, South Korea, South Africa and Brazil.

- The Government has planned for establishment of Corruption and Economic Crimes Court.

- More resources allocated to Prevention and Combating of Corruption Bureau, and Controller and Auditor General for their oversight and watch dog roles.

"The Government will strengthen control measures against loss of revenues by conducting spot follow ups in all business areas, ports, airports, border posts and illegal entry points. The Government will continue to build capacity of public servants to enable them to carry out specialized audits in natural resources including minerals, land, oil and gas. Further, emphasis will be given on the use of electronic systems in collection of tax and non tax revenues as well as enforcing measures to control tax exemptions"

- The Government commends businessmen who have been complying with the Tax Administration Act, which requires them to use EFDs with exception of those exempted by the Commissioner for Income Tax.

- **However, there are some few unscrupulous businessmen who do not comply with the requirement of the law on the use of EFDs. These businessmen are urged to start using EFDs with immediate effect or else legal actions will be taken against them, this will include forfeiting their business licenses and also banning them from carrying out business within the country for a period of not less than two years.**

- Moreover, on the side of the Government, in order to have better management of public finances and ensure that they are spent as intended, by virtue of powers vested upon me by the Public Finances Act, CAP 348 and its Regulations, all payments must be accompanied by tax receipts generated by the EFDs.

- **In view of this, with effect from 1st July, 2016 it is prohibited for Ministries, Independent Departments, Agencies, Local Government Authorities and Public institutions to do business with Suppliers, Service Providers and other businessmen who are not using EFDs.**

- Furthermore, all payments which will be made without receipts generated by EFDs must be accompanied with evidence showing that the said businessmen have been exempted by the Commissioner General from using EFDs.

- The Government emphasis is to transform and strengthen agriculture, livestock and fisheries sector so as to ensure value addition, promote industrialization as well as commercialization. However, the sector is facing a number of challenges including: nuisance levies and fees; shortage of farm implements and inputs; reliable market; and inadequate extension services. The Government intends to minimize or abolish nuisance taxes affecting the sector. In an effort to empower small scale farmers, the Government will continue to strengthen the Tanzania Agriculture Development Bank (TADB) in order to provide affordable loans to transform the current subsistence agriculture into commercial farming.

- The Government will continue to address challenges in the land sector including disputes between farmers and pastoralists, villages and national reserves, investors and residents, non compliance with land laws, and failure to develop farms and plots.

- In addition, a three years program to address land ownership issues including establishing an effective land registry has been designed.

- The Government will continue to address concerns and challenges arising from dilapidated infrastructure of railway, roads, ports and airports. In 2016/17, the Government has budgeted TZS 5.47 trillion equivalent to 25.4 percent of the total budget excluding public debt service for infrastructure projects

- The Government has budgeted a total of TZS 1.13 trillion equivalent to 5.3 percent of the total budget excluding public debt services to ensure availability of reliable power supply for industrial and domestic uses. Among the projects to be implemented include rural electrification and completion of other ongoing projects such as Kinyerezi I (installation of additional 185MW plant) and Kinyerezi II gas fired electricity generation plants. The Government will ensure that Tanzania Electricity Supply Company (TANESCO) is financially independent and it is competitive in power generation by using affordable sources so as to minimize costs to consumers.

- A total of TZS 4.77 trillion has been budgeted for the education sector equivalent to 22.1 percent of the total budget excluding public debt service. The allocation has been made to address among others: free basic education; operational costs for schools including capitation, food, purchase of books and examinations expenses; higher education students' loans; construction and rehabilitation of infrastructures at all levels.

- In recognizing the importance of quality health services to the people, the Government has budgeted TZS 1.99 trillion equivalent to 9.2 percent of the total budget excluding public debt service. The areas allocated funds among others include: TZS 180.5 billion for purchase of medicines, medical equipment and reagents; TZS 71.0 billion for settlement of the outstanding Medical Stores Department debt; and improvement of health services' infrastructure at all levels.

- In order to increase accessibility to clean and safe water for industrial and domestic use, the Government has budgeted TZS 1.02 trillion equivalent to 4.8 percent of the total budget excluding public debt service, for construction and rehabilitation of water infrastructure for both rural and urban areas; settlement of the contractors' outstanding claims and implementation of the Water Fund Program.

- The 2016/17 Budget intends to improve the business environment including investment in railways, roads, ports and water infrastructures; and increase availability of reliable power supply to attract private sector investment in the country. Further, the Government will continue to review various taxes, levies and fees in order to reduce or remove those nuisance ones. The Government will continue to improve investment environment in the country in order to attract private sector to invest in our industries and other sectors. To facilitate this, the Government will improve services relate to accessibility of loans to private sector; enhance the capital market; strengthening coordination of public private partnership – PPP; improve doing business environment through various incentive packages and removal of red tape measures.

7. REFORMS OF THE TAX STRUCTURE

The proposed measures are addressed through the following laws:

(a) The Value Added Tax, CAP 148;

(b) The Excise (Management and Tariff) Act, CAP 147;

(c) The Income Tax Act, CAP 332;

(d) The Vocational Education and Training Act, CAP 82;

(e) The Motor Vehicles (Tax on Registration and Transfer) Tax Act, CAP 124;

(f) The Tanzania Revenue Authority Act, CAP 399 (*in conjunction with, The Urban Authorities (Rating) Act 289, The Local Government Finance Act, CAP 290; The Tax Administration Act, 2015; and The Tax Appeals Act, CAP 408*);

(g) The Treasury Registrar (Powers and Functions) Act, CAP 370;

(h) The East African Community Customs Management Act, 2004;

(i) Minor amendments in tax laws and other laws;

(j) Amendment of fees and levies imposed by Ministries, Regions and Independent Departments.

(A) <u>THE VALUE ADDED TAX, CAP 148</u>

- To exempt VAT on Raw Soya Beans
- To exempt VAT on all unprocessed vegetables and unprocessed edible animal products. This measure is intended to provide exemption to all unprocessed foodstuff and ensure availability of basic nutritional necessities at affordable prices.
- To include vitamins and food supplements (micronutrient compound) in the list of exempted items which have been approved by the Minister for Health, Community Development, Gender, Elderly and Children
- To include water treatment chemicals in the list of exempted items which have been approved by the Minister responsible for Health
- To impose VAT on tourism services including supplies of tourist guiding, game driving, water safaris, animal or bird watching, park fees and ground transport services.
- The goods manufactured in Mainland Tanzania and sold to Zanzibar will attract VAT in Zanzibar while those goods manufactured in Zanzibar and sold to Mainland Tanzania will attract VAT in Mainland Tanzania.
- Make corrections in the exemption list of petroleum products provided under item number 15 in the Exemption Schedule of the VAT Act, Cap 148 in order to include bitumen products under HS Code 27.13, 27.14 and 27.15
- To provide for VAT exemption on Aviation insurance.
- To introduce VAT on fee based financial services. The measure is intended to widen the tax base and increase Government revenue. However, this measure will not apply on interest paid on loans.

<u>Administrative measures recommended to be implemented for VAT purposes:</u>

- To effectively keep and up-date taxpayer register and maintain accurate taxpayers records and information;
- To ensure that all active VAT registered taxpayers are provided with Electronic Fiscal Devices (EFDs) and are effectively using them in business transactions;
- To enhance audits of taxpayer's business records and develop a comprehensive compliance programme to ensure the attainment of the revenue target collection;
- To establish EFD Units in Dar es Salaam Tax Regions and all new taxpayer's service centers in order to improve compliance rate and hence improve VAT collection.
- To review the Tanzania Investment Act to be consistent with the Value Added Tax Act with a view to effectively control and reduce exemptions which are not productive.

(B) THE EXCISE DUTY [MANAGEMENT AND TARIFF] ACT, CAP 147

To adjust Excise Duty rates as follows:

- Excise duty on soft drinks from TZS 55 per litre to TZS 58 per litre;
- Excise duty on locally produced fruit juices from TZS 10 per litre to TZS 11 per litre;
- Excise duty on imported fruit juices from TZS 200 per litre to TZS 210 per litre;
- Excise duty on beers made from local un-malted cereals e.g. Kibuku, from TZS 409 per litre to TZS 430 per litre;
- Excise duty on Other beers from TZS 694 per litre to TZS 729 per litre;
- Other Non-alcoholic beer (including energy drinks and non-alcoholic beverages), from TZS 508 per litre to TZS 534 per litre;
- Excise duty on Wine produced with domestic grapes content exceeding 75 percent, from TZS 192 per litre to TZS 202 per litre;
- Excise duty on Wine produced with more than 25 percent imported grapes from TZS 2,130 per litre to TZS 2,237 per litre;
- Excise duty on Spirits from TZS 3,157 per litre to TZS 3,315 per litre;
- Excise duty on bottled water will not be affected by these adjustments;
- Cigarettes without filter tip and containing domestic tobacco more than 75 percent from TZS 11,289 to TZS 11,854 per thousand cigarettes;
- Cigarettes with filter tip and containing domestic tobacco more than 75 percent from TZS 26,689 to TZS 28,024 per thousand cigarettes;
- Other cigarettes not mentioned in (k) and (l) from TZS 48,285 to TZS 50,700 per thousand cigarettes;
- Cut rag or cut filler from TZS 24,388 per kilogram to TZS 25,608 per kilogram;
- The excise duty rate on “cigar” remains at 30 per cent;
- The excise duty rate on lubricating oils from TZS 665.50 per litre to TZS 699 per litre;
- The excise duty rate on lubricating greases from cent 75 per kilo to cent 79 per kilo
- The excise duty rate on Natural Gas from cent 43 per cubic feet to cent 45 per cubic feet.

To increase excise duty rate of imported furniture from 15 percent to 20 percent under HS Code 94.01 and HS Code 94.03. This measure is intended to promote local production of furniture using locally available timber. It will also increase Government revenue, promote employment, and assimilate technology.

Due to the difficulties experienced in the management and protection of environment against the usage of plastic bags, the Government has decided to abolish the manufacturing, selling, buying and use of plastic bags of less than 50 microns.

To extend the excise duty of 10 percent on charges or fees payable by a person to a telecommunication service provider in respect of money transfers to cover all commission received in the provision of mobile money services. Under the current arrangement, the main component of fees received by any telecommunication service provider in the money-transfer-related service is outside the tax net; as it is contained in money withdraw service.

(C) THE INCOME TAX ACT, CAP 332

To remove the income tax exemptions on the final gratuity to members of parliament in order to promote equity and fairness in taxation to all individuals

To remove exemption on non-investment assets (shares), hence increase the tax base as the same item which enjoys a reduced rate of 5 percent on dividend. This will be done by deleting paragraph (d) under section 3 in the definition of "investment asset" on shares or securities listed in the Dar es Salaam Stock Exchange that are owned by a resident person or a non resident person who either alone or with other associate controls less than 25 percent of the controlling shares of the issuer Company

To reduce the minimum PAYE rate from 11 percent to 9 percent.

The proposed PAYE rates for the fiscal year 2016/2017 are as follows:

Class	Monthly Income Threshold	Tax Rate
1	TZS 1 to TZS 170,000/=	NIL
2	TZS 170,001/= to TZS 360,000/=	9% of the amount in excess of TZS 170,000/=
3	TZS 360,001 to TZS 540,000/=	TZS 17,100 + 20% of the amount in excess of TZS 360,000/=
4	TZS 540,001 to TZS 720,000/=	TZS 53,100/= + 25% of the amount in excess of TZS 540,000/=
5	From 720,001/= onwards	TZS 98,100/= + 30% of the amount in excess of TZS 720,000/=

To impose withholding tax on payments made to approved retirement funds arising from investment incomes to be in line with the taxation principles of fairness and equity. This measure will enable the companies to impose withholding tax on payments made to the fund relating to leasing and lending;

To grant the Commissioner General of TRA powers to determine rental income based on the minimum market value to charge withholding tax on rental income.

Administrative measures recommended to be implemented for Income Tax purposes:

Developing a comprehensive compliance program to enhance revenue collection

Establishing various Units in Dar es Salaam Tax Regions as well as new taxpayer's service centers in order to register more new eligible taxpayers

(D) THE VOCATIONAL EDUCATION AND TRAINING ACT, CAP 82

To amend the Vocational Education and Training Act, Cap. 82 by reducing the Skills and Development Levy from 5% to 4.5% in order to provide employers with relief from the tax burden and enhance compliance for more revenue

(E) THE MOTOR VEHICLES [TAX ON REGISTRATION AND TRANSFER] ACT, CAP 124

Adjust Motor Vehicle Registration fee upwards from the current rate of TZS 150,000 to TZS 250,000 per motor vehicles and from TZS 45,000 to TZS 95,000 per motor cycle and tricycles;

To increase the Personalized Registration Number fee from TZS 5,000,000 to TZS 10,000,000 for every three years to reflect the true value of money.

(F) The Tanzania Revenue Authority Act, CAP 399 (*in conjunction with, The Urban Authorities (Rating) Act 289, The Local Government Finance Act, CAP 290; The Tax Administration Act, 2015; and The Tax Appeals Act, CAP 408*

The aim of this amendment is to facilitate transfer of mandate to collect property tax from Local Government Authorities to the Tanzania Revenue Authority. Furthermore, the amendment is intended to facilitate the following undertakings:

a. To enable Tanzania Revenue Authority to estimate tax and make valuation of the properties;

b. Tanzania Revenue Authority to collect property tax under its laid down procedures by using the relevant tax laws;

c. To institute proper procedures for remittance of property tax collected by Tanzania Revenue Authority in the respective local Governments;

d. To set procedure for dispute resolution arising from collection of property tax by using prevailing tax laws; and,

e. To review property tax exemptions to ensure that more properties are brought into the tax structure.

(G) THE TREASURY REGISTRAR [POWERS AND FUNCTIONS] ACT, CAP 370

To amend the Treasury Registrar (Powers and Functions) Act, Cap 370 to require all Agencies and Regulatory Authorities under the Treasury Registrar to remit 15 percent of their gross income to the consolidated fund. The institutions will be gazetted in the Government Notice.

To remove Arusha International Conference Centre (AICC) from the list of the public institutions that contribute 15 percent and instead, it will be required to provide dividends due from business operations.

(H) THE EAST AFRICAN COMMUNITY CUSTOMS MANAGEMENT ACT, 2004

Tanzania to increase import duty rate on cement from the current rate of 25 percent to 35 percent which is classified under HS Code 2523.29.00 for one year. The proposed measure is aimed at encouraging and protecting local production of cement in the country against stiff competition from imported cement in the country;

Increase the CET rate on flat rolled products of iron or non-alloy steel from 0 percent to 10 percent under the following HS Codes: (HS Code 7208.54.00; HS Code 7208.90.00; HS Code 7208.52.00; and, HS Code 7208.53.00). This measure is intended to protect local production of the product and will increase Government revenue. The study conducted in the region revealed a substantial production to cater for demand. However, there has been unfair competition from inferior and subsidized products imported from outside the country;

Increase the import duty rate on Bars and rods of iron and steel from 10 percent to 25 percent on the following HS Codes: `HS Code 7213.10.00; HS Code 7213.20.00; HS Code 7213.99.00; HS Code 7227.10.00; HS Code 7227.20.00; HS Code 7227.90.00; HS Code 7308.20.00; HS Code 7308.40.00; and HS Code 9406.00.90. This measure is intended to protect domestic production of iron and steel against cheap and inferior iron products imported from outside the country;

Grant stay of application of CET rate of 25 percent on iron and steel products which are used in construction of bridges and bridge sections, classified under HS Code 7308.10.00 and instead apply duty rate of 0 percent for one year;

Grant the stay of application of CET rate of 25 percent on "automotive bolts and nuts" classified under HS Code 7318.15.00 and apply duty rate of 10 percent for one year. The rationale for reducing the CET rate is that manufactures of these products use high tensile bars which are not manufactured in the region;

Grant duty remission to manufacturers of "bolts and nuts" classified under HS Code 7228.30.00 and 7228.50.00 by charging a duty rate of 0 percent instead of 10 percent. This measure will enable manufacturers to obtain raw materials at reasonable price since they are not manufactured in the region;

Increase the import duty rate from 10 percent to 25 percent on made up fishing nets of HS Code 5608.11.00. This proposal is taken because Fishing nets are manufactured locally and are therefore readily available in the region;

Increase the import duty rate from 10 percent to 25 percent on "oil and petrol filters" of HS Code 8421.23.00, and intake air filters of HS Code 8421.31.00. The measure is intended to protect production by local producers against cheap or subsidized imported products;

Grant duty remission of 0 percent to local manufacturers of motor vehicle "air filters". The type of raw material for manufacturing air filters will be gazetted in the East African Community Gazette;

Grant import duty remission of 0 percent on splints which are raw materials used in the manufacture of matches under Hs Code 4421.90.00. This measure takes into account that there is lack of adequate matured forests which can produce splints for production of matches in the region;

Reduce progressively import duty remission levels on sugar and sugar confectionery from the current rate of 10 percent. Reduction of import duty rate will be as follows: 2016/17 the rate will be 15 percent; 2017/18 the rate will be 20 percent, and 2018/19 the rate will be 25 percent. The current duty rate of 10 percent undermines local production and promotes importation of the product and abuse in the usage of the product;

Increase the CET rate on Aluminum milk cans under HS Code 7612.90.90 from 10 percent to 25 percent. Aluminum cans are finished products and therefore attract import duty at 25 percent. The measure is aimed at protecting local manufacturers who have sufficient capacity to manufacture these products in the region;

Grant duty remission to manufacturers of "Aluminum cans" on raw materials classified under HS Codes 7606.12.00 and HS Codes 7606.92.00 by charging a duty rate of 0 percent. This measure is aimed at encouraging production of "Aluminum cans" in the region;

Grant stay of application of EAC CET rate of 35 percent on Wheat (Wheat grain) under HS Code 1001.99.10 and HS Code 1001.99.90 and instead apply duty rate of 10 percent for one year. The stay of application is being done due to lack of capacity in the region to produce wheat to satisfy the demand;

Increase the specific duty rate on worn clothes and shoes from 0.2 USD/Kg to 0.4 USD/kg. The measure is intended to gradually phase-out importation of used clothes and footwear in the region. Moreover, the EAC Partner States have agreed to strategically focus on promotion of textile and shoe making industries to cater the demand in the Region. The Ministry of Industries, Trade and Investment of the United Republic of Tanzania has already prepared such a strategy;

Continue application of import duty rate of 25 percent or charge specific duty rate of USD 200 per metric tons, whichever is higher, for one year on Flat-rolled products of iron or non-alloy steel under HS Codes: HS Codes 7210.41.00; HS Codes 7210.49.00; HS Codes 7210.61.00; HS Codes 7210.69.00; HS Codes 7210.70.00; HS Codes 7210.90.00; HS Codes 7212.30.00; and HS Codes 7212.40.00. The measure is aimed at protecting domestic industries against importation of inferior products from outside the region. The Study that was done by the EAC Partner States indicates that there has been an excessive production and supply of the product in the world market which led to the fall in prices, hence an influx of these products into the region. In this case, there is a need to protect iron and steel production in the region;

Continue application of import duty rate of 25 percent or charge specific duty rate of USD 200 per metric tons, whichever is higher, for one year on Flat-rolled products of bars, rods, sections, angles, shapes, and related products under HS Codes: HS Codes 7214.10.00; HS Codes 7214.20.00; HS Codes 7214.30.00; HS Codes 7214.91.00; and HS Codes 7214.99.00. The antidumping measure on imports of this nature will protect our domestic industries against importation of inferior products from outside the region;

Continue application of CET rate of 25 percent or charge specific duty rate of USD 200 per metric tons whichever is higher for one year on steel reinforcement bars, angles, sections under HS Codes: 7216.10.00; HS Codes 7216.21.00; HS Codes 7216.22.00; and HS Codes 7216.50.00. The antidumping measure on imports of this nature will protect our domestic industries against importation of inferior and cheap products from outside the region;

Grant stay of application of CET rate under HS Code 1511.10.00 to manufacturers of crude edible oil and apply 10 percent instead of 0 percent for one year. This measure is aimed at promotion of local production of oil seeds and growth of edible oil industries. The Ministry of Industry, Trade and Investment has also prepared a strategy to achieve the same objective;

Increase Import Duty rate from 10 percent to 25 percent for one year on paper products falling under the following HS Codes: HS Codes 4804.11.00; HS Codes 4804.19.10; HS Codes 4804.19.90; HS Codes 4804.21.00; HS Codes 4804.29.00; HS Codes 4804.31.00; HS Codes 4804.39.00; HS Codes 4804.41.00; HS Codes 4805.59.00; HS Codes 4805.11.00; HS Codes 4805.12.00; HS Codes 4805.19.00; HS Codes 4805.24.00; HS Codes 4805.25.00; HS Codes 4805.30.00; HS Codes 4805.91.00, and HS Codes 4805.92.00;

Continue applying CET rate of 25 percent or charge specific duty rate of USD 200 per metric tons whichever is higher on bars and rods of iron or steel for one year on the following HS Codes: HS Codes 7228.10.00; HS Codes 7228.20.00; HS Codes 7228.30.00; HS Codes 7228.40.00; HS Codes 7228.50.00; HS Codes 7228.60.00; HS Codes 7228.70.00; HS Codes 7228.80.00. The aim of this measure is to protect domestic production in the region against unfair competition from imported products;

To apply CET rate of 25 percent or specific duty rate of USD 200 per metric tons whichever is higher on products of iron and steel for one year on the following HS Codes: HS Codes 7212.40.00; HS Codes 7215.10.00; HS Codes 7215.50.00; HS Codes 7215.90.00; HS Codes 7216.61.00; HS Codes 7216.69.00; HS Codes 7216.91.00; HS Codes 7216.99.00

Amend the 5th Schedule to EAC-CMA to include Refrigeration equipment for human dead bodies under HS Code 8418.69.90 for use in Hospitals, city councils or funeral homes;

Amend the 5th Schedule to EAC-CMA (Chapters 84 and 69) to include incinerator's equipments and materials used in hospitals to burn waste.

Amend the 5th Schedule to the EAC-CMA to remove import duty exemption on uniforms for hospital staff. The uniforms are not specialized products and can be acquired locally and therefore they should attract CET rate.

Grant duty remission to the manufacturers of Inputs for the manufacture of deep cycle batteries. This measure is intended to boost local industries since the imported deep cycle batteries are exempt under the 5th Schedule. This move will facilitate industries to set up shops in the region.

Amend the 5th Schedule to the EAC-CMA to include blood collection tubes. This measure is in line with the products catered for under item 13 part B, for hygienic bags.

Grant duty remission for inputs or raw materials for use in the manufacture of solar equipments

(I) AMENDMENT OF VARIOUS FEES AND LEVIES IMPOSED BY MINISTRIES, REGIONS AND INDEPENDENT DEPARTMENTS

Tanzania Food and Drugs Authority (TFDA)

(a) Export Permit for food – TZS. 50,000;
(b) Retention fees for Human and Veterinary medicines from domestic manufacturers – TZS. 100,000;
(c) Duplicate Certificate for Human and Veterinary medicines from domestic manufacturers – USD 50;
(d) Duplicate Certificate for Human and Veterinary medicines from foreign manufacturers – USD 100;
(e) Evaluation of product promotional materials – Domestic – USD 50;
(f) Abbreviated Advert – Domestic – USD 25;
(g) Duplicate certificate for foreign food, medicines medical devices – USD 100;
(h) Duplicate certificate for foreign Medical devices domestic – USD 30;
(i) Duplicate certificate for Medicines Domestic – USD 50;
(j) Retention fees for imported In Vitro Diagnostics (IVD) – USD 150;
(k) Retention fee for domestic manufactured cosmetic manufactured cosmetics – TZS. 30,000;
(l) Pre-registration GMP inspection fees for domestic pharmaceutical manufacturing sites – USD 250;
(m) Medical representative foreign per company – USD 1,000;
(n) 1% FOB value for cosmetics raw materials;
(o) 0.5% FOB for importation of pharmaceutical raw materials;
(p) Hospital permits for Psychotropic and Narcotics – TZS. 10,000;
(q) Import permit for Psychotropic and Narcotics – TZS. 50,000;
(r) Export certificates for pharmaceuticals – TZS. 50,000;
(s) Certificate of Pharmaceutical Product – TZS. 50,000;
(t) Inspection of new food processing facilities – small – TZS. 100,000;
(u) Disposal certificates;
(v) Health certificates – TZS. 50,000; and
(w) Trade fair fees – TZS. 200,000.

Cotton Board

(a) Uhuru torches contribution – TZS. 450,000; and
(b) Fee for District Council to deliberate on cotton buyers – TZS. 250,000;

Tea Board

Fire and rescue levy – TZS. 800,000.

Coffee Board

Cherry Processing License – USD 250

Cashewnut Board

(a) Cooperative Union levy – TZS. 20/- per kg;
(b) Transportation Fee – TZS. 50/- per kg;
(c) Task Force on Various Issues – TZS. 10/- per kg;
(d) Storekeeper costs – TZS. 10/- per kg.

(J) **TAXES AND LEVIES IMPOSED ON PETROLEUM PRODUCTS**

The Government has decided to maintain the current levels of taxes and levies on fuel so that we maintain price stability and provide economic stability.

(K) **TAX EXEMPTIONS GRANTED TO THE ARMED FORCES**

It has been proposed to abolish exemptions to the armed forces and instead, provide allowances as an alternative and suitable way to deliver the goods to them. The allowance will enable the armed forces to procure their own requirements according to their preferences. The intention is to make sure that they all benefit from the allowances given and avoid loss of Government revenues through duty free shops.

8. FACE OF THE 2016/2017 GOVERNMENT BUDGET

	TZS Million
Revenue 2016/2017	
A. Government Domestic Revenue	17,798,118
(i)Tax Revenue (TRA)	*15,105,100*
(ii) Non Tax Revenue	*2,693,018*
B. LGAs own source	665,415
C. External Loans and Grants	3,600,807
(i) General Budget support	*483,002*
(ii)Projects Loans and Grants	*2,745,659*
(iii)Basket Loans and Grants	*372,147*
D. Domestic & External Non Concessional Borrowing	7,475,264
(i)External Non Concessional Borrowing	*2,100,995*
(ii)Domestic Non Concessional Borrowing (1.5 of GDP)	*1,597,157*
(iii) Domestic Non Concessional Borrowing (Rollover)	*3,777,112*
TOTAL REVENUE (A+B+C+D)	**29,539,603**
Expenditure 2016/2017	
E. Recurrent Expenditure	17,719,100
o/w (i) National Debt Service	8,000,000
- Domestic Interest	1,089,150
- Domestic Amortization (Rollover)	3,777,112
- External Interest and Amortization	1,586,640
- Government Contribution to Pension Funds	1,141,144
- Other Expenditure under CFS	405,954
(ii) Wages and Salaries	6,600,000
(iii)Other Charges	3,119,100
- Protected expenditure	2,492,934
- LGAs expenditure	266,166
- MDAs operational costs	360,000
F. Development Expenditure	11,820,503
(i) Domestic Financing	8,702,697
o/w LGAs Expenditure	399,249
(ii)Foreign Financing	3,117,805
TOTAL EXPENDITURE (E+F)	**29,539,603**
BUDGET DEFICIT	**4.5% of GDP**

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The new revenue measures shall become effective on 1st July, 2016.

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2014 ACQUISITION INTERNATIONAL TAX AWARDS

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