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TANZANIA BUDGET

HIGHLIGHTS

2023 - 2024



BUDGET OVERVIEW

The Estimates of Government Revenue and Expenditure for the Fiscal Year 2023–2024 were presented to the National Assembly by the Minister of Finance and Planning on June 15, 2023.

This year's national budget is expected to be TShs 44.39 trillion, which is a 7% increase over the prior year's national budget of TShs 41.48 trillion. This will include tactics that will raise income, enhance investments and the present economic environment, broaden the tax base, encourage the use of ICT systems, and increase public awareness to accelerate national growth.

The overall domestic revenue increased to TShs 24.40 trillion in 2021/2022 compared to TShs 20.59 trillion in 2020/2021. In addition, in the period from July 2022 to April 2023, the collection of local revenue has reached 21.67 trillion shillings, whereas in December 2022, TRA managed to achieve the highest monthly collection of TShs 2.63 trillion. Thus, enabling the government to recognise the benefits of currently applied strategies and to further reinforce them to facilitate further economic success.

We hereby further provide you with a deeper insight on how our economy has performed together with the proposed changes mentioned by the respected Minister in his National Budget Speech.

MINING ACT

The proposal suggests amending Section 90A (3) of the Mining Law to grant an exemption to refineries from paying a 1 percent inspection fee. The aim of this measure is to stimulate the speed of the growth of the small mineral refining sector in the country and attract more investment, promote employment and increase the Government's income.

INCOME TAX ACT

- I. NHIF's income from investments on fixed deposits, short-term bonds (treasury bonds and treasury bills), and dividends from shares be exempted from income tax.
- II. The transactions of the issuance of new shares and the transfer of company ownership that takes place within the country are not subject to Income Tax.
- III. Removed the requirement to deduct withholding tax on the rental for private tenants who are not doing business.
- IV. Change of the internal structure of the Company carried out in accordance with the requirements of the Basic Agreements signed between the Government and investors for the purpose of implementing mining joint venture projects between the Government and investors be exempt from CGT.
- V. Reduction of the Capital Gain Tax from **10%** on profits to **3%** of the sales value or the appraised land value, (whichever value is greater) for taxpayers who do not keep records of purchases or the development of the property. In addition, for the taxpayer who keeps records of the costs of purchase and capital development, shall continue to paying a tax of **10%** on capital gains.
- VI. Establish a procedure for estimating income tax for transporters of passengers and cargo using indicative tax rates for each vehicle. The proposed indicative tax rates will now be applied only to individual taxpayers whose gross sales do not exceed 100 million shillings

and who are not legally responsible for preparing accounts.

- VII. To charge Income Tax at **2%** on the payment of small-scale miners.
- VIII. To charge Income Tax at **10%** on payments resulting from the sale of carbon dioxide (Verified Emission Reduction).
- IX. Issuance of tax exemption certificates to community service institutions such as religious institutions through electronic systems and be available within of 14 days.



GAMING ACT

- Establishing no more than two (2) table games at a Forty Machine Site.
- Increasing the gaming fee from 10,000 shillings to 30,000 shillings for each slot machine in bar areas (alcohol outlets).
- The proposal suggests implementing specific fees for different categories of slot machines as seen below:

Game type	Application fee (TZS)	Principal license fee (USD)
Slot machines in shops and bar sites	500,000	10,000
Forty machine sites	500,000	5,000

- The aim of this measure is to differentiate and regulate the operations of slot machines in bars, shops, and specific gaming establishments, while enhancing efficiency and control over gaming activities.
- Reducing the tax rate from 25 percent to 18 percent on gross gaming revenue at Forty Slot Machine operating locations. The aim of this measure is to bring equality in the taxation of competitive gaming.



VALUE ADDED TAX

VAT Registration Threshold

The government is increasing the Value Added Tax (VAT) Registration fee for businesses from TShs 100 million to TShs 200 million for improving VAT administration and voluntary tax payment.

VAT Deferment

VAT deferment is allowed for domestically produced capital goods, while the deferment period for imported capital goods is limited to 3 years. This measure aims to attract investment, increase employment, and ensure affordable access to capital goods for industries.

VAT under Zero-rated

- VAT rate is reduced to 0% for clothing products made using locally grown cotton for one year.
- VAT rate is reduced to 0% for locally produced fertilizers for one year.

VAT Amendment

- Item 20 of Part One of the VAT Exemption Table is amended to include gaming odds and gaming software as tax-exempt products.
- Amendments are made to the Table of Exemptions in the VAT Act to reflect the scope of exempted products and harmonize HS Codes with the East African Community Common External Tariff books of 2017 and 2022.

VAT Exemptions

1. VAT exemption is granted on raw materials (Benzalkonium Chloride and Glutaraldehyde) used in the production of insecticides and acaricides.
2. VAT exemption is provided on imported steel tents (prefabricated structures) for use by poultry farmers.
3. VAT exemption is granted on the sale and lease of aircraft, aircraft engines, and related equipment. This aims to support air transport operators by allowing them to purchase or import these products without paying VAT.
4. VAT exemption is provided on the sale of precious metals, gemstones, and other valuable minerals in mineral markets and purchasing centres established by the Mining Commission or gold refineries.
5. VAT exemption is granted on raw materials for drug packaging, such as Polypropylene USP - Medical Grade and Polyethylene Terephthalate USP.
6. VAT exemption is provided on Molds used for manufacturing human medicines.
7. VAT exemption is granted on houses sold by commercial builders with a cost not exceeding 50 million shillings.
8. The government will continue to provide tax exemptions to production sectors such as agriculture, livestock, and fishing, as currently granted.

EXCISE DUTY

The Excise Tax (Management and Tariff) Act stipulates that specific excise duty rates for non-petroleum products should be adjusted annually to account for inflation and other macroeconomic factors. However, given the current economic conditions, there have been no substantial amendments to the excise duty rates. Here is a table outlining the proposed changes and new additions to the excise duty scheme:

Item	HS Code	Current	Proposed
Engine capacity on electric non - utility vehicles with only electric motor for propulsion along with Compressed Natural Gas (CNG) vehicles.	8702.40.11; 8702.40.19; 8703.80.10; and 8703.80.90	N/A	Exempt
Domestically manufactured Ready to Drink products from TShs 4,386.6 to TShs 2,466.45 per litre.	2208.60.00	4,386.60	2,466.45
TShs 20 per kilogram of imported and domestically manufactured cement.		N/A	20
Motor vehicles, with engine capacity of more than 1000cc but not exceeding 2000 cc capable of being charged by plugging to external source of electric power	8703.40.00, 8703.50.00, 8703.60.00 and 8703.70.00.	N/A	5%
Motor vehicles, with engine capacity of more than 2000cc capable of being charged by plugging to external source of electric power	8702.10.11, 8702.10.19, 8702.20.11, 8702.20.19, 8702.30.11, 8702.30.19, 8702.90.11, 8702.90.19, 8703.40.00, 8703.50.00, 8703.60.00, 8703.70.00 and 8703.90.90.	N/A	5%
Motor vehicles older than five years used for the transportation of passengers	8702.20.22, 8702.20.29, 8702.20.99, 8702.30.22, 8702.30.29, 8702.30.99, 8702.40.22, 8702.40.29 and 8702.40.99.	N/A	10%
Per litre on petroleum oils and oils obtained from bituminous minerals (other than crude) and preparations not elsewhere specified or included, containing by weight 70 percent or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, containing biodiesel, other than waste oils	2710.20.00.	N/A	80%
Other Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes water tobacco and electronic cigarette, vape products and shisha	2403.11.00;2402.90.00; 8543.40.10, 8543.40.90 and 9614.00.00.	N/A	80%
Imported and domestically manufactured gambling machines	9504.30.00.	N/A	80%
Imported energy drink from TShs 589.05 to TShs 600 per litre.	2202.99.00	589.05	600

CUSTOMS TARIFFS

The recommendations for new measures for Customs Tariffs are as follows:

Customs Tariffs			
Item	HS Code	Current Rate	Proposed Rate
Imported items (Other paper, paperboard, cellulose wadding and webs of cellulose fibres) for one year except for manufacturers who use this product as raw material will import under prevailing duty remission scheme rates	4811.90.00	10%	25% for one year
Imported Vitenge	5208.51.10; 5208.52.10; 5209.51.10; 5210.51.10; 5211.51.10; 5212.15.10; 5212.25.10; 5513.41.10; and 5514.41.10;	50%	35% for one year
Imported cotton grey fabric	5208.11.00; 5208.12.00; 5208.13.00; 5208.19.00; 5209.11.00; 5209.12.00; 5209.19.00; 5210.11.00; 5210.19.00; 5211.11.00; 5211.12.00; 5211.19.00; 5212.11.00; and 5212.21.00	25%	25% or 0.25 USD/m whichever is higher for one year
Imported Smart cards by the National Identification Authority	8523.52.00;	25%	0% for one year
Polyester/Nylon Twine	5607.50.00	10%	25% for one year
Ceramic tiles	6907.21.00; 6907.22.00; and 6907.23.00.	25%	35% or USD 2/ square meter whichever is higher
Nails, tacks, drawing pins, corrugated nails staples (other than those of heading 83.05) and similar articles of iron or steel, whether or not with heads of other materials	7317.00.00	35%	35% or USD 350/ MT whichever is higher for one year
Inputs/raw materials used to manufacture capital goods/equipment for various sectors	72.14; 72.15; 72.16; 32.08; 73.07; 83.11; 85.44; 68.06; 74.19; 72.08; 73.06; 73.12; 73.15; 73.18; 84.82; 84.83; 72.22; 73.04; 84.81; 84.84; 73.25; 40.10; and 76.06	10%, 25% or 35%	0% for one year

Raw materials (wire rod) to manufacture wire products.	7213.91.10; 7213.91.90	and	25% or USD 200/MT whichever is higher	0%
Inputs (base oil) used to manufacture of lubricants	2710.19.59;		10%	0%
Inputs used to manufacture wiring harnesses for vehicles and motorcycles	8538.90.00; 4016.99.00; 8205.59.00; 8536.10.00; 8536.69.00; 8536.90.00; 8547.20.00; 3926.90.90; 3917.32.00; 8544.30.00	and	10% or 25%	0% for one year
Inputs used to manufacture Radiators	7409.11.00; 7409.19.00; 7410.11.00; 7410.12.00; 7409.21.00; 8001.10.00; 3810.90.00	and	10%, 25% or 35%	0% for one year
Footwear; grains and vegetables like almonds, hazelnuts, macadamia nuts, cucumbers and gherkins; live animals like cows, goats, sheep; coffins; fish; cassava and natural honey	4421.20.00; 6402.19.00; 6403.19.00; 6403.51.00; 6404.19.00; 6404.20.00; 6405.20.00; 6405.90.00; 0802.11.00; 0802.22.00; 0802.61.00; 2001.10.00; 0102.29.00; 0102.39.00; 0102.90.90; 0103.91.00; 0103.92.00; 0104.10.90; 0104.20.90; 0407.21.00; 0409.00.00; 0714.10.00 Chapter 3.	and	10% or 25%	35%
Cane sugar imported under a permit issued by the Tanzania Sugar Board	1701.14.90		100% or USD 460/MT whichever is higher	35% for one year
Wire of iron or non-alloy steel	72.17.		0% or 10%	25%

LOCAL GOVERNMENT FINANCE ACT, CAP 209

- Proposal to amend billboard fee rates to reduce non-illuminated billboards from TShs 10,000 to TShs 7,000, and illuminated billboards from TShs 13,000 to TShs 10,000, reducing government revenue by TShs 3,773.8 million.
- The aim is to improve billboard tax collection efficiency by combining Real Estate Tax and Land Levy collection, allowing for one payment number. This will be entered into the General Government Fund and transfer responsibility from Tanzania Revenue Authority to the President's Office Regional Administration and Local Government (PORALG). This will simplify monitoring and management issues at lower levels of Wards, Streets, and villages.



- Amendments to the Local Government Finance Act, Chapter 290, combine Real Estate Tax and Land Levy collection for a single payment number. The income will be entered into the General Government Fund, and 20 percent will be returned to the Council for monitoring and collection. The Ministry of Lands and the President's Office will enter into a Memorandum of Understanding.
- Amendment to Local Government Finance Act, Chapter 290 grants President's Office Regional Administration and Local Government responsibility for collecting service tax (0.3% of gross sales) on Electronic Money Issuance License (EMI) to reduce management and tax costs for Mobile Companies and Councils.

LOCAL GOVERNMENT BILLING LAW PROPERTY TAX, CHAPTER 289

- Amending Section 6(1) of the Local Government Property Tax Collection Act, CHAPTER 289 by adding all District areas except buildings exempted through Section 7 of this law. The goal of this step is to bring equality in paying taxes; and
- The building valuation exercise will begin in fiscal year 2023/24, with tax collection based on building real value by 2026. The Office of the President's Office Regional Administration and Local Government will manage the process, with payment numbers collected in January 2024. The transition period will use LUKU for tax collection. The aim of this step is to give the Government an opportunity to start preparing for the valuation and remove that responsibility from the Tanzania Electricity Corporation (TANESCO) whose primary responsibility is to produce and distribute electricity in the country.

THE NATIONAL PAYMENT SYSTEMS ACT, CHAPTER 437 AND THE POSTAL AND COMMUNICATIONS ACT ELECTRONICALLY, CHAPTER 306

Abolishing the daily charge for each phone line based on the ability to increase the balance for users to stimulate electronic use in various transactions.

ROAD TAX AND FUEL ACT, CHAPTER 220

The proposed amendment to CHAPTER 220 Road and Fuel Tax Law increases fuel tax by 100 shillings per liter. Section 4A should include a provision for the collected money to be used for strategic development projects, resulting in a total of TShs 381,826.8 million.



THE COMPANIES ACT, 2002

- I. The Government made an amendment to the Company Law , Chapter 212, by introducing section 452A. This amendment grants the Minister responsible for Business, in consultation with the Minister of Finance, the authority to provide exemptions from paying the late filing fee for submitting documents after the designated deadline.
- II. The implementation procedures have been established, whereby the Minister responsible for Trade will issue a Government Notice (GN) to waive a portion of the penalty fee. This waiver will be determined based on a percentage of the delayed fee, as outlined in the criteria specified in the Notice.
- III. The Notice will include a list of companies that must update their information within 12 months in the system. These companies will be eligible for a 50% exemption on the fee for late submission.
- IV. This amendment and exemption will only be applicable to companies that were registered prior to the introduction of the Online Registration System (ORS).



OCCUPATIONAL SAFETY AND HEALTH AGENCY (OSHA)

Proposal to waive TShs 200,000 inspection fee for gas installations, so as to promote business environment, growth, and development in the gas station sector.

IMMIGRATION LAW, CHAPTER 54

Amendment to Immigration Law CHAPTER 54 allows non-resident investors to obtain a Residence Permit Class B for buying a house with a capital of \$150,000 or more. The permit is issued after a collaboration with the housing minister and ensuring foreign capital. The aim of this step is to attract investment in the housing sector in the country and increase foreign exchange.



LAND LAW, CHAPTER 113

Proposed Amendments to Land Law (CHAPTER 113):

- Reduce the charge of advance payments (Premium) from 0.5% to 0.25% of the land value.
- Decrease the patent fee from TShs 50,000 to TShs 25,000 per document.
- Lower the document registration fee from 20% to 10%.
- Reduce the document application fee from TShs 20,000 to TShs 5,000.
- Cancel the fee for the survey plan (Deed Plan), previously charged at TShs 20,000.
- Assign the responsibility of collecting the Land Cave Tax to the Director of the Council under the Land Law, Chapter 113. Additionally, allocate 20% of the collected income to the Council to support their monitoring and tax collection efforts.

These measures are intended to incentivize a larger portion of the country's land to be planned, formalized, and owned by the people.

REGISTRATION, INSOLVENCY AND TRUST AGENCY (RITA)

The proposal involves amending and adjusting fees related to birth and death registration, child adoption, marriage, trustees' incorporation, and estate administration. In many cases, the fees are set to increase by 100% or more. More details can be found in Annex 11 of the National Budget speech for 2023/24.

BANKING AND FINANCIAL INSTITUTIONS ACT, CAP 342



The proposal aims to expand the responsibilities of the Deposit Insurance Board (DIB) by:

- Introducing a requirement for the DIB to provide liquidity support in the form of loans to banks or financial institutions experiencing liquidity difficulties
- Granting the DIB the authority to cooperate with the Bank of Tanzania (BoT) in evaluating and determining suitable measures to be taken when a bank or financial institution is at risk of insolvency.

THE MINISTRY OF NATURAL RESOURCES AND TOURISM

- The grading and regrading fee for accommodation services outside and inside the reserve areas will be canceled in the tourism sector.
- The rates of tourism business license fees in Tanzanian-owned accommodation services will be reduced as follows:

Accommodation status	Current fees (in USD)	Proposed fees (in USD)
Five-star hotel	2,500	1,500
Four-star hotel	2,000	1,000
Three-star hotel	1,500	500
Two-star hotel	1300	300
One-star hotel	1000	200

- The Tourism License Fee for ungraded accommodation outside the reserve areas will be as follows:

Nature of the Accommodation facility	Current fees (in USD)	Proposed fees (in USD)
Protected areas	1,000	300
Homestays	400	100
Hostels	400	200

These measures aim to lower operating costs and attract more investment in the tourism sector.

MINISTRY OF INTERNAL AFFAIRS

- The fee for the good conduct document for Foreigners has been increased from US\$ 25 to US\$ 50.
- The charge for the good behavior certificate for Residents has been increased from TShs 2,000 to TShs 10,000.
- The fee for the examination of disputed documents has been increased from TShs 50,000 to TShs 75,000.
- The property loss fee has been increased from TShs 500 to TShs 1,000.
- A fee of TShs 10,000 is now charged for the examination of driver's licenses for foreign drivers employed in the country.
- The permit fee for storing weapons in private warehouses has been increased from Shilling. 1,000,000 to 1,500,000 Shillings per year.
- The registration fee for a new driving school instructor has been increased from TShs 10,000 to TShs 20,000

- h) The fees to renew ownership of civilian firearms have been increased as follows:
- i. Pistol: from TShs 70,000 to TShs 100,000.
 - ii. Shotgun: from TShs 35,000 to TShs 50,000.
 - iii. Gobole (Muzzle loading gun): from TShs 35,000 to TShs 50,000.
 - iv. Gun (Rifle): from TShs 35,000 to TShs 50,000.
 - v. Other firearms: from TShs 35,000 to TShs 50,000.



The current standards for these fees have not been updated for a period of 8 to 20 years, rendering them outdated.

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