CLIENT UPDATES AND ALERTS
JULY, 2018

TAX LAW

FIN & LAW
Advocates | Notaries Public | Commissioners for Oaths

THE FINANCE ACT, 2018 –TANZANIA TAX IMPLICATIONS FROM THE NEW BUDGET 2018/2019

The Minister for Finance and Planning of Tanzania on 14th June, 2018 submitted before the Parliament, the Government budget for the financial year 2018/2019. He also submitted the Finance Bill, 2018 that was debated and subsequently passed on 30th June, 2018 as Finance Act, 2018 (Act No. 4 of 2018) "the Finance Act, 2018".

This update is meant to provide the highlights on the changes and amendments to various tax laws, levies and fees made through the Finance Act, 2018 as well as fiscal and non-fiscal revenue collection and administration procedures for the Government financial year 2018. The amendments set out in the Act are effective from 01st July, 2018.

A. The Income Tax Act, 2004 Cap. 332

The following amendments have been made by the Finance Act, 2018 to the Income Tax Act, 2004:-

i. **Reduction of the Corporate Income Tax** from 30% to 20% for new investors in the pharmaceutical and leather industries for five consecutive years from the date of commencement of production.

ii. **Increase of Alternative Minimum Tax ("AMT")** –applicable to corporations that make tax losses for 3 consecutive years has been increased to 0.5% from 0.3%.

iii. **Ministerial powers to grant Income tax exemptions and make regulations:-**

a) The Finance Act, 2018 has added a new section 129 which empowers the Minister for Finance to make Regulations for the better carrying out of the objects of the principal legislation (Income tax Act).

KEY ISSUES:

- **Income Tax:** –Increase of Alternative Minimum Tax from 0.3% to 0.5%.
- **Income Tax** –Reduction of Corporate tax for investors in Pharmaceutical and Leather Industry.
- **Gaming Tax** –Increase in rates including on winnings.
- **VAT** –Exclusion of NGOs from VAT Refunds.

b) In addition, the Finance Act, 2018 has granted power to the Minister for Finance to exempt Government projects financed by non-concessional loans.

iv. **Tax Exemption for Withholding tax on Interest on Government loans**. The Finance Act, 2018 has provided for tax Exemption on Withholding Tax on Interest on Government Loans paid by the Government to non-resident Banks and financial institutions, other Governments or their representatives arising from a loan agreement for the purpose of financing Government projects.

B. The Value Added Tax Act, Cap. 148

The following amendments have been made by the Finance Act, 2018 to the Value Added Tax Act, 2014:-

- **Ministerial powers to grant VAT exemption** on Government projects funded by non-concessional loans. Also to give VAT exemptions when there is an agreement signed between the Government and a financial institution or bank that is representing another Government.

- **Exclusion of NGOs from VAT Refunds:** Section 85 of the VAT has been amended to remove/exclude NGOs from the VAT refunds (input tax) on an acquisition or imports.

- **VAT exemption:** The VAT Act has been amended to provide several exemptions including:-
  - **Exemption on pharmaceutical packaging materials.** Specifically for use by the local manufacturers. But in order to enjoy the exemption the packaging materials must be printed or labeled with the name of the local pharmaceutical Company.
  - **VAT exemption on imported animal and poultry feeds additives**. This aim to reduce costs incurred by livestock keepers and increase the contribution of the sector to the economy.
  - **VAT exemption on Sanitary pads s**o as to make it available and affordable to women and girls.

C. Tax Administration Act, Cap. 438

The Tax Administration Act, Cap 438 has been amended to provide for:-

i. **No use of TIN particulars for tax assessments:** The amendments has categorically provided for exclusion and non-consideration of the particulars furnished during application for a Taxpayer Identification Number (TIN) not be the basis for assessment of tax to an entity or individual.

About FIN & LAW

FIN & LAW is a full service highly accredited law firm in Tanzania with top notch legal practice on corporate and commercial matters including Banking law and Capital Markets, Wealth Management, Insolvency, Intellectual Property law, Mining, Oil & Gas, Tax, Commercial Litigation, Merges and Acquisitions, Competition and Anti-Trust law.

ii. **Tax Penalty and interest Remission:** Initially the Tax Administration Act, 2015 empowered the Commissioner General to waive penalties or interest in whole or in part. Changes were made in 2016 whereby, the Finance Act 2016 transferred the power to remit interest to the Minister for Finance (upon consultation with the Commissioner General) subject to a limit of 50% of the interest assessed. In 2017 the Finance Act 2017 reinstated the powers to the Commissioner General. For the year 2018 the Finance Act, 2018 has empowered the Minister for Finance to issue Regulations to prescribe eligibility, duration and procedure for accessing the remission.

D. The Gaming Act, Cap. 41

i. **Sports Betting Operations:** Increase from 6% on stakes (sales) to 25% on gross gaming revenue.

ii. **Forty Machines Sites;** Internet Casinos: Increase of gross gaming revenue from 15% to 25% on gross gaming revenue.

iii. **For Slot Machines:** Increase the gaming tax from TZS 32,000 to TZS 100,000 per machine/month on slot machines.

iv. **For Land Based Casino:** Increase from 15% on gross gaming revenue to 18% on gross gaming revenue for land-based casino operators.

v. **Tax on Winnings:** for gaming customers, section 31(A) (1) of the Gaming Act has been amended whereby the tax on winnings has reduced from 18% to 12% for winnings from land based casinos and 20% for other winnings.

E. The Excise (Management and Tariff) Act, Cap. 147

Customarily, the Act has been amended to adjust some rates in accordance to the inflation rate. Notably is the increase of excise duty for importation of mineral water, imported nonalcoholic and alcoholic beer as well as imported cigarettes among others.

F. Other notable amendments made by the Finance Act, 2018

i. **Cashewnut Industry Act, Cap. 203** –has been amended to allow the Government to collect and deposit in the Consolidated Fund all the export levy imposed on the export of the raw cashewnut. Initially, the export levy was collected and distributed between the Government and Cashewnut Industry Development Trust.

ii. **The Bank of Tanzania Act, Cap. 197** –has been amended to enable the Government in determining its financial position to include both voted and non-voted funds from the Consolidated Fund.

CONTACTS

For further information on clients legal updates please contact:-

FIN & LAW

FIN & LAW House,

193 Rose Garden Road,

14112 Mikocheni Area,

P.O. Box 32945,

Dar es Salaam,

Tanzania

T: +255 22 277 3815

F: +255 22 270 1493

M: +255 (0) 784 808 999

E: info@finandlaw.com

W: www.finandlaw.com

iii. **The Land Act, Cap. 113** –has been amended to provide Exemption from land rent on Government (both central and local government), government institutions and nonprofit organizations including religious institutions which provide health, education or other social services which are not profit oriented

iv. **The Local Government Finances Act, Cap. 290** –has been amended with the addition of new section 37A that requires all local government authorities to set aside 10% of their revenue collection for purposes of funding in terms of free interest loans to registered groups of women, youth and persons with disabilities.

v. **Mining Act, Cap. 123** –amended under section 90A (5) to exclude Salt producers from payment of inspection clearance fee for the purpose of boosting production.

vi. **The Planning Commission Act, Cap. 314** -has been repealed. This puts to an end the functions of the Planning Commission which was under the President's Office.

G. The East African Community Customs Management Act, 2004

Pursuant to the East African Community Gazette published **on 30th June, 2018, the Council of Ministers responsible for finance from the East African Community** partner states, have agreed to adopt the following changes for Tanzania in the common external tariff:-

i. To provide import duty exemption on various types of motor vehicles used for transportation of tourists as well as Tourism Boats imported by a licensed tour operator.

ii. To grant stay of application of 0% instead of 10% for one year on Electronic Fiscal Devices (EFD's) used to collect government revenue.

iii. To grant import duty remission and apply an import duty of 10% instead of 35% on wheat grain.

iv. Impose import duty of 35% on consumption sugar imported under specific arrangements to cover the shortage in the domestic market. Currently an import duty of 25% is imposed on sugar.

v. To grant stay of application on mineral water and apply a duty rate of 60% instead of 25% for one year.

vi. To grant import duty remission on papers used to manufacture exercise books and text books and apply a duty rate of 15% instead of 25%.

vii. Grant import duty remission on papers used as raw materials for the manufacturing of gypsum board and apply an import duty rate of 0% instead of 10% for one year.

DISCLAIMER:
This publication has been prepared for general information on matters of interest only. It does not constitute legal opinion or professional advise anyhow. You should not act upon the information contained in this publication without obtaining specific professional advise and guidance. No representation or warranty (express or implied) is given to the accuracy or completeness of the information contained in this publication. FIN & LAW does not accept or assume any liability, responsibility or duty of care for any consequences or inconvenience for any consequences of you or anyone else acting or refraining to act, in reliance on the information contained in this publication or any decision based on it.

©2018 FIN & LAW, all rights reserved.

www.finandlaw.com