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**TANZANIAN GOVERNMENT  
BUDGET KEY HIGHLIGHTS  
2017/2018**





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## SUMMARY:

- ✚ Qualifying expenditure of a non-commercial vehicle for claiming wear and tear allowance has been increased from TZS 15 million to TZS 30 million.
- ✚ Reduction of corporate tax rate from 30% to 10% for new assemblers of vehicles, tractors and fishing boats for the initial 5 years from commencement of operation.
- ✚ Zero Rate VAT on ancillary transport services in relation to goods in transit when they are in the United Republic of Tanzania.
- ✚ Exemption on VAT on locally produced compounded animal feeds.
- ✚ A general increase in excise duties on petroleum products (petrol, diesel and kerosene) by TZS 40 per liter.
- ✚ A decrease in excise duty for some locally produced fruit juices and wine produced with domestic grapes with content exceeding 75%
- ✚ Abolishment of annual motor vehicle license fee.
- ✚ Provision of tax amnesty for accumulated unpaid motor vehicle license fees and penalties
- ✚ Issuing identity cards to informal sector i.e. petty traders such as food vendors (“mama lishe”), street vendors, second-hand clothes sellers, small-scale agricultural products (vegetables, banana and fruits) sellers etc. for strengthening and simplifying revenue collection.



## RECAP 2016

# TANZANIA ECONOMIC HIGHLIGHTS 2016

- ❖ The economy grew by 6.6% in 2016 from a growth of 7% in 2015.
- ❖ The economy is projected to expand by 6.8% in 2017 subject to the fiscal policies and way forward on the government interaction with the private sector.
- ❖ The inflation in March 2017 was at 6.4% compared to 5.4% in March 2016. The rise in headline inflation has been driven by increase in prices of food items.
- ❖ Lending to the private sector represented annual growth of 3.7% against 23.6% recorded to March 2016. This development mirrors the slowdown in the growth of money supply.
- ❖ In terms of interest rates, the banks offered rates on deposits of 10.84% against an average of 8.64% in March 2016 and interest rates on lending have increased to 17.58% from 16.26% in corresponding month of 2016.
- ❖ Tanzania's ranking in the World Bank's Doing Business indicators has remained at 132 for both years to 2016.



<b>BUDGET AT GLANCE</b>		
Particulars	Tshs Millions	Tshs Millions
<b>Revenue</b>		
<b>A.</b>	<b>Government Domestic Revenue</b>	<b>19,289,695</b>
	(i) Tax Revenue	17,106,336
	(ii) Non Tax Revenue	2,183,359
<b>B.</b>	<b>Local Government Revenue Collection</b>	<b>687,306</b>
<b>C.</b>	<b>External Concessional Loans and Grants</b>	<b>3,971,103</b>
	(i) General Budget Support	941,258
	(ii) Projects Loans and Grants	2,473,770
	(iii) Basket Loans and Grants	556,075
<b>D.</b>	<b>Domestic and External Non- Concessional Borrowing</b>	<b>7,763,882</b>
	(i) External non-concessional borrowing	1,594,985
	(ii) Domestic non-concessional borrowing (1% of GDP)	1,220,668
	(iii) Domestic non-concessional borrowing (rollover)	4,948,229
	<b>TOTAL REVENUE (A + B + C + D)</b>	<b>31,711,986</b>
<b>Expenditure</b>		
<b>E.</b>	<b>Recurrent Expenditure</b>	<b>19,712,394</b>
	<b>(i) National debt service</b>	<b>94,61,433</b>
	- Domestic Interest	1,025,546
	- Domestic Amortization	4,948,229
	- External Amortization	1,182,651
	- External Interest	673,492
	- Government Contribution to Pension funds	1,195,882
	- Other expenditure under CFS	435,633
	<b>(ii) Wages and Salaries</b>	<b>7,205,768</b>
	(iii) Other Charges	3,045,193
	- Protected expenditure	1,985,245
	- Local Government Revenue expenditure	274,922
	- MDAs Operational Costs	785,025
<b>F.</b>	<b>Development Expenditure</b>	<b>11,999,592</b>
	(i) Domestic Financing	8,969,747
	LGAs Expenditure	412,384
	(ii) Foreign Financing	3,029,845
	<b>TOTAL EXPENDITURE (E + F)</b>	<b>31,711,986</b>
	<b>BUDGET DEFICIT AS % of GDP</b>	<b>3.8%</b>



### LIST OF ACTS AFFECTED BY BUDGETARY CHANGES

- The Income Tax Act, CAP. 332;
- The Value Added Tax Act, CAP 148;
- The Excise (Management and Tariff) Act, CAP 147;
- The Road Traffic Act, CAP 168;
- Miscellaneous Amendments

### *The Income Tax Act, CAP. 332*

- Corporations with unrelieved tax losses for three years consecutively will pay Alternative Minimum Tax (AMT) at the rate of 0.3% of the turnover in the third year. This amendment has been made in Paragraph 3(3) of the First Schedule by deleting five consecutive years and replacing it with three consecutive years to align with the three years provided in the charging section.
- Qualifying expenditure of a non-commercial vehicle for claiming wear and tear allowance has been increased from TZS 15 million to TZS 30 million. The Act defines commercial vehicle as road vehicle designed to carry loads of more than half a tonne or more than 13passengers; or a vehicle used in a transportation or vehicle rental business.
- Reduction of corporate tax rate from 30% to 10% for new assemblers of vehicles, tractors and fishing boats for the initial 5 years from commencement of operation.
- 5% final withholding tax on the total market value of minerals has been introduced to small miners.





### *The Value Added Tax Act, CAP 148*

- Exemption on capital goods (locally supplied and imported) for the edible oil, textile, leather and pharmaceutical (including veterinary) industries. The specific machines and plants to be exempted from VAT will be identified under respective HS Codes.
- Zero Rate VAT on ancillary transport services in relation to goods in transit when they are in the United Republic of Tanzania.
- Exemption on VAT on locally produced compounded animal feeds under HS Code 2309. Animal feeds will now not attract VAT. The measure intends to contribute to the growth of the sub-sector by reducing cost of procurement of such feeds.
- Exemption on fertilized eggs for incubation.

### *The Excise (Management and Tariff) Act, CAP 147*

- A general 5% inflationary adjustment on non-petroleum items that are subject to specific excise duties. However, some locally produced products will not be adjusted e.g. water and spirits
- Excise duty increased on both alcoholic beverages (beers, wines and imported spirits) and non-alcoholic beverages (i.e. carbonated soft drinks, and energy drinks)
- Cigarettes and other tobacco products will be subject to higher excise duty rates
- A decrease in excise duty for some locally produced fruit juices and wine produced with domestic grapes with content exceeding 75%
- A general increase in excise duties on petroleum products (petrol, diesel and kerosene) by TZS 40 per liter.





### The Road Traffic Act, CAP 168

- Abolishment of annual motor vehicle license fee. Instead, excise duty on fuel will be increased to compensate the loss on the abolishment'
- Provision of tax amnesty for accumulated unpaid motor vehicle license fees and penalties; and
- Increase of motor vehicle license fee on first registration as per table below:

Engine capacity	Previous amount TZS	New amount TZS
501cc-1500cc	150,000	200,000
1501cc-2500cc	200,000	250,000
Above 2501cc	250,000	300,000

## Miscellaneous Amendments

### PROPERTY TAX

- The Government through TRA will continue to collect property tax for valued and non-valued properties. For valued properties, the Ministry of Finance and Planning will determine a specific rate. For non-valued properties a flat rate of TZS 10,000 per single storey house and the rate of TZS 50,000 per floor of a storey house.







**OTHER AMENDMENTS:**

Issuing identity cards to informal sector i.e. petty traders such as food vendors (“mama lische”), street vendors, second-hand clothes sellers, small-scale agricultural products (vegetables, banana and fruits) sellers etc. for strengthening and simplifying revenue collection;

Introduction and emphasis on usage of electronic systems such as Electronic Revenue Collection System and the Government Electronic Payment Gateway System. The measure aims to prevent revenue leakages and simplify tax payment procedures;

Prohibition of direct exportation of minerals from the mines. Clearing houses will be established at selected areas such as international airports and mining areas for verification and issuing of export permits; and

The minerals will be subject to a clearing fee of 1% of the value of the mineral on exportation.

**For any Inquires please contact;**

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**Effective Date**

Unless stated otherwise the new  
revenue measure shall become  
effective on 1st July, 2017.

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