



# Tanzania's **2019/2020 Budget Highlights**

Back to the Drawing Board

**Based on speeches made by the Minister for Finance and Planning  
On June 13th, 2019**

Dodoma, Tanzania

# Economic Overview

A look at **Where We Are**



## Regional Update - GDP and Inflation

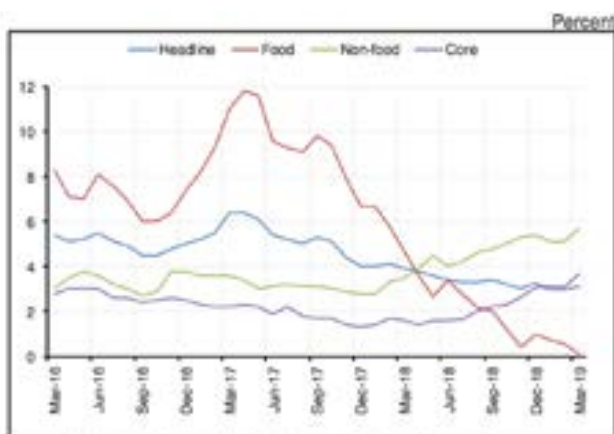
The East African region economies registered growth with Rwanda leading at 8.6% in 2018, followed by Kenya 6.3%, and Uganda 6.1%. Inflation on the other hand, remained at a single digit, at 2.9%, with Rwanda recording the lowest rate of 1.4%, Uganda 2.6%, Tanzania 3.5% and Kenya 4.6%.

## National Update

The GDP growth rate was 7.0% in 2018 compared to 6.8% in 2017. The rapidly growing economic activities include: Arts and Entertainment (13.7%), construction (12.9%), Transportation and storage (11.8%), ICT (9.1%) and professional, scientific and technical activities (9.9%) and agriculture (5.3%). This growth is attributed to the government’s efforts in implementing infrastructure projects, stable supply of electricity, improvement in transport services and favourable weather conditions that enabled good harvests of food and cash crops.

### Others:

- Shilling - Relatively stable
- Credit to Private Sector - Increased by 10.6%
- Broad money supply (M3) - Increased by 4.9%
- Foreign currency reserve - 4.3 months of imports (national threshold is 4.0)



Source: National Bureau of Statistics and Bank of Tanzania computations

# Budget Highlights

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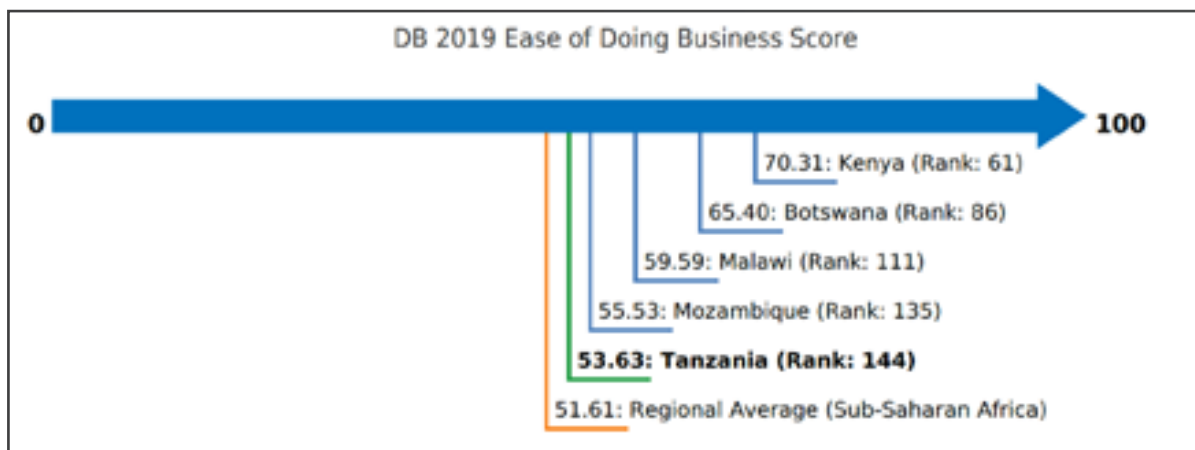
The Minister for Finance and Planning, Hon. Dr. Philip Mpango (MP) tabled the 2019/2020 budget on the 13th of June 2019 at the National Assembly in Dodoma. As was last year, the theme for this year’s budget continues to be building an industrial economy for job creation and sustained social welfare.

The budget comes on the heels of a meeting held between the President and businessmen from across the country, to determine challenges faced by the community with respect to doing business in Tanzania. In response, the President vowed to remove the challenges facing the business community which include unfair taxation regime, bureaucracy, corruption and competition with foreign industries.

The TZS 33.1 trillion budget has introduced fiscal amendments to promote economic growth with a focus on local industries, continuing the flagship projects and increased productivity and markets in agriculture. In the process, the government aims at improving tax administration, fiscal management and to simplified revenue collection system. An overhaul of various fees and levies is on the cards to enhance the ease of doing business in the country (as depicted in the World Bank’s Doing Business Report) in line with the agreed implementation of the Blueprint for Regulatory Reforms to Improve Business Environment.

On tax measures, there were important developments on both direct and indirect taxes, which commensurate with the registered priority of fostering an industrial based economy with agriculture, including livestock as well as revamping of the national career.

We hereby provide below our budget highlights incorporating changes proposed by the Minister in his budget speech. Some changes may arise when the Finance Bill 2019 and subsequently the Finance Act 2019 are published.



Source: World Bank Doing Business Report 2019

# Tax Measures

## INCOME TAX

The Proposed measures include:

- A reduced corporate tax rate of 25% to new manufacturers of sanitary pads for two years
- Withholding tax exemption on various fees charged on loans received by the Government from non-resident Banks and other international financial institutions.
- Amend the presumptive tax rates to stretch the turnover to 100m as illustrated below:

Turnover/revenue (in TZS)	Tax payable where section 35 of Tax Administration Act is not complied with	Tax payable where section 35 of Tax Administration Act is complied with
Not exceeding TZS4m	NIL	NIL
From TZS4m to TZS7m	TZS 100,000	3% of turnover exceeding TZS 4m
From TZS7m to TZS11m	TZS 250,000	TZS 90,000 plus 3% of turnover exceeding TZS 7m
From TZS11m and TZS14m	TZS450,000	TZS 230,000 plus 3% of turnover exceeding TZS 11m
From TZS14m to TZS100m		TZS 450,000 plus 3.5% of turnover exceeding TZS 14m

## VALUE ADDED TAX

The proposed amendments to the VAT Act 2015 intend to:

- Abolish VAT exemption on sanitary pads
- Introduce VAT exemption on imported refrigeration boxes to be used in horticultural farming
- Remove the restriction to claim input tax for exporters of raw agricultural products
- Exempt VAT on Grain Drying Equipment
- Zero-rate supply of electricity from mainland Tanzania to Zanzibar
- Introduce VAT exemption on imported aircraft lubricants by domestic operators, National Air Force, or air operators recognized in the Bilateral Air Service Agreement
- Introduce VAT exemption to Air Operators under Bilateral Air Service Agreement on imported airline tickets, flyers, calendars, diaries, labels and employees' uniforms.

## Tax Measures (continued)

### EXCISE DUTY

The Budget proposed the following measures:

- Reduce excise duty from TZS 200 per litre to TZS 61 per litre on wines produced locally with domestic fruits other than grapes (banana, cashew, rozera, tomatoes etc.)
- Introduce excise duty of 10% and 25% respectively on locally made and imported artificial hair
- Introduce excise duty of 10% on imported pipes and plastic materials (tubes, pipes and hoses and fittings i.e. joints, elbows flanges)
- Introduce excise duty exemption on imported aircraft lubricants by domestic air operators, National Air Force, or air operators recognized in the Bilateral Air Services Agreement



## Customs Duties

### To provide for one year duty remission and apply duty at 0% on:

- Raw materials used to manufacture baby diapers
- Equipment and appurtenant used for polishing and heat treatment of gemstones
- Papers used as raw materials for manufacturing of packaging materials for export of horticulture products
- Agricultural seeds packaging materials by local agricultural seeds producers
- Aluminium alloys to be used as raw materials to manufacture aluminum pots

### Impose import duty for one year at:

- 10% or USD 125 per metric tonne, whichever is higher, on flat-rolled products of iron or non-alloy steel and flat-rolled products of other alloy steel of width of 600mm or more
- 25% or USD 200 per metric ton, whichever is higher, on flat-rolled products of iron or non-alloy steels
- 10% or USD 250 per metric ton, whichever is higher, on flat-rolled products of iron or non-alloy steel
- 25% or USD 250 per metric ton, whichever is higher, on flat-rolled products

### To Grant stay application of East Africa Community Common External Tariffs (EAC-CET) duty rate for one year at:

- 25% and apply 35% on roasted coffee
- 25% or USD 250 per metric but apply 25% or 200 per metric ton, whichever is higher, on reinforcement bars and hollow profiles
- 35% instead of 25% on horticultural products
- 0% but apply duty at 10% on Mini-filament PVC Profiles

## Customs Duties (continued)

### Measures affected in 2018/2019 and continue to be implemented for another one year:

To Grant stay of application of East Africa Community Common External Tariffs (EAC-CET) duty rate for one year:

- At 0% and apply a duty rate of 25% on paper
- At 10% but apply a duty rate of 0% on Electronic Fiscal Devices (EFD's) machines
- And apply duty rate at 25% or USD 1.35, whichever is higher, per Kg of safety matches
- And apply a duty rate of 25% or USD 350, whichever is higher, on nails, tacks, drawing pins, corrugated nails, staples other than those of heading 83.05
- At the rate of 25% and instead apply a duty rate of 35% on Sausages and similar products
- On chewing gum and apply a duty rate of 35% instead of 25%
- Other sugar confectionary sweets and apply a duty rate of 35% instead of 25%
- Chocolates and apply a duty rate of 35% instead of 25%
- Of 25% and instead apply a duty rate of 35% on semi refined, refined/ double refined edible oils (e.g. sunflower oil, palm oil, groundnuts oil, olive oil, maize corn oil etc.)
- Of 0% on Gypsum Powder and instead apply a duty rate of 10%
- On biscuits and apply a duty rate of 35% instead of 25%
- On tomato sauce and apply a duty rate of 35% instead of 25%.
- On mineral water and instead apply a duty rate of 60% instead of 25%
- On meat and edible offal under chapter 2 and apply a duty rate of 35% instead of 25%
- And apply a duty rate of 35% instead of 35% or USD 0.40 per kilogram whichever is higher on worn clothes

### Grant duty remission and apply an import duty of:

- 10% instead of 35% on wheat grain
- 0% instead of 25% on printed aluminum barrier laminates
- 0% instead of 10% on RBD Palm Stearin

### Impose import duty of:

- 25% on crude edible oil e.g. sunflower oil, palm oil, groundnuts oil, olive oil, maize corn oil etc.
- 35% instead of 100% on Sugar (consumption sugar)

To provide duty remission on selected list of raw materials and industrial inputs for the manufacturers of textiles and footwear (Harmonized list)

## Miscellaneous Amendments

### Amending The Tax Administration Act 2015:

- To extend the period for payments of principal taxes applied through the tax amnesty mechanism by six months to December 2019.

### Amending the Road Traffic Act, CAP 168 to:

- Extend the validity period of a drivers' license from three years to five years
- Propose new fees under the Act as provided below:

Item	Description	Current (TZS)	Proposed (TZS)
Driving License	Fee	40,000	70,000
Motor Vehicles	Registration card fee	10,000	50,000
Motorcycles	Registration card fee	10,000	30,000
Tricycles	Registration card fee	10,000	20,000

### The following fees charged by the Tanzania Food and Drugs Authority (TFDA) are to be abolished:

- Retention fees for domestic products on registration (e.g. Vaccines and Biologicals, herbal medicines, medical devices and diagnostics)
- Fees for duplicate certificates on diagnostic
- Inspection fees for new food selling outlets
- Registration fees for Retails Veterinary Pharmacy
- Inspection fees for fish industries
- Inspection fees for new fish outlets
- Annual business license fees on fish outlets

### The following fees charged by Tanzania Bureau of Standards (TBS) are to be abolished:

- Application fees for TBS mark
- Guarantee fees for TBS mark
- License fees for TBS mark
- Application form fee for imported goods
- Calibration of equipment fees
- Application fee on imported cosmetics and medical devices including condoms, syringes, gloves, cotton wool and bandage



## Miscellaneous Amendments (continued)

### Abolished fees charged by Government Chemist Laboratory Authority (GCLA):

- Service charges for cancellation and issuing of new permits
- Service charges for replacement of permits
- Fee for registration of Clearing Agents Company
- Fee for changing registration information
- Emergency Inspection fees
- Annual maintenance fees to specified industries and distributors

### Reduction of and new levies to be charged by the Government Chemist Laboratory Authority (GCLA):

Service	Current Fee (USD)	Proposed Fee (TZS)
Chemical registration and renewal	20	40,000
Registration of large certificate holder		200,000
Registration of Small certificate holder		50,000
Registration Large scale and small scale premises	100	200,000
Sorting of obsolete chemicals per person per day	300	300,000
Identification and approval of disposal methods fees per chemical	500	200,000
Supervising of loading, transportation, unloading and disposal of obsolete chemicals	300	300,000
Premises inspection	200	300,000
Transportation routes assessment and emergency inspection fees per person per day	100	150,000
Escorting of chemical convoy fees per person per day	100	150,000

Transportation of on transit hazardous and other chemical will now be charged as tabulated below:

Quantity of chemicals to be transported (MT)	Current Fee (USD)	Proposed fee (USD)
Between 0.1 and 10	1-2 per MT	10
10.1 - 200		1 per MT
201 - 1000		400
1001 - 5000		600
5001 - 10,000		800
10,001- 20,000		1,200
20,001- 40,000		1,500
40,001+		2,000

## Miscellaneous Amendments (continued)

**The following fees and levies charged by the Ministry of Livestock and Fisheries are to be abolished:**

- License fees for milk producers and collectors below 51 liters and 201 litres respectively
- Registration fee for milk producers below 51 litres
- License for registration of carriers and containers permit for transportation of milk
- License fee for small scale meat producers
- License fee for Medium and Large scale producers
- Registration fee for large scale producers, primary, secondary and border markets operators
- Registration fees for local and primary market traders, secondary and border markets traders and meat exporter
- Movement permit fee for transportation of day old chick per 100 and transportation of Adult/Guinea fowl



## Miscellaneous Amendments (continued)

SECTION



### Other measures:

- Removal of trophy handling fees and TALA fees on professional hunting charged by the natural resources and tourism sector
- Removal of the fee imposed on boreholes used for domestic purposes.
- Non-fiscal measures
- Individuals now allowed to clear their own imported goods from ports without appointing a clearing and forwarding agent. However, this shall not apply to transit goods
- Introduce a 6month's grace period upon inception to businesses or investors before the requirement to pay tax
- Establishment of an independent Office of Tax Ombudsman police any unbiased information and complaints from taxpayers against administrators
- Finalization of Integration of domestic revenue collection systems through Electronic Fiscal Device Management System (EFDMS)
- Establish a dedicated desk at TRA where all complaints and disputes by taxpayers will be received and dealt with in 24 hours
- Introduce a system to ensure that gaming activities are regulated for responsible gaming
- Integrating the domestic revenue collection systems through Electronic Fiscal Device Management System (EFDMS)

## Disclaimer

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