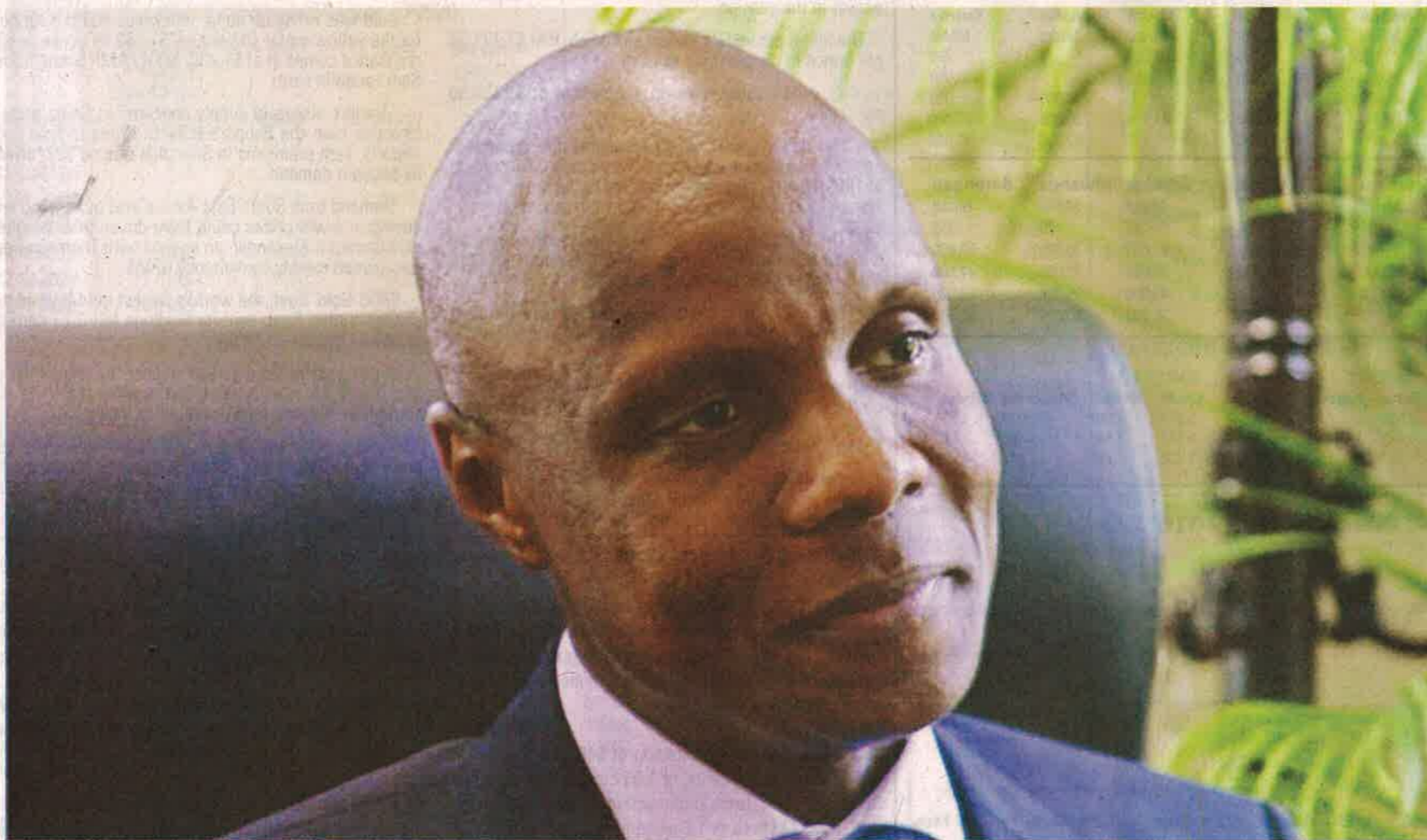


Services company advises investors not to ignore Tanzania



Basil & Alred is a professional services firm offering assurance, tax and advisory services. The team at Basil & Alred is led by partners

Executive Profile: Godfrey B Mramba

Godfrey Mramba is the Manag-

Before joining Coeur, Mramba

two bodies where, for example, Tanzanian products can be sold to Namibia for less and vice versa. We can import from a SADC country for less. But the same is true for Tanzanians. For example, if you were to go to South Africa for education, Tanzanians would enjoy a SADC rate which is less than the normal rate. From the export and import basis we are also benefitting.

The same is true with the East African community. We have what is called the East African Custom Union, which is applicable amongst the five East African countries and allows importation and exportation of goods between countries. Some countries, such as Kenya, are at a different level for historical reasons. This means there are more Kenyan products in Tanzania than Tanzanian products in Kenya. They have more industries, but we still have the opportunity to export to Kenya for less.

Are there visa-free restrictions and free movement of labour?

There is free movement of people, but not labour. If wanted to travel to Kenya for tourism purposes, I can go without paying a visa fee because I am a Tanzanian and vice versa. When it comes to labour, it has just been announced recently that now, East African residents, particularly Kenyans, will pay less for their work permit than they did in the past. Kenyans will still have to obtain a work permit and subsequently a resident permit. Before, one would pay US\$2000 and now it is something like US\$500. There is no fee for Tanzanians to enter Kenya. I see this as a step forward in the right direction.

What services do you offer?

We are a professional services firm offering assurance and auditing, tax advisory, compliance and advisory in general. Basically, we are an audit firm.

How long have you been operating?

We officially opened in 2011. I started with Ernst & Young in Seattle, Washington, then I left to work Coeur d'Alene Mines, which at the time was the largest primary silver producer in the world. I was later transferred to Tanzania to become their managing director for the Tanzanian operation. We were specifically an exploration company, we were not miners.

In 2010 or 2011 as a knock on effect of the financial crisis, we suspended operations. I was offered to return back to the United States to the parent company, but I opted not to because Tanzania is my home. I opted to "go back to my knitting" which is accounting.

What are the major advantages to going through your company instead of a competitor?

We all have the big firm experience, but we do it better and for less. It does not mean that we are cheap, rather that you get more value for your money. We know the country and we are not as large as some of our colleagues which means you get a better turnaround time. We are also available. If you were to call me, you could reach me quite easily compared to some of our colleagues in the bigger firms. So you can reach me as the managing partner easier than reaching a managing partner at a much bigger firm because they are dealing with much more. So that is the advantage. Quick turnaround, same service, but we believe our service is superiorly delivered, and value for money. We serve the same clients that the big firms do. Some of them actually were former clients of those large firms, who have come to us for those specific reasons.

Basil & Alred is a professional services firm offering assurance, tax and advisory services. The team at Basil & Alred is lead by partners with over 20 years of cumulative experience in public accounting and in industry. In this interview, GODFREY MRAMBA (pictured), Managing Partner and CEO at Basil & Alred discusses investments in the country. Read on...

QUESTION: Tanzania is among the top FDI destinations after South Africa, Kenya, Ghana, Mozambique, Uganda, Zambia, and similar countries. Since 2015, we have seen a dramatic fall in the commodity prices which has negatively impacted some of these economies in terms of their trade revenues and inflation rates. How do you see the current trials of the commodity prices impacting Tanzania and its consequent position among the best FDI destinations in Africa?

ANSWER: The result is obvious. There are less investors and companies investing in Tanzania today than there were several years ago when the commodity prices were high. There are many examples, from mining to oil and gas. We are now in the mining sector, which was booming ten years ago. There were more junior explorers prospecting for gold or other commodities at that time than there are today. Today, they are gone because they cannot raise money from the equity markets or the debt markets. That is largely due to the drop in commodity prices.

Has that had a knock on impact for your sector?

Absolutely! A few years ago, we had several clients in those sectors, particularly mining, and those clients are not here today. They have packed up and left. It is impossible for them to carry out those exploration activities. There has been capital flight in jobs and jobs have been lost, as well. The knock on effect would be on taxation to the government, because employees were paying employment taxes. Most of those companies were explorers, so they were not producing and they were not paying income taxes. However, they were hiring, and from that you had employment taxes. Those employees bought food, rented homes and the effect multiplied. They drank Coca Cola, for example, and now they are not, and the guy with the local shop or supermarket selling Coca Cola is

feeling it now, too.

We understand the next big capital phase of investment will be in commercialisation of the new found gas reserves. It is envisioned that this will generate huge economic activity in years to come. Do you believe the country is sufficiently prepared to absorb those economic effects?

Today we are less prepared. As a nation, we are quite far away from what it takes to be a gas economy. Our government is also aware of this. In a gas economy, we need a large enough airport, and our airport is not capable. Fortunately, the Julius Nyerere International Airport in Dar es Salaam is being expanded. It is a similar case with real estate. Because of the drop in commodity prices, that sector is less active today. That might be a good thing from that angle, though, because it will give us even more time to become more prepared.

What are the other hot sectors to invest in Tanzania?

Tourism is a hot sector. Agriculture, also, because this country is so big and has plenty of arable land. Also mining, and oil and gas are still popular. This is the time to get in. When prices are low, you invest. But the challenges are with the capital. Potential investors who do have the capital should look to Tanzania.

The new government is in place and is focusing on reducing public spending and increasing tax compliance. Do you expect the increase in tax revenues will be able to compensate for the reduction in public spending?

In my experience, public spending is crucial. It is something that is definitely needed to kick the economy into high gear. It is good to collect taxes. For example, in United States after the financial crisis of 2008 and 2009, President Bush initiated many public spending projects and initiatives that helped to revive the economy. Infrastructure projects, in particular, are very important. American

Executive Profile: Godfrey B Mramba

Godfrey Mramba is the Managing Partner and Chief Executive Officer of Basil & Alred. He is also responsible for tax and corporate development services. Prior to founding Basil & Alred, Godfrey was the Managing Director and Vice President of Coeur Tanzania Limited, a wholly owned subsidiary of Coeur d'Alene Mines Corporation (Coeur), one of the largest Silver Miners in the World.

Godfrey's experience with Coeur extends over 10 years both in the United States and in Tanzania, seven of those years as Managing Director and Board Member of Coeur Tanzania. While at the headquarters in the US, his duties included being in charge of Project Accounting for Coeur's world class San Bartolome silver mine during its mine development. He also spearheaded efforts for the establishment of Coeur Tanzania and later transferred to Tanzania to take charge of the Tanzanian subsidiary.

military spending also increased. That may not apply to Tanzania, because we do not have local industries producing ammunition, tanks and F16s, yet.

About five or six years ago, President Kikwete also introduced his infrastructure spending programme in Tanzania as a major tool to revive the economy, which was reeling from the effects of 2008. It is good to pay taxes and it is good for the government to tighten the net as far as taxation is concerned. However, it will not be enough to just ask our people to pay taxes and say that we are using our tax dollars or tax shillings in a frugal way. Public infrastructure spending would be needed, as well.

Do you think that the corporate tax rate of 30 per cent and VAT at 20 per cent and the number of withholding taxes is adequate? Should it be increased or decreased? Is it too punitive?

The VAT rate used to be 20 per cent, but it is currently at 18 per cent. Corporate tax is at 30 per cent. There are a number of withholding taxes at different rates depending on whether you are a national, resident, or non-resident, and the type of withholding tax depending on whether it is for rent, income, or other purposes. As a businessperson or taxpayer, I would want to pay less, but one has to be fair. A corporate rate of five per cent, for example, would not be fair.

Before joining Coeur, Mramba worked as an auditor with Ernst & Young in Seattle, Washington. At Ernst & Young, Godfrey's significant clients included mutual funds, wealth management firms, venture capital funds and insurance. He also had clients in technology, oil and manufacturing. Godfrey has had experience with listed companies including Coeur, which is listed in New York and in Toronto.

Godfrey is a Certified Public Accountant (CPA) licensed by the State of Washington, USA, and is also a member of the American Institute of Certified Public Accountants (AICPA) and the Washington Society of Certified Public Accountants (WSCPA). He is registered as a CPA with the National Board of Accountants and Auditors of Tanzania (NBAA) and is certified by the Tanzania Revenue Authority as a Registered Tax Consultant. He holds a Master of Accountancy degree from the University of Idaho in the USA.

You work transnationally so you have a comparative understanding. Is the tax code especially onerous or opaque in this country? How tricky is it to deal with?

Our tax code is simple but not as complex as other countries, such as the United States.

In your business, do you have a vested interest in its complexity?

One could say yes, in that it would drive more clients to us. But, when it comes to compliance, you want something that is simpler, so as to allow people to increase compliance. That is key. Otherwise, you will have a situation where people are not compliant, not because they do not want to comply, but because it is just too complex and the cost of compliance is too high because you have to hire firms like us. It is a lose-lose situation. If it could become even simpler, it would be great. There has to be a balance and there has to be fairness in this game.

Tanzania is currently the only country to be simultaneously a member of both the EAC and the SADC. How is the country leveraging this advantage?

We have been a member of the SADC and the EAC for a number of years. We are using both of these bodies to our advantage because they allow us to export to those countries quite easily. There are different tariff agreements within those

believe our service is superiorly delivered, and value for money. We serve the same clients that the big firms do. Some of them actually were former clients of those large firms, who have come to us for those specific reasons.

Would you say you have a greater local expertise because you are boutique and can offer more personalised service? Given the fact you are from here, do you understand the local regulatory environment stronger than one of the big established multinational players?

I would not say that. They are here as well and some of them have been around for many years. PwC has been here since the 60s as a firm. It is the way in which we do our jobs, the attention to detail that we offer, and the knowledge and the involvement at the senior level.

What is your vision medium term, in two to three years, of what you want to achieve?

We want to continue to grow and to become even bigger than what we are today. That will be a three year vision. The long term vision is to become a regional firm. We have that ambition because we have clients at the moment that have operations outside Tanzania, for example in Kenya. Currently it is not the right time and we are focusing domestically on building our base, but we would like to achieve this, eventually.

Finally, what would be your key piece of advice to outside investors considering investing in Tanzania?

Come to Tanzania and invest here without hesitation. At the moment, there is some hesitation. The environment is unstable because we just had elections last year and there is a new president. There are a lot of changes happening. Some of the investors are skittish and are waiting to see what happens, but as a person who has been in Tanzania and operating in Tanzania, I would encourage them to not ignore this country. They have to do their research and be comfortable with what they see and the risk they are going to take, but long term, Tanzania is still a good investment destination. Also, as a country, we have to be aware of what is happening around us. Our neighbours are still fighting, still going for the same investors and they are doing certain things that may be more attractive to the same investors. We need to take note of that and adjust accordingly.

This past July, there was a proposition that came through the budget that introduced certain fees for tourism; meanwhile, the Kenyans abolished them. Naturally, it would be more expensive for a foreign tourist to come to Tanzania, now. That move was detrimental to the country. The same is true with our ports and import duties. We have to be aware of these things and be able to adjust accordingly and very quickly, because we live in a very competitive and challenging world. But Tanzanians also need to look inside and do what is necessary. At the moment, we are less competitive as a country, but now we need to bring up our competitiveness and remain there. There is much that needs to be done to that end, including systemic changes from tax regime, labour laws, rule of law, and we cannot have cases in court for ten years. If it is a commercial arbitration it needs to happen right away because it affects jobs. We need to improve. As a patriotic Tanzanian and a business person and investor here, I would say, come!

Source: MarcoPolis, an international online publishing company headquartered in Paris, France, with offices in the US, Brazil, Lebanon, Saudi Arabia and Slovakia, specialised in producing executive interactive business reviews by country analysing trends, featuring sector analysis, interviews, companies, videos and top stories.

BIG INTERVIEW