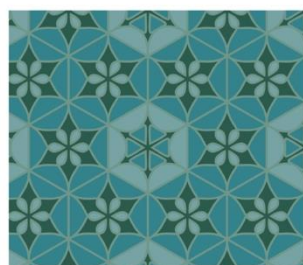




TANZANIA BUDGET SPEECH 2018/2019

*Theme: "To build an industrial economy
that will stimulate employment and
sustainable social welfare"*





Introduction

- This is the 3rd national budget of the 5th phase government



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Political Insight

10 important things accomplished by the 5th phase government:

1. *Relocating central government headquarters to Dodoma*
2. *Construction of wall around Tanzanite mines in Mirerani*
3. *Enactment of new mining laws and regulations*
4. *Fee-free basic education and increased allocation of government funds to procurement of medicines, medical equipment and reagents*
5. *Purchase of new aircrafts for government owned air carrier – Air Tanzania*
6. *Strict control of government spending, removal of ghost workers and termination of government officers with fake certificates and credentials*
7. *Commencement of construction of central railway line from Dar es Salaam to Morogoro and from Morogoro to Dodoma*
8. *Implementation of hydroelectric power plant project at Rufiji river*
9. *Management of domestic revenue with the aim of reducing dependency on foreign aid and curb tax evasion*
10. *Hastening of rural electrification and stopping of independent power producers*



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Key challenges facing us/Tanzania

- *High poverty levels*
- *Limited employment opportunities*
- *Slow growth of the agricultural sector of our economy*
- *High demand for social services – water, health, electricity, transportation and education*
- *Narrow tax base*



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Objectives of Fiscal Policies for 2018/2019

- Attain real GDP growth of 7.2% in 2018/2019 (growth achieved in 2017/2018: 7.1%)
- Containment of inflation at single digit
- Increase percentage of domestic revenue to 15.8% of GDP (2017/2018 achieved rate: 15.3%; 2016/2017 achieved rate: 15.6%)
- Increase percentage of tax revenue to 13.6% of GDP in 2018/2019
- Increase total government spending to 24.5% of GDP



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Policy and strategic measures to implement in 2018/2019

- Widening of tax base and proper enforcement of tax laws and regulations
- Formalization of the informal sector
- Improvement of the investment environment
- Creation of conducive environment for business and investment – improvement of supportive infrastructure, tax incentives, policy changes and structured legal framework



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Key challenges facing business in Tanzania as acknowledged by government

- 1) Conflicting laws, regulations and procedures
- 2) High start up and operating business costs due to multiple taxes, fees and levies coupled with complex, repetitive and unproductive process
- 3) Overlapping of work of regulatory authorities in approving, licensing, granting permits and certificates for business and investment



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Directives issued by Minister of Finance during the budget speech

- TRA should take effective measures to enhance relationship with taxpayers to clear all misconceptions
- Strengthen review and audit of entities owned by the government to ensure positive returns on investments
- Local government authorities should focus on projects that generate revenues – industries, markets, modern abattoirs, bus stands, heavy trucks parking lots at the border and warehousing facilities.



Priority Areas for 2018/2019

- **Agriculture:** improving irrigation infrastructure, warehouses and markets, strengthening supply of agricultural inputs and implement, improving extension services, improving researches and dissemination of findings to the people and development of livestock and fisheries sub sectors.
- **Industries:** implementation of a *Blueprint for Regulatory Reform to Improve Business Environment for Tanzania* in order to attract private sector investments particularly in **textiles, leather and meat, fish, edible oil, medicines and medical equipment, food and animal feeds and in mining sector.**
- **Social services:** water, health, education, quality food and specially-abled people
- Ease of land acquisition and ownership; to improve communication services; finance and tourism and to improve defense and security, good governance and justice.



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Priority Areas for 2018/2019 (cont.)

- Construction and rehabilitation of **supportive infrastructure** especially increasing electricity generation from different sources; to continue with the construction of new central line railway of the standard gauge; construction of roads connecting regions and rural roads; to improve air and marine transport



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REFORMS OF THE TAX STRUCTURE

- 1) The Value Added Tax Act, CAP 148;
- 2) The Income Tax Act, CAP 332;
- 3) The Excise (Management and Tariff) Act, CAP 147;
- 4) The Local Government Finance Act, CAP 290;
- 5) The Tax Administration Act, CAP 438;
- 6) The Local Government Finance Act, CAP 290; The Public Finance Act, CAP 348; and The Bank of Tanzania Act, CAP 197;
- 7) The East African Community Customs Management Act, 2004;
- 8) The Laws Governing the Operation of Crop Boards;
- 9) The Gaming Act, CAP 41;
- 10) Minor amendments in tax laws and other laws; and
- 11) Amendment of various fees and levies imposed by Ministries, Regions and Independent Departments.



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The Value Added Tax Act, CAP 148

- To exempt Value Added Tax on packaging materials produced specifically for use by the local manufacturers of pharmaceutical products. The packaging materials must be printed or labeled with the name of the local pharmaceutical company in order to control abuse.
- To exempt Value Added Tax on imported animal and poultry feeds additives.
- To confer powers to the Minister responsible for Finance to provide VAT exemption on Government projects funded by non-concessional loans.
- To confer powers to the Minister responsible for Finance to provide VAT exemption when there is an agreement signed between the Government and a Financial Institution or Bank that is representing another Government and has been given powers of Attorney by the said Government to execute the Agreement.
- To exempt VAT on Sanitary Pads (HS Code 9619.00.10)



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The Income Tax Act, CAP 332

- To reduce the Corporate Income Tax rate from 30% to 20% for new investors in the **Pharmaceutical** and **Leather industries** for five years starting from year 2018/19 up to 2022/23
- To confer powers to the Minister responsible for Finance to provide income tax exemption on Government projects funded by non-concessional loans.
- To provide Withholding tax exemption on interest on Government Loans provided through Banks and Financial Institutions to finance Government projects.



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The Excise (Management and Tariff) Act, CAP 147

- To **retain** the current excise duty rates imposed on **locally produced non-petroleum products** and **increase** the excise duty rates for **imported non-petroleum products**
 - Imported water with or without added sugars/flavours
 - Imported fruit juices
 - Imported beers
 - Imported spirits
 - Imported cigarettes
 - Imported non alcoholic beers including energy drinks and non-alcoholic beverages
- To introduce excise duty of Tshs. 200/litre on wine produced with domestic fruits other than grapes (with contents of at least 75%)
- Excise Duty on wine produced with more than 25 percent imported grapes will increase from Tshs. 2,349/litre to Tshs. 2,466/litre



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The Excise (Management and Tariff) Act, CAP 147 (cont.)

- Excise Duty on cut rag or cut filler will increase from Tshs. 26,888/kg to Tshs. 28,232.4/kg
- Introduction of Electronic Tax Stamp to replace the Paper Tax Stamp starting from 1st September 2018 with a view to obtain better data on production and curb tax revenue leakages.



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The Local Government Finance Act, CAP 290.

- To confer powers to the Minister responsible for local Government to direct the Local Authorities to set aside 10 percent of all monies collected from their own source of revenue for the purpose of funding registered Women and Youths groups within their jurisdiction.
- Introduce exemption on Produce Cess for the companies and institutions which pays Service Levy. This is aimed to only benefit Companies and Institutions which produce agricultural crops and process them for value addition.



The Tax Administration Act, CAP 438

❖ **Tax interest and penalty amnesty:**

- The minister for finance proposes to open a 100% percent amnesty on interest and penalties window for a period of six months starting from 1st July 2018 up to 31st December 2018.
- According to the government, this measure is expected to improve tax compliance by 10% and enable the Government to collect the outstanding principal amount.
- Furthermore, the government believes that this specific amnesty will increase Government revenue by **Tshs. 500 billion**.

✓ **Key issues relating to this amnesty:**

- How will TRA treat tax audits taking place during these 6 months window? Will all such tax assessments arising out of tax audits not have tax interest and penalty elements?
- It is obvious to assume that this amnesty shall not cover tax assessments currently in issue but not settled
- Is the 6 months window suffice?



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The East African Community Customs Management Act, 2004

- Continue to grant duty remission and apply an import duty of 10 percent instead of 35 percent on wheat grain falling under HS Code 1001.99.10 and 1001.99.90 for one year.
- Continue to grant stay of application of EAC-CET on Electronic Fiscal Devices (EFD's) used to collect Government revenues (HS Code 8470.50.00) and apply duty rate of 0 percent instead of 10 percent for one year. This initiative will further reduce prices of new EFD machines being imported into the country.
- Grant duty remission on papers used to manufacture exercise books and text books and apply a duty rate of 15 percent instead of 25 percent. This involves papers falling under Hs Codes 4804.11.00; 4804.21.00; 4804.31.00; and 4804.41.00.
- Grant duty remission on papers used as raw materials for the manufacturing of Gypsum Board and apply a duty rate of 0 percent instead of 10 percent for one year. The paper falls under HS Code 4805.92.00.



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The East African Community Customs Management Act, 2004 (cont.)

- To impose import duty of 35 percent on sugar (consumption sugar) this is imported under specific arrangements to cover the shortage in the domestic market.
- Continue to grant stay of application of EAC-CET rate on Gypsum Powder falling under HS Code 2520.20.00 and apply a duty rate of 10 percent instead of 0 percent for one year.
- Grant duty remission and apply a duty rate of 10 percent instead of 25 percent on Self Adhesive Label (HS Code 4821.10.90) for one year.
- Grant duty remission and apply a duty rate of 0 percent instead of 25 percent on Printed Aluminum Barrier Laminates (ABL) HS Code 3920.10.90 for one year.
- Grant stay of application of the EAC-CET rate of 0 percent and apply a duty rate of 25 percent on Crude Palm Oil (HS Code 1511.10.00) for one year.



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The East African Community Customs Management Act, 2004 (cont.)

- Grant stay of application of EAC-CET rate of 0 percent or 10 percent and apply a duty rate of 25 percent on crude edible oils (for example sunflower oil, palm oil, groundnuts oil, olive oil, maize corn oil etc.) for one year.
- Grant stay of application of EAC-CET rate of 25 percent and apply a duty rate of 35 percent for one year on Semi-refined and refined/double refined edible oil (for example sunflower oil, palm oil, groundnuts oil, olive oil, maize corn oil etc.).
- Grant stay of application of EAC-CET and instead apply a duty rate of 25 percent or USD 350 per metric ton whichever is higher for one year on nails, tacks, drawing pins, corrugated nails staples (HS Code 7317.00.00) other than those of heading 83.05 and similar articles of iron or steel, whether or not with heads of other materials.
- Grant stay of application on EAC-CET and apply a duty rate of 25 percent or USD 1.35 per kilogram of safety matches whichever is higher for one year (HS Code 3605.00.00).



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The East African Community Customs Management Act, 2004 (cont.)

- To reduce the duty rate of PolyVinyl Acohol (HS Code 3905.30.00) from 10 percent to 0 percent in the EAC-CET. The product is a raw material for manufacturing of paints
- To grant duty remission at 0 percent on inputs used to manufacture pesticides, fungicides, insecticides, and caricides as approved by the relevant authorities.
- Grant duty remission and apply a duty rate of 0 percent instead of 10 percent for one year on RBD Palm stearin (HS Code 1511.90.40).
- Grant stay of application of EAC-CET on potatoes and apply a duty rate of 35 percent instead of 25 percent for one year (HS Code 0701.90.00).
- Grant stay of application of EAC-CET on chewing gum (HS Code 1704.10.0) and apply a duty rate of 35 percent instead of 25 percent for one year.



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The East African Community Customs Management Act, 2004 (cont.)

- Grant stay of application of EAC-CET on other sugar confectionary (sweets), (HS Code 1704.90.00) and apply a duty rate of 35 percent instead of 25 percent for one year.
- Grant stay of application of EAC-CET on chocolates (HS Code 18.06) and apply a duty rate of 35 percent instead of 25 percent for one year.
- Grant stay of application of EAC-CET on Biscuits (HS Code 19.05) and apply a duty rate of 35 percent instead of 25 percent for one year.
- Grant stay of application of EAC-CET on tomato sauce (HS Code 2103.20.00) and apply a duty rate of 35 percent instead of 25 percent for one year.
- Grant stay of application of EAC-CET on mineral water (HS Code 2201.10.00) and apply a duty rate of 60 percent instead of 25 percent for one year.



The East African Community Customs Management Act, 2004 (cont.)

- Grant stay of application of EAC-CET on meat and edible offal under chapter 12 and apply a duty rate of 35 percent instead of 25 percent for one year.
- Grant stay of application of EAC-CET on Sausages and similar products (HS Code 1601.00.00) and apply a duty rate of 35 percent instead of 25 percent for one year.
- To provide for import duty exemption on rally cars and add motorcycles for rally (for them to also be granted exemption). This measure is intended to promote motorcycles sports and tourism in the region.
- To split HS Code 8903.99.00 to provide for Common External Tariff of 0 percent for Motor Boat Ambulance under HS Code 8903.99.10.
- To provide import duty exemption on various types of motor vehicles for transportation of tourists. These include Motor Cars, Sight Seeing buses and overland trucks which are imported by licensed tour operators and must meet specific conditions. This is a very grey area and susceptible to misuse. What interests us is to see what these specific conditions may be.



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The East African Community Customs Management Act, 2004 (cont.)

- To provide duty remission on a selected list of raw materials and industrial inputs for the manufacturer of textiles and foot wear.

All these proposed amendments are aimed to protect local industries, reduce cost of importation of critical and key industrial raw materials and inputs and improve growth of importation volumes into the country.





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The Gaming Act, CAP 41.

- To change the Gaming tax rate from 6 percent on gross sales to 10 percent on gross sales in sports betting operations.
- To increase Gaming tax from Tshs. 32,000 to Tshs. 100,000 per machine/month on slot machines.
- To increase gaming tax from 15 percent to 18 percent on Gross Gaming Revenue for Land based Casino operators.
- To increase gaming tax from 15 percent to 20 percent on Gross Gaming Revenue for Forty Machines.



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Amendments of Various Fees and Levies imposed by Ministries, Regions and Independent Departments.

- To exempt Government Agencies/Institutions from paying Land rent.
- To abolish and reduce some levies and fees imposed on salt sub-sector:
 - To abolish Produce Cess imposed on Salt producers by the Local Governments;
 - To abolish Inspection and Clearance fees of one percent (1%) of gross value of minerals imposed in the Salt industry;
 - Abolish Mangrove Levy (shillings 100 per hectre per annum) charged on Salt producers;
 - Abolish fee for reviewing Salt project concept paper charged by the National Environmental Management Council (NEMC);
 - Abolish fee imposed on Solar Salt panel;
 - Abolish supervision fee on Salt mining centres charged by Tanzania Forest Services Agency;
 - Abolish Registration fee for Salt mining centre;
 - Abolish Environmental Impact Assesment fee imposed on Salt producers by NEMC;
 - Reduce OSHA Levy from shillings 2,000,000 to shillings 1,000,000 imposed on Salt producers; and
 - Reduce application fee for export permit of minerals from USD 100 to shillings 20,000 per annum imposed on Salt producers.



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Amendments of Various Fees and Levies imposed by Ministries, Regions and Independent Departments (cont.)

- Abolish fees imposed on application form for registration of working places;
- Abolish levy imposed on the registration of working places;
- Abolish fines related to fire and rescue equipment;
- Abolish OSHA compliance license of shillings 500,000; and
- Abolish consultancy fee of shillings 450,000

Effective Date for Implementation of New Revenue Measures will be 1 July 2018



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Table A: Budget Frame for 2018/19

		Millions Shillings
	Revenue	2018/19
A.	Government Domestic Revenue	20,158,989
	(i) Tax Revenue (TRA)	18,000,219
	(ii) Non Tax Revenue	2,158,770
B.	LGAs own source	735,589
C.	External Grants and Concessional Loans	2,676,645
	(i) General Budget Support	545,765
	(ii) Projects Loans and Grants	2,005,016
	(iii) Basket Loans and Grants	125,864
D.	Domestic & External Non Concessional Loans	8,904,727
	(i) External Non Concessional Borrowing	3,111,058
	(ii) Domestic Non Concessional Borrowing (0.9% of GDP)	1,193,669
	(iii) Domestic Non Concessional Borrowing (Rollover)	4,600,000
	TOTAL REVENUE (A+B+C+D)	32,475,950
	Expenditure	
E.	Recurrent Expenditure	20,468,676
	o/w (i) National Debt Service	10,004,480
	- Domestic Interest	1,413,631
	- Domestic Amortization (Rollover)	4,600,000
	- External Amortization	1,669,653
	- External Interest	689,667
	- Government Contribution to Pension Funds	1,195,866
	- Other Expenditure under CFS	435,663
	(ii) Wages and Salaries	7,409,952
	(iii) Other Charges	3,054,244
	- Protected Expenditure	1,891,695
	- LGAs Expenditure (Own Source)	389,862
	- MDAs Operational Costs	772,687
F.	Development Expenditure	12,007,273
	(i) Domestic Financing	9,876,393
	o/w LGAs Expenditure (Own Source)	345,727
	(ii) Foreign Financing	2,130,880
	TOTAL EXPENDITURE (E+F)	32,475,950
	BUDGET DEFICIT AS PERCENTAGE OF GDP	3.2%

Source: Ministry of Finance and Planning



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