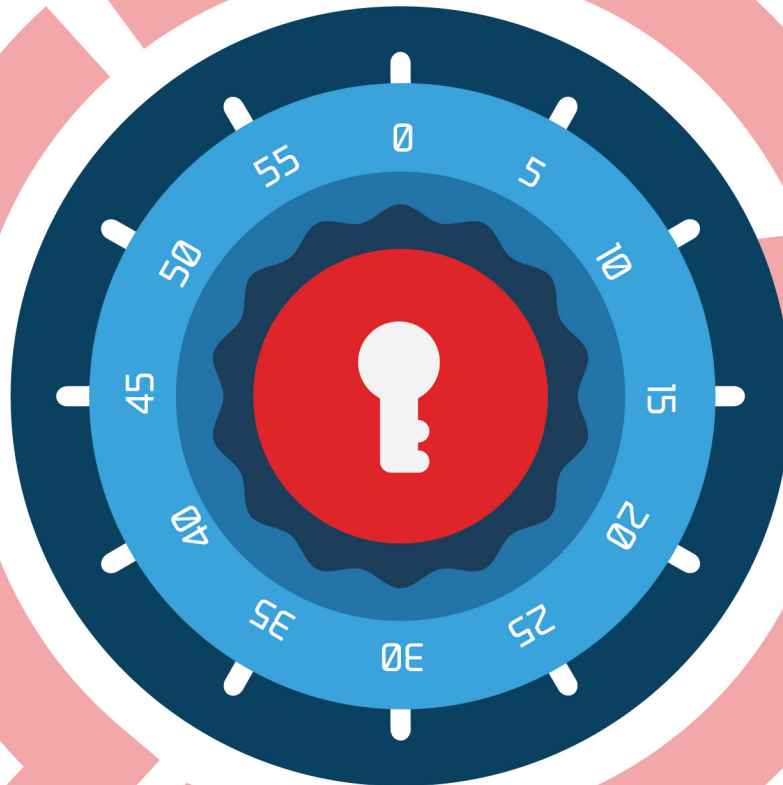




Basil & Alred Presents
Tanzania's 2022/2023
Budget Highlights



Safeguarding our future

**Based on speeches made by
the Minister for Finance and Planning
on June 14, 2022**

Dodoma, Tanzania.

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Budget Highlights

Safeguarding our future

The Minister for Finance and Planning, Hon. Dr. Mwigulu Nchemba unveiled the 2022/2023 estimates of government revenue and expenditure and the second budget proposal for the Sixth Phase government, led by Her Excellency, Samia Suluhu Hassan, on the 14th June, 2022 at the National Assembly in Dodoma Tanzania. The theme for this year's Budget is "Accelerating Economic Recovery and Enhancing Productive Sectors for Improved Livelihoods".

The Government's priorities for the year 2022/2023 will be in the productive sectors including agriculture, livestock, fisheries, energy, investment and trade.

The tabled budget proposals will go a long way in rebuilding investor confidence as it proposes several measures aimed at improving business environment as well as maintaining stability in the tax system, a key ingredient in attracting FDIs.

The budget proposals address the need to find other sources of government revenue with a view of reducing the burden on businesses. This is a welcome news to some of the sectors whereby taxes have been increasing year on year.

The TZS 41.5 trillion proposed budget has introduced fiscal and non-fiscal amendments that aim to promote an inclusive and competitive economy that attract private sector investment and increase employment opportunities by improving tax collection and administration as well as an overall business environment.

On tax measures, there are important developments on both direct and indirect taxes, which commensurate the registered priority areas of improving the tax administration systems.

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 2022 and subsequently the Finance Act 2022 are published.

Economic Overview

Global Update

Global economy improved to an average of 6.1% in 2021, compared to negative growth of 3.1% in 2020. The improvement is attributed to measures by various countries to revive their economies, including implementation of fiscal and monetary policies to stimulate economic activities, as well as improvements in health services, including promotion and distribution of COVID-19 vaccines.

Global economy is expected to slow down and grow by 3.6% in 2022, mainly due to the Russia - Ukraine war, which has led to an increase in food and energy prices.

Sub-Saharan Africa countries grew at an average of 4.5% in 2021, compared to negative growth of 1.7% in 2020. Growth in the region is expected to slow down to 3.8% in 2022 and improve to 4% in 2023.

The SADC region economies grew at an average of 4.2%, compared to negative growth of 4.3% in 2020, whereas the East African economies grew by 5.9% in 2021, compared to negative growth of 1.1% in 2020.

“Tanzania’s economy and GDP grew by 4.9% in 2021, compared to 4.8% the year before”

National Update

Tanzania’s economy and GDP grew by 4.9% in 2021, slightly higher than the 4.8% reported in 2020. The positive growth can be attributed to diverse efforts by the Government in implementation of COVID Socio-Economic Response Plan and strategic investments especially in energy, water and rail infrastructure.

For the past few years inflation has been relatively low and 2021 was no different. In 2021, the annual inflation was at 3.7%. Foreign currency reserves were equivalent to five (5) months, which is above the country’s target of four (4) months. The increase in inflation from 3.3% to 3.7% can be attributed to the world economy disruption as a result of the war between Russia and Ukraine.

- ▣ Gross Domestic Product - TZS 161.5 trillion, compared to TZS 151.2 trillion in 2020
- ▣ Population - 57.7 million, compared to 55.9 million in 2020
- ▣ The Tanzanian Shilling - Remained relatively stable. Between April 2021 and April 2022, one US Dollar traded between TZS 2,309.48 and TZS 2,308.87
- ▣ Extended Broad Money supply (M3) - Grew at an average of 13.1%
- ▣ Credit to private sector - Grew by an average of 8.4% between July 2021 and April 2022
- ▣ Average lending rates - Decreased to 16.44% between July 2021 and April 2022

Tax Measures

Income Tax

Proposed income tax amendments include:

- ▢ Taxpayers with turnover between TZS 11,000,000 and TZS 100,000,000 in a year – to pay presumptive tax at 3.5%
- ▢ Individuals to account for withholding tax - Particularly on rent for residential houses, apartments and commercial premises
- ▢ Introduce Digital Service Tax at the rate of 2% on the turnover of the non-resident service providers
- ▢ Introduce advance income tax of TZS 20 per litre for retailers of petroleum products
- ▢ Introduce final withholding tax (WHT) at a rate of 2% of payments made to Small Scale Miners
- ▢ Introduce income tax of TZS 3,500,000 on each truck and passenger buses per year
- ▢ Exempt WHT on coupon for Corporate and Municipal Bonds
- ▢ Reduce WHT on film industry from 15% to 10%
- ▢ Exempt Capital Gains Tax (CGT) on transactions involving authorisation, issue, distribution or transfer to the Government of the Free Carried Interest shares
- ▢ Exempt CGT on equity shares freely surrendered to the Government through the Treasury Registrar
- ▢ Recognise alternative financing as approved by Bank of Tanzania to be the same as conventional borrowing
- ▢ Minister for Finance granted powers to waive income tax for strategic investors after approval by National Investment Steering Committee (NISC) and the Cabinet



- **Reduce WHT on film industry from 15% to 10%**

Tax Measures (cont'd)

Value Added Tax (VAT)

VAT exemption targeting Agriculture:

- ▢ Refrigerated trucks and cold rooms for perishable agricultural products
 - ▢ Raw materials and machinery solely and directly used in the manufacture of fertilizers by an approved manufacturer
 - ▢ Equipment for soil testing - Sensor arrays and chameleon sensor readers; Wetting Front Detectors; Electronic conductivity meters, and Nitrate test strips
 - ▢ Agro-nets of HS Code 56.08
 - ▢ Equipment for weather forecasting - Moisture meters; Rain gauge for weather stations; pH meters; tissue culture equipment; and tensiometers
 - ▢ Meteorological equipment and instruments imported by Tanzania Meteorological Agency (TMA)
 - ▢ Locally manufactured sisal twine
 - ▢ Ultra-High Temperature (UHT) milk and yoghurt
 - ▢ Dairy packaging materials - Boxes, bottles and plastic packaging satchels.
 - ▢ Equipment for tagging cattle - Ear tag supporting tables; Ear tags; Ear tag applicators; and beam machines
 - ▢ Stunning box and skinning & de-hiding pulling machines
 - ▢ Pasture Seeds (pasture grass seeds); pasture legumes seeds; pasture multiple tree seeds and pasture cuttings, and rhizomes and stolons
 - ▢ Float for fishing net, fishing hooks and fishing lines
 - ▢ Standing trees
- One-year VAT zero-rated status on:**
- ▢ Double refined edible oil manufactured locally
 - ▢ Fertilizer manufactured locally
 - ▢ VAT exemption targeting Agro-Processing and other industries
 - ▢ Unprocessed green vanilla pods
 - ▢ Inputs for the local manufacture of gas cylinders
 - ▢ Machines and tools solely and directly used by the military and armed forces - subject to approval by the Minister for Defence & Security

Tax Measures (cont'd)

Excise Duty

The Budget proposed the following measures:

- No inflationary increment in excise duty on non-petroleum products
- Manufacturers and importers of excisable goods - License fee to reduce from TZS 500,000 to TZS 300,000
- Exempt excise duty on products used in export of horticultural produce - Plastic sleeves Puneet, Plastic Cryovac bags, modified atmosphere packaging (MAP) bags, Plastic sleeves, Perforated bags and poly packaging bags, Cling film, and Plastic liners
- Locally manufactured sugar confectionery – To be subject to excise duty of TZS 500/kg, but imported sugar confectionery (chocolate, biscuits and chewing gum) to be subject to higher excise of TZS 700/kg
- Impose excise duty at the rate of 5% on lead-acid used for starting piston engines

Tax Administration Act

- Reinstate powers of Minister for Finance and Planning to remit interest or penalty after receiving advise from the Commissioner General of TRA



Customs Duties

Proposed Changes

The EAC Pre-Budget Consultative Meeting of the Ministers for Finance was held on 13th May 2022, and agreed to effect changes to the Common External Tariff (CET) rates for year 2022/2023

A) Grant one-year duty remission and apply duty rate of 0% on:

- Raw materials used to manufacture food flavours
- Inputs used to manufacture corrugated boxes
- Inputs used to manufacture toughened glass
- Inputs used to manufacture electrical cables
- Prefabricated building under HS Code 9406.20.90

B) Grant one-year duty remission and apply duty rate of 0% on:

Item	New Rate	Previous Rate
<i>Flat-rolled products of other alloy steel of a width of 600mm or more</i>	35%	25%
<i>Windows and doors made of aluminium, iron and steel</i>		
<i>Wigs, false beards, eyebrows and eyelashes, switches of human or animal hair or of textile materials</i>		

C) Reduce import duty

Item	New Rate	Previous Rate
<i>Inputs used to manufacture soap</i>	10%	25%
<i>Other petroleum oil products partly refined</i>		

D) Stay application of import duty rates for one year:

Item	Applicable Rate	Stayed Rate
<i>Ceramic tiles</i>	<i>35% or USD 1.5 per square metre</i>	25%
<i>Baby diapers</i>	35%	
<i>Flat rolled products under HS Codes 7212.20.00 and 7226.99.00</i>	<i>Higher of 10% or USD125/MT</i>	10%
<i>Cotton yarn</i>	25%	
<i>Crude vegetable oils of soyabeans, groundnuts, coconuts, mustard and linseed</i>	10%	0%

Item	Applicable Rate	Stayed Rate
<i>Crude Palm Oil (CPO)</i>	0%	25%
<i>Wires of other alloy steel</i>	<i>Higher of 25% or USD 500/MT</i>	35%
<i>semi-refined and refined vegetable oils</i>		
<i>Cane sugar under HS Code 1701.14.90 imported under a permit issued by the Tanzania Sugar Board</i>	25%	<i>Higher of 100% or USD 460/MT</i>

Customs Duties (cont'd)

Proposed Changes (continued)

Item	Applicable Rate	Stayed Rate	
Inputs used to manufacture essential medical products and supplies for fighting COVID-19 including masks, sanitizers, coveralls, face shields and ventilators	0%	25% or 10%	
Raw materials (Hot Melt Adhesive, PE 73 film, empty bags for baby diapers, Plastic casks, Super Absorbent Polymer, Wet strength paper, Non-woven, Polyethylene laminated Nonwovens, Spandex, and Dust free paper) for manufacture baby diapers			
Raw material used in leather processing			
Raw materials and industrial inputs used to manufacture textiles and footwear			
Raw materials used to manufacture different types of fertilizers			
Inputs used to manufacture glass reinforced plastic pipes - Polyester Film 50mm & 200mm; Tissue Mat 30gr; Chopped Strand Mat/Knitted glass Mat; Mesh cloth liner; Sand holding cloth (Polyester Mesh); Direct Roving (2400 TEX); Direct Roving (600 TEX); Chop Roving; Surface Liner; Rubber O-ring; Rubber Gasket; and Resin Cystitis			
Inputs used by domestic minerals processors			
Cash registers and other Electronic Fiscal Device (EFD) Machines and Point of Sale (POS)			10%
Corks and stoppers used as inputs by domestic manufacturers of local wines			
Wires of other alloy steel			25%
Organic surface-active agents (Anionic) used by manufacturers of detergents and liquid soaps			
Refined Bleached Deodorized (RBD) Palm Stearin			
Other packing containers, including record sleeves used as inputs by domestic manufacturers of UHT milk			
Packaging materials used for packing processed coffee			
Milk cans			
Sacks and bags of polymers of ethylene used as inputs by domestic processors of cashew nuts			
Inputs used by domestic processors of cotton lint			
Packaging materials for processed tobacco			
Packaging materials for seeds, used by local producers of agricultural seeds			
Packaging materials used by local manufacturers of tea (blenders)	10%		
Printed Aluminium Barrier Laminates (ABL)			
Buses for transportation of more than 25 persons imported for rapid transport project			
CKD for three-wheel motorcycle excluding chassis and components	35%		
Imported wheat grain			
Refined white sugar (sugar for industrial use)	Higher of 100% or USD 460/ MT		
Worn items of clothing, footwear and articles	35%	Higher of 35% or USD 0.40/ Kg	

Customs Duties (cont'd)

Proposed Changes (continued)

Item	Applicable Rate	Stayed Rate
Mineral water	60%	25%
Cocoa powder, not containing added sugar or other sweetening matter	10%	0%
Gypsum powder		
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 - intermediate products used to perform similar function as of aluminium profiles		
Iron and steel products	Higher of 10% or USD 125/MT	10%
Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more plated or coated with zinc	Higher of 25% or USD 250/MT	Higher of 25% or USD 200/MT
Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, clad, plated or coated		
Iron and steel reinforcement bars and hollow profiles		
Flat-rolled products of other alloy steel, of a width of 600 mm or more		10%
Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, clad	Higher of 10% or USD 250/MT	10%
Paper and paper products	25%	10%
New pneumatic tyres of rubber, of a kind used on motorcycles		
Safety matches	Higher of 25% or USD 1.35/kg	25%
Nails, tacks, drawing pins, corrugated nails staples (other than those of heading 83.05) and similar articles of iron or steel, whether or not with heads of other materials	Higher of 25% or USD 350/MT	25%

- Partner States of the EAC agreed on the maximum rate for products classified under the 4th band of the revised Common External Tariff to be 35%. These products include:
- Products of animals such as fish, meats and diaries, agro-processing products including tea and coffee, horticultural products, luxurious goods such as human air, wigs, cosmetics, perfumes and beverages, refined edible oils, salt, cement, paints, soaps, tanks, packaging items, wood products, leather products, ceramics, furniture, iron and steel products, sugar confectionery such as chewing gum, biscuit, and chocolates, tomato sauces, sausages, peanut butter.

E) Introduction and amendment of HS Code:

- Introduction of new HS Code 8543.40.00 - Electronic Cigarettes. Duty rate of 35%.
- Description of HS Codes 7310.29.20 and 7612.90.10 amended - To read "Cans and ends for beverages and food". To provide room for cans and ends for packaging food to enjoy import duty relief at 0%.

Miscellaneous Amendments

Miscellaneous Acts

Workers Compensation Fund (WCF) Contributions Reduced

- From 0.6% to 0.5% for private sector employers

National Payment System Act

- Mobile money transaction levy on sending and withdrawing monies - To be reduced from maximum of TZS 7,000 to maximum of TZS 4,000
- The levy will now apply to all electronic transactions.

Mining Royalties Reduced

- Coal used as energy raw materials in factories - From 3% to 1%
- Gold minerals sold to refinery centres - From 6% to 4%

Local Government Finance Act

- Seeds to be exempt from crop cess
- Reduce forest produce cess from 5% to 3%
- 10% of the revenue collected by Local Governments to be distributed for improvement of the entrepreneur's infrastructures (5%), youth loans (2%), women (2%) and people with disabilities (1%)
- Council to Assess the revenue potential before entering into agreement with third party collection agencies to ensure that the amount collected is commensurate with the potential of the source
- All revenue collected through Point of Sale (POS) to be deposited in bank accounts within seven days
- To provide clarity on payment of service levy and produce cess in different councils by the same business entity
- Minister for Local Government to be granted power to issue Regulations regarding distribution of revenue among Local Government Authorities



Reduction on mobile money transaction levy from TZS 7,000 to TZS 4,000

Miscellaneous Acts (continued)

Export levy on raw cashew nuts

- 50% to be distributed to the Ministry of Agriculture for input subsidy and the Agriculture Development Fund, and the balance 50% to be remitted to the Consolidated Fund

Export Levy Act

- Introduce export levy of 30% or USD 150 per metric tonne, whichever is higher, on copper waste and scrap metals

Insurance Act

- It will now be mandatory to insure public markets, commercial buildings, imported goods, marine vessels, ferries and pontoons
- State-owned insurance companies (National Insurance Corporation (NIC) and Zanzibar Insurance Corporation (ZIC)) to operate and compete with other businesses instead of the current situation where only NIC is given the opportunity to render service to public institutions

Transit Charges Reduced

- For vehicles exceeding 3 axles - From USD 16 per 100km to USD 10 per 100km

Limit on Government borrowing

- Government borrowing not to exceed 18% of approved domestic revenue in the current fiscal year, as opposed to the current rate of one-eighth of the domestic revenue collected in the previous fiscal year

“Government borrowing not to exceed 18% of approved domestic revenue”





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