

National Budget Speech 2024

Overview

The Minister for Finance and Planning Hon. Mwigulu Lameck Nchemba delivered the National Budget Speech on 13 June 2024 with the theme 'Realising competitiveness and industrialization for human development'.

The Budget has been prepared based on the following macroeconomic targets: an estimated real GDP growth of 5.4% in 2024, containing inflation at a single-digit range of between 3% and 5% in the medium term, achieving domestic revenue collection of 15.8% of the GDP in 2024/2025, attaining tax revenue collection of 12.6% of the GDP in 2024/2025, an estimated deficit of below 3% of the GDP, and maintaining foreign exchange reserves sufficient to cover at least four months of imports of goods and services.

The key proposed measures in this year's Budget include:

- deductibility of expenditure for income tax purposes to be supported by fiscalised receipts;
- proposed increase in the value of 1 currency point from TZS 15 000 to TZS 20 000;
- non-applicability of Alternative Minimum Tax for tea processing businesses;
- VAT refund to be made within 30 days of application;
- applicability of 0% VAT on sale of gold to the Bank of Tanzania;
- introduction of 10% excise duty on gaming stake and advertisement fees;
- increase in Railways Development Levy from 1.5% to 2% of the CIF value; and
- introduction of Industrial Development Levy on selected imported goods.

Our detailed analysis, prepared by Fabiola Ssebuyoya, Edwin Prosper, Kelvin Mosha, Patience Mbugua, Aida Jamal, Allen Lema and MohammedZameen Nazarali, follows. This analysis does not cover changes that were proposed in the written version of the speech but were not covered by the Minister in his speech.

Tax Measures

Tax administration

The Minister has proposed amendments on the following areas:

- **Currency point system:** to increase the value of 1 currency point from TZS 15 000 to TZS 20 000 – the currency point system is used in the computation of penalties and fines on non-compliance with tax laws; and
- **The use of fiscal devices:** to amend the Tax Administration Act, CAP 438 to introduce a maximum fine equivalent of 1 000 currency points for failure to use fiscal devices.

Income tax

The Minister has proposed the following amendments:

- **Deductibility of expenditure:** Two amendments are proposed (i) introducing the requirement for businesses to support expenditure with fiscalised receipts – we expect that there will be guidance as to purchases made from suppliers who are exempt from issuing fiscalised receipts; and (ii) treating the 15% contribution made by Government institutions to the Consolidated Fund as a deductible expense.
- **Alternative Minimum Tax (AMT):** Tea processing entities to be exempt from the payment of AMT, a turnover tax that applies to businesses making tax losses for three consecutive years of income.
- **Extending the scope of entities qualifying as 'charitable organisations':** The scope of charitable organisations will now include institutions dealing with the advancement of health services and environmental conservation. Organisations that have obtained a charitable status enjoy preferential income tax treatment upon fulfilment of certain conditions.
- **Withholding tax:** The Minister has proposed to introduce withholding tax as follows (i) 5% on payments made by non-residents to resident digital content creators (ii) 2% on payments made to holders of Primary Mining Licences (**PMLs**) and Artisanal and Small Miners (**ASM**) relating to industrial minerals, with the exception of salts, metallic minerals and other precious minerals as stipulated in the Mining Act (iii) 3% on income derived from the transfer of digital assets in which case the obligation to withhold tax will lie with the owners of the digital platforms or any person who facilitates the transfer of the digital assets (iv) 2% final withholding tax on payments made to resident agents in respect of the purchase of agricultural, fishing, animals, poultry and forestry produce.
- **Amendments to the presumptive income tax regime:** The tax payable in respect of passenger transportation vehicles with a number of passengers between 16 to 30 has been increased from TZS 550 000 to TZS 650 000.

Value Added Tax

The Minister has proposed to amend the Value Added Tax Act, CAP 148 (**VAT Act**) as follows:

- **VAT repayment:** a 30-day timeline for VAT to be refunded to the taxpayers. The 30-day period runs from the date of submission of the refund application. Currently, both the VAT Act and the Tax Administration Act require the Commissioner General to decide on a refund application within 90 days of its receipt. It is unclear how the proposed amendment will be implemented as currently, the TRA tend to conduct comprehensive reviews of taxpayers' affairs to establish any liabilities that would be offset against such outstanding refunds.
- **Standard-rated supplies:** introducing VAT on 'online data services'. Currently, non-resident suppliers of B2C 'electronic services' are required to account for VAT in Tanzania. We assume that the taxation of 'online data services' will be implemented under this regime. Also, the supply and importation of spades, shovels, mattocks and picks (under HS Code 8201.10.00 and HS Code 8201.30.00) will no longer be exempt from VAT. The aim is to monitor exemptions granted on items with multiple uses and to protect government revenue.
- **Zero-rated supplies:** VAT will apply at 0% on gold supplied to the Bank of Tanzania, aiming at increasing foreign currency reserves. Further, textile products (fabric and garments) made from locally grown cotton will be subject to VAT at the zero rate for one year.

- **Exempted supplies:** VAT exemption has been proposed on various items including (i) the supply and importation of motor vehicles, equipment, machinery and other goods acquired by the Tanzania People's Defence Force, subject to approval by the Minister responsible for defence and security (ii) the supply of aircraft, engines, parts and maintenance services to local aircraft manufacturers, assemblers or producers, aiming to boost domestic aviation, attract investment, and support tourism (iii) water treatment chemicals, water meters and sewage systems as approved by the Minister responsible for water (iv) imports of Video Assistant Referee (**VAR**) equipment and accessories and (v) the supply and importation of single axle tractors under HS Code 8701.10.00. VAT exemption will continue to apply for one year on double refined edible oil manufactured from locally grown seeds.

Excise duty

Pursuant to section 124(2) of the Excise (Management and Tariff) Act, CAP 147, the Minister has proposed the following amendments:

- **Introduction of excise duty:** The Minister has proposed to introduce excise duty on various items as follows (i) on un-denatured ethyl alcohol with alcoholic content of 80% or more (HS Code 2207.10.00) at the rates of TZS 7 000 (imported) and TZS 5 000 (locally manufactured), except where it is used for purposes other than manufacturing alcoholic drinks (ii) 10% of the value of stake on betting, gaming and national lottery (iii) 10% on advertisement fees charged by television stations, print media and radio stations in respect of betting, gaming and lotteries (iv) TZS 300 per kilogram of tomato sauce, tomato ketchup, chilli sauce, chilli ketchup and mango pickle (v) TZS 500 per kilogram of imported solvent-based paints and varnishes of Tariff Heading 32.08.
- **Reduction of excise duty:** from TZS 63.80 to TZS 56 per litre, on locally produced bottled water under HS Code 2201.10.00 and 2201.90.00.

Customs duties

Import duty

In line with the EAC Pre-Budget Consultative Meeting of the Ministers for Finance held on 17 May 2024, the Minister has proposed the following changes:

- **Duty remission:** to be implemented on several items to stimulate various sectors of the economy. These include lithium-ion electric accumulators used in vehicle and motorcycle manufacturing, unassembled televisions to promote local assembling schemes, inputs for mobile phone manufacturing, paper used for labels and thermal paper rolls, float glasses used for toughened glass manufacturing, and inputs used in dairy product manufacturing. These measures aim to reduce production costs, promote local investment, create employment, and ensure product availability at competitive prices.
- **Stay of application of lower import duty rates:** including on float, toughened, and multiple-walled insulating units of glass, ceramic tiles, certain flat-rolled products of iron or non-alloy steel and refined vegetable oils. These measures aim to protect domestic industries, promote competitiveness, address undervaluation, create employment, and increase government revenue.
- **Amendment of the hybrid motor vehicle tariff lines:** to apply a 0% import duty rate on unassembled vehicles, promoting regional assembly operations.
- **To continue implementing various duty rates:** that were applied in the financial year 2023/2024.

Railways Development Levy

The Minister has proposed to increase this levy from 1.5% to 2% of the CIF value. The levy is applicable on imported goods except goods that are exempt from import duty.

Import Control Act, CAP 276

The Minister has proposed to amend the Import Control Act, Cap 276 by introducing an Industrial Development Levy on selected imported goods including 10% on wire rods, 10% on beer, 5% on non-alcoholic beer, 5% on energy drinks and 10% on organic surface-active agents - detergents and liquid. Goods originating from East African Community Partner States meeting the rules of origin will be exempt from this levy.

Export Levy Act, CAP 196

The Minister has proposed to amend the Export Levy Act, CAP 196 by introducing an export levy at the rate of 10% on crude sunflower oil, sunflower cake and sunflower seeds.

Other tax measures

- **The Roads and Fuel Tolls Act, CAP 220:** introducing a charge of TZS 382 per kilogram of compressed natural gas (CNG) used in motor vehicles.
- **The Motor Vehicle (Tax on Registration and Transfer) Act, CAP 124:** introducing registration fees on electric motor vehicles.

Other Key Measures

The Bank of Tanzania Act, Cap 197 (BOT Act)

The Minister has proposed to add the words 'return' or 'profit' in sections 32(2)(b), 35(1), 41 and 42(2) to provide banks and financial institutions that do not charge interest to access opportunities typically afforded to traditional banks and financial institutions. For completeness:

- Section 32(2)(b) of the BOT Act currently provides for functions of the BOT as banker and fiscal agent.
- Section 35 of the BOT Act currently provides for government securities and how the BOT operates these.
- Section 41 of the BOT Act currently sets out conditions on which the BOT shall act as a lender of last resort to banks and financial institutions.
- Section 42(2) of the BOT Act currently restricts the BOT from extending credit to banks and financial institutions.

The Banking and Financial Institution Act, Cap 342 (BAFIA)

The Minister has proposed to amend the BAFIA by expanding permissible activities that may be engaged in by a licensed bank or financial institution, be it directly or through a separately incorporated subsidiary (subject to any limitations in the respective licence granted by the Bank of Tanzania) to include trading for own account or for the account of customers in exchange and interest rated instruments, returns and profit. This measure aims to assist banks that do not charge interest to access government bonds.

The Microfinance Act, CAP 407 (Microfinance Act)

The Minister has proposed to amend section 4(3) of the Microfinance Act, which sets out activities that constitute 'microfinance business' regulated by the Microfinance Act, by adding the words 'return' or 'profit' to assist financial institutions and entities that provide microfinance services to render their services without charging interest.

The Public Service Social Security Fund Act, 2018

The Minister has proposed the following:

- to increase the lumpsum payment from 7% to 40% with respect to retired civil servants who received a lump sum payment of 50% of their total savings prior to merging of the pension schemes; and
- to increase the lump sum payment from 2% to 35% with respect to retired civil servants who received a lump sum payment of 25% of their total savings prior to merging of the pension schemes.

These changes relate to civil servants who retired in the year 2022/2023 and extend those who will retire until the 2029/2030 year. From then onwards, the Public Service Social Security Fund (**PSSSF**) will be responsible for continuing to pay the remaining benefits owed to retired civil servants. This measure is intended to solidify and enhance the sustainability of public sector social security schemes.

The Ports Act, 2004

The Minister has proposed to reinstate the mandate of the Tanzania Ports Authority (**TPA**) to collect wharfage. Currently, this charge is collected by TRA through the customs declaration system (**TANCIS**). It is proposed that revenue collected from wharfage be deposited in the TPA's account at the BOT and the collected revenue will be used upon authorisation of the Paymaster General.

The Sugar Industry Act, CAP 251

The Minister has proposed to charge TZS 50 per kilogram of sugar by-products originating from sugar production, to increase the Sugar Board's revenue.

The Gaming Act, CAP 41

The Minister has proposed to introduce a gaming dealer application fee of TZS 10 000 and certificate fee of TZS 20 000.

The Tanzania Meteorological Authority Act, CAP 157

The Minister has proposed to introduce a metrological service fee of between TZS 1.5 million and TZS 5 million for construction projects whose value is TZS 500 million and above.

Implementation of the Blueprint for Regulatory Reforms (Blueprint)

The Government continues to implement the Blueprint aimed at regulatory reform to improve the business environment in the country. In doing so, the Minister proposes to amend various fees and levies, some of which are set out below:

Tanzania Atomic Energy Commission

Radiation inspection fees are proposed to be adjusted as follows:

- Introducing a 0.1% FOB value fee for exporting animal products and foodstuffs to countries that require a Radiation Certificate or when requested by the exporter. This measure is intended to eliminate fees for exports to countries that do not require the certificate; and
- Reducing the radiation inspection and certification fees from 0.4% of the FOB value to 0.2% of the FOB value on finished goods that are imported into the country. This measure is intended to reduce the cost of doing business in and encourage investment in Tanzania, and curb the smuggling of goods into the country.

The Fire and Rescue Force Act, CAP 427

The Minister has proposed to amend this Act by reducing the fee chargeable for training wardens on fire prevention and cautionary measures from TZS 500 000 to TZS 200 000. The proposed amendment is in line with the requirement to conduct training for at least one warden per year, replacing the current requirement to train at least two wardens annually.

Tanzania Civil Aviation Authority

Renewal fees for the operation of safety planes (Air Operators Certificates) are proposed to be restructured from the current rate of USD 600 per aircraft per year to USD 600 per company per year. The objective of this is to lower operational expenses within the aviation sector to foster industry growth and expansion.

Ministry of Livestock and Fisheries

- **Livestock sector:** The Minister has proposed to amend livestock moving permit fees from auctions as follows:
TZS 30 000 to TZS 31 000 for each cattle.
TZS 6 500 to TZS 7 000 for each goat and sheep.
The increased fees are intended to be remitted to Local Government Authorities to enhance supervision at livestock auctions.
- **Fisheries sector:** The Minister has proposed to amend fees imposed on fisheries as follows:
50% reduction in moving permit fees on fresh, dried or frozen fish from TZS 100 per kilogram to TZS 50 per kilogram;
20% reduction in moving permit fees on fish maws from TZS 2 500 per kilogram to TZS 2 000 per kilogram; and
11% increase in export royalty on fish maws from USD 2.7 to USD 3 per kilogram.



If you have any questions or require further information,
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