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Tanzania's 2017/2018 National Budget Highlights



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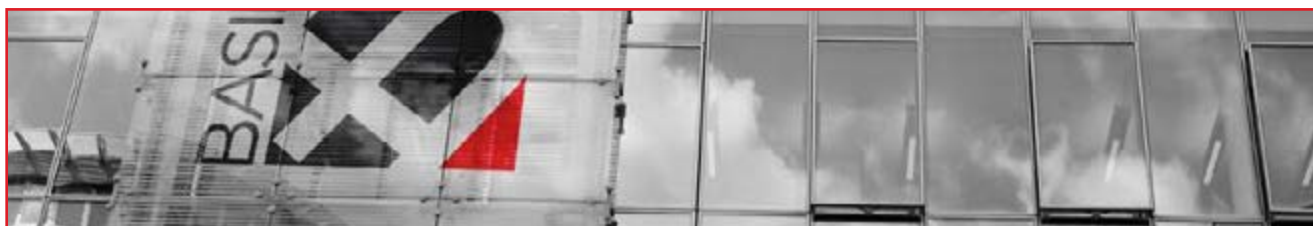
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Economic Overview

- GDP growth – approximately 6% to 7% for the past decade
- Inflation – 5.5% (February 2017)
- Shilling – stable since 2015
- 62% of population use digital financial services
- Current account deficit – narrowed significantly due to increased exports and reduced imports
- Fiscal deficit is at 4% of GDP
- Decline in aid flows but increase in non-concessional borrowing
- Arrears to pension funds remain high

Source: World Bank Tanzania Economic Update – April 2017



Budget Highlights - A Leap of Faith

The Minister for Finance and Planning, Dr. Philip Mpango presented the 2017/2018 budget on the 8th of June 2017 at the National Assembly in Dodoma Tanzania. This year's budget is themed around "industrialization for job creation and shared prosperity". It is the second budget of the Fifth Phase Government under His Excellency Dr. John Pombe Joseph Magufuli.

The budget depicts the current regime's ambition of an industrial economy and the impressive performance of 2016/2017 as reported in the World Bank's Economic Update.

The registered priority areas for the fiscal year 2017/2018 include interventions for fostering economic growth, industrialization and creating a conducive environment for businesses. The government also aims at attaining GDP of 7.1%, curbing inflation, increasing domestic revenue and narrow budget deficit.

The budget clearly did not disappoint as it gave due importance to key sections of the economy and tried to enhance the ease-of-doing business while keeping its focus on infrastructure and industrial development. The budget has taken onboard some of the stakeholders' suggestions especially in agriculture and

the transportation sectors.

On tax measures, there were important developments on both direct and indirect taxes with little changes on the income tax and Value Added Tax.

The following are our highlights of tax measures as proposed by the minister for Finance in his budget speech.



Tax Measures

Income Tax

The proposed tax measures are:

- To reduce income tax rate from 30% to 10% for new assembling of vehicles, tractors, and fishing boats for the first five years of operations.
- To introduce 5% final withholding tax of the total market value of minerals to all small scale miners.
- Tax depreciation restriction for non-commercial vehicles increased to TZS 30m (from TZS 15m).
- Para 3(3) of the First Schedule in relation to Alternative Minimum Tax (AMT) to be amended from 5 years to 3 years to align with the charging section.

Value Added Tax (VAT)

The proposed tax measures are:

- To exempt VAT on capital goods (machines and plants used in productions) used in edible oil, textile, leather and pharmaceutical including veterinary industries.
- To reinstate the zero rating of VAT on ancillary transport services on goods in transit to encourage the usage of Tanzania ports by the neighbouring landlocked countries.

- As a move to grow poultry business the Minister proposes to exempt from VAT locally produced compounded animal feeds.
- To extend VAT exemption to fertilized eggs for incubation.

Excise Duty

It is proposed that an inflationary adjustment of 5% for specific excise duty rates (other than locally produced products) by:

- Increasing duty rate on soft drinks from TZS 58 per litre to TZS 61 per litre.
- Increasing duty rate on imported water including mineral waters containing added sugar or other matters of flavour from TZS 58 per litre to TZS 61 per litre.
- Increasing duty rate on imported fruit juices from 210 per litre to 221 per litre.
- Increasing duty rate on beers made from locally unmalted cereals from TZS 429 per litre to TZS 450 per litre.
- Increasing duty rate on other beers from TZS 729 per litre to TZS 765 per litre.



Tax Measures (cont'd)

Excise Duty (cont'd)

- Increasing duty rate on non-alcoholic beers (including energy drinks and non-alcoholic beverages) from TZS 534 per litre to TZS 561 per litre.
- Increasing duty rate on wine produced containing more than 25% imported grapes from TZS 2,236 to TZS 2,349 per litre.
- Increasing duty rate on imported spirits from TZS 3,315 per litre to TZS 3,481 per litre.
- Increasing duty rate on cigarettes without filter tip with more than 75% domestic tobacco from TZS 11,854 to TZS 12,447 per thousand cigarettes.
- Cigarettes with filter tip with more than 75% domestic tobacco from TZS 28,024 to TZS 29,425 per thousand cigarettes.
- Increasing duty rate on other cigarettes from TZS 50,700 to TZS 53,235 per thousand cigarettes.
- Increasing duty rate on cut rag or cut filler from TZS 25,608 per kg to TZS 26,888 per kg.
- Diesel from TZS 215 to TZS 255 per litre.
- Kerosene from TZS 425 per litre to TZS 465 per litre.



To abolish annual road license and substitute by increasing duty rate on petroleum products by TZS 40 as follows:

- Petrol from TZS 339 to TZS 379 per litre.

To maintain excise duty rates on:

- Domestic produced water at TZS 58 per litre.
- Locally produced spirits at TZS 3,315 shillings per litre.
- Cigar at 30%.

Reducing excise duty rates on:

- Locally produced fruit juices has decrease from TZS 9.5 per litre to TZS 9 per litre.
- Wine produced with domestic grape content exceeding 75% from TZS 202 per litre to TZS 200 per litre



Tax Measures (cont'd)

Customs Duty

The proposed measures are:

To reduce duty rate on:

- Wheat grain, Linear Alkyl Benzen Sulphuric Acid and CKD kits for motorcycles for another one year.

Duty remissions at 0% granted on inputs:

- for use in assembly and construction of ships.
- for use in assembly of equipment specifically designed for use by disabled persons.
- for manufacturers of air filters in the region.
- for the manufacturers of leaf spring.

To decrease Common External Tariffs (CET) rates on:

- EFD machines for one year

To continue application of CET rate on the following:

- Crude palm oil from 0% to 10% for one year,
- Flat rolled products of iron or non-alloy steel for one year at the higher of 25% or USD 250 per metric tone
- Flat rolled products of iron or non-alloy steel under HS Heading 7209 at the higher of 10% or USD125 per metric tonne.

- Flat rolled products of iron or non alloy steel with a width of 600mm or more, cold rolled or cold reduced for one year at the higher of 10% or USD125 per metric tonne
- Steel rods and bars and hot rolled angles for one year at the higher of 25% or USD 250 per metric tone.
- Gypsum powder and Continue application of the EAC CET on Crude Palm Oil at 10% for one year
- Paper products and Aluminum structures at the rate of 25%.

To grant stay of duty remissions progressively on sugar for industrial use at 10%.

The proposed amendments in the EAC-Customs Management Act 2004 are as follows:

- Amending part B of the 5th Schedule of the Act to remove import duty exemption on Compact Fluorescent Bulbs (CFL) and Light Emitting Bulbs (LED).
- Amending section 203 of the Act to introduce a fine of the higher of USD 20,000 (instead of the previous USD 10,000) or 50 percent of the dutiable value of the goods.



Tax Measures (cont'd)

- Amending section 218 of Act to grant powers of restoration of seized items to Commissioner of Customs instead of EAC Council of Ministers.
- Amending paragraph 30 of the 5th Schedule to Act to include distribution of Oil and Gas.
- Abolishment of service Levy imposed on guest houses.
- Abolishment of levy imposed on posters that direct people to the places where public services.
- Abolishment of permit fees issued by LGA on abattoirs (excluding slaughtering and meat inspection fees)

Miscellaneous

- Property taxes to be collected by the TRA for both unvalued and valued houses. For unvalued houses a flat rate of TZS 10,000 per normal house and TZS 50,000 per floor for storied houses.
- Increase in motor vehicle fees on first registration by TZS 50,000 for each band.
- Reduce produce-cess on cash crops charged from 5% to 3%.
- Reduce produce-cess on food crops from 5% to 2%.
- Abolishment of Local Government Authorities (LGA) charges on transportation of crops less than 1 tonne.
- Abolishment of fees imposed on fertilizers (standards inspection, radiation inspection and weight and measures).
- Abolishment of standard inspection fees on cash crops.
- Abolishment of permit fees on transport of livestock and establishing pharmacies.
- Abolishment of fees imposed on livestock when they are in the market for auction.
- Increase in fines imposed on failure to comply with Local Government Finance Act from not exceeding TZS 50,000 and/or 12 months imprisonment to range from TZS 200,000 – TZS 1,000,000 or 12 months to 2 years imprisonment



Sectorial Highlights

Public Sector:

- All commercial public entities required to operate profitably and without government support.
- All contracts with government institutions are to be expressed in TZS except where such contracts involve foreign transactions.
- ICT to be applied in facilitating communication in the government undertakings.
- All public sector borrowing to seek prior approval from the Minister for Finance and Planning.
- A new system of electronic revenue collection launched for improved collection and assessment of taxes.

Manufacturing Sector:

- Exemption on capital goods for selected industries to promote the investments.
- Introduction of Escrow Account to ease the refund of additional import duty of 15% of F.O.B value paid by importers of sugar for industrial use to ensure timely payment of refunds.
- Exemption of certain products to reduce their cost.

Transport Sector:

- Revamping the national air carrier.
- Construction of new standard gauge railway line.
- Improvement of various ports in the country



- Zero rating VAT on ancillary transport to make our ports affordable and competitive.
- Abolishment of annual motor vehicle licence fee.



Sectorial Highlights (Cont'd)

Energy & Resources Sector:

- Restriction of direct exportation of minerals from the mines.
- Establish clearing houses which will charge 1% of the value of minerals.
- Mining of coal, iron ore and construction of iron and steel complex in Mchuchuma and Liganga in Njombe.
- Construction of a Liquefied Natural Gas (LNG) Plant.



Agricultural and Livestock Sector:

- Reduction of produce cess on cash crops and food crops.
- Abolishment of produce cess on transport of crops of less than one tonne.
- Abolishment of fees imposed on fertilizer, permit fees on abattoirs.
- Abolishment of standards inspection fee on cash crops.
- Abolishment of permit fees on slaughtering places (not including slaughtering and meat inspecting fees).
- Abolishment of permit fee on transportation of livestock.



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