



PKF



The background of the top half of the page features a blue-tinted photograph of a person's hands working at a desk. The person is wearing a dark suit jacket with light-colored cuffs. They are holding a pen over a document. To the left, a laptop keyboard is visible. In the center, there is a white coffee cup. To the right, a calendar is partially visible. The overall scene suggests a professional office environment.

FINANCE ACT BRIEF

2019



A decorative graphic at the bottom of the page consists of several horizontal blue bars of varying lengths and thicknesses, some with rounded ends, creating a modern, abstract look.

Tax Update

The Finance Act 2019 has brought about several amendments to various laws with a preliminary view to widen the tax bracket and reduce administrative burdens faced by tax payers. Therefore, we equip you with a summary of the amendments that are effective from 01 July 2019.

Income Tax

Relief towards small scale business

The threshold for a tax payer to be categorized under presumptive tax regime has been amended from a turnover of TShs 20Million per annum to TShs 100Million per annum.

This reduces the burden of presumptive tax payers to maintain strict accounting records and the requirement that sole proprietors are to submit audited financial statements if they exceed a turnover of TShs 100Million per annum. It is expected that the cost of compliance will be minimized and will lead to an increase in EFD compliance amongst small scale businessmen.

The presumptive tax rates have been reduced as follows:

Previous presumptive tax rates (prior 01 July 2019)

| Annual Turnover | Without records | With records |
|--------------------------|-----------------|---|
| TShs | | |
| < 4,000,000 | NIL | NIL |
| 4,000,001 to 7,500,000 | 150,000 | 3% of turnover in excess of 4,000,000. |
| 7,500,001 to 11,500,000 | 318,000 | 135,000 + 3.8% of turnover in excess of 7,500,000. |
| 11,500,001 to 16,000,000 | 546,000 | 285,000 + 4.5% of turnover in excess of 11,500,000. |
| 16,000,001 to 20,000,000 | 862,500 | 487,000 + 5.3% of turnover in excess of 16,000,000. |

Presumptive tax rates (effective from 1 July 2019)

| Annual Turnover | Without records | With records |
|---------------------------|-----------------|--|
| TShs | | |
| < 4,000,000 | NIL | NIL |
| 4,000,001 to 7,000,000 | 100,000 | 3% of turnover in excess of 4,000,000 |
| 7,000,001 to 11,000,000 | 250,000 | 90,000 + 3% of turnover in excess of 7,000,000 |
| 11,000,001 to 14,000,000 | 450,000 | 230,000 + 3% of turnover in excess of 11,500,000 |
| 14,000,001 to 100,000,000 | - | 450,000 + 3.5% of turnover in excess of 14,000,000 |

Sanitary pads

Newly established manufacturers of sanitary pads will enjoy a reduced corporate tax rate of 25% for two consecutive years beginning from 01 July 2019 to 30 June 2021.

The reduced corporate tax rate is subject to having performance agreement with the Government.

This incentive will lead to increase in investments, job creation, increased output of products and improved women and girl well-being.

Since manufacturing industries have huge initial investment costs, we find that during the initial periods a manufacturer may incur consecutive tax losses and therefore the question arises whether the incentive will be efficient mechanism to provide tax incentives from the date of establishing the industry.



Cost efficiency on Government projects

Withholding tax exemption introduced on interest, various fees and charges such as commitment, insurance premium, insurance management, agreement and other fees charged by non-resident banks and international financial institutions on loans provided to the Government for the purpose of financing Government projects.

The effective date for the implementation of the exemption is 01 June 2017. The exemption will reduce the cost of borrowing for the Government.

Value Added Tax

Good news to exporters of raw agricultural products

In July 2017, there was a miscellaneous amendment of the VAT Act, which restricted exporters of raw agricultural products to claim input VAT with effect from 20 July 2019. However, the Finance Act 2019 has reversed the amendment. Therefore, exporters of raw agriculture products can continue to claim input VAT.

The amendment will reduce costs for exporters of raw agriculture products which will in effect will increase competitiveness of Tanzanian products in the international markets.



Supply of electricity

Supply of electricity from Mainland Tanzania to a supplier of electricity in Tanzania Zanzibar is now zero rated. This amendment directly impacts the supply of electricity from TANESCO to ZECO.

Restoration of VAT charge on sanitary pads

The previous Finance Act in 2018 introduced a VAT exemption on Sanitary Pads with HS Code 9619.00.00. However, with effect from 01 July 2019, VAT has been re-introduced on Sanitary Pads.

The reason for making the change is that traders did not reduce the price of the sanitary pads. The Government has provided some tax incentive by reducing corporate tax charge on the local manufacturers of sanitary pads. Hence, we await to see the impact on the prices of sanitary pads.

The usage of sanitary pads is highly dependent on the cost of the sanitary pads as low-income earners and school girls struggle to afford the same.

Other Exemptions

The following items are now exempted from VAT charge:

- Import of refrigeration boxes (HS Code 8418.69.90) used in horticulture in Mainland Tanzania;
- Import of Grain Drying Equipment (HS Code 8419.31.00) to be used in Mainland Tanzania;
- An import of aircraft lubricants, airline tickets, brochures, leaflets, calendars, diaries, headed papers and airline uniforms engraved or printed or marked with airline logo imported by designated airline under a Bi-Lateral Air Services Agreement between Tanzania Government and Foreign Government; and
- Supply of aircraft lubricants of HS Code 2710.19.51, 2710.19.52, 3403.19.00 and 3403.99.00 to a local operator of air transportation.

Characteristics of Invoices eligible for Tax Refund

Claimants of VAT refunds should ensure that their fiscal tax invoice/ receipt should meet the following criteria;

- the date on which it is issued;
- the name, TIN and VRN of the supplier;
- the description, quantity, and other relevant specifications of the things supplied;
- the total consideration payable for the supply and the amount of value added tax included in that consideration; and
- Value of supply exceeds **TShs 100,000**, the name, TIN and VRN of the customer

Tax Administration Act

Tax amnesty

Applicants of tax amnesty are to be granted an extension to settle principal tax liability up to 31 December 2019. Previously the deadline was up to 30 June 2019.

The Finance Act 2019 does not have this amendment. We expect that the Order will confirm the extension deadline and further clarify procedures for requesting an extension especially for those who have already entered in to a settlement agreement with the TRA.

Deferment of instalment tax payments

A newly registered taxpayer issued with business or investment TIN is granted a deferment of six (6) months from the date of issuance of a TIN to remit the installment taxes due.

Therefore, the tax shall be paid in the respective year of income in three equal instalments instead of four instalments.

In case where tax deferment overlaps the year of income to which tax relates, the whole of tax payable shall be paid in the last instalment period of the year of income.

Small scale vendors/ service providers

The Minister of Finance is now granted the power to make regulations on matters relating to small vendors or service providers. Therefore, we expect the regulation to address and clarify on various administrative questions that are raised.

Introduction of Tax Ombudsman

The Ministry of Finance shall establish Tax Ombudsman department which shall be responsible for reviewing and addressing complaints by taxpayers regarding the service, procedural or administrative matters arising in the course of tax administration by TRA or a staff of TRA.

The Tax Ombudsman shall act independently and impartially without interference from any institution, agency or department of the Government or any other person.

The Tax Ombudsman findings shall directly be submitted to the Ministry of Finance as recommendations for the Minister's deliberations and directives.

The decisions or recommendations of the Tax Ombudsman shall not bind a taxpayer whose complains or matters forms part of such decisions or recommendation.

The Minister of Finance shall publish regulations governing the Tax Ombudsman and therefore we expect further understanding to be published in the regulations such as procedures for handling complaints.

This is a commendable move to ease and mediate administrative issues that taxpayers face with the tax authorities.

We look forward to the success of the Tax Ombudsman's office which would depend on the independence, speed, expertise and deployment of resources.

Tenure of Office

The Tax Ombudsman shall hold an office for a renewable period of three years.

Duties of Tax Ombudsman

- Review the complaint and where necessary resolve it amicably through mediation or conciliation;
- Act independently and impartially in resolving complaints;
- Follow informal, fair and cost effective procedures in resolving complaints;
- Provide information, training and awareness to taxpayers on tax ombudsman service, functions and procedure of making complaints;
- Facilitating access by taxpayer to dispute resolution processes within the TRA; and
- Identify and review tax administrative issues related to customer service, or procedures and behaviors which impact negatively on taxpayers.

Limitation of Power of Tax Ombudsman

The Tax Ombudsman shall not review the following:

- Legislation or tax policy;
- TRA's policy or practice save that which relates to service, administrative or procedural matter with respect to administration of tax laws; and
- A matter subject to a tax objection or Appeal, save for administrative matters relating to such tax objection or appeal.

Confidentiality of Tax Ombudsman

The Tax Ombudsman shall not disclose information of any kind that is obtained by or on behalf of the Tax Ombudsman's or prepared from information obtained by or on behalf of the Tax Ombudsman, to the TRA.

Airport and Port Service Charge Act

With effect from 01 July 2019, Airport and Port agents are required to file monthly return to TRA on or before the last working day of the month following the month to which the charges relate.

This will ensure proper record of collections by agents are kept and readily available to TRA for accountability and tax reviews/ audits.



Tanzania Food and Drugs Authority (TFDA)

The Finance Act 2019 repealed provisions relating to control of standard of safety and quality of food and cosmetics such that the standards on these will now be controlled by TBS.

The TFDA (from now on referred "Tanzania Medicines and Medical Devices Authority or by its acronym 'TMDA') will continue to regulate drugs, medical devices and diagnostics.

Standards Act

The Finance Act 2019 amended the Standard Act (which regulates TBS) to provide that:

- No person shall manufacture, import, distribute, sell or expose for sale a pre-packaged food unless that food or food product has been registered by TBS;
i.e this means Hucksters / and Vendors will have to make application for registration and it should be done in a prescribed manner together with prescribed fees as per regulations made by the Minister;
- No person shall carry on the business of an importer of food unless he is registered by TBS;
- The Minister will publish rules to the Gazette after consultation with TBS on rules relating to Milk, Milk products and its substitutes;
- That no person shall use any premises for slaughter of animals or permit any animal to be slaughtered with intent to sell, and offer unless that premises is registered by TBS; and
- The Minister will make regulations designed to secure the observance of sanitary and cleanly conditions in the sale, manufacture, store, and transport of food.

That no cosmetics shall be sold, given, imported, stored or manufactured unless it conforms to requirements prescribed by TBS, and the Minister will as well give notice to the Gazette and declare some of ingredients prohibited.

Road Traffic Act

Validity of driving license has been increased from 3 years to 5 years. Various fees have as well been increased as indicated in the table below:

| Item | Current rates (Tshs) | Proposed rates (Tshs) |
|---|----------------------|-----------------------|
| Driving License fees | 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 |



Excise Duty rates

Amendment of Excise Duty Rates and introduction of new items as per the table below.

| Heading | HS Code | Description | Unit | Previous rate (2018/19) | New rate (2019/20) | Change |
|---|--|---|-------|-------------------------|------------------------|--------|
| 05.01 | 0501.00.00 | Human hair unworked, wither or not washed or scoured, waste of human hair | | | | |
| | | Locally manufactured | Kg | NIL | 10% | ↑ |
| | | Imported | Kg | NIL | 25% | ↑ |
| 24.03 | Other manufactured tobacco and manufactured tobacco substitutes, "homogenized" or "reconstituted" tobacco; tobacco extracts and essences. | | | | | |
| | -Smoking tobacco, whether or not containing tobacco substitutes in any proportion: | | Kg | | | |
| | 2403.19.00 | -Other (for example cut rag/filler) | | | | |
| | | -Locally produced containing domestic tobacco exceeding 75% | Kg | TShs. 28,232.40 per Kg | TShs. 8,000.00 per Kg | ↓ |
| | | -Other/Imported | Kg | TShs. 28,232.40 per Kg | TShs. 28,232.40 per Kg | NIL |
| | 2403.91.00 | -Homogenized or Reconstituted tobacco | Kg | TShs. 28,232.40 per Kg | TShs. 28,232.40 per Kg | NIL |
| | 2403.99.00 | -Other | Kg | TShs. 28,232.40 per Kg | TShs. 28,232.40 per Kg | NIL |
| | 3917.40.00 | Imported Tubes, pipes, hoses and fittings thereof (for example joints, elbows flanges) of plastics | | NIL | 10% | ↑ |
| 67.03 | 6703.00.00 | Human hair, dressed, thinned, bleaching or otherwise worked; wool or other animal hair or other textile materials, prepared for use in making wigs or the like | | | | |
| | | Locally Manufactured | Kg | NIL | 10% | ↑ |
| | | Imported | Kg | NIL | 25% | ↑ |
| 67.04 | Wigs, false beards, eyebrows and eyelashes, switches and the like, or of textile of human hair not elsewhere specified or included. | | | | | |
| | -of synthetic textiles materials | | | | | |
| | 6704.11.00 | -complete wigs | | | | |
| | 6704.19.00 | -other | | | | |
| | 6704.20.00 | -of human hair | | | | |
| | 6704.90.00 | -of other materials | | | | |
| | | Locally manufactured | Kg | NIL | 10% | ↑ |
| | Imported | Kg | NIL | 25% | ↑ | |
| | 2206.00.90 | Wine produced locally with Domestic Fruits (such as banana, cashew, Rozella, tomatoes etc) other than grapes with contents of at least 75% | litre | TShs 200/= per litre | TShs 61/= per litre | ↓ |
| The supply or importation of aircraft lubricants to a local operator of air transportation or a designated airline under a Bilateral Air Service Agreement between the government of the United Republic and a foreign government is exempted from excise duty. | | | | | | ↓ |

Import Duty rates

| Item | Current Rate | Proposed Rate | Scheme |
|---|---|--|----------------|
| Raw materials used to manufacture Baby Diapers with HS Codes; 3506.91.00; Plastic cask 3926.90.90; PE Film HS Code 3920.10.90; Super Absorbent; Polymer HS Code 3906.90.00; Wet Strength/Dust free 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. | 10% | 0% | Duty Remission |
| 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) | Duty Remission |
| 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) | Duty Remission |
| 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) | Duty Remission |
| Aluminum Alloys (HS Code 7606.92.00) used as raw materials to manufacture aluminum pots | 25% | 0% (For 1 year) | Duty Remission |
| Roasted coffee (HS Code 09.01) | 25% | 35% (For 1 year) | Stay |
| 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) | Stay |
| Flat-rolled products of iron or non-alloy steels, of a width of less than 600 mm, clad, plated or coated for one more year (HS Code 7212.30.00; 7212.40.00; and 7212.50.00). | 10% | 25% or USD 250 per metric ton whichever is higher (For 1 year) | Stay |
| Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm (clad) HS Code 7212.60.00 | 10% | 10% or USD 250 per metric ton whichever is higher (For 1 year) | Stay |
| Flat-rolled products (HS Codes 7210.41.00; 7210.49.00; 7210.61.00; 7210.69.00, 7210.70.00 and 7210.90.00 | 25% or USD 200 per MT whichever is higher | 25% or USD 250 per metric ton whichever is higher (For 1 year) | Imposed |
| 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; 7214.99.00; 7215.10.00; 7215.50.00; 7215.90.00; 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 MT whichever is higher | 25% or USD 250 metric ton whichever is higher for 1 year. | Stay |
| 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% | Stay |
| Monofilament (PVC Profiles HS Codes 3916.10.00; 3916.20.00 and 3916.90.00) | 0% | 10% (For 1 year) | Stay |



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