

Tanzania's 2017 Legislative Amendments

July 2017



Legislative Amendments 2017

- The Finance Act 2017
- The Written Laws (Miscellaneous Amendments) Act 2017
- Natural Wealth and Resources (Permanent Sovereignty) Act 2017
- Review and Re-Negotiation of Unconscionable Terms Act 2017



Economic Overview

- GDP Growth approximately 6% to 7% in the past decade
- Inflation - 5.5% (Since 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



The Written Laws (Misc. Amendments) Act 2017

- Passed in the National Assembly on 4th July 2017
- Assented by the President immediately after being passed by the National Assembly



The Affected Legislations

- The Mining Act Cap 123
- The Income Tax Act 2004
- The Insurance Act 2009
- The Value Added Tax Act, 2014
- The Petroleum Act
- The Tax Administration Act



Amendments in the Mining Act

- Introducing a Commission that is headed by the Chief Executive Secretary
- President to have powers to appoint the Commissioner for minerals and the Chief Executive Secretary
- Every mine to have a Resident Mines Officer reporting to the Commission
- Revision of the law to take effect on 20th July 2019 where no input tax will be allowable on exportation of raw minerals



Amendments in the Mining Act

- Prior approvals required for primary license holder who needs to hire technical services from abroad
- Government entitled to a 16% non dilutable free carried interest shares in the capital of a mining company
- Additionally, the government is entitled to acquire up to 50% of the shares in the company in line with the total tax expenditures incurred by the government
- Review and renegotiation of all development agreements that were already concluded



Amendments in the Mining Act

- Application for a prospecting, special mining, mining as well as retention licenses to include a statement of an integrity pledge and a local content plan
- Forecasts of capital investments to be verified by Commissioner
- Raw minerals are not to be removed from the mines without government Authorization
- After a specified period, raw minerals are to be removed and transported to the Government Minerals Warehouse
- No exportation of raw minerals without beneficiation



Amendments in the Mining Act

- Discourages stabilization clauses
- Plough back of profits
 - Mining companies required to reinvest a portion to the growth of TZ economy
 - Such companies will be required to file returns on the efforts made to grow the country's economy
 - Permission of transfer of mineral rights by the govt to consider ploughed back returns



Amendments in the Mining Act

- Local content provisions
 - Mining companies to give preference to locally produced or available goods
 - For services, preference to be made to Citizen and or local companies
 - Where such goods and services are not available, a company in a JV with a local company can be picked (at least 25% ownership)
 - Permission of transfer of mineral rights by the govt to consider ploughed back returns
 - Local companies defined to mean a company or subsidiary company incorporated under the Companies Act which is 100% owned by a Tanzanian citizen or a company that is in a JV partnership with a Tanzanian citizen or citizen whose participating shares are not less than 5)%



Income Tax Act 2004 Amendments

- Withholding tax paid by a withholding tax agent to be disallowed.
- Speculative transactions now ring fenced
- Qualifying expenditure for non commercial vehicles extended to TZS30m
- Reduced income tax rate to 10% rate to apply for 5 years for assemblers of motor vehicles, tractors and fishing boats
- Payments for specified mineral or minerals by a resident person to attract 5% final WHT



Income Tax Act 2004 Amendments

- Carriage of horticultural products by foreign aircraft not to be included in single instalment payment
- Income tax return filings to include “certified financial statements”
- AMT provisions amended in the schedule for consistency (5 years to 3 years)
- Source rules provisions amended to include payments for general insurance and or reinsurance by a resident person of any risk in or Outside the United Republic



VAT Act Amendments

- Ancillary transport services relating to goods in transit are zero rated provided that the service is:
 - An integral part of the supply of an international transport service; and
 - In respect of goods stored at the port, airport or declared customs area for not more than 30days
- Bad debts now eligible to be claimed after being overdue for more than 18months
- Input tax incurred on exportation of raw minerals not deductible with effect from 20 July 2017
- Input tax to be incurred on exportation of raw agricultural, forestry, aquatic and fauna products not deductible with effect from 20th July 2019



VAT Act Amendments

- Exemption now available on:
 - Importation of machines and plants used in production in edible oil, textile, leather and pharmaceuticals including veterinary industries (Under specified HS Codes)
 - Fertilized eggs for incubation under specified HS Codes
 - Preparations of a kind used in animal feeds
 - Motor vehicles designed for use by persons with disabilities
 - Importation of machinery by a local manufacturer of hide and skins
 - Importation of ambulance by a registered health facility



Income Tax Act 2004 Amendments

- Commissioner's powers extended to now include prescribing minimum rates of premiums payable.
- All monies on insurance to be paid to the account of the Insurer
- Insurance companies to pay commission to the Broker
- Under no circumstances should the broker receive premiums from its clients. By doing so, the CEO or principal officer is likely to be penalized



Income Tax Act 2004 Amendments

- Insurance brokers to have at least 2/3 of the shareholding, paid up capital or voting rights held by Tanzanians
- All Tanzania resident persons to insure with Tanzanian Insurers
- Where a certain insurance product cannot be procured locally, upon prior written application, the Commissioner may authorize placement with a non resident insurer
- Ground, Marine and air cargo insurance covers for Tanzania imports should effected by local insurers



Excise duty Act Amendments

- Inflationary adjustment of 5% on non-petroleum items that are subject to specific excise duties by increasing duty rate on:
 - wine produced containing more than 25% imported grapes
 - imported spirits
 - cigarettes without filter tip with more than 75% domestic tobacco
 - Cigarettes with filter tip with more than 75% domestic tobacco
 - other cigarettes, cut rag/cut filler
- Excise duty on locally produced fruit juices and wine with 75% domestic grapes reduced



Excise duty Act Amendments

- Abolish annual road license instead increasing duty rate on petroleum by TZS40 on:
 - Petrol (motor spirit and premium)
 - Diesel (gas oil)
 - Kerosene (IK)
- Following duty rates maintained:
 - Domestic produced water
 - Locally produced spirits



EAC Customs Duty Act Amendments

- Reduce duty rate:
 - on wheat grain, Linear Alkyl Benzen Sulphuric Acid and CKD kits for motorcycles.
- 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.
- Grant stay of duty remissions progressively on sugar for industrial use at 10%



EAC Customs Duty Act Amendments

- 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 of width of 600mm or more
 - Steel rods and bars and hot rolled angles for one year at the higher of 25% or USD 250 per metric tone
 - Paper products and Aluminum structures at the rate of 25%.
 - Gypsum powder



EAC Customs Duty Act Amendments

- The proposed amendments in the EAC Customs Management Act 2004 are as follows:
 - Duty remission on Compact Fluorescent Bulbs (CFL) and Light Emitting Bulbs (LED) removed.
 - Applicable fine is now the higher of USD 20,000 or 50 percent of the dutiable value of the goods.
 - Vests powers to the Commissioner of Customs to restore seized items.
 - Amending paragraph 30 of the 5th Schedule to Act to include distribution of Oil and Gas.



Miscellaneous Amendments

- Property taxes to be collected by the TRA for both unvalued and valued houses.
- Increase in motor vehicle fees on first registration by TZS 50,000 for each band.
- Reduce produce-cess on cash crops from 5% to 3%.
- Reduce produce-cess on food crops from 5% to 2%.
- Abolish
 - LGA charges on transportation of crops of less than 1 tonne.
 - fees imposed on fertilizers
 - permit fees issued by LGA on abattoirs
 - permit fees on transport of livestock and establishing pharmacies
 - fees imposed on livestock when they are in the market for auction

