



Certified Public Accountants and Tax Consultants



TANZANIAN
GOVERNMENT BUDGET
2015/2016-
KEY HIGHLIGHTS

CONTENTS – TAX HIGHLIGHTS

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1. Amendments to the Income Tax (Employees & Presumptive Income)

(i) Taxation of employees

Tax bands remain unchanged. However, the marginal tax rate for individuals has been reduced by a single per centum from 12% to 11% on the lowest tax band (monthly income from TZS 170,000 to TZS 360,000). The change will result in a maximum tax saving of TZS 1,900 per month for an individual.

The new monthly tax table will be as follows:

Income TZS	Tax
Up to 170,000	Nil
170,001 to 360,000	11% on excess of TZS 170,000
360,001 to 540,000	TZS 20,900 + 20% on excess of TZS 360,000
540,001 to 720,000	TZS 56,900 + 25% on excess of TZS 540,000
Over 720,000	TZS 101,900 + 30% on excess of TZS 720,000

The upper threshold of TZS 720,000 has not been increased since July 2008.

(ii) Decrease in Presumptive Income Tax rates

Presumptive Income Tax rates on small business has decreased by 25% for businesses with turnover in excess of TZS 4m but not more than TZS 20m., this follows last year's 100% increase in tax for small business.

2. Amendments to the Skill Development Levy Act

Exemption in SDL

SDL exemption on agricultural sectors i.e. farms, have been reintroduced by the Finance Act 2013 to give tax relief on agriculture activities, which depend on intensive labor.

3. Amendments to the Value Added Tax

All Special Reliefs Removed

- Exemptions reduced significantly.
- All financial services for which a fee is charged are now subject to VAT.
- Exemption on lease or sale of residential premises reinstated. For sale of residential premises, the exemption applies to premises used for at least two years.
- A non-resident who carries on economic activity in Mainland Tanzania without having a fixed place and makes a taxable supply is liable to pay value added tax on that supply and is required to appoint a VAT representative; and may be required to lodge a security.
- General Insurance not included in the definition of financial services therefore subject to VAT.
- VAT deferral on Capital goods upon application and fulfillment of lay own conditions.

4. Amendments to the Excise Duty, Import Duty & Export Tax

(i) Excise Duty

No increase on excise duties.

(ii) Import Duty

- As part of the proposed infrastructure development agreed between the East African countries, a new tax called “Infrastructure levy” will be introduced. In Tanzania in particular, this will be referred to as “Railway Development Levy”. The levy will apply at the rate of 1.5% of the value of the imported goods (CIF). This new levy will not be applicable to imported goods that have relief or exemption under the EACCMA 2004.
- Remission of duty on splints for manufacture of matches of HS code 4421.90.10;
- To stay application of the EAC CET of 10% instead of 35% on wheat of HS code 1001.99.00 and HS Code 1001.99.90;
- Introduction of special procedure for paying import duty on industrial sugar which will effectively remain at 10%. However, the importer will now have to first pay 50% import duty and claim back 40% immediately after production and certification by TRA. This is to curb revenue leakage and to ensure that industrial sugar that comes in for local production is used in such production.
- Increase of import duty on sugar from USD 200 per tonne or 100% of the value of such products when it arrives at the port to USD 460 per tonne or 100% of the value of goods.
- Increase duty from 10% to 25% on Plastic tubes of HS code 3923.90.20;
- Remission of duty on glucose syrup of HS code 1702.30.00;
- Increase of import duty on rice from USD 200 per tonne or 75% of the value of the product that arrives at the port to USD 345 per tonne or 75% of the value of goods arriving at the port, whichever is greater.
- Reduction of import duty to 10% from 25% on buses capable of carrying more than 25 passengers recognized in HS code 8702.10.99 and HS code 8702.90.99 for the Dar Rapid Transport project.

- Removal of import duty on raw materials for making pasta and pasta (spaghetti) known as semolina under HS Code 1103.11.00 for one year.
- Continue to levy customs duty of 0% instead of 10% on raw materials used in the manufacture of soap (LABSA) under HS code 3402.11.00, HS code 3402.12.00 and HS code 3402.19.00 for a further period of one year.
- Import duty will be 25% on steel products used in construction (bars, rods, angles, shapes, and sections) in HS code 7213.10.00 and 7213.20.00.
- Removal of import duty on fibers used in making fishing nets recognized in HS code 5402.61.00

(iii) Export Levy

- Increase of export tax on export of raw hides from 60% of FOB value or shs.600 per kg to 80% of FOB value or USD 0.52 per kg whichever is higher. This is expected to reduce illegal trade for raw hides and encourage processing of the same within E.A region.
- Charge export tax 10% of FOB value for wet blue leather. The aim is to encourage value addition of these products and investment in the manufacturing of leather in the country.

5. Amendments to the Fuel Levy & Road Tolls

(i) Fuel Levy

Petroleum products to be charged levy as follows:

- Diesel Shillings 100 per litre;
- Petrol shillings 100 per litre;
- Kerosene shillings 150 per litre.

Minister of Finance to be granted power to exempt petroleum levy on donor funded projects exempted from this levy.

The fuel tax rates are as follows:

	Old rate	New rate
Petroleum Levy - Petrol	50	100
Petroleum Levy - Diesel	50	100
Petroleum Levy - Kerosene	50	150
Fuel levy – Petrol	263	313
Fuel levy – Diesel	263	313

With these increases, we expect an immediate impact to be seen at the beginning of July on the prices of fuel.

(ii) Road Toll

Road toll to be increased as follows:

- Diesel from Sh. 263 per litre to Sh.313 per litre;
- Petrol from Sh. 253 per litre to Sh.313 per litre.

6. Amendments to the Gaming Act

- Introduction of 18% gaming tax on lottery prize;
- Imposition of principal license fee of US\$ 30,000 or TZS equivalent for the operation of lottery to predict the outcome of games (sports betting);
- Imposition of principal license fee of US\$ 10,000 or TZS equivalent on the operation of the games gambling machinery (Slot machines).
- An annual fee of TZS 1,000,000 will be payable to obtain a Certificate of Suitability

Registration fee to be charged on gaming machines as follows:

Machine	Casino	Slot Machine operations	Sports betting	40 machine site
Live Tables	TZS.100,000	-	-	-
Sports Betting Terminals	-	-	TZS. 30,000	-
Slot Machines	TZS. 50,000	TZS.30,000	-	TZS.40,000
Electronic Tables- Seat	TZS.50,000	-	-	TZS.50,000

7. Amendments to the Tanzania Investment Act

(i) Proposal to remove some items from the list of deemed capital goods under TIC.

The Act is amended to provide for the following:

- Remove PVC and HDPE pipes under HS Codes 3917.31.00 from the list of deemed capital goods that enjoy tax incentives under the TIC.
- Remove tax exemptions under TIC for trailers used in transportation of goods

(ii) Special strategic investment under TIC.

The Minister has proposed the introduction of “special” strategic investment criteria under the TIC. The minimum requirements for qualification include:

- Total investment not less than USD 300 million or TZS equivalent amount in cash and equipment.
- Capital to be channeled via local financial institutions including insurance.
- Ability to create direct employment of not less than 1,500 Tanzanians including at top management level.

- Ability to produce foreign currency or import substitutes.

8. Other Changes

- a) Receipts by the Government for traffic offences, Courts, entry fees into parks etc will be issued using electronic systems to reduce fraud.
- b) Zanzibar import tax loop hole to be plugged with a unified system of Tanzania Customs Integrated System that is TANCIS with a single system of estimation of the value of goods, which will eliminate the necessity for TRA to estimate value of imports from Zanzibar leading to additional taxes being imposed.
- c) Exemptions granted to the Armed forces on the goods imported for office use only. This exemption now includes the Prison police force.
- d) Continuing the granting of import duty exemption to Armed Forces Canteen Organisation for the period of one year.

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Effective Date

Unless stated otherwise the new
revenue measure shall become
effective on 1st July, 2015.

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