

Understanding Tanzania's 2015/2016 National Budget

PwC insight and analysis

Finance Act 2015 Update

Introduction

This newsletter is an update on our newsletter issued on 12 June 2015, which was based on the Budget speech read by the Minister for Finance. It summarises additional points arising from our review of the Finance Act 2015, assented to on 28 June 2015 and effective from 1 July 2015.

Railway Development Levy

The budget speech included reference to a new railway development levy of 1.5% of the value of imported goods (CIF), but subject to an exclusion for imported goods that have relief or exemption under the EACCMA 2004. The Finance Act confirms that the levy will also not apply to goods in transit.

Fuel Taxes

Petroleum Levy

The Minister of Finance is granted the power to issue a Gazette Notice to exempt payment of petroleum levy in relation to fuel for use by donor funded Government projects where the project agreement provides for such exemption.

Road and Fuel Toll

The TZS 50 / litre road and fuel toll increase is to be deposited into the National Water Investment Fund established under the Water Supply and Sanitation Act.

Excise Duty

Rate reduction - mineral and aerated water

Excise duty on mineral and aerated water which does not contain added sugar or flavour is reduced to TZS 55 per litre (from TZS 69 per litre).

Income Tax

Change in control - reference period reduced to two years

A change in underlying ownership of a company by more than 50% within a defined period of time can trigger tax consequences, including deemed realisation of assets and liabilities. The Finance Act reduces the reference period (over which the change in underlying ownership of an entity is tested) to two years (from the current three years).

Small businesses

The budget speech had included reference to changes in the turnover tax applied to small businesses. The Finance Act now provides for the following new rates:

Turnover (annual) TZS	Fixed rates TZS	Otherwise TZS
0 – 4m	Nil	Nil
4m – 7.5m	150,000	3% of turnover > 4m
7.5m – 11.5m	318,000	135,000 plus 3.8% of turnover > 7.5m
11.5m – 16m	546,000	285,000 plus 4.5% of turnover > 11.5m
16m – 20m	862,500	487,000 plus 5.3% of turnover > 16m

Tanzania Investment Act

Non-utility vehicles: exclusion from TIC reliefs

An investor registered with the Tanzania Investment Centre (“TIC”) is no longer eligible for tax reliefs in respect of non-utility vehicles classified under HS codes 8702.10.19, 8702.90.19 and tariff heading 8703. However, this new restriction does not affect an investor whose certificate of incentives was issued on or before 30 June 2006.

Special Strategic Investment: process for conferring additional incentives

In the budget speech, the Minister announced a new Special Strategic Investment Status (SSIS) for certain projects. The Finance Act grants the Minister the power to propose to the National Investment Steering Committee (NISC) additional fiscal incentives for a SSIS project, and following NISC approval to issue a Government Notice providing for additional incentives. The NISC is given the power to review projects conferred additional fiscal incentives and to advise the Government whether or not the incentives should continue.

The Business Licensing Act

Re-introduction of Tax Clearance Certificate requirement on renewal of business license

July 2013 saw the reintroduction of the requirement to renew business licences annually – a requirement that had been abolished in 2004. Consistent with the theme of reversal of reforms made in prior years, the Finance Act 2015 re-introduces a requirement for businesses to submit a tax clearance certificate at the time of renewal of a business licence.

The Local Government Finance Act

Hotel levy on guest house charges

Hotel levy (abolished in 1998 following the introduction of the VAT Act) is now reintroduced to apply to guest houses at a rate of 10% of “*guest house charges payable by a guest*”.

“Guest house” is defined as “*an establishment intended for reception of travellers or visitors for profit or gain but does not include:*

- (a) *An establishment intended for accommodation of less than six persons;*
- (b) *An establishment which provides sleeping accommodation in dormitories only;*
- (c) *A Government rest-house; or*
- (d) *Tourist facility registered under the Tourism Act”.*

Local Government Rates

The power granted to urban authorities to collect rates under the Urban Authorities (Rating) Act 1983 is now extended to district councils.

Revenue Management

For better revenue control, the Finance Act provides for the use of electronic revenue collection, payment and management systems for local taxes, and for the Minister to make rules prescribing procedures in this regard.

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