

Tanzania: 2024/25 National Budget Highlights

Highlights of proposed changes as
presented on 13 June 2024.

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OVERALL MACRO-ECONOMIC POLICY TARGETS

Budget deficit / FX

Maintain a budget deficit (including grants) not exceeding 3% of GDP and Maintain foreign exchange reserves sufficient to cover the importation of goods and services for a period of no less than four (4) months.



Domestic revenue

Increase domestic revenue to 15.8% of GDP in 2024/25 compared to the projection of 15.4% in 2023/24



Inflation rate

Control inflation and ensure it remains within the single-digit range of an average of 3.0%-5.0% in the medium term



Tax revenue

Increase tax revenue to 12.9% of GDP in 2024/25 from the target of 12.6% in 2023/24



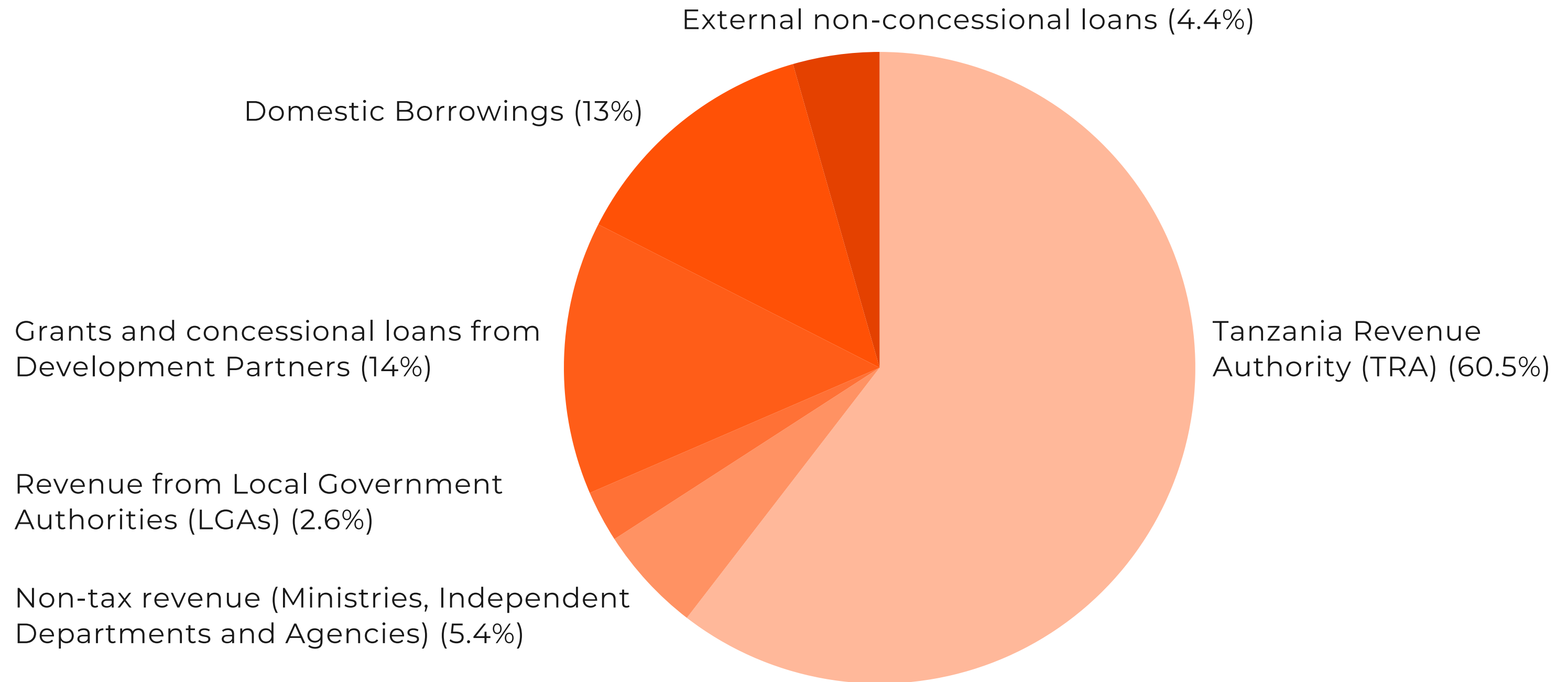
GDP Growth

Accelerate the growth rate from 5.1% in 2023 to 5.4% in 2024



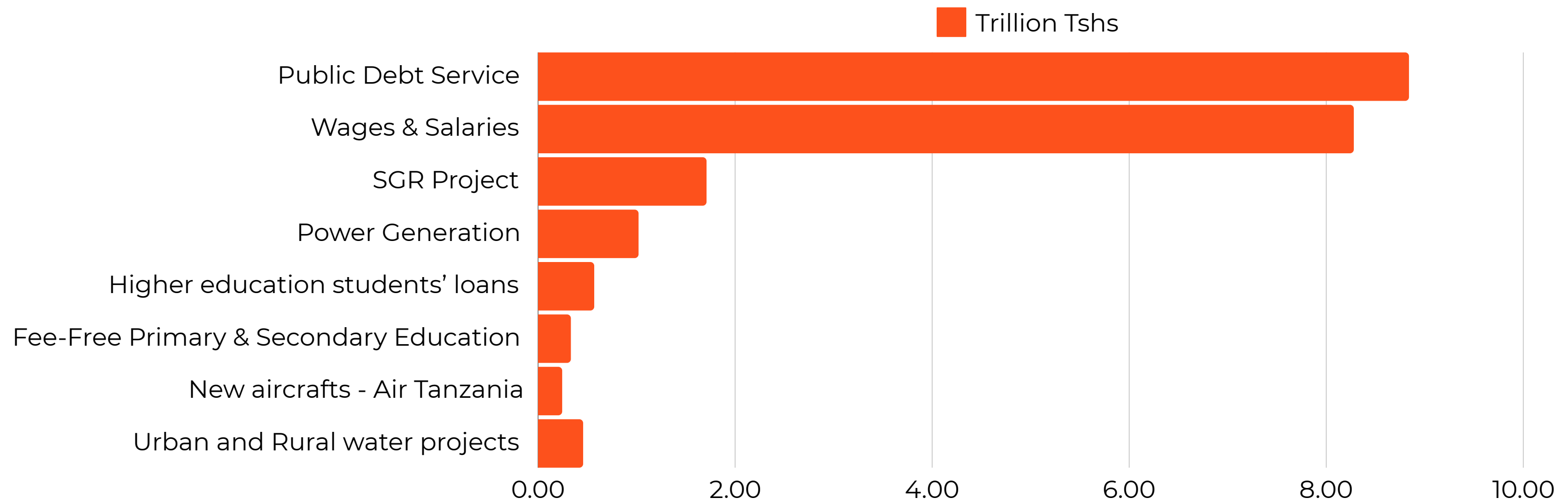
2023/24 REVENUE SOURCES

As of April 2024, a total of TSH 35.25 trillion (equivalent to 79.4% of the annual target) had been mobilized from respective sources. The mobilized resources are as follows:



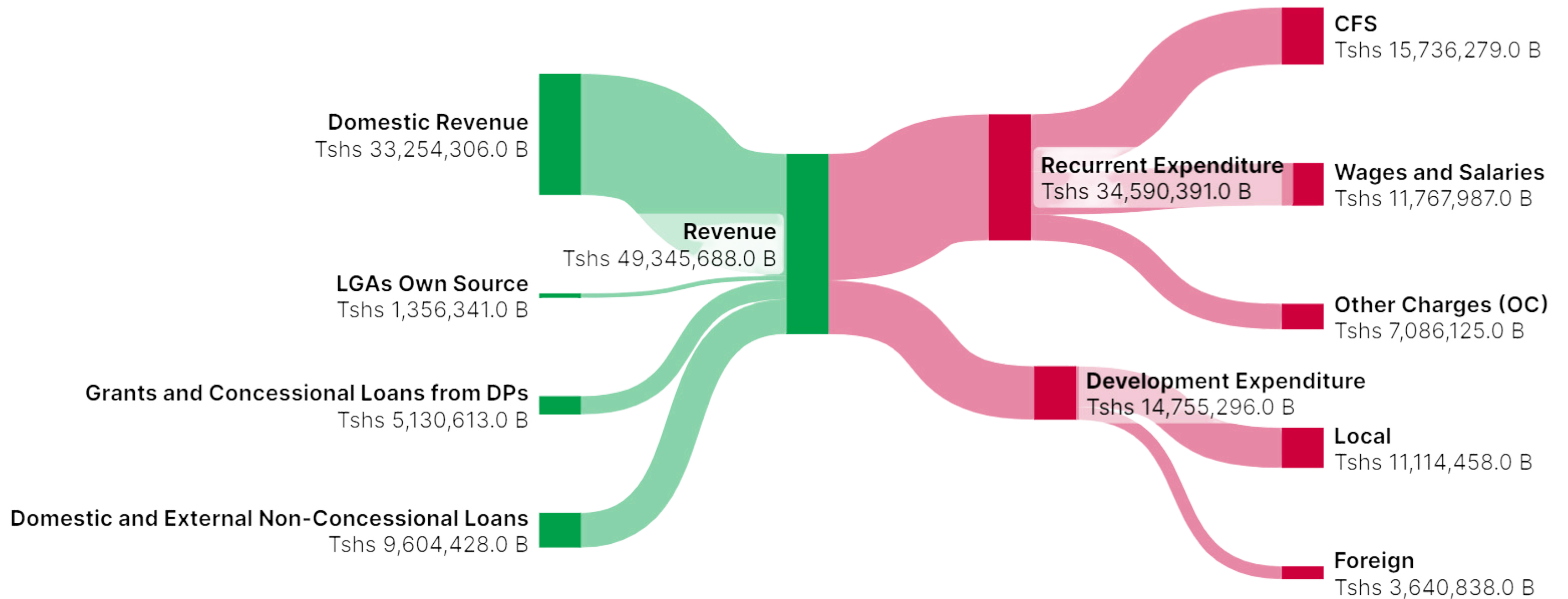
2023/24 EXPENDITURE PERFORMANCE

From July 2023 to April 2024, a total of TSH 35.63 trillion was released, equivalent to 80.3% of the annual target. Out of the released amount, TSH 23.29 trillion, equivalent to 76.8% of the annual target were for recurrent expenditure.



LOOKING FORWARD: 2024/25 BUDGET FRAMEWORK

For the year 2024/25, the Government expects to mobilize and spend a total of TSH 49.35 trillion, equivalent to an increase of 11.2% compared to the 2023/24 budget, as visualised below.



KEY PROPOSED TAX CHANGES

The Value Added Tax Act

New VAT Exemptions

- Supply and importation of motor vehicles, equipment, machinery, and other goods for official use of Tanzania People's Defence Force.
- Supply of aircraft, aircraft engines, aircraft parts, and aircraft maintenance to a local air manufacturer, assembling, or production.
- Supply and importation of water treatment chemicals, water meter, and sewage.
- Importation of Video Assistant Referee equipment and accessories.
- To incorporate Value Added Tax exemption on single-axle tractors (Power Tiller) of HS Code 8701.10.00.
- Value Added Tax on supply of double refined edible oil from locally grown seeds by a local manufacturer for one year.

VAT to be Zero Rated

- Value Added Tax on gold supplied to the Central Bank of Tanzania.
- Value Added Tax on gold supplied to domestic refineries.
- Value Added Tax on fertilizer manufactured locally for the period of one year.
- Value Added Tax on textile products (Fabric and Garments) made using locally grown cotton.

Administrative Changes

- Value Added Tax refunds are to be paid within 30 days from the date of submission of the refund applications.
- To incorporate online data services in the Value Added Tax base.

Imposition of VAT

- Online data services will be added to the Value Added Tax base.

VAT Exemptions Abolished

- Supply and importation of agricultural implements with HS Code 8201.10.00 (Spades and Shovels) and HS Code 8201.30.00 (Mattocks and Picks).
- Supply of precious metals, gemstones and other precious stones at refineries.

KEY PROPOSED TAX CHANGES

Income Tax Act

General Updates

- **Charitable Status**: Institutions which deal with advancement of health services and environmental conservation are now considered charitable institutions for tax purposes
- **Alternative Minimum Tax**: Tea processing companies which persistently make losses are exempt from paying Alternative Minimum Tax requirements for three years.
- Passenger transport operators whose revenue does not exceed Tshs 100m will not be required to prepare accounts
- **Agricultural Produce**: Introduction of 2% Income Tax on payments to be made by resident entities upon purchasing of agricultural produce, fishing, animal and poultry keeping besides forestry produce.
- **Entities with consecutive losses**: Changes are made to increase profit base subjected tax from 30% to 40% for entities who have carried forward consecutive tax losses as per Section 19 of the Income Tax Act.

Fiscal Receipts (EFD)

- Electronic Receipts required for all purchases in Mainland Tanzania. Sellers of goods or suppliers of services who are foreign citizens and are outside the Mainland Tanzania or any person who is not required to issue electronic receipts are excluded from this requirement

Withholding Taxes: Digital Content Creation

- New requirement on non-residents to collect withholding taxes of 5% on payments made to resident digital content creators.
- Introduce 5% Withholding Tax on income derived from the business of digital content creation which is done by the resident business entities.
- Introduce 3% Withholding Tax on income derived from the transfer of digital assets.
- Introduce 5% Withholding Tax on income derived from the business of digital content creation which is done by the resident business entities.

KEY PROPOSED TAX CHANGES

The Excise (Management and Tariff) Act

Duty Introduction

- **Ethanol:** Introduce excise duty at the rate of Shilling 7,000 per litre on Imported Un-denatured Ethyl Alcohol and Shilling 5000 on locally produced Un-denatured Ethyl Alcohol of an alcoholic strength by volume of 80% vol or higher (Ethanol) with HS Code 2207.10.00 except Un-denatured Ethyl Alcohol used for purposes other than manufacturing scheduled article upon recommendations of the responsible Minister in the respective use.
- **Betting and Lottery:** Introduce excise duty at the rate of 10% of the value of stake on betting, Gaming and national lottery and ring-fence the amount collected to be remitted to the Universal Health Insurance Fund.
- **Advertisement Fees:** 10% excise duty introduced on advertisement fees in Television, print media and radio stations for betting, gaming and lotteries advertisement
- **Tomato Sauce:** introduce excise duty at the rate of Shilling 300 per Kilogram on imported and locally manufactured Tomato Sauce and Tomato Ketchup (Other than Tomato Paste) with HS Code 2103.20.00 and Chilli Sause and Chilli Ketchup (other than chili paste) and Mango pickle with HS Code 2103.90.00.

Duty Introduction (continued)

- **Paints and Varnishes:** To introduce excise duty at the rate of Shilling 500 per Kilogram of locally manufactured and imported solvent- based paints and varnishes (paint or varnish thatdissolves in a non-aqueous medium) of heading 32.08.
- **Imported Beer:** To introduce excise duty at the rate of shilling 963.90 per litre on imported opaque beer with HS Code 2206.00.20 and shilling 2,959.74 on other imported beer made of mixed fruits with HS Code 2206.20.90.

Other Provisions

- **Contribution to Universal Health Insurance Fund:** 2% of collections of excise duty from carbonated soft drinks, cosmetics products and alcoholic drinks to be remitted to the Universal Health Insurance Fund.
- **Electornic Tax Stamps:** To insert a provision in the Electronic Tax Stamps Regulations, 2018 that requires manufacturing license to be issued to the persons licensed to manufacture excisable goods (manufacturer) once the manufacturer have installed ETS machines and the factory have begun production.

Duty Reduction

- **Bottled Water:** Excise duty on locally produced bottled water with HS Code 2201.10.00 and 2201.90.00 reduced from Shilling 63.80 to Shilling 58 per litre.

KEY PROPOSED CHANGES

The Tax Administration Act

Tax Dispute Resolution

- To insert a provision that empowers the Tax Ombudsman in hearing and addressing complaints emanating from tax decisions, procedural, service, and administrative matters relating to such tax decisions or objections.

Currency Points

- To increase the currency points from Shilling 15,000 to Shilling 20,000. This will potentially increase penalties charged under this Act by 33%

Fiscal Receipts (EFD)

- Setting a maximum fine for the offence of failure to issue a fiscal receipt at the amount of 1000 currency points (equivalent to shillings 15,000,000 under the old provision or 20,000,000 using the proposed currency point).

The VETA Act

- Casual labourers employed in the execution of water projects managed by Water Authorities are exempted from application of the VETA Act.

The Local Government Authorities (Rating), Act

- 20% of the collected revenue from property tax and land rent to be direct remitted to the Local Government Authorities (Councils) accounts, instead of current status whereby such revenues are remitted to the Consolidated Fund and later Local Government apply for a 20% refund.

KEY PROPOSED CHANGES : FINANCIAL INSTITUTIONS

Bank of Tanzania Act

- Changes proposed to enhance banks and financial institutions that do not charge interest to access opportunity the same way as other conventional banks and financial institutions.

Banking and Financial Institutions Act

- Changes proposed to enhance banks that do not charge interest to operate with their accounts or their customers' accounts to access Government Bonds.

Microfinance Act

- Changes proposed to enhance institutions or companies that gives microfinance services to issue the said services without charging interest.

Income Tax Act

- Exemption of WHT on interest on loans paid by resident financial institutions to non-resident financial institutions and Funds having concessional loans agreements with the United Republic of Tanzania.

KEY PROPOSED CHANGES

The Public Service Social Security Fund Act

- The proposal suggests increasing the lump sum payments for retired workers. For those who received 50% of their total retirement benefits, the lump sum will be increased by 7% to reach 40%. For those who received 25% of their benefits, the lump sum will be increased by 2% to reach 35%. These changes will start in 2022/23 and continue until 2029/30. After that, the Public Service Social Security Fund (PSSSF) will take over the responsibility of making these payments. The goal is to make the social security system more sustainable.

The Road and Fuels Tolls Act

- The proposal suggests changing the Road and Fuels Tolls Act to charge 382 Tanzanian Shillings per kilogram of Compressed Natural Gas (CNG) used in vehicles. The goal is to increase government revenue for road repairs and maintenance.

The Port Act

- The proposal suggests changing the Port Act to allow the Tanzania Ports Authority (TPA) to collect wharfage fees again. The money collected will be deposited into TPA's account at the Bank of Tanzania. However, the use of this revenue will need to be authorized by the Paymaster General.

The Sugar Industry Act

- Allow the National Food Reserve Agency (NFRA) to buy, store, and reserve sugar as part of the national food reserve. This will ensure a steady supply of sugar for domestic use during shortages and prevent manufacturers from hoarding sugar without harming local industries.
- Amend the NFRA regulations to include sugar as part of food security.
- Charge 50 Tanzanian Shillings per kilogram of sugar by-products from sugar production. This fee aims to increase revenue to help the Sugar Board in its duties, such as training and building capacity in the sugar industry, as well as monitoring and expanding sugar production and encouraging new investments.

KEY PROPOSED CHANGES

Cashewnut Industry Act

- Allow the Board to collect and use revenue from an export levy on cashew nuts for five years. This aims to develop the cashew nut sector, provide funds for subsidies and research, and boost the sector's contribution to economic growth.
- Give the Tanzania Revenue Authority the authority to collect export and import levies on crops and manage the distribution of this revenue. Half of the revenue will go to the Agricultural Development Fund, and the other half to the Consolidated Fund. This measure aims to improve efficiency in revenue collection, support agricultural development, and provide funds for government responsibilities.

Gaming Act

- The proposal to amend the Gaming Act includes introducing fees for gaming dealer certificates, lottery center registrations, and licenses for slot machine tokens. These measures aim to raise revenue to improve the efficiency and monitoring of the gaming industry by the Gaming Board.

The Mining Act

- Exempt gold supplied to the Bank of Tanzania (BOT) from paying a 1% inspection fee. This aims to encourage supplying gold to BOT, reduce costs, increase the national gold and foreign currency reserves, and address the US Dollar shortage for international transactions.
- Reduce the royalty rate on gold sold to BOT from 6% to 2% and make this royalty the final payment. This also aims to encourage gold supply to BOT and reduce costs, enhancing national reserves and addressing the US Dollar shortage.
- Reduce the royalty rate on gold sold to domestic refineries from 4% to 2%. This aims to encourage supplying gold to local refineries and ensure they have enough material to process.
- Require mineral right holders and dealers to set aside a portion of their minerals for processing within the country, starting with 20% of gold. This aims to increase gold supply to BOT and local refineries, enhancing national reserves and addressing the US Dollar shortage. Mining companies with existing agreements with the government will be renegotiated to implement this without affecting their terms.
- Recognize the Bank of Tanzania (BOT) as the official gold dealer. This aims to harmonize laws and facilitate smooth gold purchases by BOT to boost national reserves.

KEY PROPOSED CHANGES

The Railway Act

- The proposal suggests amending the Railway Act by increasing the railway development levy from 1.5% to 2% of CIF value. The revenue collected will be split equally between the Railway Development Fund and the Road Fund. This measure aims to raise funds for railway and road infrastructure development and maintenance, expecting to increase government revenue by 216,898 million shillings.

Tanzania Meteorological Authority Act

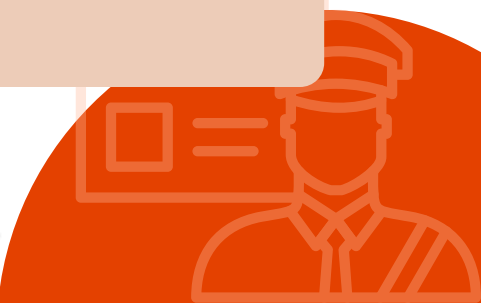
- The proposal to amend the Tanzania Meteorological Authority Act includes introducing usage fees for meteorological services: 500,000 shillings for construction projects valued at 500 million to 1 billion shillings, and 1,500,000 shillings for projects valued at 1.1 billion to 10 billion shillings. Additionally, it introduces monthly fees for water resource management: 500,000 shillings for high-capacity Water Basin Boards and 200,000 shillings for low-capacity boards. These measures aim to increase government revenue by 1,600 million shillings and improve the provision of weather and climate services.

The Motor Vehicle (Tax Registration and Transfer) Act

- Propose to amend Vehicle (Tax Registration and Transfer) Act, CAP 124 to include electrical motor vehicle in the scope of vehicle registration that fee shall be paid.

The East African Community Customs Management Act

- Proposed to amend the Common External Tariff (CET) rates for the financial year 2024/25. A full list is available within the Finance Bill presented in Parliament.



AMENDMENT TO VARIOUS GOVERNMENT FEES

Tanzania Atomic Energy Commission

The proposal to amend the radiation inspection fee includes two main changes:

- Introducing a fee of 0.1% of the FOB value for exporting animal products and food to countries requiring a Radiation Certificate or upon exporter request. This eliminates fees when the certificate is not needed by the destination country.
- Reducing the radiation inspection and certification fee for imported finished goods from 0.4% to 0.2% of the FOB value. This aims to lower business costs, encourage investment, and reduce smuggling. The measure is expected to decrease government revenue by 42 million shillings.

Fire and Rescue Force

- Proposal to reduce the training fee for wardens on fire prevention from 500,000 to 200,000 shillings. Additionally, it requires training at least one warden per year instead of two. This aims to lower business and investment costs in the country.

Tanzania Civil Aviation Authority

- Proposal to charge a fee of 600 US dollars per company per year for renewing licenses to operate safety planes, instead of the current rate of 600 US dollars per aircraft per year. This aims to reduce business costs and stimulate growth in the aviation industry.

Ministry of Natural Resource and Tourism

The proposal for the Ministry of Natural Resource and Tourism suggests two main changes:

- Charging Tourist Business License fees in Tanzanian shillings instead of US dollars, to be paid within 12 months from the final payment date.
- Reducing the annual fee for Tanzanian Tourist Business Licenses for mountain climbing agents from 2,000 US dollars to 3,000,000 Tanzanian shillings.

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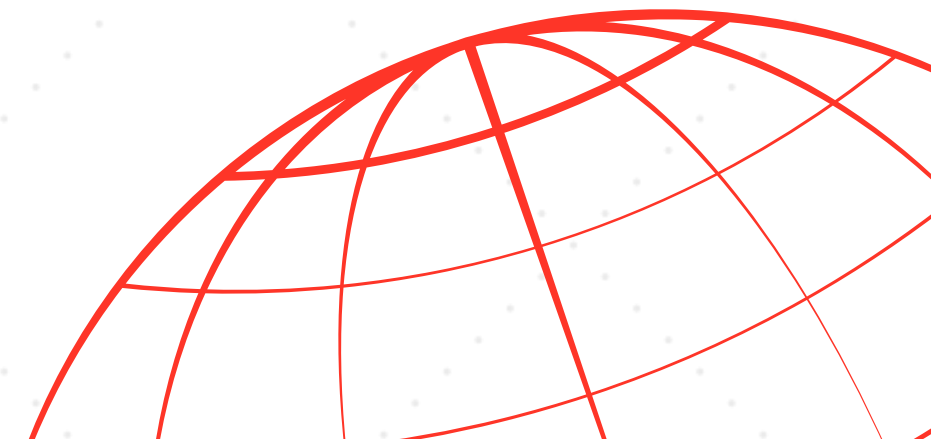
Ministry of Livestock and Fisheries

Livestock Sector

- Increase the moving permit fee for livestock at auctions:
 - From 30,000 to 31,000 shillings for cattle.
 - From 6,500 to 7,000 shillings for goats and sheep.
- The additional fees will be used by Local Government Authorities to improve supervision at livestock auctions.

Fisheries Sector

- Reduce the moving permit fee for fish and fish products:
 - From 100 to 50 shillings per kilogram for fresh, dried, and frozen fish.
 - Exempt dried fish and fish products under 20kg and fresh or frozen fish under 30kg from the permit fee.
- Reduce the moving permit fee for fish maw (mabondo):
 - From 2,500 to 2,000 shillings per kilogram for fresh fish maw.
 - From 3,500 to 2,800 shillings per kilogram for dried fish maw.
- Increase the export royalty for fish maw:
 - From USD 2.7 to USD 3 per kg for fresh fish maw.
 - From USD 3.3 to USD 3.5 per kg for dried fish maw.



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