

# TANZANIA NATIONAL BUDGET HIGHLIGHT 2024-2025



**2024**

# GENERAL OVERVIEW

- This publication covering the Tanzania National Budget 2024/2025 provides an overview of the 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.
- In this article we highlight the key changes introduced by the Finance Act of 2024. Changes introduced by the Act are effective from 1 July 2024, unless indicated otherwise.

July 2024

## Changes affecting Employment Tax



### SDL Exemption

Payments made by a water supply and sanitation authority to casual labourers engaged in implementation of water and sanitation project are exempt from skills and development levy.

### Point to note

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

## Changes affecting Income Tax Act



### Charitable Organisations

Inclusion of institutions dealing with advancement of health services and environmental conservation in the list of institutions that qualify as charitable organizations.

### Exemption from Alternative Minimum Tax.

Tea processing companies with perpetual unrelieved tax losses for the current and preceding two tax years are exempt from paying Alternative Minimum Tax for a three-year period ending on 30th June 2027.

### Electronic fiscal receipts to support deduction of expenses

Fiscal receipts are required to support a claim of deduction of expenses. Fiscal receipts are not required for purchases from foreign suppliers and those not legally obliged to issue fiscal receipts.

Practically, this requirement poses a challenge to businesses reporting their expenses on an accrual basis. The ITA 2004 provision permit corporate business to account for income tax on an accrual basis i.e reporting their expenses once condition for entitlement to make such payment are fulfilled, hence such accruals will lack the fiscal receipts to support their incurrence. This is an area that require **special attention**

# Changes affecting Income Tax Act

## Withholding tax (WHT) on Digital Content Creation

Payments made by residents or non-residents to resident digital content creators are subject to WHT at the rate of 5%.

## Withholding tax (WHT) on Industrial and Metallic Minerals

Introduction of a 2% withholding tax on payments received from purchase of industrial minerals with the exception of salt, metallic minerals or other precious minerals as stipulated in the Mining Act, Cap 123, when sold by a primary mining licensee or artisanal miner.

## Withholding tax (WHT) on Digital Assets

Introduction of a 3% withholding tax on income derived from a transfer of digital assets with the foreign digital platform owners or any person who facilitates digital asset transfers or exchange becoming withholding agents.



# Changes affecting Income Tax Act

## **Final withholding payments.**

Income tax withheld on payments made by a resident person to an individual who is a primary mining licensee or an artisanal miner, and on payments made to a local government authority, local community, or any resident individual in respect of verified carbon emission reductions, is final

## **Contributions made by public entities to the Government's consolidated fund are now deductible for income tax Purposes**

Allowing a deduction of the 15% contribution made by public institutions to the Consolidated Fund, when computing their taxable income.

## **Revised applicable taxes on small passenger transportation businesses.**

Amendment of indicative income tax rates for passenger transportation businesses whose gross income do not exceed TZS 100 million and are not legally bound to prepare accounts. The proposed indicative rate for passenger transportation buses carrying between 16 to 25 passengers is TZS 650,000 from TZS 550,000 that is currently charged.





**Changes  
affecting Income  
Tax Act**

## **WHT Exemptions on interest payments to Non-Resident Financial Institution**

Exemption of WHT on interest on loans paid by resident financial institution to non-resident financial institutions and funds having concessional loans' agreements with the United Republic of Tanzania and the agreement has article(s) that provides for tax exemption.

## **Limitation of exemption from change in control rules**

Exclusion from tax implications of change in underlying ownership is limited to a change that results from allotment of shares in a resident entity.

## **Exclusion of non-resident employees from filing returns**

Non-resident employees are not obliged to file an individual tax return if they have only Tanzania-sourced employment income from which their employer has already withheld income tax.



## **Changes affecting Income Tax Act**

### **Broadcast of procedural provisions on loan write-offs**

The finance bill has passed procedural provisions relating to the write-off of loans as bad debts. This measure is poised to address a multitude of disputes between the taxman and financial institutions regarding the eligibility criterion for writing off loans as bad debts.

### **WHT on lease of construction equipment or machinery**

Rent paid by a resident lessee to a resident lessor for lease of construction equipment or machinery is subject to WHT at the rate of 10%.

### **Limitation of utilisation of unrelieved tax losses**

Utilisation of tax losses carried forward is restricted after a period of four years of consecutive losses such that only 60% (previously, 70%) of the taxable income of an entity in the fifth year of income can be set-off against losses brought forward and the balance of unutilised tax losses can be carried forward to the succeeding year.





## **Changes affecting Tax Administration Act**

### **Servicing of documents**

Documents are considered to be served to the tax authorities or a person when duly sent by fax, email or any other electronic means as per laws governing electronic transactions.

### **Admission of objections**

An objection to a tax assessment or notice of a tax liability is deemed to be admitted by the tax authorities when the objector has paid a tax deposit equivalent to the greater of the tax not in dispute or one third of the assessed tax.

### **Currency Points Revision**

Increasing the currency point value from TZS 15,000 to TZS 20,000 to keep up with the time value of money.

### **Maximum penalty – Fiscal Device Offence**

The fine for failure to acquire or use a fiscal device, or failure to issue a correct fiscal receipt is restricted at 200 currency points equivalent to TZS 4 million.



## **Changes affecting Tax Administration Act**

### **Compliance with laws governing cargo deconsolidation**

Cargo consolidators must comply with customs and other laws governing deconsolidation of cargoes to their owners at the time of importation of goods. Failure to comply with such laws is an offence that attracts, upon conviction, a fine equal to 30% of the customs value of the imported cargo.

### **Empowerment of Tax Ombudsman**

The finance bill passed to insert a provision that empowers the Tax Ombudsman in hearing and addressing complaints emanating from tax decisions, procedural, service and administrative matters relating to such tax decisions or objection.

## Changes affecting Value Added Tax



### VAT Exemption

- Exemption of VAT on supply and importation of motor vehicles, equipment, machinery and other goods for official use of Tanzania People's Defence Force.
- Exemption of VAT on supply of aircraft, aircraft engine, aircraft parts and aircraft maintenance services to local air manufacturers and assemblers.
- Exemption of VAT on supply and importation of water treatment chemicals, water meter, and sewage services. The exemption will be granted upon approval of the chemicals by the minister responsible for water.
- Exemption of VAT on importation of Video Assistant Referee equipment and accessories. The exemption will be granted subject to approval by the Minister responsible for Sports.
- Exemption of VAT on single axle tractors (Power Tiller) (HS Code 8701.10.00).
- Exemption of VAT on supply of double refined edible oil from locally grown seeds by a local manufacturer for one year

## Changes affecting

### Value Added Tax Zero rate VAT introduced

#### Abolishment of VAT exemption

- Abolishment of VAT exemption on supply and importation of agricultural implements. The affected implements are spades and shovels (HS Code 8201.10.00) and mattocks and picks (HS Code 8201.30.00).
- Abolishment of VAT exemption on supply of precious metals, gemstones and other precious stones at refineries.

#### Zero rate VAT introduced

- Zero-rating of gold supplied to the Central Bank of Tanzania.
- Zero-rating of gold supplied to domestic refineries.
- Zero-rating of fertilizer manufactured locally for the period of one year.
- Zero-rating of fabric and garments made using locally grown cotton

#### VAT refund period

- VAT to be refunded within 30 days from the date of submission of the refund applications to promote voluntary tax compliance.



## Changes affecting Value Added Tax



### **VAT on online data services**

The Act imposed VAT on online data services with the sole purpose of widening the tax base.

### **Notification by intending traders**

Businesses which are registered for VAT as intending traders but fail to commence production of taxable supplies must notify the CG within 90 days after expiration of the period in which they had indicated they will commence production of taxable supplies. Failure to notify results in a deemed deregistration from VAT.

## Changes affecting Local Government Finance Act



20% of the collected revenue from property tax and land rent to be directly remitted to the Local Government Authority (LGA). Previously the entire amount were remitted into the consolidated fund and later LGAs apply for a 20% refund. This measure is intended to enhance efficiency of the LGAs in monitoring the collection of both property tax and land rent.

## Changes affecting Roads and fuel tolls Act

Proposal to introduce a charge of TZS 382 per kg of Compressed Natural Gas (CNG) used in motor vehicles. The collected revenue will be directed to the road fund for roads construction, repair and maintenance similar to fuel levy collected from vehicles that use petrol fuel.



## Changes affecting Excise Duty Act

- Reduction of excise duty on locally produced bottled water with HS Code 2201.10.00 and 2201.90.00 from TZS 63.80 to TZS 58 per litre.
- Introduction of excise duty at a rate of TZS 7,000 and TZS 5,000 per litre on imported and locally produced un-denatured ethyl alcohol with 80% alcoholic strength respectively.
- Introduction of a 10% excise duty on the value of stake on betting, gaming and national lottery and ring-fence the amount collected to be remitted to the Universal Health Insurance Fund.
- Introduction of a 10% excise duty on the advertisement fee paid to television, print media and radio stations for betting, gaming and lotteries advertisement.
- Introduction of excise duty at the rate of TZS 300 per kg on imported and locally manufactured tomato sauce and tomato ketchup with HS Code 2103.20.00 as well as chilli sauce, chilli ketchup and mango pickle with HS Code 2103.90.00. The change will not affect tomato and chili paste.



## Changes affecting Excise Duty Act

- Introduction of excise duty at the rate of TZS 500 per kg on locally manufactured and imported solvent based paints and vanishes with HS Code 32.08.
- Introduction of excise duty at the rate of TZS 963.90 and TZS 2,959.74 per litre on imported opaque beer with HS Code 2206.00.20 and other imported beer made of mixed fruits with HS Code 2206.20.90 respectively.
- Allocating 2% of the excise duty collected on carbonated soft drinks, cosmetics products and alcoholic drinks to the Universal Health Insurance Fund.
- Introduction of a requirement for manufacturers of excisable goods to have a manufacturing licence upon installing ETS machines and starting production

## Changes affecting Mining Act



- Exemption of the 1% inspection fee on supply of gold to the Bank of Tanzania (BOT). This aims to incentivize the supply of Gold to BOT and enhance growth of National gold and foreign currency reserve.
- Reducing the royalty rate from 6% to 2% on the supply of gold to be sold to the BOT.
- Reduction of royalty rate from 4% to 2% on the supply of gold to be sold to the domestic refineries.
- To recognize the Bank of Tanzania (BOT) as the Statutory Gold Dealer.
- Introduction of the requirement for the mineral right holders and the mineral dealers to set aside minerals for processing, smelting, refining and trading within the Country. The Minister responsible for Minerals will be required to determine the amount to be set aside however for a start, 20% of gold will be set aside for this purpose. Exemptions apply to mining companies with agreements with the Tanzanian government, subject to renegotiation.

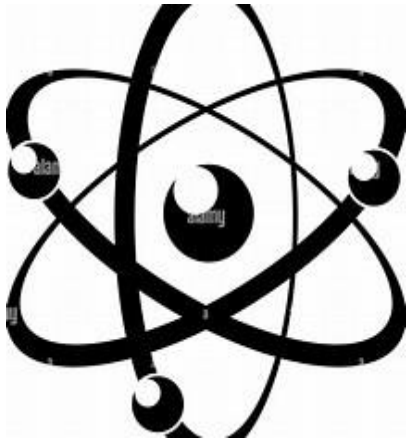
## Changes affecting Tourism Regulation



- Charge tourist business licence fee in TZS instead of USD; and.
- Reduce fee of Tanzanian tourist business licence, which is paid by an agent of the mountain climbing, from USD 2,000 to TZS 3,000,000 per annum. The fee shall be payable in Tanzanian shillings

These measures intend to simplify the payments of tourism fees, reduce operational costs, attracting investment in the tourist industry and to comply with the requirement of payments within the country to be made in TZS.

Changes affecting  
Tanzania Atomic  
Energy  
Commission



- Charging a fee of 0.1% of the FOB value on exportation of animal products and food stuffs to foreign destinations where the destination countries have a requirement of the Radiation Certificate or when the exporter has requested the certificate; and.
- Reduction of radiation inspection and certification fee from 0.4 % to 0.2% of the FOB value on finished goods which are imported into the country.

**Changes affecting  
Tanzania Civil  
Aviation Authority  
(TAA)**

A fee of USD 600 per company per year for renewing licenses to operate safety planes (Air Operators Certificates - AOC) instead of the current rate of USD 600 per aircraft per year. The aim is to reduce the costs and stimulate the growth of the Aviation Industry.



## Changes affecting Fire and Rescue Force

Reduction of a fee from TZS 500,000 to TZS 200,000 chargeable for training wardens on fire prevention and cautionary measures.



## Changes affecting Sugar Industry Act, CAP 251

- Sugar Board shall establish average production costs of sugar per metric tonne at the beginning of every production season.
- Sugar manufacturers must declare and publish names of their sugar distributors for each region at the beginning of every production season.
- The National Food Reserve Agency (NFRA) has exclusive mandate to import, store and distribute sugar for domestic consumption to cover sugar gaps or to maintain buffer stock.





**Changes affecting  
The Motor Vehicle  
(Tax Registration  
and Transfer) Act,  
CAP 124**

Inclusion of electrical vehicles in the scope of vehicles eligible for payment of registration fees.



# Changes affecting The Railway Act, 2017

Increase of the railway development levy from 1.5% to 2%. The levy collected will be distributed equally to railway development fund and road fund.



## Changes affecting Gaming Act, CAP 41

- Introduction of a gaming dealer's certificate application fee of TZS 10,000 and certificate fee of TZS 20,000.
- Introduction of lottery centres registration fee of TZS 30,000.
- Introduction of license application fee of TZS 500,000 and annual fee of TZS 1,000,000 for supply of tokens used in slot machines.



Changes affecting  
Bank of Tanzania  
Act CAP.197 and  
Banking and  
Financial  
Institutions Act,  
CAP.342

- The amendments allow banks and financial institutions that do not charge interest to access opportunities the same way as other conventional banks and financial institutions, and to operate with their accounts or their customers' accounts to access Government Bonds.
- Transacting using any currency other than the legal tender (bank notes and coins in TZS) issued by the Bank of Tanzania is an offence. Minister of Finance shall issue regulations providing further clarification.
- The timeline for determining abandoned property is 10 years (previously, 15 years).

## The Law of the Child Act, 2019

- A registration fee of TZS 100,000 when registering day cares centres and crèches. The current provision in the Law of Child Act, stipulated payment of registration fee as one of the prerequisites for registration. However, the amount of fee to be paid was never mentioned. The change therefore completes this requirement.
- An annual fee of TZS 200,000 for day cares and crèches. This is a new introduction as it is not currently stated in the existing provisions of the Act.

The changes above aim to enhance the enforcement of the Law of Child Act, 2019 by ensuring inspection and monitoring of those centres.

## Changes affecting Export Levy Act

Introduce export levy at the rate of 10% on Crude Sunflower Oil, Sunflower Cake and Sunflower seeds



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