

UPDATE AREAS

- Income Tax Act, CAP 332
- Tax administration act, CAP 438
- The Vocational, Educational and Training Act, CAP 82
- Value Added Tax Act, CAP 148
- The Excise (Management and Tariff) Act, CAP 147
- The East African Community Customs Management Act, 2004
- The Local Government Finance Act, CAP 290
- The Electronic and Postal Communication Act, CAP 306
- The Company Act, CAP 212
- The Land Rent Act, CAP 113
- The Gaming Act, CAP 41
- The Workers Compensation Act, CAP 263
- The Mining Act, CAP 123
- The Insurance Act, CAP 394
- National Payment System Act, CAP 437
- BOT Act, CAP 197
- The foreign Vehicle Transit Charges Act, CAP 84

TANZANIA NATIONAL BUDGET HIGHLIGHT 2022-2023

TAX UPDATES

Employment Tax

- ◆ Reduction of WCF contribution by private sector from 0.6% to 0.5%

Note

Other employment taxes remain the same for the year

Income Tax

- ◆ Government introduces 2% digital service tax on the turnover of non-resident service provider
- ◆ Introduction of a tax rate of 3.5% for taxpayers with turnover exceeding shillings 11million but not exceeding shillings 100 million in a year.
- ◆ The Minister has proposed recognition of alternative financing as approved by the Bank of Tanzania to be the same as conventional borrowing to enhance financial inclusion and access to finance.
- ◆ Granting the Minister powers to waive income tax for strategic investors after approval by the National Investment Steering Committee (NISC) and subsequently by the Cabinet
- ◆ Abolition of exemption to withhold income tax on individuals and particularly on rentals paid for residential houses, apartments, and commercial premises
- ◆ The Minister propose to exempt the Capital Gains Tax on the transfer of mineral rights on the Joint Venture Companies formed between the Government and investors and the transfer of shares (Free Carried Interest) from the Joint Venture to the Government
- ◆ Exempting Capital Gain Tax on equity shares freely surrendered to the Government through the Treasury Registrar
- ◆ Exempting withholding tax on Coupon for Corporate and Municipal Bond.
- ◆ Reduction of Withholding Tax on film industry from 15 percent to 10 percent
- ◆ Introduction of Digital Service (E-commerce) Tax at the rate of 2%
- ◆ Introduction of an annual income tax of TZS 3.5 million per truck and passenger bus.

- ◆ Improvement of the Tanzania Revenue Authority payment systems, to enable payments of taxes through mobile wallets.
- ◆ Introduction of final Withholding Tax at a rate of 2% for payments made to Small Scale Miners.
- ◆ introduction of advance income tax at the rate of 20 shilling per litre for retailers of petroleum products. This tax is to be collected from retailers by importers of respective product and be remitted to the government.

Value Added Tax Act

Changes providing relief for global recession

- ◆ Zero rating locally manufactured double refined edible oil for one year
- ◆ Zero rating locally manufactured fertilizers for one year at ex-factory sales by manufacturers

VAT changes affecting the Agricultural sector

- ◆ VAT exemption on standing trees
- ◆ VAT Exemption on equipment that are used for soil testing. The equipment that will be exempt include sensor arrays and chameleon sensor reader (HS Code 9026.10.00), Wetting Front Detectors (HS Code 9031.80.00), electronic conductivity meter (HS Code 9027.80.00) and Nitrate test strips (HS Code 9027.90.00). However, the exemption will be effective upon approval of the Ministry responsible for Agriculture
- ◆ VAT exemption on Agro-net used for horticulture activities (HS Code 56.08)
- ◆ VAT exemption on moisture equipment used for weather forecasting. The equipment that will be exempt include moisture meter (HS Code 9003.18.00), rain gauge for weather stations (HS Code 9023.00.90), Ph meter (HS Code 3822.00.90), tissue culture equipment (HS Code 8419.89.60) and tensiometers (HS Code 9031.80.00). However, the exemption will be effective upon approval of the Minister responsible for Agriculture
- ◆ VAT exemption on refrigerated trucks and cold rooms for perishable agricultural products. However, this exemption will be limited to non-convertible refrigerated trucks and cold room .

The refrigerated trucks to be exempted are those falling under (HS Code 8704.21.90, 8704.22.90, 8704.23.90, 8704.31.90, 8704.32.90, 8704.90.90) and for Cold rooms (HS Code 9406.10.10, 9406.90.10) upon approval of the Ministry responsible for Agriculture or Livestock and Fisheries. However, the exemption will be effective upon approval of the Minister responsible for Agriculture or Livestock & Fisheries

Changes affecting agro-processing subsector

- ◆ VAT exemption on unprocessed green vanilla pods (HS Code 0905.10.00)
- ◆ VAT exemption on locally manufactured Sisal twine
- ◆ The purchase or importation of inputs and raw materials by manufacturers for use in the manufacture of passenger motor vehicles; and The purchase of locally manufactured passenger motor vehicles.

Changes affecting manufacturing industry

- ◆ VAT exemption on inputs for the local manufacture of gas cylinder

This exemption covers items under (HS Code 7229.90.00, 3810.90.00, 3401.19.00, 7904.00.00, 4016.93.00, 8481.10.00, and 8309.90.90 after signing Performance Agreement with the government for control of abuse.

Inclusion of items under Chapter 87 (HS Code 87.16, 8701.20.90) as part of capital goods for the purpose of VAT deferment

Based on this amendment, tractors, trailers and semi-trailers and other vehicles not mechanically propelled and parts thereof may enjoy VAT deferment. VAT exemption on raw material and machineries solely and directly used in the manufacturing of fertilizers by an approved manufacturer.

The raw material exempted are those falling under (HS Code 2528.00.00, 2710.99.00, 3505.20.00) and machineries under Chapter 84 and 85 of the East African Community Common External Tariff. However, the exemption will be effective upon approval of the Minister responsible for Agriculture

Changes affecting Livestock & Fisheries industries

- ◆ VAT exemption on Ultra High Temperature (UHT) milk and yoghurt
- ◆ VAT exemption on dairy packaging materials
- ◆ VAT exemption on machines and appliances used for identification of livestock
- ◆ VAT exemption on stunning box, skinning and dehiding pulling machines
- ◆ VAT exemption on Pasture seeds
- ◆ VAT exemption on float for fishing net, fishing hooks and fishing lines. The exemption covers fishing net under HS Code 3926.09.10, fishing hooks under HS Code 9507.20.00 and fishing lines under HS Code 9507.90.00 and 9507.30.00
- ◆ Electronic verification of VAT refunds from 2022/23 This measure will allow unlock the significant amount of cash that has not been refunded

to the private sector in the recent past years. We further understand that the decision to carry online verification will allow timely issuing of refunds and reduce backlog of refunds. If implemented efficiently, this is likely to be a game changer and will likely boost private sector confidence in the refund process .

- ◆ Recognition of equivalent financing arrangement similar to conventional borrowing .
- ◆ Conferment of power to exempt VAT on strategic investors to the Minister responsible for Finance
- ◆ VAT exemption of machines and tools solely and directly used by the military and armed forces
- ◆ VAT exemption on meteorological equipment and instruments imported by



Tanzania Meteorological Agency (TMA)

- ◆ Taxation of the digital services without creation of Permanent Establishment The government proposes to create a simplified registration process to accommodate digital economy operators who have no presence in Tanzania without them triggering an income tax obligation in Tanzania.
- ◆ Abolition of VAT exemption on smart phones, tablets and Modems
- ◆ Abolition of VAT exemption on supply of air charter services

Customs

- ◆ Adopting a newly introduced maximum import duty rate of 35% as the 4th band of the EAC Common External Tariff (CET) effective from 1st July 2022.

The minister has further proposed the below changes;

- ◆ Increase of customs duty rate from 25% to 35% for various products including windows and doors made of aluminum, iron and steel.
- ◆ Extending a full import duty relief which was initially covering cans and ends of beverages only to now include cans and ends for packaging of food .

The Export Levy Act CAP, 196

- ◆ The minister proposes to introduce export levy of 30% or USD 150 per metric tonne (whichever is higher) on copper waste and scrap metals HS Code 7204 and 7404

Excise Duty

- ◆ Reduce the annual license fee for manufacturers and importers of excisable goods from TZS 500,000 to TZS 300,000
- ◆ Introduce excise duty exemption on plastic sleeves puneeet, plastic cryovac bags, modified atmosphere packaging – MAP bags, plastic sleeves, perforated bags and poly packaging bags HS 3923.29.00, Cling film HS 3921.12.90, Plastic liners HS 3902.90.00 for Horticultural export.
- ◆ Impose excise duty at the rate of TZS 500/kg on locally manufactured sugar confectionery and TZS 700/kg on imported sugar confectionery with HS Codes: 1806.31 (chocolate); 1905.31 (biscuits) and 1704 (chewing gum).



- ◆ Impose a 5% excise duty on Lead-acid, of a kind used for starting piston engines HS Code: 8507.10

The Mining Act, Cap 123

The Minister propose to amend the Mining Act by reducing the rate of royalty on the following:

- ◆ Coal used as energy raw materials in factories from 3% to 1%; and
- ◆ Gold minerals sold to refinery centers from 6% to 4%

The Local Government Finance Act, Cap 290.

The minister proposes to distribute 10% of revenue collected by the Local Governments as follows:

- ◆ 5 percent to improvement of the entrepreneur's infrastructures;
- ◆ 2 percent to youth loans
- ◆ 2 percent to women; and
- ◆ 1 percent to people with disabilities
- ◆ Exemption of crop cess on seeds
- ◆ Local Government Councils shall 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. Additionally, all revenue collected through Point of Sale (POS) to be deposited to the bank within a period not exceeding seven days from the date of collection

- ◆ Reduction of produce cess on forestry products from 5% to 3%
- ◆ Clarity on exemption to pay produce cess for corporate entities paying service levy
- ◆ The minister proposes to grant powers to the Minister responsible for local government to issue regulations on sharing of service levy collected among local government authorities.

The National Payment System Act, CAP 437

- ◆ The minister proposes to reduce mobile money transaction levy on sending and withdrawing monies from a maximum of 7,000 shillings currently in existence to a maximum of 4,000 shillings on each transaction. The minister also proposes to widen the scope on the applicability of the levy to include all electronic transactions.

The Insurance Act, CAP 394

- ◆ The minister proposes to expand the scope for mandatory insurance to public markets, Commercial buildings, imported goods, marine vessels, ferries and pontoons

The Foreign Vehicle Transit Charges Act, CAP 84

- ◆ The minister proposes to reduce transit charges for vehicles exceeding 3 axles from USD 16 per 100 kilometers to USD 10 per 100 kilometer.



The East African Community Customs Management Act (EACCMA)

The Ministers for Finance from the East African Community (EAC) Partner States agreed to effect changes in the Common External Tariff (CET) and EACCMA for the financial year 2022/23 on a number of items including

- ◆ Measures effected during 2021/22 which continue to be implemented in 2022/23

Grant duty remission on:

- ◆ Inputs for the manufacture of essential medical products and supplies for fighting COVID-19 including masks, sanitizers, coveralls, face shields and ventilators, at 0% instead of 25% for one year;
- ◆ Inputs used by domestic minerals processors, at 0% instead of 25% or 10% for one year: (HS Codes 3606.90.00; 804.10.00; 6813.20.00; 7018.90.00; 7020.00.99; 8202.20.00; 8202.99.00; 8203.20.00; 8205.10.00; 8423.89.90; 8513.10.90; 9002.19.00);
- ◆ Apply duty rate of 0% instead of 10% for one year on cash registers and other Electronic Fiscal Device (EFD) Machines and Point of Sale (POS) of HS Codes 8470.50.00 and 8470.90.00;

Other proposed changes:

- ◆ Reverting to 0% instead of 25% on Crude Palm Oil (CPO) under HS Code 1511.10.00; .
- ◆ To increase import duty from 25% to 35% on windows and doors made of aluminum iron and steel with HS Codes 7610.10.00 and 7308.30.00;
- ◆ To assign a duty rate of 10% instead of 25% on other petroleum oil products partly refined under HS Code 2710.19.10
- ◆ To introduce new HS Codes of 8543.40.00 containing electronic cigarettes and assign a duty rate of 35% since it is a tobacco substitute.
- ◆ To amend the description of the HS Codes 7310.29.20 and 7612.90.10 to read "Cans and ends for beverages and food"
- ◆ To increase import duty from 25% to 35% on wigs, false beards, eyebrows and eyelashes, switches of human or animal hair or of textile materials under Heading 6704.

◆ Grant stay of application of EAC rate

- apply a duty rate of 35% or USD 1.5 per square meter, whichever is higher for one year on ceramic tiles under HS Codes 6907.21.00; 6907.22.00; and 6907.23.00.
- apply a duty rate of 10% or USD125/MT whichever is higher for one year on flat-rolled products under HS Codes 7212.20.00 and 7226.99.00.
- apply a duty rate of 10% for one year on crude vegetable oils of soya- beans, groundnuts, coconuts, mustard and linseed under HS Codes 1507.10.00; 1508.10.00; 1513.11.00; 1514.91.00; and 1515.11.00.
- apply a duty rate of 35% for one year on baby diapers under HS Code 9619.00.90.
- apply a duty rate of 25% for one year on cane sugar under HS Code 1701.14.90 imported under a permit issued by the Tanzania Sugar Board.

◆ Grant duty remission for one year on:

- raw materials under HS Codes 1901.90.10; 3302.10.00; and 3505.10.00
- prefabricated building under HS Code 9406.20.90



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