

# ASSAD ASSOCIATES

PROPOSED & TAX HIGHLIGHTS  
(INCLUDING PROPOSED AMENDMENTS  
ON VARIOUS GOVT. FEES.)

2019 / 20



*Assad*  
ASSOCIATES

Certified Public Accountants and Tax Consultants

## CONTACT

 +255 22 2114081

 [assad@assad.co.tz](mailto:assad@assad.co.tz)

 [www.assad.co.tz](http://www.assad.co.tz)

As per Budget reading on 13 June 2019

# BACKGROUND

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The anticipation for Tanzania's economic updates and budget has come to an end. On 13 June 2019, the Honorable Minister of Finance presented Tanzania's Economic updates, Government budget and tax updates for the fiscal year 2019/20. The Government budget is set at TShs 33.105 Trillion.

Once the budget and proposed amendments are passed by Parliament and assented by the President, they will become effective from 1st July 2019.

# TAX UPDATE

## INCOME TAX

Leniency towards small scale business.

Sole proprietors having a turnover less than TShs 100Million a year do not have to prepare and file accounts that are certified by certified public accountants.

Previously the threshold was TShs 20Million. This is a welcomed amendment to reduce cost of compliance for small scale businesses and will enable TRA to save a lot of administration costs.

## Presumptive tax cut

Presumptive tax rates have been reduced to:

Turnover	Without records	With records
< 4,000,000	NIL	NIL
4,000,001 to 7,000,000	100,000	3% of turnover in excess of TShs 4,000,000
7,000,001 to 11,000,000	250,000	90,000 + 3% of turnover in excess of TShs 7,000,000
11,000,001 to 14,000,000	450,000	230,000 + 3% of turnover in excess of TShs 11,000,000
14,000,001 to 100,000,000	To keep records	450,000 + 3.5% of turnover in excess of Tshs 14,000,000

## SANITARY PADS

New investors producing sanitary pads will pay corporate tax at a reduced rate of 25% as compared to 30% for the initial 2 years of income. The Government will sign a performance agreement with such investors to assign responsibilities to both parties.



The incentive is to attract investments, create more jobs and hand in hand increase the government revenue.

## COST EFFICIENCY



Withholding tax abolished on various fees charged on loans disbursed by non-resident banks or international financial institutions to Government. Such fees include commitment fees, insurance premium and insurance management.

This will enable the government to secure loans at lower cost and speed up the implementation of development projects.

## VALUE ADDED TAX (VAT)

### VAT Restriction abolished

Exporters of raw agricultural products will continue to be able to claim input VAT.

Vide Miscellaneous Amendments passed in 2017; a restriction was introduced which limited exporters of raw agricultural products to claim input VAT. The VAT claim restriction was to be effective from 20 July 2019, however due to the current proposed amendment this restriction may not apply.

The amendment shall assist to facilitate exports of raw products and reduce costs of farmers to increase competitiveness of raw agriculture product in the international markets.



## UNITED COUNTRY

The supply of electricity from Mainland Tanzania to Zanzibar will now be treated as a zero rated supply. Previously VAT at the rate of 18% was applied on the supply of electricity from Tanzania Mainland to Zanzibar which created an accumulation of outstanding between Governments. This is a step towards economic cooperation, and savings on Zanzibar consumers .

## EXEMPTIONS

The following items are now exempted:

- Imported Refrigeration boxes used in horticulture farming;
- Grain Drying Equipment's; and
- Import of Aircraft lubricants, airline tickets, flyers, calendars, diaries, labels and employees uniform with names of Airline Operators

Sanitary pads were exempted with effect from July 2018. However, the exemption is now to be abolished with the reason that the traders have not reduced the prices of the sanitary pads and therefore the intentions have not been met.



## TAX ADMINISTRATION

The Government has proposed to extend a further 6 months period for tax amnesty applicants to settle their principal tax liabilities. The extension period to settle principal tax liabilities has been extended to December 2019 (Instead of 30th June 2019).

This is a positive move which will grant more time for applicants to settle their dues. A question arises as to whether this will apply to taxpayers who have already entered in to a payment plan with the TRA and the procedures for extension.

## OTHER PROPOSED AMENDMENTS

**Introduction of Tax Ombudsman Office** – The appointment of a new independent office at the Ministry of Finance which will be responsible for receiving correct and unbiased information and complaints from taxpayers or other people with good intention against administration of tax affairs by TRA officials and staffs.

Some key major functions of the office:

- Receiving and working on corruption complaints;
- Receiving and working on arbitrary assessments.
- Receiving and working on unlawful closure of businesses.
- Receiving and working on any similar complaints regarding tax administration.

**Clearing Agents** – There is a proposal that the requirement to use a clearing agent should no longer be mandatory for individual importers (with the exception of transit goods)

Simplified guidelines and procedures to be published to ease the process.  
This means reduced importation costs for individuals.

**Customs assessment and valuation complaints dedicated desk** – to handle and resolve within 24hours all disputes/ complaints relating to tax assessments and valuation of imports.





**Increase use of Electronic Fiscal Device Management System (EFDMS)** - Integrating domestic revenue collections with the EFDMS in order to curb revenue leakage in the processing of tax refunds, issuance of fake receipts etc.

**An eye on gaming activities** – Introducing a system to regulate and monitor collection from operators in order to increase tax revenue from the gaming industry.

**6 Month grace to new TIN registration** – A six month grace period to be granted to new businesses. No tax will be assessed, demanded and paid when new investor or businessmen applies for TIN.

This will enable smooth operation for the beginning period of establishment as taxpayers enjoy the relief and focus their attention on building their new business at least for 6 months.



## AMENDMENT OF VARIOUS FEES

The Government is proposing to review (reduce or abolish) various fees and levies in the first phase of implementing the Blueprint for Regulatory Reforms in order to reduce the cost of doing business and investment in the country. Some key proposed amendments include:

**Road Traffic Act** – Fees have increased as follows:

Item	Current rates	Proposed rates
Driving License fees (license validity extended from 3 years to 5 years)	40,000	70,000
Registration Card fee for all forms of motor vehicles	10,000	50,000
Motorcycle fees	10,000	30,000
Tricycle fees	10,000	20,000

## TANZANIA FOOD AND DRUGS AUTHORITY (TFDA)

The government is proposing an abolishment of the following:

- i) Retention fee for vaccines and biologicals (USD 150), herbal medicines (USD 150), medical devices (USD 100), diagnostics (USD 250), food (USD 10), and antiseptics and diagnostics (TShs 100,000);
- ii) Fees for duplicate certificates on diagnostic (USD 100); and
- iii) Annual business license fees on fish outlets (TShs 50,000 to TShs 300,000).



## TANZANIA BUREAU OF STANDARDS (TBS)

The government is proposing an abolishment of the following:

- i) Application fees for TBS mark (TShs 50,000);
- ii) TBS mark guarantee fees (15% of overhead and transportation costs);
- iii) TBS mark license fees (50% of cost of transport, as well as testing of sample from the market); and
- iv) Application form fees for imported goods (TShs 50,000)



## Government Chemist Laboratory Authority (GCLA)

The government is proposing an abolishment of the following:

- i) Service charge for cancellation and issuance of new permits (USD 50);
- ii) Service charge for replacement of permit (USD 50);
- iii) Registration of clearing agents company (USD 500 per registration period);
- iv) Emergency inspection (USD 300 per inspection);
- v) Annual maintenance fee for form, paint, textile, leather, plastic and large industries, and large distributors (USD 1,000);
- vi) Annual maintenance fee for other small industries (USD 250); and
- vii) Annual maintenance fees for medium distributors (USD 500).



**The government further proposes a reduction in levies for the following:**

- i) Chemical registration and renewal fees from USD 20 to TShs 40,000 per chemical per registration;
- ii) Identification and approval of disposal method fees from USD 500 to TShs 200,000 per chemical; and
- iii) Premises inspection fees from USD 200 to TShs 300,000 per inspection.

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## Ministry of Livestock & Fisheries



The government is proposing an abolishment of the following levies charged by the livestock stock sector:

- i) License for registration pertaining to carriers and containers permit for transportation of milk (TShs 500,000);
- ii) License fee for medium scale producers (TShs 50,000);
- iii) Registration fee for large scale producers (TShs 75,000);
- iv) Registration fee for secondary and border markets (TShs 50,000); and
- v) Registration fee for meat exporter (TShs 100,000)

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## Ministry of Natural Resources and Tourism

The government is proposing a removal of the following:

- i) Trophy handling fees; and
- ii) TALA fees on professional hunting charged by the natural resources and tourism sector.

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## Ministry of Water

The government is proposing a removal of fees pertaining to boreholes, which starts from TShs 100,000. Owners will still be required to register their borehole to the Water board.



# DETAILED TABLES

## Excise Duty rates

Excise duty rates are normally reviewed annually taking in to account inflation rates. However, this year round due to low level of inflation and Government's objective of building an industrial economy by promoting investment in the industrial Sector the increases are just a handful as listed below.

Item	Previous rate (2018/19)	Proposed rate (2019/20)	Change
Wine produced locally with Domestic Fruits(such as banana, cashew, rozella, tomatoes etc) other than grapes with contents of at least 75%	TShs 200/= per litre	TShs 61/= per litre	↓
Locally made artificial hair	NIL	10%	↑
Imported artificial hair HS Code 67.03,67.04 and 05.01	NIL	25%	↑
Pipe & plastic material(tubes , pipes , hoses and fittings i.e joints , elbows flengs etc) HS Code 39.17	NIL	10%	↑
Imported aircraft Lubricant by domestic operators, national air force, or airline companies with bilateral air service agreement	Liquid form Tshs 669 pcm Grease form Tshs 0.79 per kg	Exempted	↓

## Custom Duty rates

Below we chart the current and proposed duty rates. Since industrialization being part of the prioritized economic reform areas of Tanzania, the Government has implemented the plan by increasing duty rates on importation of materials and other industrial equipment's to not only safeguard but to boost the domestic industrial productions.

Apart from the below charted amendments, there is an exemption of import duty exemption on lubricants for aircraft's, uniforms, calendars, diaries and pens that are used in the provision of air services. This measure will enable the country to sign Bilateral Air Service Agreement (BASA).



## IMPORT DUTY RATES

Item	Current Rate	Proposed Rate
Raw materials used to manufacture Baby Diapers with HS Codes; 3506.91.00; PE Film HS Code 3926.90.90; Super Absorbent; Polymer HS Code 3906.90.00; Wet Strength Paper HS Code 4803.00.00; Non-Woven HS Code 5603.11.00; Polyethylene Laminated Non-Woven HS Code 5903.90.00; Spandex HS Code 5402.44.00 and Dust Free Paper Hs Code 4803.00.00;	10%	0%
Equipment and appurtenant used for polishing and heat treatment of Gemstones with HS codes; HS Codes 3606.90.00; 6804.10.00; 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; and 9002.19.00;	25%	0% (For 1 Year)
Papers used as raw materials for manufacturing of packaging materials for export of horticulture products (HS Codes 4805.11.00 and 4805.19.00)	10%	0% (For 1 Year)
Agricultural seeds packaging materials with HS codes 3923.29.00; 6305.10.00; 4819.40.00; 7310.29.90; 6305.33.00; 6305.20.00; 6304.91.90; 7607.19.90.	25%	0% (For 1 Year)
Aluminium Alloys (HS Code 7606.92.00) used as raw materials to manufacture aluminium pots	25%	0% (For 1 Year)
Roasted coffee (HS Code 09.01)	25%	35% (For 1 Year)
Flat-rolled products of iron or non-alloy steel and Flat-rolled products of other alloy steel of width of 600mm or more, with HS Codes 7209.16.00; 7209.17.00; 7209.18.00; 7209.26.00; 7209.27.00; 7209.28.00; 7209.90.00; 7211.23.00; 7211.90.00; 7225.50.00 and 7226.92.00.	10%	10% or USD 125 per metric ton whichever is higher (For 1 Year)
Flat-rolled products of iron or non-alloy steels (HS Code 7212.30.00; 7212.40.00; and 7212.50.00).	10%	25% or USD 200 per metric ton whichever is higher (For 1 Year*)
Flat-rolled products of iron or non-alloy steel HS Code 7212.60.00	10%	10% or USD 250 per metric ton whichever is higher (For 1 Year*)
Flat-rolled products (HS Codes 7210.41.00; 7210.49.00; 7210.61.00; 7210 : 69 and 7210.90.00	25% or USD 200 per metric ton whichever is higher	25% or USD 250 per metric ton whichever is higher (For 1 Year)
Reinforcement bars and hollow profiles with HS codes 7213.10.00; 7213.20.00; 7213.99.00; 7214.10.00; 7214.20.00; 7214.30.00; 7214.90.00; 7214.99.00; 7215.10.00; 7215.50.00; 7215.90.00; 7225.90.00; 7225.92.00; 7225.99.00; 7306.30.00; 7306.50.00; 7306.61.00; 7306.69.00; and 7306.90.00.	25% or USD 200 per metric ton whichever is higher	25% or USD 250 per metric ton whichever is higher (For 1 Year)
Horticultural products falling under HS codes 0603.11.00; 0603.12.00; 0603.13.00; 0603.14.00; 0603.19.00; 0604.20.00; 0604.90.00; 0701.90.00; 0702.00.00; 0703.10.00; 0703.20.00; 0706.10.00; 0710.10.00; 0710.21.00; 0710.22.00; 0710.30.00; 0714.10.00; 0714.20.00; 0804.30.00; 0804.40.00; 0804.50.00; 0805.10.00; 0805.40.00; 0805.50.00; 0806.10.00; 0807.11.00; 0807.20.00; 0808.10.00; and 0808.20.00.	25%	35% (For 1 Year)
Monofilament (PVC Profiles HS Codes 3916.10.00; 3916.20.00 and 3916.90.00)	0%	10% (For 1 Year)



**You are welcome to contact our office in case you have any queries on the above.**

**ASSAD ASSOCIATES**

M2 Floor, Samora Towers,  
Samora Avenue,  
P. O. Box 7286  
Dar es Salaam,  
Tanzania.

Tel: +255 22 211 4081 / +255 22 211 5688

E-mail: [assad@assad.co.tz](mailto:assad@assad.co.tz)

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