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# Tanzania Budget Highlights

## Navigating new realities

June 2021

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# Content

# Foreword

**David Nchimbi**
Country Managing Partner
Deloitte Tanzania

Tanzania is in the middle of a political and economic transition. For the first time in its sixty-year history, the country lost a sitting head of state, the late President John Pombe Magufuli, on March 17 2021. The smoothness and stability with which the political transition took place after the death of president Magufuli, less than three months ago, has probably not been lauded enough and is worth acknowledging. Consequently, this is the first budget reading of the sixth phase government under the leadership of President Samia Suluhu Hassan.

On the economic front, Tanzania is transitioning from a lower income country to a middle-income country, a status it achieved in July 2020. The county's economy has performed impressively given the dynamics that the regional and global economies are dealing with. The global and regional economies were beset by the effects of COVID-19 pandemic with tourism, which was the number one foreign exchange earner for Tanzania, impacted the most. According to the World Bank, the global economy contracted by 4.3% in 2020.

With the COVID-19 vaccine being rolled out in major economies, there is optimism that business confidence and trade will resume. The global economy is not out of the woods yet. While most governments are already taking steps towards recovery from the pandemic, it may be the case that the aftermaths of the pandemic will linger for longer than initially anticipated. It is therefore clear that Tanzania will have to navigate this new normal with a view of sustaining growth achieved in the last five years.

Against that background, while a 4.8% percent growth of the last year seems low compared to the country's performance in the last decade, it is above average for both the region and the continent. Indeed, Tanzania is one of the few economies in the region that did not experience a contraction in the economy. In the previous year, inflation remained tamed, well 4 per cent. The rise in gold prices in 2019 and 2020 cushioned the country from the reduced foreign exchange earnings from tourism. According to official data, credit growth to the private sector was significantly subdued for the period ending March 2021 as it fell from 8.6% to 2.3% as compared to the previous period. Interestingly, credit to the hotels and restaurants increased by 7.9% in the period compared to a contraction of 5.4% percent in the previous period.

The Bank of Tanzania continued to maintain an accommodative monetary policy, which led to a marginal decrease in the interest rates charged by bank on loans, a decline from 16.81% to 16.63% as of March 2021. However the challenge remains that the interest rates are still relatively high. Of concern is the fact that according to the world bank, Tanzania's FDI as a percentage of GDP are below the lower income country averages and attracting FDI will be a crucial element of the development agenda.

For Tanzania, the twin challenge will therefore be to sustain the gains achieved over the last decade while ensuring an inclusive growth. This will require attracting both domestic and foreign investment as well as managing slowing of poverty reduction that may be caused by the pandemic.

Upon assuming her office, President Samia Suluhu Hassan made comments welcomed by the business community. Among them, she stated that she would halt overzealous tax collections that unfairly punish businesses. She signalled her intention to improve the ease of doing business by making it easy for investors to get land and other permits. She also stated that she intends to sustain the industrialisation drive began by the fifth phase government and complete strategic projects started. On the 17th May 2021, the President formally received the report by an expert panel she appointed to recommend measures to be taken in combatting the impact of the COVID-19 pandemic in Tanzania. Among the recommendations is the introduction of vaccines, with priority given to health care workers. The government is also negotiation a USD 517 million Rapid Credit Facility from the International Monetary Fund to help mitigate the impacts of the pandemic.

In his maiden budget speech, Dr. Mwigulu Nchemba, the Minister of Finance and Planning, had a theme of Realising Competitive and Industrialisation for Human Development. The priorities include realising an inclusive and competitive economy, deepening industrialisation and service provision for value-addition of agricultural products; investment and trade promotion, human development and skills and development. The government intends to raise and spend TZS 36.33 Trillion shillings, which represents a 3.2% projected increase from last year's budget with development spending account for 37% of the total budget.

The Minister signalled that there will be a concerted efforts to complete the strategic projects which includes the development of the railway infrastructure and services, the construction and rehabilitation of road links, rural roads and bridges, water and air transport infrastructure. Some key fiscal measures include changes in the Value Added Tax to spur the agricultural and industrial sectors. Small and Medium Enterprises, many of which only have a handful of employees, will be glad to learn that the Minister proposed to increase the minimum number of employees required for a company to attract the Skills and Development Levy and many will be happy with the move to abolish the value retention fee on Higher Education Student Loan Board debtors.

The Minister proposes to offer marginal relief on employment taxes and employers will welcome the reduction of the Worker's Compensation Fund from 1% to 0.6%. In order to spur digital and financial inclusion, the Minister is proposing to remove VAT on smartphones. However, there is a proposal to introduce tax on mobile transfers as well as a daily charge for the use of a SIM card. This will certainly be an area of debate, in addition to the upward revision of fuel taxes. On the dispute resolution front, the Minister is proposing to abolish the punitive 100% penalty on transfer pricing adjustment for taxpayers. To expedite the exemption process, the Minister of Finance is now empowered to grant tax exemptions on specific projects.

On the other hand, it is encouraging to see that some big projects appear to be unfolding. Among them is the OreCorp Nyanzaga project which is set to establish the first new large scale gold mine in Tanzania in over a decade after it received a Special Mining Licence application approval by the cabinet for its Nyanzaga Gold Project on 2 June 2021. There is also the Kabanga Nickel project which represents the largest development-ready nickel sulphide deposit in the world, unmatched in scale and grade, with at least 30 years life of the mine. That couples with the ongoing Standard Gauge Railway Project and the Nyerere Hydro-Electric Power Project together with the East African Oil Pipeline may continue to boost the construction industry in the coming twelve months. There is therefore reason for moderate, albeit cautious optimism.

We at Deloitte, endeavour to lead the way as we help our clients and stakeholder navigate through our new realities. This document provides a summary of key policies of the 2021 budget statement and our analysis on how the policies could affect businesses, the economy and society at large. We hope this document provides sufficient insights into various policy measures set out in the 2021 Budget Statement. It will also help to kick start conversations around how we navigate these challenges to thrive.

**Yonazi Mngumi**
Tax & Legal Associate Director
Deloitte Tanzania

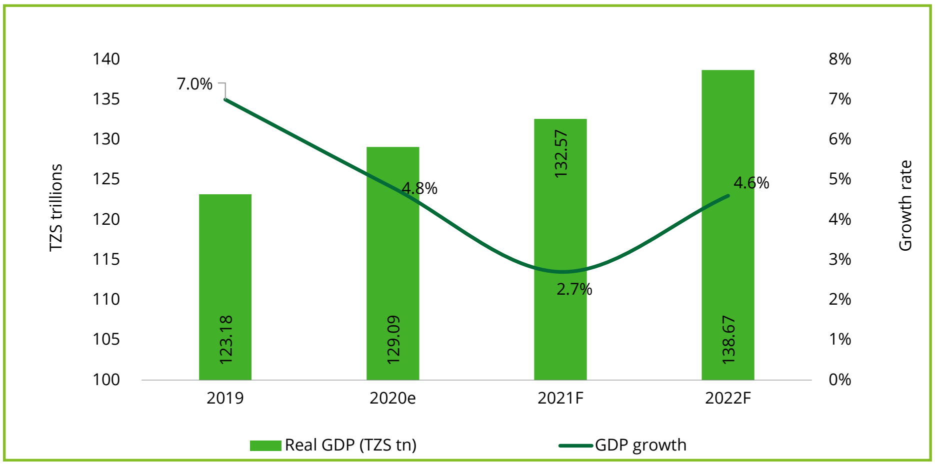
Our budget highlights present a brief description of the main tax and related regulatory changes contained in the 2021/22 Budget speech as presented by the Minister of Finance and Planning, Dr. Mwigulu Nchemba. A more detailed analysis, incorporating our views, will follow as soon as the Finance and related Bills tabled by the Minister of Finance are published.

This publication constitutes only a brief guide and is not intended to be a comprehensive summary of the tax law and practice. While all reasonable care has been taken in the preparation of this guide, Deloitte and its associates accept no responsibility for any errors it may contain, whether caused by negligence or otherwise, or for any loss, however caused or sustained by any person that relies on it.

# Economic overview

## Tanzania's economy at a glance

### Economic outlook



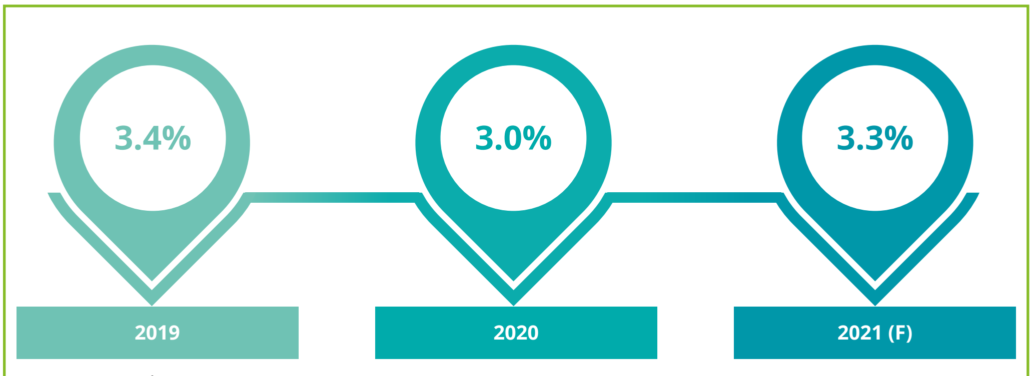

*Source: Bank of Tanzania, IMF*

Tanzania's real GDP growth declined from 7.0% in 2019 to 4.8% in 2020/21 owing to regional trade disruptions and contraction in tourism and related sectors as a result of the COVID-19 pandemic. The main sectors that drove the GDP growth in 2020 were construction, agriculture, mining and quarrying and transport and storage activities.

According to the Minister of Finance, Tanzania's economy is expected to grow by 5.6% in 2021/22 largely due to;

- Increased private consumption which will be largely driven by an increase in household real disposable incomes;
- Increased infrastructure investment in line with the country's new Five-Year Plan (2021-2026); and
- Recovery in exports boosted by stronger external demand and increased agricultural production.
- The growth is going to be dependent on the trajectory of the COVID-19 pandemic globally and the containment measures Tanzania will put in place. It is worth noting that the government of Tanzania is negotiating a Rapid Credit Facility of USD 571 million to mitigate the social effects of the pandemic.

### Inflation




F - Forecasted

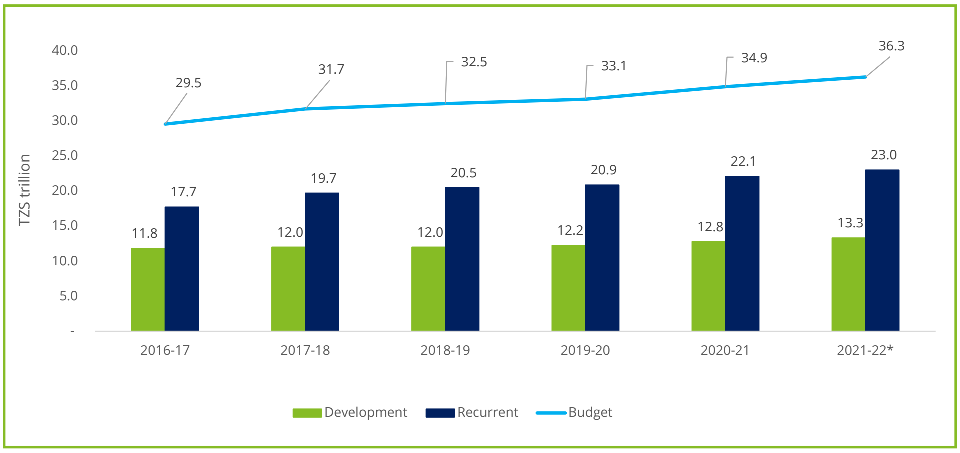
*Source: Bank of Tanzania, IMF*

Inflation was low in 2020 at 3.0%, owing to adequate domestic food supply, stable exchange rate, low world oil prices and prudent monetary and fiscal policies.

An uptick in global oil prices alongside recovery in consumer demand is expected to see inflation increase to 3.3% in 2021. This will however be subdued by an improvement in supply chain, following gradual lifting of strict lockdowns by countries, which will ensure food demand is met.



### Tanzania's budget



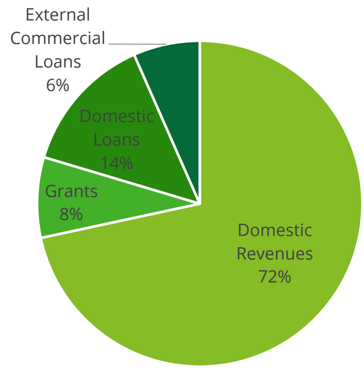

*Source: Bank of Tanzania, IMF*

The budget will be mainly financed by:

- Domestic revenues of TZS 26.0trn;
- Grants from development partners of TZS 2.9trn;
- Domestic loans of TZS 5.0trn; and
- Conditional external commercial loans of TZS 2.4trn.

Approximately 63% of the budget is projected to be dedicated to recurrent expenditure mainly servicing government debt, wages and salaries.

### 2021/22 Source of funds distribution




*Source: Budget Speech*

### Commentary

The government is seeking to raise TZS 36.33 trillion the year 2021/22, which represents a 3.2% growth from the previous year's budget and a 35.33% from the government's expected actual collection for the year 2020/21.

The Minister expects the economy to grow at 5.6% in the coming year and is targeting an inflation rate of 3-5%.

The key challenge will be to raise domestic revenues in the face of shrinking grants and concessional loans. The government's aspiration is to raise tax revenues equivalent to 13.5% of GDP (from the current levels of 12.9%.`

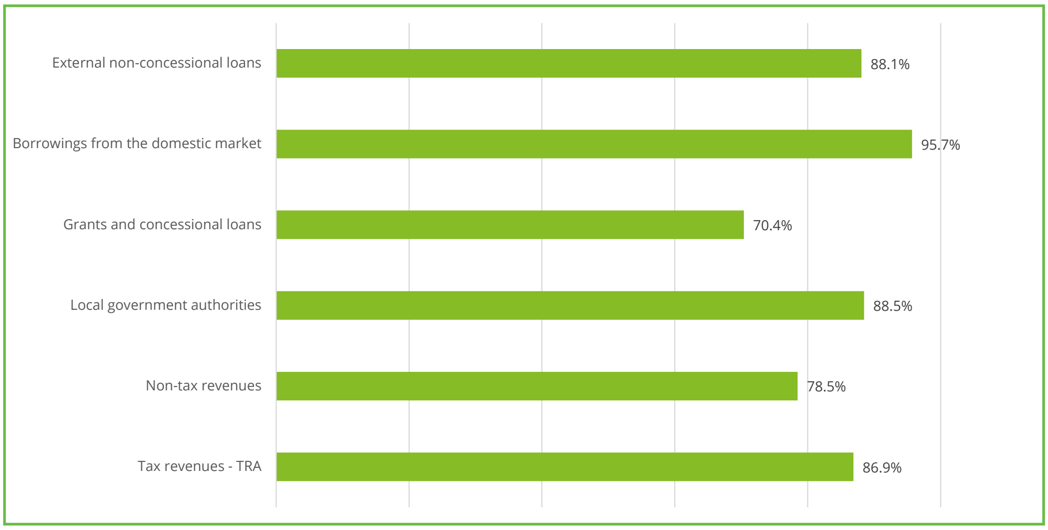
**2021/22 Estimated Budget**
**Tzs 36.3tn**

**Recurrent Expenditure Accounts`**
**Tzs 23tn**

**Development Expenditure Accounts**
**Tzs 13tn**

**Increase from 2019/20 Budget**
**3.2%**

### Revenue raised against targets for 2020/21




*Source: The Budget Speech 2021*

The government had projected to collect TZS 34.88 Trillion for the income year 2020/21. As of April 2021, the amount collected was TZS 24.53 trillion, equivalent to the 86% of the targeted revenue collection.

Internal revenue collected by TRA amounted to TZS 14.54 trillion, which is equivalent to TZS 86.9% of the targeted revenue for the period. Non-tax revenues performed considerably lower, (TZS 1.80 trillion) at 78.5% of the targeted revenues.

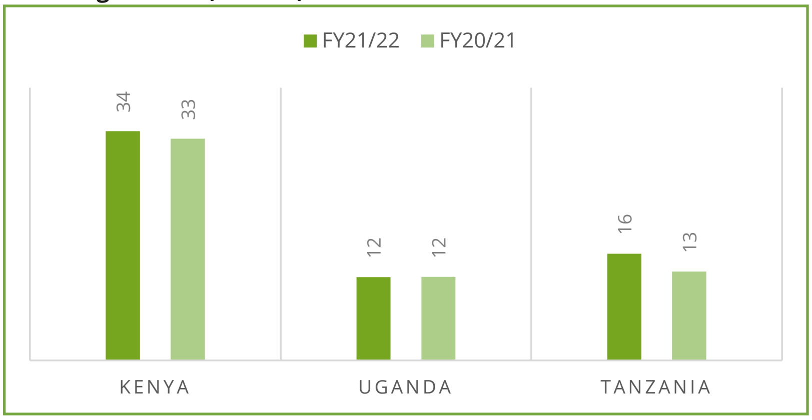
The collecti on targets were not met due to some sectors being hit by the adverse impacts of the COVID-19 impacts with particular effects being felt by TANAPA and the Ngorongoro Conservation Authority, among others.

The keys strategies aimed at increasing tax revenues include:

- Improved efforts to enhance business environment for taxpayers as the country aims to attract foreign direct investment. This includes continuing to improve the business and investment environment by abolishing or reducing tax rates, levies and nuisance taxes;
- Strengthening domestic revenue collection and administration, including from local government, particularly with the emphasis of the use of ICT systems;
- Strengthening of the administration of tax laws to address tax evasion and minimising revenue leakages;
- Transferring the role of marking petrol from a private contractor to the Tanzania Bureau of Standards (TBS) to verify the quality of imported fuel and control tax evasion due to fuel adulteration;
- Stepping up public awareness campaigns to promote participation in domestic financial markets.

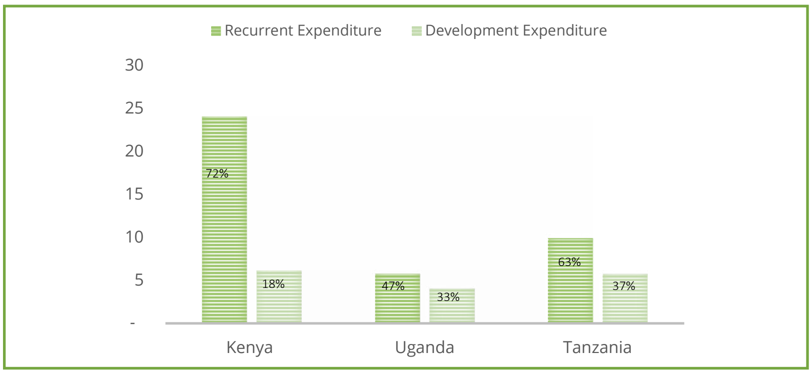
## East Africa Budget Overview

### EAC Budget trend (USD Bn)




*Source: National Treasury, Parliament of Kenya*
*2021-22 budget is based on the Budget Policy statement from the National Treasury (Tanzania)*

### EAC Expenditure Allocation (USD Bn)




*Source: National Treasury, Parliament of Kenya*
*2021-22 budget is based on the Budget Policy statement from the National Treasury (Tanzania)*

### Commentary

The East Africa Community (EAC), primarily comprising Kenya, Uganda and Tanzania, announced their budgets for the 2021/22 financial period on 10 June 2021. Per the announced budgets, Kenya, Uganda and Tanzania estimate a combined resource purse for the upcoming financial period of USD 61 Billion. Kenya leads the pack at USD 34 Billion, with Tanzania and Uganda at USD 16 Billion and USD 12 Billion, respectively.

This represents a marginal growth in the region's resource purse by USD 4 Billion representing a 6.4% increase, largely driven by Tanzania and Kenya.


# Tax Measures

## Corporate Income Tax

The minister proposes to exempt from income tax interest income derived from government bonds

*This move seeks to expand the exemption to bonds beyond those issued in the 2002/03 of not less than three-year maturity. Typically, bonds are for periods longer than a year. It is unclear on whether the measure will exempt from withholding tax interest on treasury bills.*
*There has been an increased appetite for treasury bonds in the market. This move is likely to catalyse that demand and allow the government to secure more domestic funding.*

The Minister proposes to restore the power of the Minister to grant income tax exemption on projects funded by the government on specific projects, grants and concessional loans provided that there is an agreement between the donor or lender with the government providing for such exemption.

*The measure will streamline and make it efficient for such exemptions to be provided as it has been a pain point for many projects. This is certainly a welcomed change for players in the construction space.*

5% depreciation allowance for assets used in the East African Crude Oil pipeline

*The proposal intends to harmonise the depreciation cost with the lifetime of the crude oil pipeline in accordance with the agreement signed between the government of Tanzania and Uganda. Given the importance of the project, this is another incentive aiming at making the project viable for all players.*

Introduction of the following tax measures to individuals engaged in small scale mining whose turnover does not exceed TZS 100 Million per year:

- Special income tax at a rate of 3% on the total value of the minerals sold.
- Time of payment of special income tax to be the time when minerals are sold. This is an improvement to the current system which requires payment of tax to be made in instalments irrespective of cash flow.
- Creation of an obligation for individual employers engaged in small scale mining operations to withhold tax from employees, and the same to be paid at the time when minerals have been extracted and sold.

*Whilst turnover taxes are agnostic to profitability, the proposal intends to widen the tax base, streamline tax collection and provide cashflow relief to small-scale mine owners, and may be beneficial to artisanal miners who may not have robust records for reporting purposes.*

## Withholding Tax

Processing industries, millers, and other government agencies are obliged to withhold a non-final withholding tax at a rate of 2% when making payments to suppliers of agro-products, livestock and fisheries. The proposal excludes small-scale farmers selling their produce to farmers cooperatives and markets.

*This measure expands the coverage of withholding tax on these goods to paying entities that are not government entities. It is likely to curb tax avoidance as the withholding tax can only be claimed if the sellers of the produce file their returns. However, it is unclear who the 'small-scale' farmers will be in practice. The Finance Bill will provide further guidance on this.*

## Payroll Taxes

The Minister proposes to reduce PAYE rates for the lowest band from 9% to 8%. The current and proposed annual rates are as follows:

| No. | Total Income | Current rates payable | Proposed rates payable |
|---|---|---|---|
| 1 | Where the total income does not exceed TZS 3,240,000/= | NIL | NIL |
| 2 | Where the total income exceeds TZS 3,240,000/= but does not exceed TZS 6,240,000/= | 9% of the amount in excess of TZS 3,240,000/= | 8% of the amount in excess of TZS 3,240,000/= |
| 3 | Where the total income exceeds TZS 6,240,000/= but does not exceed TZS 9,120,000/= | TZS 270,000/= plus 20% of the amount in excess of TZS 6,240,000/= | TZS 240,000/= plus 20% of the amount in excess of TZS 6,240,000/= |
| 4 | Where the total income exceeds TZS 9,120,000/= but does not exceed TZS 12,000,000/= | TZS 846,000/= plus 25% of the amount in excess of TZS 9,120,000/= | TZS 816,000/= plus 25% of the amount in excess of TZS 9,120,000/= |
| 5 | Where the total income exceeds TZS 12,000,000/= | TZS 1,566,000/= plus 30% of the amount in excess of TZS 12,000,000/= | TZS 1,536,000/= plus 30% of the amount in excess of TZS 12,000,000/= |

The Minister also proposes to introduce deemed PAYE of 0.6 percent of the sale value of minerals as employment income for individuals employed in small scale mining operations

*The PAYE change provides a marginal maximum relief for employees of TZS 30,000 annually.*

### Skills and Development Levy (SDL)

- Increase in the minimum threshold number of employees for purpose of Skills and Development Levy from the current 4 employees to 10 employees.
- Proposal to exempt religious health institutions from paying Skills and Development Levy.

*The increase of the threshold for SDL is a welcome relief as many Small and Medium Enterprises will now be exempted from SDL.*

**Worker's Compensation Fund (WCF)**

Reduction of the contribution rate from 1 percent to 0.6 percent for Private Sector is a welcomed relief for the private sector.

*This is a positive change which will lower the employment costs to the employers.*

Proposed all statutory contributions to be paid directly from the Treasury for all government institutions whose employees are paid through the Treasury. The government institutions that pay employees from their own revenue sources will continue to submit their employees' contributions to the relevant social security fund.

*This is a positive change which will prevent further accumulation of debts owed to the social security funds. The government should continue monitoring and supervise the government institutions in order to reduce the risk of non-submission and delaying contributions to funds.*

## Value Added Tax (VAT)

Exemption of VAT on cold rooms (HS Code 9406.10.10 and 9406.90.10).

*Production of horticultural crops in Tanzania is low despite the existence of a wide agro-ecological zones. Given that Tanzania's horticultural industry is largely dominated by small-scale farmers, the VAT exemption on cold rooms will reduce production costs and promote modern horticultural farming.*

Abolishment of VAT on imported precious metals and raw minerals.

*For several years the government has been emphasizing on the establishment of local mineral refineries to increase value of minerals and precious metals produced in Tanzania. The measure is intended to make Tanzania competitive and hence attract more importation of precious metals and raw minerals for refining and smelting by local industries due to cost reduction. In return, the mineral processing value chain will increase the employment and other benefits to the county including foreign currency earning.*

Exemption of VAT on insurance of livestock farming.

*In addition to VAT exemption on crop insurance granted last year, VAT exemption on livestock farming insurance will promote the agricultural sector due to reduced insurance cost for livestock farmers, and encourage farmers to insure their livestock, hence increasing credit ratings which is critical for financing farming activities in Tanzania.*

Exemption of VAT on imported and local purchases of goods and services for East African Crude Oil Pipeline (EACOP).

*VAT exemption on imported and local purchases of goods and services for the EACOP intends to reduce operational cost of the pipeline project from Uganda through Tanzania to the Tanga port. This is part of government commitment to ensure the overall cost of the project is minimized. Clarity would be required to ensure the exemption covers both main contractors and subcontractors otherwise the objective of this amendment may not be attained.*

Exemption of VAT on Crude Oil under HS Code 2709.00.00.

*Crude oil and more importantly the type of oil which will be transported by the pipeline may not be sold locally to final consumers. We consider this measure is intended to harmonize treatment of petroleum products and ensure no VAT is charged to customers who will purchase the crude oil for further processing.*

Exemption of VAT on artificial grass with HS Code 5703.30.00 and 5703.20.00 for football pitches in City Councils

*This is a positive measure which is intended to promote sports and grow sports talent in the country. We have witnessed in the past artificial grass granted by FIFA failing to reach the intended areas over tax (VAT) disputes.*

Exemption of VAT on Contactless Smart Cards (HS Code 3921.11.90) and Card Consumables (HS Code 3921.11.90) for National Identification Authority.

*As the measure is intended to reduce cost of producing National ID cards by NIDA, this will also help solve the shortage of ID cards to the registered Tanzanian residents. Issuance of National Identification cards to more citizens will also facilitate identification of more taxpayers and bringing them into tax net.*

Exemption of VAT on imported or local purchases of goods and services by a Non-Government Organization (NGO) solely for implementation of project through an agreement with the Government of the United Republic that provides VAT exemption on the project.

*NGO's use donor funds for implementation of projects that support government efforts in provision of social services to its citizen. It is therefore not expected the NGOs to incur VAT which cannot be recovered. Otherwise it limits the ability of NGOs to make the required impact. This measure will therefore enable NGOs to make greater impact.*

Exemption of VAT on smart phones with HS Code 8517.12.00, Tablets with HS Code 8471.30.00 or 8517.12.00 and Modems with HS Code 8517.62.00 or 8517.69.00.

*Whilst the measure is intended to promote usage of data services in the country and attain internet usage target of 80 by 2025, the use of smartphones will spur digital and financial inclusion. This is a welcome and timely move.*

Abolishment of VAT exemption on cans intended for preserving milk with HS Code 7310.29.20 and instead exempt VAT on both Aluminium and Stainless-steel Milk cans with HS Code 7310.29.90, 7310.10.00 and 7612.90.90.

*This measure intends to reduce production costs of dairy milk. A reduction of costs will help promote the modern dairy milk industry which could potentially results to exportation of milk products in the international markets.*

Abolishment of VAT exemption on Solar Lights with HS Code 85.13 and 94.05.

*The intension of the measure is to create equality for users of all kinds of energy. This could help foster a level of fair competition within the energy sector.*

Zero rating crude oil transportation services and all other services in the transportation of crude oil under EACOP project.

*This measure aligns with the international best practice on taxation of transit goods. In addition to zero rating of supply of international transport services, the measure has included all other related services for the transportation of crude oil in the EACOP which will eventually provide a relief to the operations of the EACOP project.*

Limitation on VAT deferment on Capital Goods as specified under chapters 84, 85 and 90 of the East African Community Common External Tariff.

*This measure is intended to provide clarity on capital goods qualifying for VAT deferment in order to avoid abuse of this scheme*

The change in the methodology in which VAT exemptions on Government and donor funded projects will be granted.

*This proposal intends to simplify and enhance efficiency by reducing the bureaucratic procedures involved in obtaining VAT exemption on goods and services on Government and donor funded projects. This is due to the fact that VAT exemptions will be processed and managed directly by Tanzania Revenue Authority through its offices.*

Proposal to restore VAT refund for goods purchased in Tanzania Mainland and utilised in Zanzibar by registered persons and vice versa, and removing zero rating of products manufactured in Tanzania and consumed in Zanzibar.

*This measure aims at restoring the VAT refund system on goods that are purchased in Mainland Tanzania and utilized in Zanzibar and vice versa. The measure intends to boost trade between Tanzania and Zanzibar by eradicating double taxation of the same goods. Traders in Zanzibar will be able to obtain a refund on the VAT paid on goods bought in Mainland Tanzania and vice versa.*

## Customs

Increased duty rates for various products and raw materials including cotton yarns, pneumatic tires of rubber, peanut butter, coffee, cocoa powder, sack & bags, tea, ceramic tiles, certain iron & steel products, certain horticulture products, certain paper and paper products, sausages, chewing gum, chocolates, tomato source, mineral water, meat, crude and refined/semi-refined vegetable oil, gypsum powder, leaf springs  with specified HS Codes

*The measures are intended to protect local industries and increase competitiveness of the locally produced products. The measure also intends to promote value addition to locally produced raw materials and encourage growth of small and medium enterprises.*

Duty remission for various products, raw materials and inputs including:

- packaging materials for tea, coffee, cotton, tobacco and seeds
- raw materials for manufacture of UHT milk, baby diapers, local wines, fertilizers, leather, detergents, cooking pots, essential medical products and supplies for fighting Covid-19, glass reinforced plastic pipes, corrugated boxes
- three-wheel motorcycles, Electronic Fiscal Device (EFD) machines,
- inputs used by domestic mineral processors
- busses with capacity of more than 25 passengers, wires of other alloy steel and milk cans.

*The measures are intended to reduce the cost of inputs used by local manufacturers of the respective products, encourage local manufacturing and enable locally produced products to compete with imported products. Reduction of duty on busses is intended to promote investment in the rapid busses to decongest and ease transport in Dar es Salaam.*

Removal of the requirement of 15% refundable additional import duty deposit on sugar for industrial use.

*This was a pain point for all beverage manufactures and other users of industrial sugar. Due to refund challenges for the past few years, this is definitely a welcome change and will encourage further investment in the sector. However, the government should go beyond this change and commit to refund the amounts owed to the manufacturers.*

Introduction of de minimis value of USD 50 where customs duties shall not be collected.

*This measure imply that the government will seek to collect an amount that will cover certain administrative costs in the event there are no taxes to collect. It is however unclear whether the USD50 is the customs value upon which taxes is collected or it is the tax (i.e. alternative tax) to be paid.*

Valuation of imported printed fabrics to be re-vested by the Commissioner General, and if no justification of declared values, the Commissioner to impose USD 0.55 to 1 for a meter of polyester kitenge and USD 0.6 to 1 for a meter of cotton kitenge

> *This measure is intended to give Commissioner powers to impose duty on fabrics even where values for the fabrics have not been declared.*

*Details of the items and specified HS Codes are as summarized in the attached Appendix 1*

## Excise Duty

- Due to the impact of COVID-19 on production of some excisable industrial goods, the Minister has proposed not to amend the specific duty rates for all non-petroleum products except for spirits and local beer that will be manufactured using locally grown malt barley. The Minister proposed/introduced changes of excise duty on some products as follows:
- Reduction of excise duty on beer made from locally grown and malted barley from TZS 765 per litre to TZS 620 per litre;
- Increase of excise duty on all spirits by 30 percent;
- Introduction of excise duty of 10% on imported and locally produced synthetic (plastic) fibres (Heading 55.11 and 56.07) except fishing twine (HS Code 5607.50.00); and
- Introduction of 10% excise duty on imported used Motorcycles aged more than 3 years (HS Code 8711).

*These proposed changes are intended to promote local manufacturing, the use of locally produced raw materials, protect the environment and create employment. The introduction of excise on imported and locally produced synthetic (plastic) fibres is in line with government strategy to promote sisal farming and production of sisal products which are friendly to the environment. As such, these measures are welcomed. Given the availability of new motorcycles, the measure as it pertains to importation of used motorcycles is good for the environment but will increase the price of used motorcycles.*

## Miscellaneous Fees, Charges and Levies

Proposals to amend the Tax Administration Act, CAP 438

- Conferring power to the courts to collect and account for revenue emanating from fines and penalties from tax offences;
- Restoring the power of the Commissioner General to remit interest and penalties; and
- Abolishing the 100 percent transfer pricing penalty under the Transfer Pricing Regulations imposed for failure to comply with the requirements of the law.

*The proposed amendments will enhance efficiency and effectiveness in the determination of the remission of interest and penalties by the Commissioner General. Given the subjectivity of transfer pricing, taxpayers will also welcome the relief from the heavy penalties imposed by the current transfer pricing regulations.*

Proposal to amend the Higher Education Students' Loans Board Act , CAP 178 by abolishing the 6 per cent value retention fee on higher education loans.

*This measure will bring a relief to employees servicing student loans by reducing the loan tenure and accrued interest.*

Proposals to amend the Local Government Finance Act, CAP 290

- Clarity provided on circumstances which a corporate entity liable for service levy may not be liable to pay produce cess along the value chain of a product.
- Reduction of various outdoor advertising fees. Please refer to Appendix 2 of this document for those revised fees.

*These measures will reduce the marketing cost to organisation and foster growth in the marketing industry.*

Proposals to amend the Property Tax Act, CAP 289

- Property rate to be embedded in the electricity bill or prepaid meter for ratable property.
- Amount payable: TZS 1,000 per month for ordinary building with one meter; TZS 5,000 per month for every storey building or apartments with one meter.

*The move to collect tax digitally is laudable and is likely to seal loopholes, especially within the context of the 100% electrification aspirations. However, for the rental properties, this may create a situation where a tenant may have to foot the property tax bill, or has to claim it from the landlord. It is unclear as to how this will apply to an ordinary building which have more than one tenant and for convenient purposes more than one meter have been installed.*

Proposal to amend the Land Rent Act, CAP 113

- Reduction of premium rate from 2.5 percent to 0.5 percent for new land occupancy and 1 percent to 0.5 percent on regularizing land.

*This is a welcomed relief which will encourage land occupants to formalise and processing the Certificate of Occupancy.*

Proposals to amend the Stamp Duty Act, Cap 189

*The changes proposed are as shown in Appendix 2.2.*

*The nominal stamp duty rate remained low for a long time. The measure to increase stamp duty rates is expected to boost government revenue and bring the prices to reasonable and current standards.*

The Gaming Act, CAP 41

*The Minister proposes a number of amendments related to tax in the gaming activities as shown in Appendix 2.3.*

*These measures will increase government revenue.*

Proposed amendment to the Public Audit Act, CAP 148:

- Giving the Controller and Auditor General (CAG) legal power to audit all Parastatals that are established under the Companies Act; and
- Granting power to the Minister responsible for Finance to respond to the CAG Report in the next Parliamentary Session. This is after the CAG has submitted the report instead of the current practice where all reports are tabled on the same Parliamentary Session.

*The government aims to enable CAG to legally audit all Parastatals where the Government is a shareholder. Furthermore, the government targets to have enough time to respond to audit issues.*

The Government Loans Grants and Guarantees Act, CAP 134

- To ensure smooth administration of loans, grants and guarantees, the Government proposes to guarantee any public company or institution up to an amount not exceeding the Value of Government Shares to the respective company upon the Cabinet approval.

*This measure will ease financing of activities by public institutions.*

The Motor Vehicle (Tax Registration and Transfer) Act, CAP 124

- The Government proposes to reduce Personalized Plate Number Registration fee from TZS 10,000,000 to TZS 5,000,000 for every three years.

*This measure may encourage individuals to opt for personalized registration at a reduced fee and increase government revenues*

The Road Traffic Act, CAP 168

- Road fines under the Road Traffic Act have been reduced for offences to motorcycles (bodaboda) and three-wheel motorcycles (bajaj) from TZS 30,000/= to TZS 10,000/= per offence.

*This measure is targeted at reducing the burden borne by self-employed youths engaged in this transport activity. The hope is that this does not encourage less vigilance when it comes to road safety.*

The Non-Citizens (Employment Regulation) Act, No.1 Of 2015

- Penalty of TZS 500,000 to be imposed for failure to submit monthly returns to the Labour Commissioner for employers with non-citizen employees. The information to be submitted includes employees' details of their salaries; and
- Imposition of a sanction of 12 months' imprisonment or a fine of TZS 10,000,000 or both for employers who fail to submit monthly return to the Labour Commissioner for non –citizen employees.

*This will enhance voluntary compliance towards the filing obligations.*

- Amendments of various fees and levies imposed by ministries, agencies, regulatory authorities, regions and independent departments
  - The Government proposes to amend the rates of fees and levies charged by Ministries, Agencies, Regulatory Authorities, Regions and Independent Departments taking into account factors such as inflation and value for money. These amendments will be reflected in the Finance Act, 2021 and Government Notices.
  - The proposed amendments are as follows:
  - Ministry of Agriculture; the Government proposes to introduce registration fees of TZS 60,000 and irrigation service fees of 5% of seasonal harvest for an area for Irrigation Communities;
  - Ministry of Home Affairs; under the Society Act, the Government proposes to reduce premium rate from 1% to 0.5% on Regularizing Land.
- Implementation of the BLUEPRINT for Regulatory Reforms to improve Business Environment by amending Various Fees and Levies
  - The Government intends to continue to implement the Blueprint for Regulatory Reforms to improve the Business Environment which is a continuous process by abolishing and introducing various fees and levies.

*The proposed amendments are as shown in Appendix 2.4*

- Road and Fuel Tolls Act
  - Increase of road and fuel tolls by TZS 100 per litre of petrol and diesel. This move is designed to generate additional revenues.
- Petroleum Act, CAP 392
  - Increase fuel levy on kerosene from TZS 150 to TZS 250.
  - The above rates have not been reviewed for a while. Accordingly, these changes will increase the real value of the collections.
- Electronic and Postal Communication Act, CAP 306
  - Proposed imposition of levy between TZS 10 to TZS 10,000 for each mobile transaction and a levy of between TZS 10 to TZS 200 per day per SIM card.
  - This measure is likely to stir strong debate and reaction from the public given its impact on mobile communication and mobile money transactions. This tax may be very easy to collect but it may have a dampening effect on mobile money spending.

# Sectoral Highlights

# Energy, Infrastructure and ICT

- The construction, energy and infrastructure sector is projected to be the key beneficiary of the 2021-22 budget as the country commences the third phase of Tanzania's Five-Year Development Plan (FYTDP III).
- Projects to be financed include the construction of the standard gauge railway (included in the TZS 1.19 trillion allocated for railways), construction of Julius Nyerere Hydropower Project (2,115 MW) (included in TZS 2.34 trillion allocated to power projects), strengthening Air Tanzania Company Ltd, and construction of Crude Oil Pipeline Project from Hoima (Uganda) to Chongoleani, Tanga (Tanzania) the Busisi bridge in Mwanza.

# Telecommunication, media and technology (TMT)

- The Information and Communication Technology (ICT) sector contributes about 1.73% to Tanzania's GDP.
- The promotion of cashless transactions by the Bank of Tanzania (BoT) increased the transaction value in 2020, with a marked 14.1% increase in mobile money transaction value already being recorded between January and June 2020 compared to 6.0% over the same period in 2019. The introduction of interoperability among rival firms in the market alongside an increasing mobile penetration rate are expected to see the transaction value reach USD 216.4bn by 2024.
- The proposed taxes on mobile money transactions as well as the proposed charge for the use of a SIM card may damped the use of mobile money for transactions.

# Tourism

- The tourism and hospitality sector contributes 8.5% of total employment (about 1.6m jobs) and about 8% to GDP.
- Tourism earnings declined by 59.2% in 2020 from USD 163.6bn in 2019 to USD 1.06bn in 2020. The number of international arrivals declined by 75% in 2020 from 2.1m arrivals in 2019 to 396,000 arrivals in 2020. The gradual lifting of travel restrictions will allow the inbound market to recover, with strongest growth likely over the latter half of 2021 with tourism arrivals forecast to record a 38% growth in 2021 to reach 547,000.
- TZS 571.6 billion is expected to be spent by the tourism ministry to drive initiatives such as combating poaching, commercial tree farming, capacity building in forestry and bee products. As well as projects for improvement of events and conferences tourism.

# Healthcare

- Human health and social work activities contributed 5.0% to Tanzania's GDP in 2019, lower than the historical 5-year average of 7.0%. The health financing system of Tanzania depends primarily on tax revenues, support from the development partners, out-of-pocket payments, private and social insurance for the health service users.
- The government intends to spend TZS 233.3 billion for the purchase of medicines.
- The Government of Tanzania is likely to allocate more resources to the health sector in order to fight the COVID-19 pandemic and the aftermath, as well as to support other most affected sectors.

# Financial Services

- Tanzania's financial services sector contributed 3.8% (TZS 5.6tn) to total GDP in 2019, up from 3.7% (TZS 4.8tn) in 2018. The financial services sector receded by an estimated by 1.8% in 2020 compared to a growth of 15.8% in 2019 on account of a 4.5% increase in client loans growth in 2020 compared to 13.9% in 2019.
- The Tanzania All Shares Index (DSEI) reported a YTD loss of 14.0% as of 31 December 2020, which was mainly attributable to the decline in share prices of cross listed companies in the bourse.

## Appendices

### Appendix 1

### First Part: The proposed new changes in the Common External Tariff

### Table Number 1: Stay of application

| Item | HS Code | Current Rate | Proposed Rate |
|---|---|---|---|
| Buses for transportation of more than 25 persons imported for rapid transport project | 8702.10.99;8702.20.99 | 25% | 10% |
| Cotton yarns | 52.05;52.06<br>52.07 | 10% | 25% |
| New pneumatic tyres of rubber, of a kind used on motorcycles | 4011.40.00 | 10% | 25% |
| Peanut Butter | 2008.11.00 | 25% | 35% |
| Wires of other alloy steel | 7229.20.00;7229.90.00 | 10% | 0% |
| Milk cans | 7310.10.00;7310.29.90 | 25% | 0% |

### Table Number 2: Duty remission

| Item | HS Code | Current Rate | Proposed Rate |
|---|---|---|---|
| Organic surface-active agents (Anionic) used by manufacturers of detergents and liquid soaps | 3402.11.00 | 10% | 0% |
| Raw material used in leather processing | 3208.20.00;3210.00.10 | 10% or 25% | 0% |
| Raw materials used to manufacture different types of fertilizers for fertilizer manufacturers | 2710.99.00;2528.00.00<br>3505.20.00 | 10% or 25% | 0% |
| Packaging materials for processed tobacco | 5310.10.00 | 25% | 0% |
| Packaging materials for processed tea | 4819.20.90;5407.44.00<br>3923.29.00 | 25% | 0% |
| Aluminum alloy circles to manufacture cooking pots | 7606.92.00 | 25% | 10% |
| CKD for Three-Wheel Motorcycle excluding Chassis and its components | 8704.21.90 | 25% | 10% |
| Inputs used to manufacture Glass Reinforced Plastic pipes | 3920.61.10;7019.39.00<br>7019.31.00;6006.90.00<br>6006.90.00;7019.12.00<br>7019.12.00;7019.12.00<br>3920.10.10;4016.93.00<br>4016.93.00;3907.91.00 | 10% or 25% | 0% |

### Table Number 3: Change of rate across EAC

| Item | HS Code | Current Rate | Proposed Rate |
|---|---|---|---|
| Flat-rolled products of other alloy steel, of a width of 600 mm or more | 7225.30.00 | 10% | 0% |

## Part Two: Continuation of the measures that were effected during 2020/21
## Table Number 4: Continued duty remission

| Item | HS Code | Current Rate | Proposed Rate |
|---|---|---|---|
| Inputs for the manufacture of essential medical products and supplies for fighting COVID-19 | | 25% | 0% |
| Packaging materials for domestic manufacturers of UHT | 4819.50.00 | 25% | 0% |
| Corks and stoppers for domestic manufacturers of local wines | 4503.10.00 | 10% | 0% |
| Packaging materials for processed coffee | 7310.21.0;6305.10.00<br>3923.50.10;3923.50.90<br>3920.30.90 | 25% | 0% |
| Sacks and bags of polymers of ethylene inputs used by domestic processors of cashew nuts | 3923.21.00 | 25% | 0% |
| Inputs used by domestic processors of cotton lint | 3920.30.90;6305.39.00<br>7217.90.00 | 25% | 0% |
| Raw materials used to manufacture baby diapers | 3906.90.00;5903.90.00<br>5402.44.00;3920.10.90<br>3920.10.10;5603.11.00<br>3506.91.00;5806.10.00<br>4803.00.00 | 25% | 0% |
| Inputs used by domestic minerals processors | 3606.90.00;6804.10.00<br>6813.20.00;7018.90.00<br>7020.00.99;8202.20.00<br>8202.99.00;8203.20.00<br>8205.10.00;8423.89.90<br>8513.10.90;9002.19.00 | 25% or 10% | 0% |
| Paper products manufacturing of packaging materials (corrugated boxes) | 4805.24.00<br>4805.25.00 | 25% or 10% | 0% |
| Imported wheat grain | 1001.99.10<br>1001.99.90 | 35% | 10% |
| Printed Aluminum Barrier Laminates | 3920.10.90 | 25% | 0% |
| Refined Bleached Deodorized (RBD) Palm Stearin | 1511.90.40 | 10% | 0% |
| Raw materials and industrial inputs used to manufacture textiles and footwear | | | |
| Inputs used to manufacture leaf springs | 7228.20.00 | | 0% |



**Table Number 5: Continues stay of application**

| | | | |
|---|---|---|---|
| Cash registers and Other Electronic Fiscal Device (EFD) Machines and Point of Sale (POS) | 8470.50.00;8470.90.00 | 10% | 0% |
| Ceramic tiles | 6907.21.00;6907.22.00<br>6907.23.00 | 25% | 35% |
| Tea whether or not flavored | 09.02 | 25% | 35% |
| Sacks and bags of Jute or other textile bast fibres | 6305.10.00 | 25% | 35% |
| Cocoa powder not containing added sugar or other sweetening matter | 1805.00.00 | 0% | 10% |
| Coffee whether or roasted or decaffeinated, coffee husks and skins coffee substitutes containing coffee in any proportion | 09.01 | 25% | 35% |
| Iron and steel products | 7209.16.00;7209.17.00<br>7209.18.00;7209.26.00<br>7209.27.00;7209.28.00<br>7209.90.00;7211.23.00<br>7211.90.00 | 10% | 10% or USD 125/MT whichever VAT |
| Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more plated or coated with zinc | 7210.41.00;7210.49.00<br>7210.61.00;7210.69.00; 7210.70.00;7210.90.00 | 25% or USD 200/MT whichever is higher | 25% or USD 250/MT whichever is higher |
| Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, clad | 7212.60.00 | 10% | 10% or USD 250/MT whichever is higher |
| Iron and steel reinforcement bars and hollow profiles | 7213.10.00;7213.20.00; 7213.99.00; 7214.10.00;<br>7214.20.00; 7214.30.00; 7214.91.00;7214.99.00; 7215.10.00; 7215.50.00;<br>7215.90.00; 7225.91.00; 7225.92.00;7225.99.00; 7306.30.00; 7306.50.00;<br>7306.61.00; 7306.69.00; 7306.90.00. | 25% or USD 200/MT whichever is higher | 25% or USD 250/MT whichever is higher |

**Table Number 5: Continues stay of application (continued from previous page)**

| | | | |
|---|---|---|---|
| Horticultural products | 0603.11.00; 0603.12.00; 0603.13.00;0603.14.00; 0603.15.00;0603.19.00; 0604.20.00; 0604.90.00; 0701.90.00;0702.00.00; 0703.10.00;0703.20.00; 0703.90.00; 0706.10.00; 0706.90.00;0710.10.00; 0710.21.00;0710.22.00; 0710.30.00; 0714.10.00; 0714.20.00;0804.30.00; 0804.40.00;0804.50.00; 0805.10.00; 0805.40.00; 0805.50.00;0806.10.00; 0807.11.00;0807.20.00; 0808,10.00; 0808.30.00; 0910.11.00;0910.12.00. | 25% | 35% |
| Monofilament of which any cross-sectional dimension exceeds 1mm, rods, sticks and profile shapes whether or not surface worked but not otherwise worked of plastics | 3916.10.00, 3916.20.00, 3916.90.00 | 0% | 10% |
| Paper and paper products | Code 4804.11.00; 4804.21.00;4804.29.00 4804.31.00 and 4804.41.00 | 10% | 25% |
| Safety matches | 3605.00.00. | 25% | 25% or USD 1.35/kg whichever is higher |
| Nails, tacks, drawing pins, corrugated nails staples | 7317.00.00 | 25% | 25% or USD 350 per metric ton whichever is higher |
| Sausages and similar products | 1601.00.00 | 25% | 35% |
| Chewing gum<br>Biscuits<br>Other sugar confectionery (sweets) | 1704.10.00<br>19.05<br>1704.90.00 | 25% | 35% |
| Chocolate and other food preparations containing cocoa | 18.06 | 25% | 35% |
| Tomato sauce | 2103.20.00 | 25% | 35% |
| Meat and edible meat offal | Chapter 2 | 25% | 35% |

## Appendix 2

### Appendix 2.1
### Proposed changes in respect of advertisement charges

| Item | HS Code | Current Rate | Proposed Rate |
|---|---|---|---|
| Buses for transportation of more than 25 persons imported for rapid transport project | 8702.10.99;8702.20.99 | 25% | 10% |
| Cotton yarns | 52.05;52.06<br><br>52.07 | 10% | 25% |
| New pneumatic tyres of rubber, of a kind used on motorcycles | 4011.40.00 | 10% | 25% |
| Peanut Butter | 2008.11.00 | 25% | 35% |
| Wires of other alloy steel | 7229.20.00;7229.90.00 | 10% | 0% |
| Milk cans | 7310.10.00;7310.29.90 | 25% | 0% |

### Appendix 2.2
### Proposed changes to Stamp Duty Rates

| Item | Current Amount TZS | Proposed Amount TZS |
|---|---|---|
| Stamp duty rate (presumed to be general nominal rate) | 500 | 2,000 |
| Stamp duty rate on Memorandum and Articles of Association | 5,000 | 10,000 |
| Stamp duty rate on Partnership Instruments whose capital exceeds TZS 100,000 but does not exceed TZS 1,000,000 | 2,000 | 5,000 |
| Stamp duty rate on Partnerships whose capital exceeds TZS 1,000,000 | 5,000 | 10,000 |
| Stamp duty rate for instruments of dissolution of Partnerships | 1,000 | 10,000 |

### Appendix 2.3

| Item | Prior rate | Current rate |
|---|---|---|
| Winning Tax on all Sports Betting | 20% | 15% |
| Gross Gaming Revenue (GGR) on all Sports Betting | 25% | 30% |
| Gaming Tax on Virtual Games | None | 10% |
| Gaming Tax on Gaming products licensed under pilot study | None | 10% |

**Appendix 2.4**

- Reduction of TALA License (Tanzania Tourism Business License) for Travel Agents from USD 2,000 to USD 500.
- Introduction of inspection fee at the rate of TZS 40,000 per Certificate regardless of nature of the meat instead of the existing rate of TZS 100 shilling per kilogram of beef and TZS 50 per kilogram of mutton/chevon;
- Abolition of radioactivity analysis fee which is charged at the rate of 0.2% of Freight On Board (FoB) for food crops exported to countries with no requirement for Radioactivity Analysis Certificate;
- Abolition of student VISA/PASS FEE for higher learning institution students in Tanzania -Mozambique students exchange programme (TAMOSE); and For VISA fees paid and collected in Tanzania Zanzibar, allowing one part of the Union which has collected the VISA fees for noncitizens visiting Tanzania to retain the collections for use in that Part of the Union similarly to other types of revenues. Therefore, VISA fees to be collected in Tanzania Zanzibar shall be retained there and vice-versa;
- For Fire and Rescue Force, the Government proposes the following:
  - abolish horticultural farms from paying fire levy;
  - abolish Fire Compliance Certificate fee for Urban and Rural Petrol Stations. The Certificates will be issued freely after inspection;
  - abolish Fire Inspection fee on farms/plantations including farmhouse(s) paying between TZS 100,000 to TZS 1,000,000;
  - increase the area used for Trade Fair Events not subject to Fire and Rescue levy from less than or equal to 2000m as appeared in the previous regulations to less than or equal to 10,000m;
- For National Environmental Management Council (NEMC), reducing the fees for destroying expired medicines from TZS 1,000,000 to TZS 100,000 and Annual environmental fee from TZS 200,000 to TZS 100,000;
- For Meat Board of Tanzania, charging Clearance Fee at the rate of TZS 70,000 per Consignment instead of 1% of FOB;
- For OSHA, reduction of electrical inspection, electrical insulation test and general inspection fee from TZS 590,000 to TZS 150,000 which was charged before and after starting the business;
- Altering the current arrangement that require Insurance companies to apply for annual licenses by providing permanent licences to the companies with good records of conduct. Companies with recurring irregularities will be granted a three years' licence while being under close monitoring by the Regulator; and
- Introduction of one electronic single window which will provide access to investors to process all the permits and licences required for their businesses electronically.

# Contacts

Our insights can help you navigate the new realities of this year. If you're looking for fresh ideas to address your challenges, we should talk.


### Publication Team

**David Nchimbi**
Country Managing Partner
dnchimbi@deloitte.co.tz

**Yonazi Mngumi**
Associate Director, Tax & Legal
ymngumi@deloitte.co.tz

**Festo Barthalome**
Senior Manager, Tax & Legal
fbarthalome@deloitte.co.tz

**Samwel Ndandala**
Senior Manager, Tax & Legal
sndandala@deloitte.co.tz

**Tewodros Sisay**
Associate Director, Finacial Advisory
tsisay@deloitte.co.ke

### Tax and Legal Leaders

**Fredrick Omondi**
**Tax and Legal Leader**
fomondi@deloitte.co.ke

**Yonazi Mngumi**
**Associate Director, Tax & Legal**
ymngumi@deloitte.co.tz

## Deloitte East Africa

**CEO**

**Joe Eshun**
jeshun@deloitte.co.ke

**Office leaders**

**David Nchimbi**
Tanzania
Managing Partner
dnchimbi@deloitte.co.tz

**Norbert Kagoro**
Uganda
Managing Partner
nkagoro@deloitte.co.ug

**Service line leaders**

**Anne Muraya**
Audit leader
amuraya@deloitte.co.ke

**Amaha Bekele**
Consulting leader
abekele@deloitte.co.ke

**Fred Omondi**
Tax & Legal leader
fomondi@deloitte.co.ke

**Julie Nyang'aya**
Risk Advisory leader
julnyangaya@deloitte.co.ke

**Gladys Makumi**
Financial Advisory leader
gmakumi@deloitte.co.ke

**Charles Luo**
Clients and Industries leader
cluo@deloitte.co.ke

**Offices**

Kenya
Deloitte Place
Waiyaki Way, Muthangari
Nairobi
Tel: +254 719 039 000

Tanzania
Aris House
3rd Floor, Plot 152, Haile
Selassie Road,
Oysterbay, Dar es Salaam
Tel: +255 22 211 6006 or
+255 22 2169000

Uganda
3rd Floor Rwenzori House
1 Lumumba Avenue
Kampala
Tel: +256 41 7 701000 or
+256 41 4 34385