

# TANZANIA TAX BUDGET

## 2021 -2022

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## TANZANIA TAX BUDGET 2021/22 OVERVIEW

On 10th June, 2021, The Minister of Finance of the United Republic of Tanzania, Dr. Mwigulu Lameck Nchemba (Mb) presented the 1st Budget of the 6th Phase Government under the leadership of Her Excellency President Samia Suluhu Hassan asserting the government intent to sustain foundations set forth by previous Regimes, to adopting the good practices and develop new ones”.

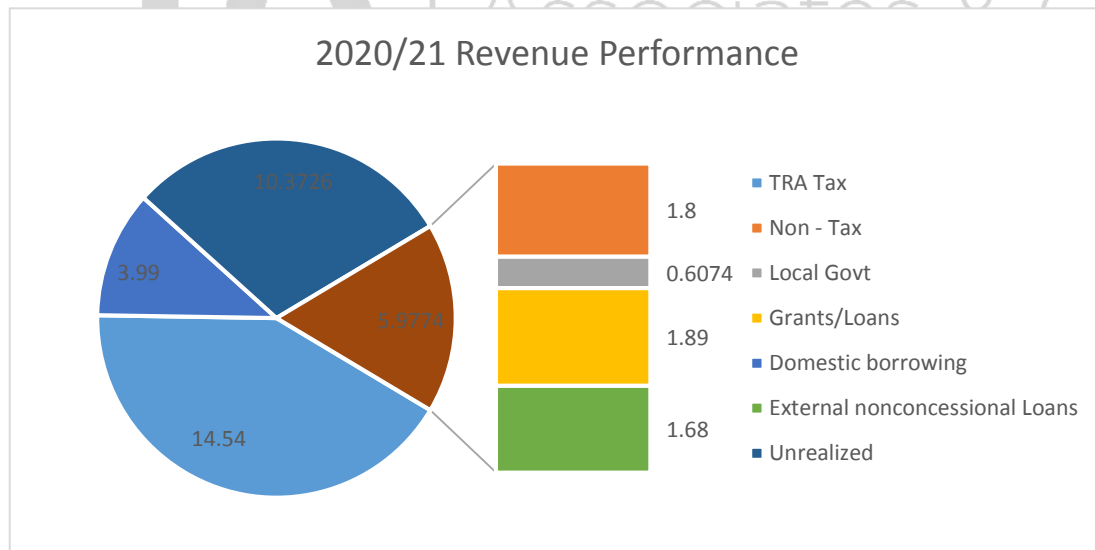
The budget aims to achieve objectives in the National Development Plan CCM Election Manifesto 2020; East African Development Vision 2050; Africa Agenda 2063; Sustainable Development Goals 2030; Development Cooperation Framework; and other regional and international agreements that Tanzania has ratified in light of the priority areas of President Samia Suluhu Hassan which are the core values of the development of our nation with the intent to make Tanzania an economic and business hub for the entire Africa.

The effects of COVID 19 were acknowledged to have hindered the ability of the nation to meet domestic revenue collection target especially in tourism, air travel and imports and it is of the interest of the government to implement measures to help minimizing its impacts on the economy so as to ensure the realization of the national social and developmental goals and objectives while ensuring sustained revenue collections.

Tanzania Liquidity indicators show that debt service to domestic revenue is 13.7% compared to a threshold of 23%; and the debt service to exports was 14.0% compared to a threshold of 21%.

### Debt value

Public debt to GDP is 27.9% against 70% threshold. External debt to GDP is 17.3% against the 55% threshold and External debt to export is 113.2% against the 240% threshold.



**In the year 2020/21, revenue collected by Tanzania Revenue Authority (TRA) amounted to 14.54 trillion shillings equivalent to 86.9 percent of the target;**

The new measures are became effective from 1st of July, 2021.

## **Key Priorities in Focus**

- to maintain national values that is peace, unity and solidarity
- to improve business environment by reviewing policies, laws and various regulations in order to attract private sector investment and increase employment opportunities
- to improve tax collection and administration systems so as to simplify tax payments and widening the tax base
- strengthening parastatal operations
- Increasing productivity in agricultural, livestock and fishery products and improving access to capital
- promoting industrial investments specifically those utilizing domestic raw materials and labour intensive
- curbing mineral trafficking and promoting construction of mining refining and processing industries
- improving transport, transportation and energy infrastructure
- improving provision of social services (esp. health, sanitation and education)
- Increase participation in Dar es Salaam stock Exchange (DSE)

## **FISCAL POLICY**

### **Strategies to Increase Revenue**

- Improve the business environment for tax payers to widen tax base
- Harmonizing, abolishing or reducing tax rates, levies and nuisance fees
- Strengthening domestic revenue collection and administration by proper use of ICT
- Improve the Government's electronic Payment Gateway in all institutions
- Strengthening tax laws administration to prevent tax evasion and revenue leakages;

### **Government spending:**

- Government debt 6.84 trillion
- Wages and Salaries 6.09 trillion
- Power generation, transmission and distribution 1.02 trillion
- Railways 1.49 trillion
- Construction of roads, bridges, airport projects 1.15 trillion
- Payments of verified arrears, 965.1 billion
- Student's loans 406.6 billion
- Health facilities, drugs and equipment 265.8
- Water projects 207.5 billion

### **Reform of the Tax Structure, Fees, Levies and Other Revenue Measures**

- Minister of Finance proposed amendments in the tax structure including tax rates, levies and fees
- Plans to abolish nuisance taxes and fees, reduce rates, integrate related payments which are charged by more than 1 organization.

## Value Added Tax Act

| No. | Item                                                                     | Category                                                       | Proposed Changes                                                                  |
|-----|--------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------------------|
| 1   | Import of Cold Rooms                                                     | HS Code 9406.10.10<br>HS Code 9406.90.10                       | Exempted to promote modern farming                                                |
| 2   | Imported Precious Metals and raw minerals                                |                                                                | Removed to increase employment and Govt revenue                                   |
| 3   | Insurance of Livestock Farming                                           |                                                                | Exempted to promote livestock farming                                             |
| 4   | Imports and local purchases for EACOP                                    |                                                                | Exempted to minimize operational costs of EACOP                                   |
| 5   | Crude oil                                                                | HS Code 2709.00.00                                             | Exempted for final consumer relief                                                |
| 6   | Artificial Grass for football pitches                                    | HS Code 5703.30.00<br>HS Code 5703.20.00                       | Exempted to promote sports                                                        |
| 7   | Contactless Smart Cards (NIDA) Card Consumables(NIDA)                    | HS Code 3921.11.90                                             | Exempted to reduce card manufacturing costs                                       |
| 8   | Solar Lights                                                             |                                                                | Non - Exempted                                                                    |
| 9   | Purchases by NGOs for projects with the Government                       |                                                                | Exempted                                                                          |
| 10  | Smart Phones                                                             | HS Code 8517.12.00<br>HS Code 8471.30.00                       | Exempted to attain the target of 80 percent of users of internet services by 2025 |
| 11  | Modems                                                                   | HS Code 8517.62.00<br>HS Code 8517.69.00                       | Exempted                                                                          |
| 12  | Aluminum & Stainless Steel Milk Cans                                     | HS Code 7310.29.90<br>HS Code 7310.10.00<br>HS Code 7612.90.90 | Exempted                                                                          |
| 13  | Other Milk Cans                                                          | HS Code 7310.29.20                                             | Exemption removed to promote modern dairy milk industry                           |
| 14  | Cans and ends for beverages                                              |                                                                | Repealed                                                                          |
| 15  | Transport of crude oil and related services under international pipeline |                                                                | Zero-rated                                                                        |

| No. | Item                                                                             | Category | Proposed Changes                                                             |
|-----|----------------------------------------------------------------------------------|----------|------------------------------------------------------------------------------|
| 16  | Goods purchased in TZ mainland and utilized in Zanzibar by registered persons    |          | VAT collected in mainland and remitted to Zanzibar                           |
| 17  | Goods bought in Zanzibar for utilization in Tanzania mainland                    |          | VAT collected in Zanzibar. For lower rates, the difference to be paid to TRA |
| 18  | Import of raw materials for manufacturing mosquito nets                          |          | Exempted on application                                                      |
| 19  | Import or supply of goods or services on natural disasters or calamity           |          | Exempted                                                                     |
| 20  | Import or supply to an entity having agreements with Govt for strategic projects |          | Exempted if there is an exemption clause                                     |

- The commissioner is given power for exemptions replacing the Minister under Section 6
- Definition of capital goods for the purpose of VAT deferment changed to mean goods classifiable under Chapters 84, 85 and 90 of Annex 1 to the Protocol on the Establishment of the East African Community Customs Union provided that, they are not imported for resale in the ordinary course of a person's economic activity, whether or not in the form or state in which the goods were imported.'

## Employee's Welfare



- Reduce PAYE from 9% to 8%. (reduced from 11% in 2015/16)
- Abolish the 6 percent value retention fee, payment penalties and interests on higher education loans; (under the **Higher Education Student's Loans Board Act Cap. 178**)

## Income Tax Act

- *Aim to reduce PAYE from 9% to 8%*

| <b>New PAYE Rates</b>                                                                 |                                                                     |
|---------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| <b>Total Income</b>                                                                   | <b>Rate Payable</b>                                                 |
| Where the total income does not exceed Shs. 3,240,000/=                               | NIL                                                                 |
| Where the total income exceeds Shs. 3,240,000/= but does not exceed Shs. 6,240,000/=  | 8% of the amount exceeding Shs. 3,240,000/=                         |
| Where the total income exceeds Shs. 6,240,000/= but does not exceed Shs. 9,120,000/=  | Shs. 240,000/= plus 20% of the amount exceeding Shs. 6,240,000/=    |
| Where the total income exceeds Shs. 9,120,000/= but does not exceed Shs. 12,000,000/= | Shs. 816,000/= plus 25% of the amount exceeding Shs. 9,120,000/=    |
| Where the total income exceeds Shs. 12,000,000/=                                      | Shs. 1,536,000/= plus 30% of the amount exceeding Shs. 12,000,000/= |

- Exempt Income Tax on interest income derived from Government bonds listed in the Dar es Salaam Stock Exchange from 1<sup>st</sup> July, 2021.
- The deadline for filing withholding tax returns is 7 days after the end of each month. (previously, it was 30 days of the end of each six-month period)
- Withholding tax returns to specify withholder's TIN

## The Tax Administration Act, Cap 438

- Any person who might become liable to pay tax has to obtain TIN within 15 days of starting business, investment or employment
- The Tax Ombudsman shall not handle matters of tax decisions or objection decisions
- Every person holding electronic data is required to maintain a primary data server in Tanzania which shall be accessible by the Commissioner General for tax purposes. There is a grace period given until June 2022.
- The application for extension to file returns shall be in writing and be made in not less than 15 days before the due date for filing the return.
- A person whether or not liable to pay tax can be summoned to submit documents and for examination by Commissioner General
- An objection to a tax decision on assessment or notice of liability to pay tax shall not be admitted unless the taxpayer pays the amount of tax which is not in dispute or one third of the assessed tax decision whichever amount is greater within a period of thirty days from the date of service of tax decision
- Commissioner Gen. may demand after 5 years short levied taxes & erroneous refunds
- Property rate on ratable properties connected to electricity shall be paid at the time of payment for electricity unless otherwise prescribed by the Commissioner General
- Tax short levied or erroneously refunded, shall be paid by the person discharged to
- In a controlled transaction and fails to determine the income and expenses in consistency with arm's length principle is liable for 100% of the tax shortfall.
- Failure to provide official translations on request and to maintain data server amount to the offense of impeding administration of a tax law
- For employee registration in WCF or OSHA and for employment in the government, company or an individual TIN is required from a person who has been issued one

- People who are not necessarily taxpayers can lodge complaints
- Tax Ombudsman is required to have competence and experience in tax administration

### **The Tax Revenue Appeals Act Cap 408**



- Before judgment of a tax appeal, a party to the appeal may apply for amicable settlement through mediation and their settlement is final. Parties required to submit the outcome of the mediation within the specified time.

### **The Excise (Management and Tariff) Act, CAP 147**

- Reduce excise rate for locally made beer using locally grown and malted barley from 765 to 620 per liter
- excise duty of 10 percent on imported and locally produced synthetic (plastic) fibers except fishing twine (HS Code 55.11 and 56.07)
- Excise duty rate of 10 percent on imported used Motorcycles aged more than 3 years (HS Code 87.11).

### **The National Payment Systems Act Cap. 437**

- Establishment of a mobile money transfer transaction levy at rates from **Tsh 10 – 10,000**.

### **The Local Government Authorities (Rating) Act Cap. 289**

To enable the property rate Tsh 12,000 for each ordinary building and Tsh. 60,000 for each storey in a multi – storey building in each ratable areas.

### **The Motor Vehicle (Tax on Registration and Transfer) Act, Cap. 124**

Minimizing registration of personalized identification number from 10 to 5 Million every 3 years

### **The Stamp Duty Act, Cap 189**

- Stamp duty rate from shillings 500 to shillings 2,000 in most chargeable
- Stamp duty rate on Memorandum and Articles of Association from shillings 5,000 to shillings 10,000
- Stamp duty rate on Partnership Instruments whose capital does not exceeds Tsh. 10,000 is Tsh 1,000
- Stamp duty rate on Partnership Instruments whose capital exceeds shillings 100,000 but does not exceeding shillings 1,000,000 from shillings 2,000 to shillings 5,000

- Stamp duty rate on Partnerships whose capital exceeds shillings 1,000,000 from shillings 10,000
- Stamp duty rate for instruments of dissolution of Partnerships from shillings 1,000 to shillings 10,000

### **The Vocational, Educational and Training Act, CAP 82**

- The minimum threshold number of employees for paying Skilled Development Levy is 10 employees from the previous number of 4.
- Religious health institutions are exempted from Skilled Development Levy.

### **The Gaming Act, CAP 41.**

- Reduce Winning Tax on all Sports Betting from 20 percent to 15 percent;
- Introduce Gaming Tax on Virtual Games at the rate of 10 percent of Gross Gaming Revenue (GGR)
- Introduce Gaming Tax on Gaming products licensed under pilot study at the rate of 10 percent of Gross Gaming Revenue.

### **The Road and Fuel Tolls Act Cap 220**

- Imposition of Tsh. 363 per litre on petrol and diesel
- This is distributed as Minister directs between the Roads Fund and Tanzania Rural and Urban Roads Agency.

### **The Non-Citizens (Employment Regulation) Act**

- Imposition penalty of Tsh. 500,000 per month for failure to submit returns of non-citizen employees

### **Workers Compensation Fund**

Reduced contribution rate from Private Sector Institutions from **1 percent to 0.6 percent** of the total gross monthly salary of employees (The Workers Compensation (Payment Of Tariff) (Amendment) Regulations, 2021)

### **Companies Act**

Company effectively from 1 July 2021 cannot issue share warrants in respect of any shares. Existing share warrant shall within 12 months from the date be surrender to the company for cancellation.

### **Electronic and Postal Act**

- Levy between Tsh. 10 and Tsh.10,000 on each mobile money transaction
- Establishment of a levy of Tsh. 5 to Tsh. 222.70 charged on airtime

### **Excise Duty**

- Increase of 20% duty on alcohol with high measurement of alcohol percentage