



Budget brief



2019
Tanzania

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Economic Overview



Tanzania Economic Overview

Tanzania recorded an improved GDP growth rate of 7% in 2018 compared to 6.8% in 2017. This is attributed to increased investments in infrastructure projects such as construction of roads, railways, airport stable supply of electricity, improved transport services and favourable climatic conditions which led to a bumper harvest in 2018.

The government rebased the GDP statistics from 2007 to 2015. As a result,

there are notable changes to various indicators of GDP including the size of the GDP, GDP growth rate, sectorial growth and the contribution of various sectors to GDP.

The theme of the 2019/2020 budget is "Building Industrial Economy for Stimulating Employment and Sustainable Social Welfare". The budget is in line with Government pursuit to improve the wellbeing of the underprivileged. It also outlines measures to improve business

environment and investment climate in the country.

The proposals tabled in this year's budget are aimed at strengthening the industrial sector through promotion of the agricultural sector which employs majority of Tanzanians living in the rural areas.

The GDP and Inflation trend is illustrated below

Growth in	2015	2016	2017	2018	2019
Real GDP (%)	7.0	7.0	6.8	7.0	7.1*
Inflation (%)	5.6	5.2	5.3	3.5	3.2**

*Projection of GDP growth for 2019

** Inflation for April 2019 (recorded at 3.8 same period in 2018)



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The exemption of tax on fees will enable the Government to secure loans at a lower cost.



A) Income Tax changes

Reduced corporate income tax (CIT) rate for new investors in sanitary pads production

The Minister proposed a reduced CIT rate of 25% for the first 2 years for new investors engaged in production of sanitary towels.

This move is expected to make the sanitary towels more affordable and accessible. This will also attract new investors and create employment opportunities. It would be worthwhile to note that this move will allow the government to save foreign exchange currently used in importation of these goods.

Relief for taxpayers with turnover under TZS 100 million to file audited accounts

The Minister proposes to increase the minimum turnover required for taxpayer(s) to start filling accounts with the Tanzania Revenue Authority from TZS 20 million to TZS 100 million.

This change will save the taxpayers costs associated with preparation of accounts, and encourage voluntary compliance.

Relief of withholding tax on fees charged to Government loans

The Minister has proposed to exempt withholding tax on fees charged on Government loans, provided by non-resident banks and other international financial institutions. The exemption will cover commitment fees, insurance premium fees, insurance management fees, arrangements fees and any other

fees imposed as part of costs of such loans.

This change will enable the Government secure loans at lower costs and in effect translate to timely implementation of Government projects.

Proposed enhancement of presumptive tax

The Minister has proposed changes to tax rates for taxpayers with turnover of between TZS 4 million and TZS 100 million in order to increase tax compliance.

This is aligned to proposed changes of minimum turnover required by taxpayers to file accounts.



We provide below the proposed rates under the Tax Administration Act, 2015:

Turnover	Tax payable where section 35 of Tax Administration Act is not complied with	Tax payable where section 35 of Tax Administration Act is complied with
0 to TZS 4,000,000	NIL	NIL
TZS 4,000,001 to TZS 7,000,000	TZS 100,000	3% of turnover in excess of TZS 4,000,000
TZS 7,000,001 to TZS 11,000,000	TZS 250,000	TZS 90,000 plus 3% of turnover in excess of TZS 7,000,000
TZS 11,000,001 to TZS 14,000,000	TZS 450,000	TZS 230,000 plus 3% of turnover in excess of TZS 11,000,000
TZS 14,000,001 to TZS 100,000,000		TZS 450,000 plus 3.5% of turnover in excess of TZS 14,000,000

B) Value Added Tax (VAT)

VAT exemptions in the Agricultural Sector

The Minister has proposed to exempt VAT on imported refrigeration boxes under HS Code 8418.69.90 with the intention of reducing production costs and promote modern horticulture.

Further, grain drying equipment under HS Code 8419.31.00 will be exempted from VAT if this proposal is passed into law.

This is expected to reduce costs incurred in purchase of equipment used to dry grain for storage purpose and stimulate production of grain crops.

The Minister has proposed to amend the VAT Act and zero rate supply of electricity supply from Tanzania Mainland to Tanzania Zanzibar.

Relief to the Airline Industry

The Minister has proposed to exempt from VAT, aircraft lubricants imported by domestic operators, National Air Force, or Airlines Corporations recognized in Bilateral Air Service Agreements.

This measure will now allow Tanzania sign Bilateral Air Service Agreements, which had become a challenge due to lack of such exemptions.

Further, the Minister has proposed to amend the Second Part of the VAT Exemption Schedule to include airline tickets, flyers, calendars, diaries, labels and employees uniforms with the names of the Airline operator if they are imported by airlines recognized under Bilateral Air Service Agreements.

Increased VAT on Sanitary Pads

The Minister has proposed to abolish VAT exemption on sanitary pads. This move comes one year after the exemption was introduced with the government arguing that the measure did not achieve the expected results of reducing the cost of sanitary pads.

HS Code	Item	Current Rate	Proposed Rate
3506.91.00, 3926.90.90, 3906.90.00, 4803.00.00	Raw materials used to manufacture Baby Diapers	10%	0% (for 1 year)
5603.11.00, 5903.90.00, 5402.44.00, 4803.00.00	Equipment and appurtenant used for polishing and heat treatment of Gemstones	25%	0% (for 1 year)
3606.90.00, 6804.10.00, 6813.20.00, 7018.90.00	Paper used as raw materials for manufacturing of packaging materials for export of horticulture products	10%	0% (for 1 year)
7020.00.99, 8202.20.00, 8202.99.00, 8203.20.00, 8205.10.00, 8423.89.90, 8513.10.90, 9002.19.00	Agricultural seeds packaging materials	25%	0% (for 1 year)
4805.11.00, 4805.19.00	Aluminium Alloys	25%	0% (for 1 year)
3923.29.00, 6305.10.00, 4819.40.00, 7310.29.90	Roasted coffee	25%	35% (for 1 year)
6305.33.00, 6305.20.00, 6304.91.90, 7607.19.90	Flat-rolled products of iron or non-alloy steel and Flat-rolled products of other alloy steel of width of 600mm or more	10%	The higher of 10% or USD 125 per metric ton (for 1 year)
7606.92.00	Flat-rolled products of iron or non-alloy steels	The higher of 25% or USD 200 per metric ton	The higher of 25% or USD 200 per metric ton (for 1 year)
09.01	Flat-rolled products of iron or non-alloy steel	10%	The higher of 10% or USD 250 per metric ton (for 1 year)
7209.16.00, 7209.17.00, 7209.18.00, 7209.26.00	Reinforcement bars and hollow profiles	The higher of 25% or USD 200 per metric ton	The higher of 25% or USD 250 per metric ton (for 1 year)
7209.27.00, 7209.28.00, 7209.30.00, 7211.23.00			
7211.90.00, 7225.50.00, 7226.92.00			
7212.30.00, 7212.40.00, 7212.50.00			
7212.60.00			
7210.41.00, 7210.49.00, 7210.61.00, 7210.69.00			
7210.70.00, 7210.90.00			
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, 7306.90.00			
0603.11.00, 0603.12.00, 0603.13.00, 0603.14.00	Horticultural products	25%	35% (for 1 year)
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			
0808.20.00			
3916.10.00, 3916.20.00, 3916.90.00	Monofilament (PVC Profiles)	0%	10%
4804.11.00, 4804.21.00, 4804.29.00, 4804.31.00 and 4804.41.00	Papers produced by Mufindi Paper Mills	0%	25% (for 1 year)
1001.99.10 and 1001.99.90	Wheat Grain	35%	10% (for 1 year)
8470.50.00	Electronic Fiscal Devices (EFD's) machines	10%	0% (for 1 year)
3920.10.90	Printed Aluminium Barrier Laminates	25%	0% (for 1 year)
1511.90.40	Crude Palm Oil	0%	25%
1511.90.40	RBD Palm Stearin	10%	0% (for 1 year)
3605.00.00	Safety matches	0%	25 percent or USD 1.35 per kilogram whichever is higher
83.05	Nails, tacks, drawing pins, corrugated nails, staples other tan	0%	25 percent or USD 350 whichever is higher for 1 year
1601.00.00	Sausages and similar products	25%	35% (for 1 year)
1704.10.00	Chewing gum	25%	35% (for 1 year)
1704.90.00	Sugar confectionary(for one year)	25%	35% (for 1 year)
18.06	Chocolates	25%	35% (for 1 year)
19.05	Biscuits	25%	35% (for 1 year)
2103.20.00	Tomato sauce	25%	35% (for 1 year)
2201.10.00	Mineral water	25%	60% (for 1 year)
	Meat and edible offal under chapter 2 for one year	25%	35% (for 1 year)
1507.10.00, 1508.10.00, 1511.10.00, 1512.11.00	Crude edible oil (for example sunflower oil, palm oil, groundnuts oil, olive oil,	0%	25% (for 1 year)
1513.11.00, 1514.11.00, 1514.91.00, 1515.11.00	maize corn oil etc.) for one year		
1515.21.00, 1515.30.00			

HS Code	Item	Current Rate	Proposed Rate
1507.90.00; 1508.90.00; 1509.90.00; 1510.00.00	Semi refined and double refined edible oils (sunflower oil, palm oil, groundnuts oil,	25%	35%
1511.90.30; 1511.90.10; 1511.90.90; 1512.19.00	olive oil, maize corn oil)		(for 1 year)
1512.29.00; 1513.19.00; 1513.29.00; 1514.19.00;			
1514.99.00; 1515.19.00; 1515.20.00; 1515.50.00;and			
1515.90.00			
2520.00.00	Gypsum Powder	0%	10%
			(for 1 year)
	Consumption Sugar	100%	35%
	Worn clothes	35% or 0.40	35%
		per Kg	(for 1 year)
Chapter 12	Raw materials and industrial inputs for the manufacturers of textiles and footwear (Harmonized list)	0%	0%

Other notable points

- The Minister of Finance proposes to amend Part B of the Fifth Schedule in section 1(a) of the EAC Customs Management Act, 2004 to provide import duty exemption on lubricants for aircrafts, uniforms, calendars, diaries, and pens that are used in the provision of air services.
- The EAC Partner states have agreed to impose an Export Levy of 10% on Wet blue Leather.

D) Excise Duty

The changes on Excise duty are aimed at protecting local manufacturers, generating employment and increasing government revenue. They include:

Item	Current Rate	Proposed Rate
Beverages		
Wine produced locally using more than 75% domestic fruits (such as banana, cashew, rozera, tomatoes etc) other than grapes.	TZS 200/ litre	TZS 61/ litre
Other Items		
Locally made artificial hair	n/a	10%
Imported artificial hair (HS Code 67.03, 67.04 and 05.01)	n/a	25%
Pipes and plastics materials (tubes, pipes and hoses and fittings i.e joints, elbows flanges etc.)	n/a	10%

Other notable points

The Minister of Finance has proposed to exempt duty on imported aircraft lubricants by domestic operators, National Air Force, or airlines corporations recognized in Bilateral Air Services Agreement (BASA).

E) The Tax Administration Act

More time to comply

The Minister has proposed a six month extension for payment of principal tax up to December 2019 for taxpayers who applied for 100% relief of interest and penalties under the Tax Amnesty. This measure aims at encouraging compliance by giving more time to the taxpayers to pay principal taxes with minimal business interruption as the payments will be spread over an additional six (6) months.

F) The Road Traffic Act

Bittersweet news to vehicle owners

The Minister has proposed an extension of the validity period for drivers' licenses from 3 years to 5 years. However, this extension comes with an increase in driving license fees from TZS 40,000 to TZS 70,000 and an increase in the registration card fee as outlined below:

Particulars	Old Rate (TZS)	New Rate (TZS)
Motor vehicles	10,000	50,000
Motor cycle	10,000	30,000
Tricycle	10,000	20,000

This proposal intends to reduce costs and time incurred in renewing driver's licenses.

G) Other Amendments

Setting the business environment for prosperity

The minister proposes to amend various fees and levies imposed by various government agencies and ministries. The proposed changes will affect, Tanzania Food and Drugs Authority (TFDA), Tanzania Bureau of Standards (TBS), Government Chemist Laboratory Authority (GCLA), Ministry of Livestock and Fisheries, Ministry of Natural

The Minister has proposed an extension of the validity period for drivers' licenses from 3 years to 5 years.



Resources and Tourism and Ministry of Water.

Focus will also be directed on the elimination of duplicated responsibilities among the Ministries Regulatory Authorities and Institutions.

The proposed amendment of fees and Levies will be effected through the Finance Bill 2019 and Government Notices. The details of the proposed changes in fees and levies as follows:

Tanzania Food and Drugs Authority (TFDA)

Proposals to abolish:

- Retention fees for domestic products on registration of:- Vaccines and Biologicals; Herbal medicines; medical devices ; diagnostics; food; antiseptics and diagnostics
- Fees for duplicate certificates on diagnostics
- Inspection fees for new food selling outlets
- Registration fees for Retails Veterinary Pharmacy
- Inspection fees for fish industries
- Inspection fees for new fish outlets
- Annual business licence fees on fish outlets

Tanzania Bureau of Standards (TBS)

Proposal to abolish the following fees:-

- Application fees for TBS mark;
- TBS mark guarantee fees (15 percent of overhead and transport costs);
- TBS mark licence fees (50 percent of cost of transport and testing of sample from the market);

- Application form fees for imported goods;
- Calibration of equipment based on industrial metrology fees.
- Application form on imported cosmetics and medical devices including condoms, syringes, gloves, cotton wool and bandage (0.2 percent of transport costs).

The budget also proposes that the responsibility for general coordination of premises registration, product registration, certification of products and import inspection be done by TBS while the TFDA continue to manage medicines, medical devices and reagents to increase efficiency.

Government Chemist Laboratory Authority (GCLA)

Proposal to abolish the following fees and levies:

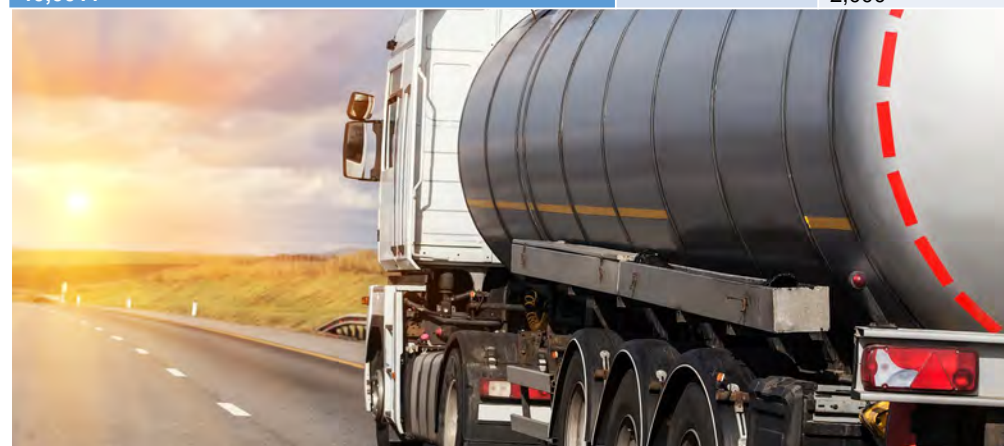
- Service charge for cancellation and issuing of new permit;
- Charge for replacement of permit;
- Registration of Clearing Agents Company;
- Change of registration information
- Emergency Inspection;
- Annual maintenance fee for: form, paint, textile, leather, plastic, large and small industries, large and distributors.

Proposal to change levies as follows:

Levy description	From (USD)	To (TZS)
Chemical registration and renewal fees	20	40,000
Large scale certificate per registration period;	-	200,000
Small scale certificate holder per registration period;	-	50,000
Large scale premises registration per registration and small scale premises registration per registration	100	200,000
Sorting of obsolete chemicals fees per day per person	300	300,000
Identification and approval of disposal method fees per chemical	500	200,000
Fees charged on supervising of loading, transportation, unloading and disposal of obsolete chemicals per day	300	300,000
premises inspection fees	200	300,000
Transportation Routes assessment and emergency inspection fees	100	150,000
Escorting of chemical convoy fees	100	150,000

Transportation of in transit hazardous materials will be charged as follows:

Quantity of chemicals to be transported in MT	Current Fees (USD)	Proposed fee (USD)
Between 0.1 and 10	1-2 per MT	10
10.1 – 200		1 per MT
201 – 1000		400
1001 - 5000		600
5001 - 10,000		800
10,001 - 20,000		1,200
20,001 - 40,000		1,500
40,001+		2,000



Ministry of Livestock and Fisheries

Proposal to abolish the following levies:

- License fee for milk producers below 51 litres and milk collectors below 201 litres;
- Registration fee for milk producers below 51 litres;
- License fee for registration of carriers and containers permit for transportation of milk;

- License fee for small scale, medium, and Large Scale producers;
- Registration fee for Primary Markets Operator, and Secondary and Border Markets operators and Markets;
- Registration fee for Local and Primary market traders; secondary and border markets traders; and meat exporter;
- Movement permit fee for transportation of day old chick; and Movement permit fee for transportation of Adult/Guinea fowl per each.

Ministry of Natural Resources and Tourism

The proposals under this ministry include;

- Intention to remove trophy handling fees and TALA fees on professional hunting. This may lead to a huge debate as to the government stance on wildlife protection at a time when there is increased awareness on wildlife protection.

- Removal of fees imposed on boreholes, the owners will only be required to register their borehole to the Water Board. This move will improve access to water for domestic and commercial use.





Contacts

David Gachewa

Director
Tax and Regulatory Services
KPMG Tanzania
M: +255 222 600 330
E: dgachewa@kpmg.co.tz

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