

TANZANIA NATIONAL BUDGET HIGHLIGHT 2023-2024



2023

GENERAL OVERVIEW

- This publication covering the Tanzania National Budget 2023/2024 Provides an overview of the economic state of Tanzania Government as well tax changes for the coming financial years
- At ABS Consultants, we are committed to helping our clients to comply with statutory requirements. Our team of experts are positioned to provide insights and advisory services, ensuring businesses are equipped to succeed in an ever-evolving economic setting.

Changes affecting Employment Tax



SDL rate reduction from 4% to 3.5%

Government aim to reduce the operational cost to employers and achieve the Government's commitment of reducing the rate gradually"

SDL Exemption certificate

Minister of Finance shall issue an SDL exemption certificate if the exemption is considered to be for the interest of the nation. However, such power shall be exercised upon consultation with the Minister of Education.

Exemption of filling NIL SDL return

Employers who are not required to pay SDL levy are now exempted from filing SDL returns.

SDL levy - revised allocation

The levy collected will now be distributed in the following manner:

- One third to the Ministry of responsible for Employment;
- One third to the Higher Education Students' Loans Board; and
- One third to the VETA Fund.

Point to note

There is no change in personal income tax charge (PAYE bracket)

Changes affecting Income Tax Act



Income tax exemption for returns generated by NHIF

Investment income generated from investments such as Dividend from shares, treasury bonds and bills is granted exemption of income tax. This implies that, no withholding tax should be deducted on investment returns (i.e rent, interest and dividend) paid to NHIF.

Exempting tax on direct share transactions and capital dilution resulting from issuance of new shares.

The change clarifies that a direct disposal of shares in a Tanzanian company will not result in a double tax event - namely, taxation on disposal of shares, as well as deemed disposal of assets and liabilities of that company at market value.

In relation to the issuance of shares it is understood that the intention is to exclude the application of section 56 to transactions to raise capital by way of an issue of shares.

Changes affecting Income Tax Act



Exemption of withholding tax on rent to Individual tenants of non-commercial property

Individual tenants are no longer required to withhold tax when making rental payments tax for non-commercial properties.

Exemption of capital gain tax on internal restructuring of the mining companies

Capital Gain Tax on internal restructuring of mining companies in accordance with the Framework Agreement entered into between the Government and the investor to form a partnership entity is exempted from capital gain tax.

Charge of Capital gain tax on sale of property on sales value rather than profit.

Government reduce Capital Gains Tax on sale of property, from 10% on profits to 3% of the sales value or the appraised land value (whichever value is higher) without consideration of the investment costs incurred in the relevant areas. The change will apply to investors who do not keep records of expenses and capital developments.

Changes affecting Income Tax Act



Income tax on truck and passenger vehicles who are not obliged to prepare books of accounts and file tax returns.

Finance bill 2023 introduced inductive income tax rates to individual taxpayers with gross sales of less than TZS 100m p.a and who are not required to prepare audited financial statements and file returns.

Details of the change in the rates is included under **Appendix 1**.

Introduction of income tax on payment to Artisanal and Small Miners (ASM)

In an effort to make the tax system more equitable, the Budget finance bill introduced income tax at the rate of 2% of payments to ASM.

Introduction of 10% income tax on income accrued due to Verified Emission Reduction (VER) Scheme

Income accruing due to VER will be subject to income tax at the rate of 10%.

Changes affecting Tax Administration Act

Clarity on definition of primary data server

Clarity has been given on what constitutes a primary data server. The latter includes a physical server in the country, virtual or any other server which stores data that is created or collected by a taxable or liable person in the ordinary course of business. The requirement to maintain the primary data server shall now become effective on 1 January 2024.

Change in penalty of EFD offence

Failure to acquire or use electronic machines (EFD) will attract a fine of 20% of the value of tax evaded or TZS 3,000,000, whichever is higher. On the other hand, failure to demand or report a denial of issuance of a fiscal receipt shall attract a fine of 20% of the value of tax evaded or TZS 30,000, whichever is higher.



Changes affecting Valued Added Tax



Increase in VAT registration threshold

To enhance administrative efficiency and to promote voluntary compliance, the Minister has increased the VAT registration threshold from TZS 100 million to TZS 200 million. He also stated that Government will gradually increase the threshold to the tune of 500 million.

Introduction of VAT deferment on locally manufactured capital goods

The scope of the current VAT deferment scheme has now been extended to domestically manufactured capital goods. The VAT deferment on importation is to cease after 3 years. (i.e. by 1 July 2026).

Harmonisation of the exemption schedule with EACC External Tarrif Book

Amendment of the exemption schedule under the VAT Act to reflect the scope of exempted items and to harmonise the HS Codes in the EACC External Tariff book 2017 with those in the current version of the East African Community Common External Tariff Book of the year 2022.

Changes affecting Value Added Tax

New exemption of Value Added Tax

- Exemption of VAT on raw materials used in manufacturing of insecticides and acaricides. These are Benzalkonium Chloride (HS Code 2916.32.00) and Glutaraldehyde (HS Code 2916.32.00).
- Exemption of VAT on prefabricated structures (HS Code 9406.20.90) used by poultry farmers.
- Inclusion in the list of supplies and imports exempted from VAT (Part I of the Schedule of the VAT Act) the sale and lease of aircraft, aircraft engines, or parts by local operators of air transportation.
- Exemption of VAT on the local supply of precious metals, gemstones, and other precious stones at buying centers, mineral markets and gem houses designated by the Mining Commission or refinery situated in Mainland Tanzania.
- Exemption of VAT on raw materials used to manufacture pharmaceutical packaging materials. These are Polypropylene USP (Medical Grade) under Heading 3902 and Polyethylene Terephthalate USP under Heading 3907. The exemption will be granted subject to signing of Performance Agreement with the government.
- Exemption of VAT on moulds used solely by pharmaceutical manufacturers.
- Inclusion of gaming odds and gaming software as part of the gaming supply in the Exemption Schedule to the VAT Act
- Exemption of VAT on the sale of houses by real estate developers with a value of not more than TZS 50 Million



Changes affecting Value Added Tax

Zero rating of local supplies - New introduction and extension

Zero rating textile products manufactured using locally produced cotton. This measure is intended to last for one year, which is the period of recovering from Covid-19 and Russia – Ukraine war.

Zero rating on locally manufactured fertiliser. This measure is intended to last for one year only.



Changes affecting Exercise Duty Act

Imposition of excise duty on cement

Introduction of excise duty at the rate of TZS 20 per kilogram of local and imported cement.

Increased tariffs on non-petroleum products

Increase of excise duty rates by 10% for all non-petroleum products with specific duty rates and by 20% for beer and tobacco products. The change will not affect domestically manufactured wines, spirits and confectionary products and excisable goods which are charged at ad valorem rates.

Other amendment include;

- Introduction of excise duty at the rate of 30 percent on tobacco and manufactured tobacco substitutes under HS Code 2402.90.00; water pipe tobacco under HS Code 2403.11.00; and electronic cigarette, vape products and shisha with Hs codes: 8543.40.10, 8543.40.90 and 9614.00.00.
- Exemption of excise duty on electric non-utility vehicles based on engine capacity, with only electric motor for propulsion with HS CODE 8702.40.11; 8702.40.19; 8703.80.10; and 8703.80.90 and on Compressed Natural Gas (CNG) vehicles
- Increase excise duty rate on imported energy drink with HS Code 2202.99.00 from TZS 589.05 to TZS 600 per litre.
- Reduction of excise duty on locally manufactured Ready to Drink products with HS CODE 208.60.00 from TZS 4,386.6 to TZS 2,466.45 per litre.
- Introduction of excise duty at the rate of 20 percent on imported and domestically manufactured gambling machines under HS code 9504.30.00.



Changes affecting Excise Duty Act

- Introduction of excise duty rate of 5 percent on motor vehicles, with engine capacity of more than 1000cc but not exceeding 2000 cc capable of being charged by plugging to external source of electric power of HS Code 8703.40.00, 8703.50.00, 8703.60.00 and 8703.70.00.
- Introduction of excise duty rate of 10 percent on motor vehicles, with engine capacity of more than 2000cc capable of being charged by plugging to external source of electric power of H.S Codes 8702.10.11, 8702.10.19, 8702.20.11, 8702.20.19, 8702.30.11, 8702.30.19, 8702.90.11, 8702.90.19, 8703.40.00, 8703.50.00, 8703.60.00, 8703.70.00, and 8703.90.90.
- Introduction of excise duty at the rate of 10 percent on Motor vehicles older than five years used for the transportation of passengers of H.S Codes 8702.20.22, 8702.20.29, 8702.20.99, 8702.30.22, 8702.30.29, 8702.30.99, 8702.40.22, 8702.40.29 and 8702.40.99.
- Introduction of excise duty on petroleum oils and oils obtained from bituminous minerals (other than crude) and preparations not elsewhere specified or included, containing by weight 70 percent or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, containing biodiesel, other than waste oils of HS code 2710.20.00.
- Amendment of HS codes in the Excise (Management and Tariff) Act, CAP 147 to align with the ones indicated in the 2022 East African Community Common External Tariff book



Changes affecting Local Government Finance Act

The following amendments affect Local Government Acts;

- Reduce billboard fees on non-illuminated boards from TZS 10,000 to TZS 7,000 per square feet; and on illuminated, from TZS 13,000 to TZS 10,000 per square feet.
- Billboards with business names and placed within the respective commercial areas will not be subject to billboard fees.
- Transfer the mandate to collect billboard fees from the Commissioner General of TRA to the President's Office Regional Administration and Local Government aimed at increasing efficiency.
- Integrate property tax and land rent to be paid through one control number and revenue collected be remitted to the Consolidated Fund.
- Empowering the Minister responsible for Local Government to collect city service levy from Electronic Money Issuance Licenses (EMI) on behalf of the Local Government Authorities and distribute the collected amount to the respective Councils.
- Inclusion of all District Council areas as ratable areas. The properties that would continue to enjoy exemption are those that are explicitly indicated as non-ratable under the Act.

Changes affecting Local Government Finance Act



- Increase of property tax rates from TZS 12,000 to TZS 18,000 for normal buildings and from TZS 60,000 to TZS 90,000 per each storey building. The new rates are intended to apply for the next three years while the government conducts a property valuation exercise that will create the basis for charging the tax in subsequent years.
- The Minister has proposed to give mandate to the President's Office-Regional Administration and Local Government Tanzania to conduct the property valuation exercise and collect property tax effective from January 2024.

Changes affecting Roads and fuel tolls Act

Increase road and fuel toll by 100 shillings per litre (of petrol and diesel) and directed the funds expected to be collected, to be used for the implementation of strategic projects.



Changes affecting The National Payment System Act and the Electronic and Postal Communications Act

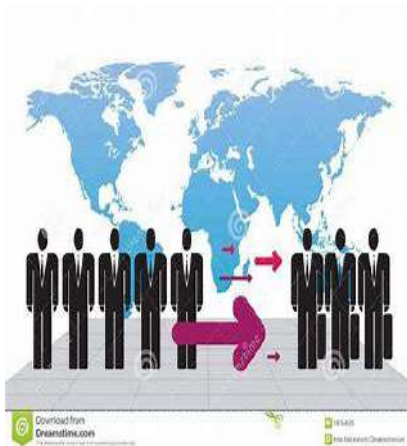
In a bid to promote financial inclusion, digital access, and stimulate electronic transactions, as well as remove double taxation, the following are amended;

- Removal of mobile money transaction levy on sending and receiving monies electronically.
- Increase of the levy on withdrawals by 50% of the current rates (i.e. to a minimum of TZS 15 and a maximum of TZS 3,000).
- Abolishment of the daily SIM card levy which is based on ability to recharge balance by users.

Changes affecting Immigration Act

Issuance of Residence Permit Class B to any investor who is not a resident in Tanzania but will invest to buy a house with a capital of not less than USD 150k;

Permits will be issued after the authorities responsible for investment in collaboration with the Minister responsible for housing are satisfied that the relevant capital has come from abroad.



Changes affecting Mining Act

Exempt refinery centres from payment of the clearance (or inspection) fee of 1%. The aim is to promote small-scale refining of minerals in Tanzania.



Changes affecting Land Rent Act



Amendment of several fees including;

- Reduction of the premium charge from 0.5% to 0.25% of the land value.
- Reduction of the certificate of occupancy fees from TZS 50,000 to TZS 25,000 per certificate.
- Reduction of the registration fees from 20% to 10% of land rent.
- Reduction of application fee from TZS 20,000 to TZS 5,000; and
- Abolishment of the TZS 20,000 fee for the deed plan
- The Minister further assign the responsibility of collecting land rent to the Director of the Council. The collection will be done on behalf of the Ministry of Land, Housing and Human Settlements Development however, 20% of the collection will be returned to the Councils to facilitate the collection.

Changes affecting Gaming Act



To increase tax revenue from gaming activities, the following changes are effected

- Introduction of a limitation of two table games to forty machines sites operations;
- Increase of the gaming levy from TZS 10,000 to TZS 30,000 per slot machine in bar sites; and
- Introduction of a TZS 500,000 application fee for slot machines in shops, bar sites and forty machines sites. Additionally, there will be a US\$ 10,000 principal license fee for slot machines in shops and bar sites, while forty machine sites will be subject to a principal fee of US\$ 5,000.
- To promote fairness in taxation of gaming operations, the Minister proposed to reduce the tax rate charged on gross gaming revenue from 25% to 18%.

Changes affecting Export Levy Act



Waiver of 80% export levy on raw or semi processed (wet blue) hides & skin exported outside Tanzania for investors who are in the Export Processing Zone (“EPZ”).

Appendix I**Corporate tax****Class A : Passenger service Vehicle****Current rate****Proposed rates****No of passeng****Rates****No of passeng****Rates**

1	Less than 10	180,000	Less than 15	250,000
2	11 to 15	450,000	16 to 25	550,000
3	16 to 30	720,000	26 to 45	1,100,000
4	Up to 30	1,710,000	46 to 65	1,600,000
5	Normal buses	2,430,000	above 65	2,200,000
6	Semi Luxury	2,610,000		
7	Luxury	2,790,000		

Class B : Tour Service Vehicle**Current rate****Proposed rates****No of passeng****Rates****No of passeng****Rates**

1	NIL	NIL	Up to 15	650,000
2	NIL	NIL	16 to 25	900,000
3	NIL	NIL	26 to 45	1,300,000
4	NIL	NIL	46 to 65	1,800,000
5	NIL	NIL	Above 65	2,400,000

Class C : Goods Carrying Vehicle				
Current rate			Proposed rates	
	Capacity(Tone	Rates	Capacity(Tone	Rates
1	Less than 1	180,000	Less than 1	250,000
2	1 to 5	450,000	1 to 5	500,000
3	6 to 10	720,000	6 to 10	750,000
4	11 to 15	1,710,000	11 to 15	1,100,000
5	16 to 20	2,430,000	16 to 20	1,300,000
6	21 to 25	2,610,000	21 to 25	1,650,000
7	26 to 30	2,790,000	26 to 30	1,900,000
8	31 and above	2,790,000	31 and above	2,200,000
Class D : Goods Hire Service Vehicle				
Current rate			Proposed rates	
	Item	Rates	Item	Rates
1	Motorcycles	NIL	Motorcycles	65,000
2	Tricycles	NIL	Tricycles	120,000
3	Tax cab	NIL	Tax cab	180,000
4	Ride hailing	NIL	Ride hailing	350,000
5	Ride sharing	NIL	Ride sharing	450,000
6	Special hire	NIL	Special hire	750,000

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