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# **TANZANIAN GOVERNMENT BUDGET KEY HIGHLIGHTS 2018/2019**





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## BUDGET AT A GLANCE

- Aiming GDP Growth at 7.2% from 7.1% in 2017
- Widening of tax base by intensifying the use of electronic collection systems and other administrative measures.
- VAT on packaging materials, imported animal and poultry feeds additives and sanitary pads to be exempt.
- Reduce OSHA levy and export permit application fees imposed on salt producers.
- Abolished most of the fees charged by OSHA viz, fees on application form for registration of working places, levy on registration of working places, fines related to fire and rescue equipment, compliance license fees, consultancy fees.
- Import duty exemption on rally motorcycles to promote motorcycles sports and tourism in the region.
- The proposed 100% amnesty on interest and penalties will exist for six months starting from 1st July 2018 up to 31<sup>st</sup> December 2018.
- Electronic tax stamp has been introduced to replace Paper tax stamp starting from 1 September 2018.
- Withholding tax exemption on interest on Government Loans provided through Banks and Financial Institutions to finance Government projects.
- Reduction in corporate tax rate from 30% to 20% from new investors in pharmaceutical and leather industries
- Gaming tax increased from 15% to 18% on land based casino operators.



## LIST OF ACTS AFFECTED BY BUDGETARY CHANGES

- Income Tax Act, CAP. 332;
- The Value Added Tax, CAP. 148;
- The Excise (Management and Tariff) Act, CAP. 147;
- The EAC Custom Management Act, 2004
- Miscellaneous Amendments

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

- Corporate tax rate reduced from 30% to 20% for new investors in the Pharmaceutical and Leather Industries for 5 years starting from 2018/19 upto 2022/23.
- Amendment in Income Tax Act to provide Withholding tax exemption on interest on Government Loans provided through Banks and Financial Institutions to finance Government projects.
- Deletion of section 10A of the Income Tax Act which prohibits the Minister responsible for Finance from providing income tax exemption to Government projects financed by non-concessional loans.



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

- Exemption of VAT on packaging materials produced specifically for use by the local manufacturers of pharmaceutical products.
  - Exemption of VAT on sanitary pads (HS Code 9619.00.10)
  - Exemption of VAT on imported animal and poultry feeds additives.
  - Amendment in section 6(2) (a) of the Value Added Tax Act, in order to give powers to the Minister responsible for Finance to provide VAT exemption on Government projects funded by non-concessional loans.
- Amendment of Section 6 (2) (a) of the Value Added Tax Act, 2015, to give powers to the Minister responsible for Finance to provide VAT exemption when there is an agreement signed between the Government and a Financial Institution or a Bank that is representing another Government and has been given powers of Attorney by the said Government to execute agreement.



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

Item	Current Rate (TSHS per litre)	Proposed Rate (TSHS per litre)
<b>Beverages</b>		
Soft Drinks	61	61
Imported water	61	64.05
Locally produced water	58	58
Locally produced fruit juice	9	9
Imported fruit juice	221	232
Beer from local un-malted cereals	50	50
Imported beer	765	803.25
Imported non-alcoholic beer (including energy drinks and non-alcoholic beverages)	561	589.05
Local non-alcoholic beer (including energy drinks and non-alcoholic beverages)	561	561
Wine produced using more than 75% domestic fruits other than grapes		200
Wine produced using more than 75% local grapes	200	200
Wine produced using more than 25% imported grapes	2,349	2,466
Imported Spirits	3,481	3,655.05
Locally produced Spirits	3,315	3,315
<b>Cigarettes</b>		
Local tobacco content cigarettes without filter tip	12.447/cigarette	12.447/cigarette
Local tobacco content cigarettes with filter tip	29.425/cigarette	29.425/cigarette
Other cigarette	53.235/cigarette	55.89675/cigarette
Cut rag or cut filler	26,888/kg	28,232.4/kg
Cigars	30%	30%

- **Electronic tax stamp has been introduced to replace Paper tax stamp starting from 1 September 2018. The new stamp system will enable the government to obtain production data on timely basis (real time) from the manufacturers and curb revenue leakages. The system will also address challenges associated with the use of fake paper stamps.**







- The government has introduced excise duty on wine produced using more than 75% domestic fruits (such as banana, rosella, tomato etc.) other than grapes of Tshs 200 per litre.

#### *The EAC Custom Management Act, 2004*

- Provision of duty remission on a selected list of raw materials and industrial inputs for the manufacturer of textiles and foot wear in order to accelerate the industrialization process in the textile and leather sector and create employment opportunities.
- Import duty exemption on rally motorcycles to promote motorcycles sports and tourism in the region;
- Provision of a common external tariff of 0% for motor boat ambulance under HS code 8903.10 to reduce costs related to services provided by motor boat ambulance; and
- Exemption on various types of motor vehicles for transportation of tourists. These include motor cars, sight-seeing buses and overland trucks which are imported by licensed tour operators and must meet specific conditions. The objective of this measure is to promote investments in the tourism sector, improve services create employment and increase Government revenue.



#### *Miscellaneous Amendments*

##### *The Local Government Finance Act, CAP. 290*

The Local Government Finance Act, CAP 290, The Public Finance Act, CAP 348, and The Bank of Tanzania Act, Cap 197 to be amended to introduce a Treasury Single Account which will be used for collection and payment of Government funds, in order to reduce number of Government Accounts operated in Commercial Banks and Central Bank and thus reducing costs of services.

##### *Changes in the fees and levies Charged by Osha*

- Abolish OSHA compliance license of Tshs 500,000;
- Abolish fees imposed on application form for registration of working places;
- Abolish fines related to fire and rescue equipment;
- Abolish levy imposed on the registration of working places; and
- Abolish consultancy fee of Tshs 450,000;



### *The Gaming Act; CAP. 41*

- Gaming tax rate increased from 6 percent to 10 percent on gross sales in sports betting operations.
- Gaming Tax increased from shillings 32,000 to shillings 100,000 per machine/month on slot machines.



- Gaming tax rate increased from 15 percent to 18 percent on Gross Gaming Revenue for Land based Casino Operators.

- Gaming tax rate increased from 15 percent to 20 percent on Gross Gaming Revenue for Forty Machines.

### *Amendments in the Tax Administration Act, CAP 438*

The Tax Administration Act, CAP 438 is to be amended to introduce Tax Amnesty. The proposed 100 percent amnesty on interest and penalties will exist for six months starting from 1st July 2018 up to 31st December 2018. This is expected to improve tax compliance by 10 percent and enable the Government to collect the outstanding principal tax amount. This amendment is expected to increase the Government Revenue by shillings 500,000 Million.

### *Other Amendments*

- Government Agencies/Institutions exempted from paying land rent.
- Salt sub sector to get the following reliefs: -
  - Produce cess imposed on Salt producers abolished.
  - Inspection and clearance fee of one percent of gross value of minerals in the salt industry, abolished.
  - Mangrove Levy (shillings 100 per hectare per annum) charged on salt producers, abolished.
  - Fee for reviewing Salt project concept paper charged by NEMC, abolished
  - Fee imposed on Solar Salt Panel abolished.
  - Supervision fee on Salt mining centres charged by Tanzania Forest Services Agency, abolished.
  - Registration fee for Salt mining centre also abolished.
  - Environment Impact Assessment fee imposed by NEMC on Salt producers, abolished.





- OSHA Levy imposed on Salt producers reduced from shillings 2,000,000 to shillings 1,000,000.
- Reduction in application fee for export permit of minerals on Salt producers from USD 100 to shillings 20,000 per annum.

**For any Inquires please contact;**

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**Effective Date**

Unless stated otherwise the new  
revenue measure shall become  
effective on 1st July, 2018.

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