

## ALERT: FINANCE BILL

On the 12<sup>th</sup> June 2018, the Finance Bill, 2018 which aims at imposing and altering certain taxes, duties, levies, fees and to amend certain written laws relating to the collection and management of public revenues was published to the special Gazette of the United Republic of Tanzania No. 4 (the **Bill**). The Bill once signed will come into law and come into operation on 1<sup>st</sup> July 2018. The intention of the law is to increase Government revenue, promote economic growth particularly in the industrial, agricultural and transport sectors and employment opportunities.

### Salient Features of the Bill

- Waiver of VAT on packaging materials produced by local manufacturers of pharmaceutical products;
- reduction of corporate income tax rate for a period of five years from the start of production from 30%-20% for new investors in the pharmaceutical and leather industries;
- increase in gaming tax rates; and
- no increase in excise duty for beverages locally manufactured.

### Value Added Tax Act, CAP 148

The Bill intends to exempt VAT on capital goods such as edible oil, textile, leather and pharmaceutical (including veterinary) industries. It is proposed to have zero rate VAT on ancillary transport services in relation to goods in transit when in Tanzania. This is a notable change as such amendment will promote investments in small, medium and large-scale industries by providing relief of taxes in the purchase of machines and plants and to reduce the costs incurred by transporters when using Tanzanian ports and hence making Tanzanian ports affordable and competitive.

## **The Income Tax Act, CAP 332**

Part 1 (4) of the First Schedule is proposed to be amended by increasing tax rate of income for non – residents from 20% to 30 %. This schedule also proposes amendments to include reduction of corporate income tax rate for new investors in the Pharmaceutical and Leather industries from 30% to 20% for five consecutive years.

Additionally, the Bill proposes that the Minister for Finance be granted the authority to exempt Government projects financed by non-concessional loans. Such proposal is done by adding Section 129 which empowers the minister to make regulations which may provide for control and manner of calculating income tax, regulations of income tax deductions including losses, bad debts and depreciations and manner of processing and granting income tax.

the Second Schedule of the Act is also to be amended to provide a withholding tax exemption on interest on government loans provided by banks and financial institutions to finance government projects.

## **The Excise (Management and Tariff) Act, CAP 147**

The Bill intends to amend specific rates and adjust specific excise duty rates on non-petroleum products with inflation rate of 5%. The adjustment is done because in instances where the excise duty is imposed by using specific rates, the inflation rate is never taken into consideration, as a result this erodes Government revenue. Thus, to keep pace with inflation rate, it is proposed that specific duty rates are adjusted taking into account inflation rate. The excise duty for some locally produced products are not adjusted in the proposed amendments. The aim for not adjusting such excise duty on local products is said to support the National Strategy for building an industrial economy.

The proposed Bill also maintains the abolishment of annual motor vehicle license which was made last year. Such abolishment however will lead to increase of excise duty on petrol, diesel and kerosene to compensate the loss of revenue resulting from the abolition.

## **OTHER PROPOSED AMENDMENTS**

### **The Business Licensing Act CAP 208**

The most notable amendment in this Act is the shift from paying business license fees to the central government to now paying such fees to the Business Registration and Licensing Authority (BRELA). There is also an increase in penalty fees for compounding offences from TZS50,000 to the proposed amount of TZS100,000 and not more than TZS300,000.

## The Gaming Act CAP 41

The proposed amendments in this Act indicates increase in the gaming tax rate from 6% to 10% on gross sales in sports betting operations, increase the gaming tax from TZS32,000 to TZS100,000 per machine/month on slot machines, and increase the gaming tax from 15% to 18% on gross gaming revenue for land-based casino operators.

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