Tanzania Budget Highlights 2022/23

Accelerating recovery. Sustaining growth

JUNE 2022

From the Country Managing Partner's desk

Tanzania is in the midst of a period of muted growth, albeit more positive than was expected when entering the pandemic. The sustained growth in H.E. Samia Suluhu Hassan's first term as president has been driven by growth in construction, services, mining, and energy sectors following the alleviation of international travel restrictions, and supply chain disruptions brought about by the COVID-19 pandemic. Nonetheless, more work still needs to be done by actors across sectors to ensure every aspect of the economy ascends to new heights.

At the beginning of the year, the Bank of Tanzania estimated the country's economy was likely to grow at a rate of up to 5.6% in 2022 as exports and domestic demand continued to recover. This was underwritten by increased governmental efforts in building relations with investors and major business players from different sectors on a global scale while also encouraging and fostering an environment for increased tourism opportunities. However, despite internal efforts to strengthen our economy and increase foreign investment, factors beyond sovereign control such as the ongoing Russia-Ukraine conflict have had a major impact, triggering a global hike in cost of goods in many countries including Tanzania. Efforts such as reduction in levies have been implemented in the mainland to curb the increase in fuel prices, however, with several infrastructure improvement projects currently going on, the government will have a challenge mitigating the increased cost of living for its citizens.

The price of fuel remains a challenge, increasing by ~45% during the year from TZS 2,249 per liter of the petrol in Dar es Salaam for the month of June 2021 to TZS 3,301 (without subsidy) in June 2022. Efforts have been made by the government to curb the overarching effects of the price hike, for instance in May of this year, where the government authorised a TZS 100 billion subsidy that saw fuel prices drop by Tsh300 in the month of June. However, despite such efforts, concerned onlookers from all sectors in the mainland are keen to see what impact the establishment of the Fuel Stabilisation Fund, as announced in the budget speech will have, as the country's fuel prices remaining higher than some neighbouring countries.

In a more positive indication, the country has seen a 9.5% increase in mobile money subscriptions during the first quarter of 2022, a positive move despite the introduction of service levies that were introduced to mobile money transactions last year. The increase in mobile money usage links into increasing the country's financial inclusion, easing access to finance and means of credit to the millions of Tanzania's previously unbanked.

In addition to the increase in financial inclusion, the president's long-awaited promise of increasing public servant's salaries has finally been announced this year with President Samia declaring a 23% increase in salaries coming into effect in the 2022/2023 fiscal year. This will see the government spending an estimated TZS 9.7 trillion in civil servant salaries, 19.5% higher than the previous year's budget for the same. This bold move underlines the government's confidence in revenue collection potential, and a positive outlook on economic performance.

Overall, onlookers both within Tanzania and outside the country are keen on seeing what the coming year will hold in terms of true financial reforms. Will the government be able to sustain its recovery post COVID-19, passing the Russia-Ukraine crisis, and also sustain the growth for coming years? That will remain to be seen.

David Nchimbi
Country Managing Partner
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Foreword

FY 2022/23 is the second year in the implementation of the 3rd Tanzania Five-Year Development Plan (FYDP III) 2021/22 – 2025/26 which aims at "Building a Competitive and Industrial Economy for Human Development". The budget comes in light of an estimated GDP growth rate of 4.7% in 2022 and 5.3% by 2023. As a result, the priority areas for this budget are in the productive sectors including agriculture, livestock, fisheries, energy, investment and trade.

The budget frame for 2022/23 shows that 41.48 trillion shillings will be mobilized and spent in the next financial year. Domestic revenue is projected to be 28.02 trillion shillings which is equivalent to 67.5% of the total budget. In which, out of the total domestic revenue, TRA revenue collections are estimated at 23.65 trillion shillings and non-tax revenue (i.e., collected by Ministries, Departments, Institutions and Local Government Authorities) are estimated at 4.37 trillion shillings. On the other hand, grants and concessional loans from development partners are estimated at 4.6 trillion shillings which forms 11.2% of the total budget. This projection assumes that economic activity will normalize, with macro-economic policies being successfully implemented and capitalizing on expected improvements in revenue collection.

Addressing business environment challenges and attracting FDIs has been a key priority of the 6th Phase Government under President Samia Suluhu Hassan's leadership. The deliberate initiatives made by the Government in this area are meant to push for formalization of the informal sector, stimulate business activities within various groups (including SMEs) and attract more investors. Agriculture continuing to be a cornerstone of the economy, has received a tremendous increase in budget allocations, especially the horticulture sector with anticipation of it positively impacting the trade balance. Overall, the Minister proposed amendment of various laws in 18 areas through the Finance Act 2022/23 that will further improve the business environment.

The budget speech proposes a number of reforms to existing tax laws i.e., VAT Act, Income Tax Act, and Excise (Management and Tariff) Act particularly on tax rates, levies and fees. These reforms intend to, amongst other things, maintain stability and predictability in the tax system and improve efficiency in revenue collection and management. The budget also seeks to re-prioritize public spending not only towards development projects but also social services (such as health, education) and supporting the vulnerable segment of the population (through TASAF).

Another focus for FY2022/23 is the digital economy, representing a potentially untapped source of revenue for Tanzania; especially in recent years where the country has seen an increase in e-commerce activity. The budget proposes to introduce a Digital Services Tax (DST) at a rate of 2% targeted at digital economy operators with limited physical presence in Tanzania. On a similar note, the budget speech also reiterated on the importance of incorporating ICT systems in the various areas of tax administration. Such as investing in the use of technology to facilitate the e-filing of tax returns, strengthening the Government Electronic Payment Gateway (GePG), and emphasizing on the use of control numbers.

Although there may be some expected challenges to this growth outlook largely from possible re-emergence of COVID-19 pandemic and the impact of the on-going conflict in Eastern Europe, the Government is committed to continuing the implementation of the national development plan and improving the business environment by opening up more opportunities for the private sector and increasing efficiency in revenue collection.

The 41.48 trillion shillings signals a weighty commitment towards the National Development Agenda, it is a multi-sectoral and multi-player effort. With less than 43 months until the current Vision is ultimately evaluated, the semi-lengthy checklist requires an impetus to timely achieve the set-out goals. With proper execution of this budget, we are moving in the right direction of accelerating recovery and sustaining growth.

This document provides a summary of key focus areas of the 2022/23 budget statement and our analysis on how they affect businesses, the economy and society at large. We hope this document provides sufficient insights and serves as a reliable reference document as you begin the financial year.

Enjoy the read! #Kaziiendelee

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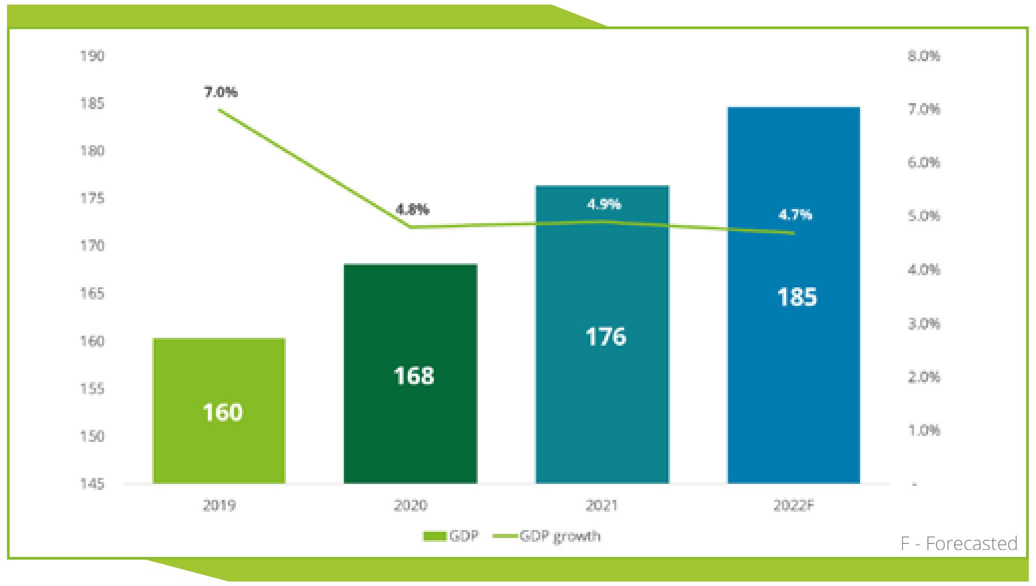
ECONOMIC OVERVIEW

Economic overview

Tanzania's economy at a glance

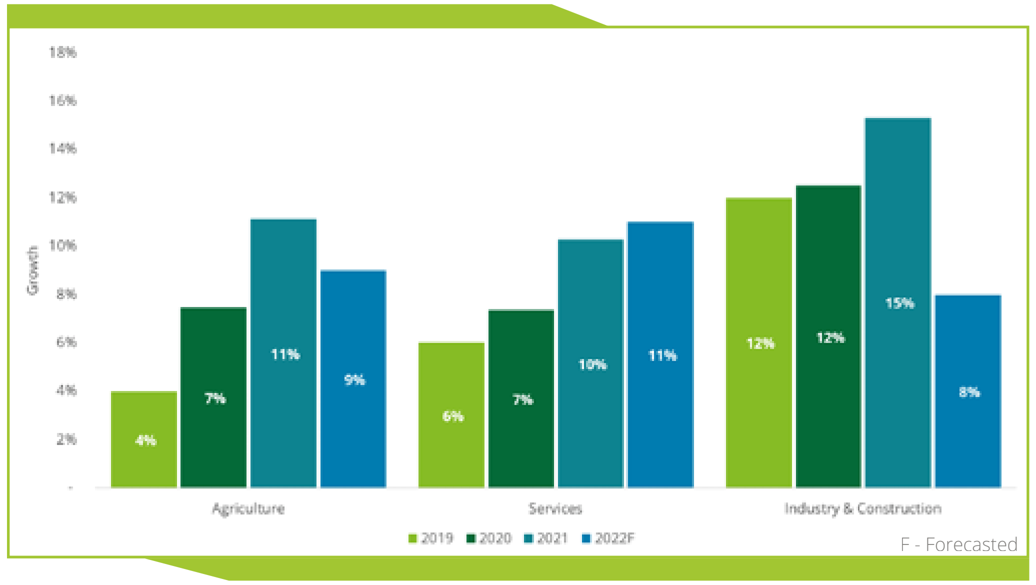
GDP growth



Source: IMF, Bank of Tanzania

- Tanzania's 4.9% growth in GDP in 2021 was driven by an increase in private sector consumption and sustained investment by the government in public infrastructure and utilities, in line with the Third Five-Year Development Plan (FYDP III).
- In 2022, GDP growth is expected to average 4.7%. This growth tracks behind initial forecasts of 7%, owing to global commodity shortages which resulted in supply chain disruptions.

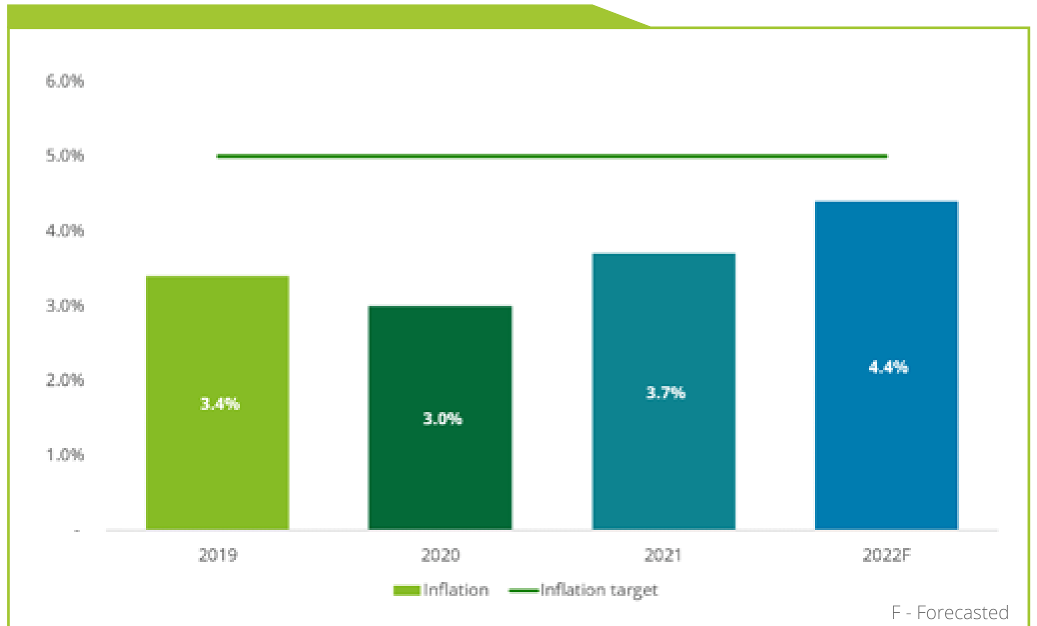
Sectoral growth



Source: Tanzania National Bureau of Statistics, Fitch Solutions

- Favourable weather through most of 2021 saw an increase in total production of agriculture and livestock resulting in growth of 11% in 2021.
- The services sector grew from 7% in 2020 to 10% in 2021 driven by easing of trade and movement restrictions within the East African region as well as increased private sector lending.
- Resumption of global supply chain and increased local private consumption drove the growth in the industry and construction sector from 12% in 2020 to 15% 2021.
- Disruptions resulting from the Russia-Ukraine conflict are expected to adversely affect the performance of agriculture and industry sectors in 2022. In addition, the Tanzania Meteorological Authority issued a forecast for continued drought in the June, July and August season, which is expected to exacerbate growth in the sectors. As a result, the agriculture and industry sectors are forecasted to grow by 9% and 8%, a decline from 11% and 15% in 2021 respectively.

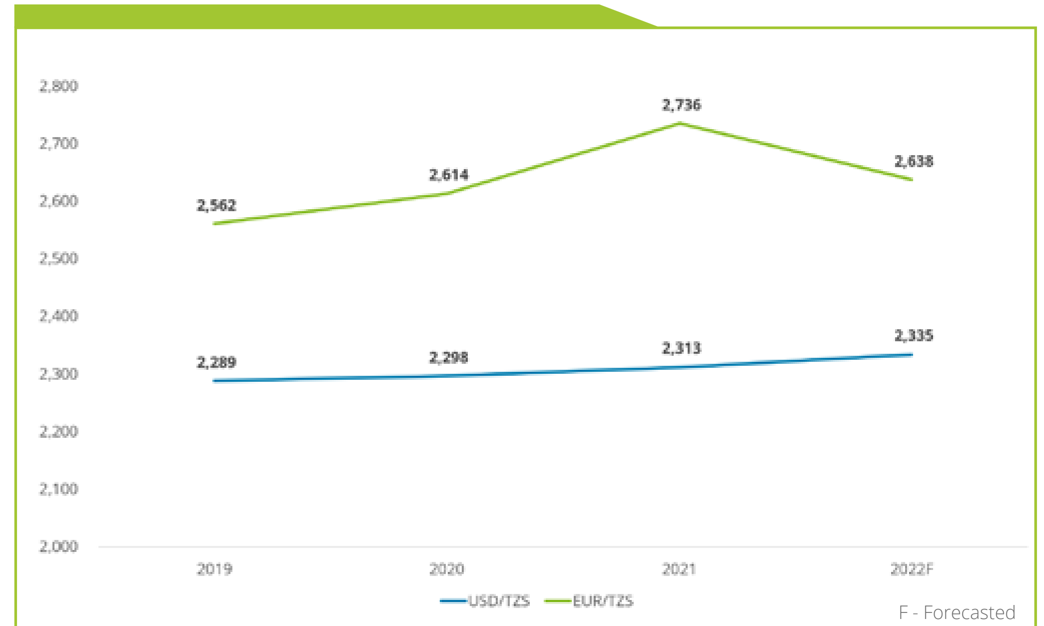
Inflation rate



Source: Bank of Tanzania, Fitch Solutions (F)

- Inflation increased from 3.0% in 2020 to 3.7% in 2021 on the back of food supply shortages as well as an uptick in global oil prices. This trend is expected to persist with inflation rising to 4.4% in 2022, as result of increased oil, gas and wheat prices owing to the trade sanctions imposed on Russia and supply chain disruptions in Ukraine. Inflation is however expected to trend below the Bank of Tanzania's target of 5%.

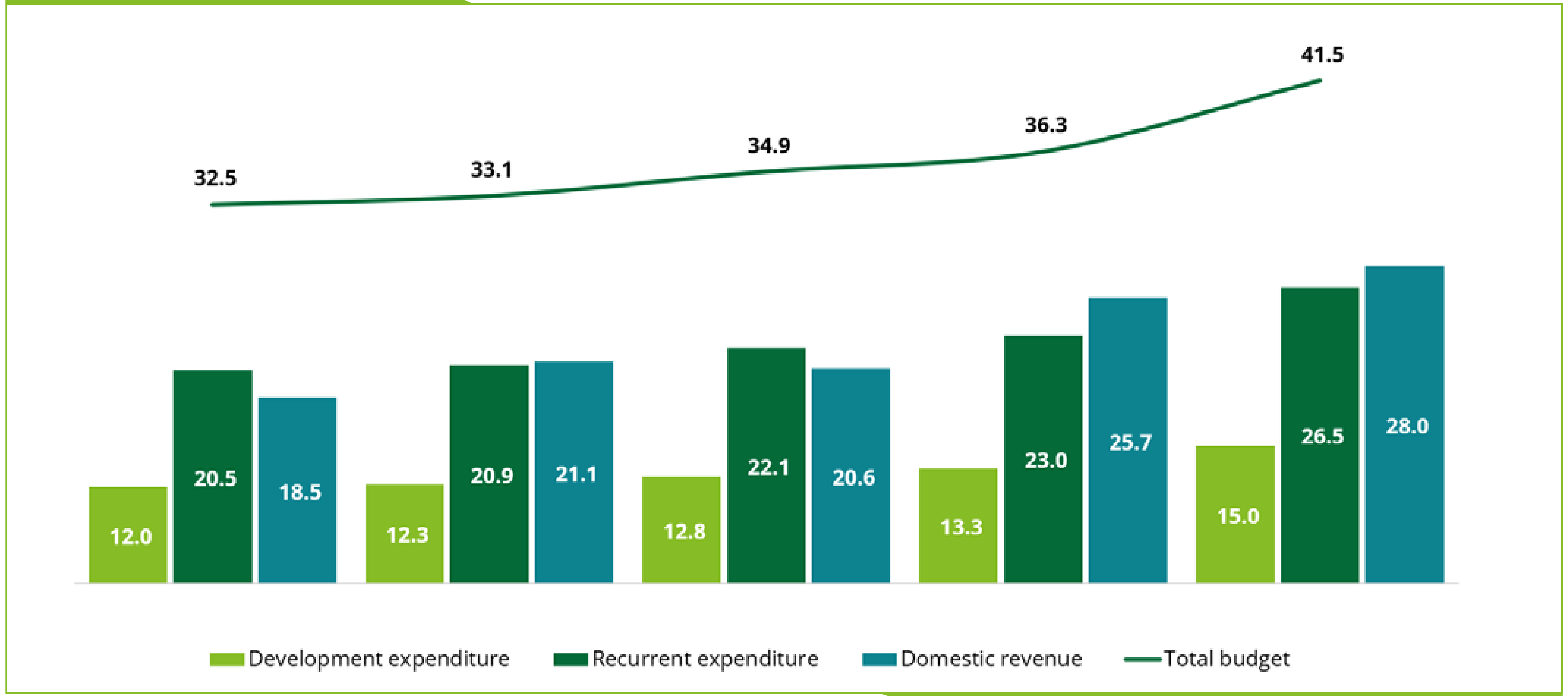
Exchange rate



Source: Bank of Tanzania, Fitch Solutions (F)

- The Tanzanian Shilling (TZS) depreciated by 0.65% against the US Dollar (USD) from TZS 2,298 in 2020 to 2,313 in 2021 and by 4.7% against the Euro (EUR) from TZS 2,614 to TZS 2,736. These movements were driven by a rebound in international trade in 2021, which resulted in an increase in the demand for foreign currency.
- In 2022, the TZS is forecasted to average at TZS 2,335 against the USD, owing to sustained demand for the dollar for international trade. In contrast, the TZS is forecasted to strengthen against the EUR in FY22, averaging at TZS 2,638, driven by a move to hold USD as a hedge against inflation in the Euro-zone.

Budget overview



Source: Ministry of Finance and Planning, Budget policy statement

The 2022/23 budget stands at TZS 41.48 tn, a 9.2% increase from the 2021/22 budget, representing 22.0% of the country's GDP. The government intends to distribute the budgetary funds in accordance with its medium-term priorities, as outlined in the third Five-Year Development Plan which include increasing annual GDP growth to an average of 8%, strengthening industrial production by incentivising newly set-up manufacturers and boosting business and private investment by development of enabling infrastructure

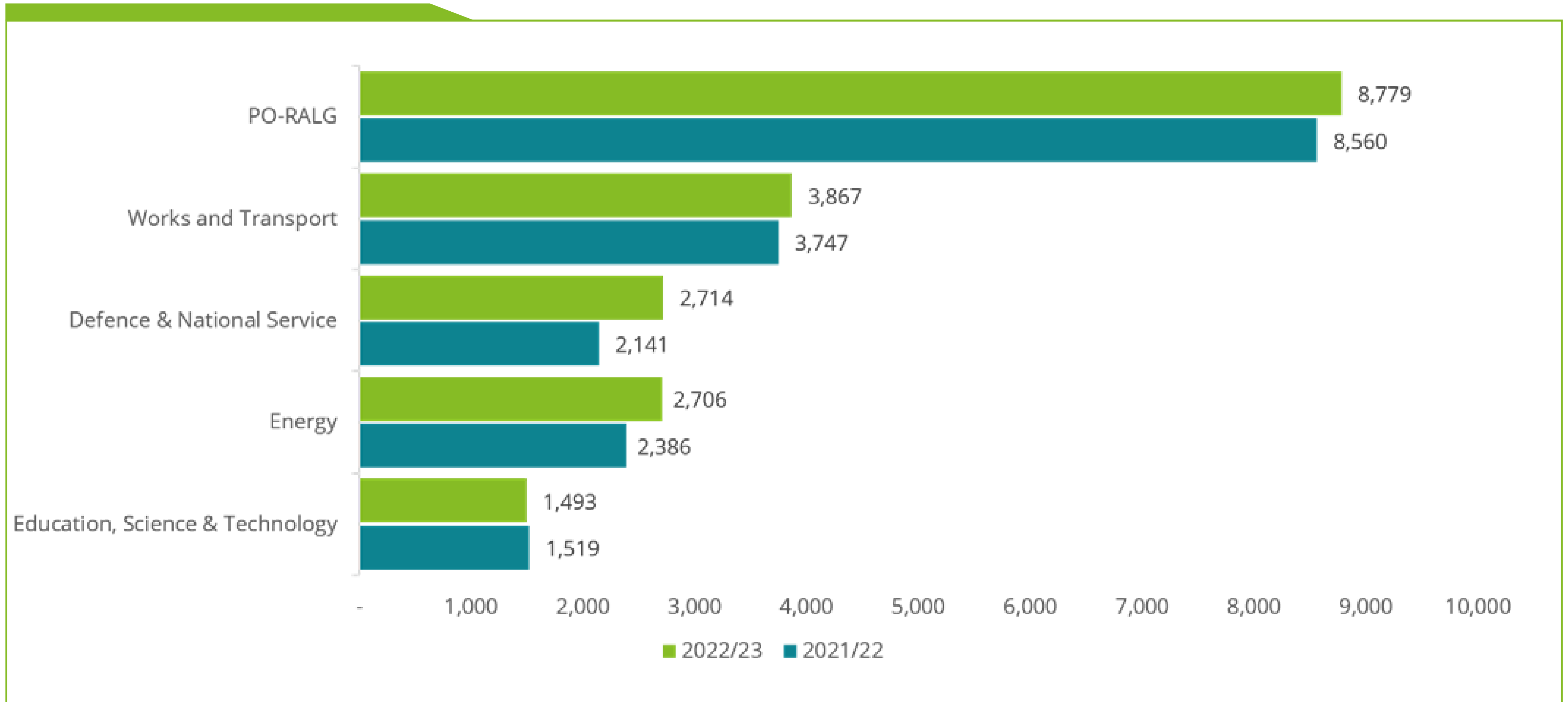
The 2022/23 budget will be largely funded by domestic revenue, which is expected to account for 67.5% of the total budget. Domestic revenue growth is expected to be driven by a 13.6% increase in tax revenue from TZS 20.8 tn in 2021/22 to TZS 23.7 tn in 2022/23.

Development expenditure will be representative of 36% of the total budget in 2022/23. Development expenditure will prioritise continuation of phased projects, interest- free higher education loans and payment of development contractors.

Tanzania's fiscal deficit is expected to reach the lowest level in 5 years, hitting 27% of the total budget, down from 28% in 2021/22.

The government anticipates to plug this year's deficit of TZS 10.8 tn through a mixture of internal (55%) and external (45%) borrowing.

Summary of expenditure by ministries



Source: 2022/23 Budget policy statement

Top 3 winners in the 2022/23 budgetary allocation

21.6%

President's Office , Regional Administration and Local Government

The President's Office, Regional Administration and Local Government (PO-RALG) has been allocated 21.16% of the total budget, an increase of 2.6% in comparison to prior fiscal year.

9.3%

Works and Transport

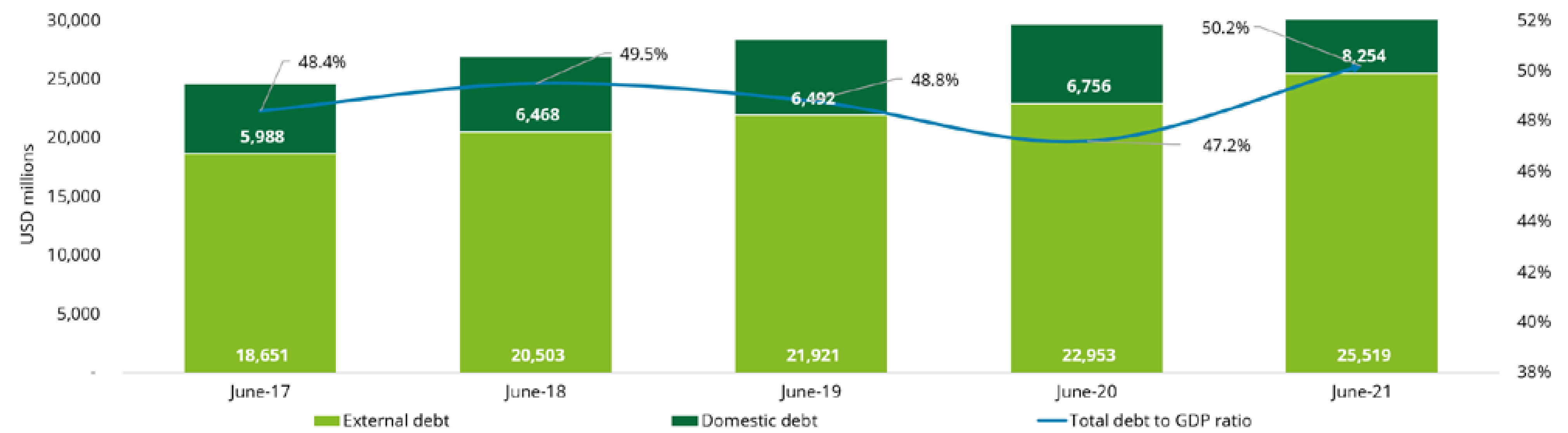
Ministry of works and Transport has been allocated 9.3% of the total budget, an increase from 3.2% in comparison to prior fiscal year.

6.5%

Defence and National Service

Allocation towards Defence and National Service is 6.5% of the total budget which is an increase of 26.8% in comparison to previous budget.

Debt sustainability and perfomance



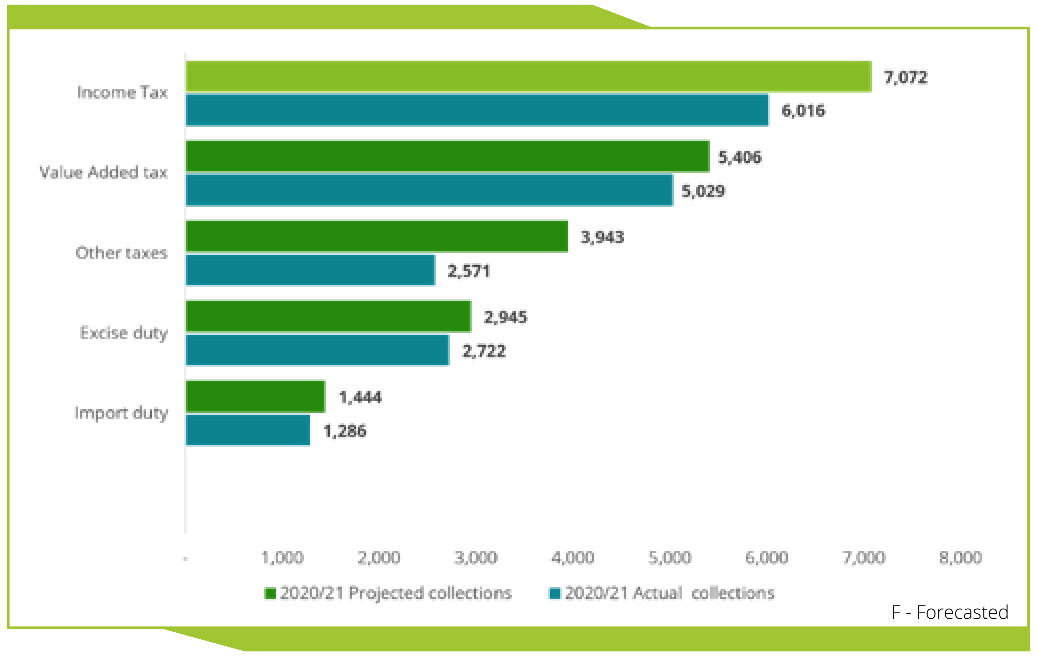
% of total debt	June-17	June-18	June-19	June-20	June-21
External debt	75.7%	76.0%	77.2%	77.3%	75.6%
Domestic debt	24.3%	24.0%	22.8%	22.7%	24.4%

F - Forecasted

Source: Speech by the Minister of Finance

- As of April 2022, the national debt had reached USD 29,184 million compared to last financial year which attained USD 25,519 million equivalent to a growth of 14.4%. Out of the total national debt, the internal and external debts contributes to 67.79% and 32.21% respectively.
- In 2021, Tanzania's risk of external debt distress was increased to moderate, mainly owing to the adverse effects of the COVID-19 pandemic on exports which weakened Tanzania's ability to service its external debt.
- Total debt increased by 13.7% from USD 29,708.9m as of June 2020 to USD 33,773.1m as of June 2021, with public debt accounting for 82.9% of the total debt stock and comprised 41.6% of GDP as of June 2021.
- External debt increased from USD 22,953m as of June 2020 to USD 25,519m as of June 2021, mainly on account of new disbursements to finance major infrastructure development projects. Multilateral institutions and commercial creditors remained the main lenders, accounting for 80.4% of external debt.
- The top 3 lenders were commercial banks, accounting for 30.8% of domestic debt stock, followed by pension funds at 25.2% and Bank of Tanzania at 18.4%.
- Tanzania benefited from the Debt Service Suspension Initiative (DSSI) in FY2020/21 to the tune of USD 102m. Consequently, debt service payments declined in 2021.
- However, higher debt service is expected between 2022-2027 in accordance with the debt repayment agreements. The government plans to spend an estimated USD 3,900m on external debt servicing during FY 2022/23, up from USD 1,431.2m in FY 2021/22.

Revenue Collection Performance



Source: Speech by the Minister of Finance

- According to the Minister, for the financial year 2021, the Tanzania revenue authority and other authorities have collected taxes at a rate of 93.3% compared to the collection projections.
- Revenue split is still made up of a 40:40:20 (Large TaxPayers, Customs and Excise and Domestic Revenue respectively) with Domestic Revenues slightly lower than 20% (19%).
- VAT on beer and electricity constituted the largest of VAT collections in the previous year (52.8%)
- Detailed analysis is as illustrated below. However, the TRA has an ambitious target of about a 14% growth from prior year actual collections.

	2021/22 Budget TZS 'bn	2021/22 Projected collections TZS 'bn	Budget Shortfall	2022/23 Budget TZS 'bn	Growth of budget against 2021/22
Tax Revenue					
Import duty	1,504	1,444	4%	1,629	13%
Excise duty	3,133	2,945	6%	3,235	10%
Value Added Tax	5,941	5,406	9%	6,362	18%
Income Tax	6,866	7,072	-3%	8,091	14%
Other taxes	4,333	3,943	9%	4,336	10%
	21,778	**20,811**	**4%**	**23,653**	**14%**
Non-Tax Revenue					
Parastatals dividends & Contributions	779	756	3%	2572	240%
Ministerial and regions	2,271	1,885	17%	781	-59%
LGAs own sources	864	898	-4%	1012	13%
	3,914	**3,539**	**16%**	**4,365**	

Source: Speech by the Minister of Finance

TAX MEASURES

Income Tax

Amendment of presumptive income tax for individuals by introducing rate of 3.5% for turnover exceeding TZS 11,000,000 but not exceed TZS 100,000,000 in a year.

Our point of view

Most of the small-scale business taxpayers falls under the presumptive tax band. This measure aims at increasing transparency, simplify tax assessment, enhance voluntary compliance and simplifying the administration of tax by reducing the level of bands. On the other hand, the increase in tax rate at this time when businesses are recovering from the impact of COVID-19 coupled with high cost of doing business due to effects of Ukraine and Russia war may not be well received by the stakeholders.

The Minister has proposed to amend the Income Tax Act to recognize alternative financing as approved by the Bank of Tanzania as the same as conventional borrowing.

Our point of view

It would appear that, the government is intending to recognize other financing alternatives such as the products provided by Islamic banking to be treated in the same way as the conventional loan for income tax purposes. This measure aims at fostering financial inclusion, access to finance and promote growth of these financial products. We expect the Finance Bill will provide further clarity on the targeted financing alternatives.

Granting the Minister powers to waive income tax for strategic investors after approval by the National Investment Steering Committee (NISC) and subsequently by the Cabinet

Our point of view

The measure aims at attracting investments in the country by minimizing huddles for strategic investments and aligning the implementation of the incentives provided in the Investment Act. However, it is unclear whether the change will also apply to a strategic project with a total tax payable not exceeding one billion shillings for the entire project period, which per the current provision do not require Cabinet approval.

Abolition of exemption to withhold income tax on individuals and particularly on rentals paid for residential houses, apartments, and commercial premises.

Our point of view

Currently, payment of rent made by individuals (unless made in conducting business) are exempted from withholding tax. This measure aims at broadening the tax base and bring to tax net individuals who may not have been making self-declaration of their rental income on the basis that they are not registered with the tax authority. The government is intending to ensure everyone over the age of 18 years file tax return and therefore withholding income tax on rental by individuals for residential premises will be possible due to such government initiative. The government need to put measures in place to ensure that the withholding tax collected by the individuals is remitted to the TRA accordingly.

The Minister propose to exempt the Capital Gains Tax on the transfer of mineral rights on the Joint Venture Companies formed between the Government and investors and the transfer of shares (Free Carried Interest) from the Joint Venture to the Government.

Our point of view

The Mining Act provides that the government shall own not less than 16% free carrying interest on mining companies. As the government continues to implement reforms in the mining sector, this change is timely and important as it will ensure the transfer is made as smooth as possible and free of capital gain tax which would otherwise be assessed on the transferor of the right.

Exempting Capital Gain Tax on equity shares freely surrendered to the Government through the Treasury Registrar.

Our point of view

This measure aims at ensuring timely transfer of shares without tax hurdles. The change aims at ensuring the transfer is made free of capital gain tax which would otherwise be assessed on the equity shares surrendered to the government through the Treasury Registrar.

Exempting withholding tax on Coupon for Corporate and Municipal Bond.

Our point of view

As the government is looking for alternative sources of funds for development projects at local government level, the government aims to encourage investment in corporate and Municipal Bonds upon becoming available.

Reduction of Withholding Tax on film industry from 15 percent to 10 percent.

Our point of view

The measure aims at promoting the growth of the film sector in the country which in turn will create employment opportunities for the youth.

Introduction of Digital Service Tax at the rate of 2%.

Our point of view

As the world economy is looking to tax digital business (e-commerce), the government has followed other East Africa countries like Kenya by introducing the Digital Service Tax (DST) to widen the tax base. Implementation of this measure will require clarity on inclusions and exclusions, specific definitions and clarity on whether the 2% will be offset against annual income tax for resident players and permanent establishments.

Introduction of final Withholding Tax at a rate of 2% for payments made to Small Scale Miners.

Our point of view

In his Budget Speech for the year 2021/22, the Minister proposed an income tax at 3% to small scale miners. However, the amendments were not included in the Finance Act 2021. The fact that small miners fall under the informal sector, the introduction of 2% final Withholding Tax will simplify tax collection and widening the tax base.

Introduction of corporate income tax of TZS 3,500,000 on each truck and passenger buses per year.

Our point of view

Based on the Ministers speech, this measure is intended to increase government revenue, predictability of the tax regime, and enhance transparency in tax assessment. Our understanding is that this measure will apply to individuals who are in transportation business rather than corporate entities. It is also unclear whether this measure target only up-country buses and exclude commuter bus service (in town buses) but clarity is required.

The increase in tax at this time when businesses are recovering from the impact of COVID-19, increase in cost of spare parts, maintenance etc may not well received by the stakeholders in the transportation sector.

Introduction of advance income tax at the rate of 20 shilling per litre for retailers of petroleum products. This tax is to be collected from retailers by importers of respective product and be remitted to the government.

Our point of view

The Minister indicated that the measure is intended to simplify the payment of income tax by petrol stations and reduce operational costs. However, it is unclear as to how this will impact the obligation of such businesses in relation to filing of provisional and final tax returns. There is a possibility that such advance payments may results to an overpayment of income tax considering margins in fuel retail business are regulated i.e., they are pre-determined. Our expectation is that the Finance Bill will provide further clarity on the proposal.

Value Added Tax (VAT)

Changes providing relief for global recession

» Zero rating locally manufactured double refined edible oil for one year

» Zero rating locally manufactured fertilizers for one year at ex-factory sales by manufacturers.

Our point of view

The recent war between Russia and Ukraine has affected the global prices of commodities. Tanzania has been specifically affected on the prices of edible oil and fertilizers. Therefore, the measure to zero rate locally manufactured double refined edible oil will provide a relief to Tanzanians by ensuring that the oils are available at affordable prices. On the other hand, zero rating of locally manufactured fertilizers will lower cost of fertilizer hence boost production in the agriculture sector which will ensure food security and stabilize food prices.

VAT changes affecting the Agricultural sector

» VAT exemption on standing trees

» VAT Exemption on equipment that are used for soil testing

The equipment that will be exempt include sensor arrays and chameleon sensor reader (HS Code 9026.10.00), Wetting Front Detectors (HS Code 9031.80.00), electronic conductivity meter (HS Code 9027.80.00) and Nitrate test strips (HS Code 9027.90.00). However, the exemption will be effective upon approval of the Ministry responsible for Agriculture.

» VAT exemption on Agro-net used for horticulture activities (HS Code 56.08)

» VAT exemption on moisture equipment used for weather forecasting

The equipment that will be exempt include moisture meter (HS Code 9003.18.00), rain gauge for weather stations (HS Code 9023.00.90), Ph meter (HS Code 3822.00.90), tissue culture equipment (HS Code 8419.89.60) and tensiometers (HS Code 9031.80.00). However, the exemption will be effective upon approval of the Minister responsible for Agriculture.

» VAT exemption on refrigerated trucks and cold rooms for perishable agricultural products. However, this exemption will be limited to non-convertible refrigerated trucks and cold rooms.

The refrigerated trucks to be exempted are those falling under (HS Code 8704.21.90, 8704.22.90, 8704.23.90, 8704.31.90, 8704.32.90, 8704.90.90) and for Cold rooms (HS Code 9406.10.10, 9406.90.10) upon approval of the Ministry responsible for Agriculture or Livestock and Fisheries. However, the exemption will be effective upon approval of the Minister responsible for Agriculture or Livestock & Fisheries.

Our point of view

Based on the budget speech presented by the Minister of Finance, the government's priorities will be in the productive sectors including agriculture. The proposed changes by the government will likely increase production of forestry products, boost employment in agriculture and improve competitiveness of locally produced products in the regional and international markets. We are also of the view that the proposed measures will lead to improved agricultural productivity and allow farmers to make informed decision by having clear information on soil productivity and weather conditions. Exemption on refrigerated trucks and cold rooms aims at minimizing post-harvest losses especially in the horticulture sector and diary sector

Changes affecting agro-processing subsector

- VAT exemption on unprocessed green vanilla pods (HS Code 0905.10.00)
- VAT exemption on locally manufactured Sisal twine

The purchase or importation of inputs and raw materials by manufacturers for use in the manufacture of passenger motor vehicles; and

The purchase of locally manufactured passenger motor vehicles.

Our point of view

We understand that these measures will boost processing of vanilla pods and increase the competitiveness of the processed vanilla pods in the regional and international markets. Furthermore, VAT exemption of locally manufactured sisal twine will boost investment in sisal farming and manufacturing.

Changes affecting manufacturing industry

- VAT exemption on inputs for the local manufacture of gas cylinder

This exemption covers items under (HS Code 7229.90.00, 3810.90.00, 3401.19.00, 7904.00.00, 4016.93.00, 8481.10.00, and 8309.90.90 after signing Performance Agreement with the government for control of abuse.

Inclusion of items under Chapter 87 (HS Code 87.16, 8701.20.90) as part of capital goods for the purpose of VAT deferment

Based on this amendment, tractors, trailers and semi-trailers and other vehicles not mechanically propelled and parts thereof may enjoy VAT deferment.

VAT exemption on raw material and machineries solely and directly used in the manufacturing of fertilizers by an approved manufacturer.

The raw material exempted are those falling under (HS Code 2528.00.00, 2710.99.00, 3505.20.00) and machineries under Chapter 84 and 85 of the East African Community Common External Tariff.   However, the exemption will be effective upon approval of the Minister responsible for Agriculture.

Our point of view

We understand that the proposed measures to exempt VAT on inputs for the manufacturing of gas cylinders will lead to increased investment in cylinder manufacturing as the exemption will allow harmonization of taxation of locally sourced materials with imported materials. This may likely result to lower production cost.

The inclusion of items under Chapter 87 as part of capital goods, tractors, trailers and semi-trailers; other vehicles that are not mechanically propelled and parts thereof may enjoy VAT deferment. Therefore, this change will likely lower the cost of purchasing tractors and trailers.

We are of the view that the projected growth in agriculture sector will go hand in hand with the availability of inputs including fertilizers that will be boosted by lower cost of machinery and raw materials as the result of VAT exemption.

Changes affecting Livestock & Fisheries industries

- VAT exemption on Ultra High Temperature (UHT) milk and yoghurt
- VAT exemption on dairy packaging materials
- VAT exemption on machines and appliances used for identification of livestock
- VAT exemption on stunning box, skinning and dehiding pulling machines
- VAT exemption on Pasture seeds
- VAT exemption on float for fishing net, fishing hooks and fishing lines

The exemption covers fishing net under HS Code 3926.09.10, fishing hooks under HS Code 9507.20.00 and fishing lines under HS Code 9507.90.00 and 9507.30.00.

Our point of view

From the budget speech, we understand that Livestock and Fisheries are among the key productive sectors that will be prioritized by the government during the fiscal year 2022/23. The proposed changes by the government will likely increase production of dairy products, boost employment in livestock and fisheries and improve competitiveness of locally produced products in the regional and international markets

Other changes related to VAT

Electronic verification of VAT refunds from 2022/23

Our point of view

This measure will allow unlock the significant amount of cash that has not been refunded to the private sector in the recent past years. We further understand that the decision to carry online verification will allow timely issuing of refunds and reduce backlog of refunds. If implemented efficiently, this is likely to be a game changer and will likely boost private sector confidence in the refund process.

Recognition of equivalent financing arrangement similar to conventional borrowing

Our point of view

We understand that this measure will enhance financial inclusion and accessibility of financial services and lead to treatment financial products equally. We further understand that this change will include Islamic Banking as part of Financial Services that are exempt for VAT purposes.

Conferment of power to exempt VAT on strategic investors to the Minister responsible for Finance

Our point of view

This will attract investment in the country and align the provision of the VAT and investment Act for better implementation of Government undertakings.

VAT exemption of machines and tools solely and directly used by the military and armed forces

Our point of view

This intends to reduce acquisition costs in strengthening improve defence and security systems.

VAT exemption on meteorological equipment and instruments imported by Tanzania Meteorological Agency (TMA)

Our point of view

This intends to promote modern weather forecasting services for proper planning and national security.

Taxation of the Digital services without creation of Permanent Establishment

The government proposes to create a simplified registration process to accommodate digital economy operators who have no presence in Tanzania without them triggering an income tax obligation in Tanzania.

Our point of view

The proposed change aims to simply the collection of tax without the obligation of having TIN which usually requires legal presence. The question will be whose TIN will be used for the purpose of Digital Services Tax (DST) registration and payment. More clarity will be key in this area to ensure effective implementation

Abolition of VAT exemption on smart phones, tablets and Modems

Our point of view

Whilst the exemption was introduced in 2021 with intention to promote usage of data services in the country and attain internet usage target of 80 by 2025, the government has a view that the exemption has not boosted digital inclusion but benefited the traders. Even though the prices of these devices were not reduced, the change may result to increased prices of the devices hence affect the digital inclusion of the citizens.

Abolition of VAT exemption on supply of air charter services

Our point of view

This change will impact the tourism sector through increased prices of air charter services. The government may need to reconsider this in line with the ongoing initiatives to boost the tourism sector.

Customs

Adopting a newly introduced maximum import duty rate of 35% as the 4th band of the EAC Common External Tariff (CET) effective from 1st July 2022. Applicability of the 4th band is proposed on some items listed under Table 4 of Appendix 1. The ministers have also agreed to assign a different duty rate on various products such as synthetic hair as summarised in Table 2 of Appendix 1.

Our point of view

This move is aimed at boosting local industries production by protecting them from competition arising from cheap and substandard imports such as ceramic products. It is also in alignment with the general motive of governments across East Africa to promote industrial economies.

The minister has further proposed the below changes;

- Increase of customs duty rate from 25% to 35% for various products including windows and doors made of aluminium, iron and steel.
- Duty remission for various products, raw materials and inputs as listed under Table 3 of Appendix 1,
- Stay of application of the EAC CET rate on various items as listed under Table 2 of Appendix 1.
- Extending a full import duty relief which was initially covering cans and ends of beverages only to now include cans and ends for packaging of food.

Our point of view

The proposed changes have mainly aimed at attaining amongst others the below objectives.

1. *This measure aims at protecting local manufacturers and improving competitiveness of locally manufactured products against imported products and open a window for exporting products at competitive prices in the regional and global markets;*
2. *Reducing production cost through granting duty remission for inputs and raw materials, This will in turn accelerate growth of the manufacturing sector in Tanzania and across the region;*
3. *Curbing the fiery inflation crisis that have mainly been accelerated by the impacts of COVID-19 and the Russia and Ukraine war, which has negatively impacted the world economy.*

Excise Duty

Considering the inflationary pressures in the country and the government's intention to accelerate economic recovery, the Minister has proposed not to amend the specific duty rates for all non-petroleum products. Nonetheless, the Minister proposed the following excise duty changes:

Reduce the annual license fee for manufacturers and importers of excisable goods from TZS 500,000 to TZS 300,000.

Our point of view

Although not as large a component of a manufacturer's cost, this measure is aimed at reducing costs to manufacturers and importers of excisable goods.

Introduce excise duty exemption on plastic sleeves puneet, plastic cryovac bags, modified atmosphere packaging – MAP bags, plastic sleeves, perforated bags and poly packaging bags HS 3923.29.00, Cling film HS 3921.12.90, Plastic liners HS 3902.90.00 for Horticultural export.

Our point of view

This is a very welcomed move aiming to promote export of horticultural products and strengthening market competitiveness. Quality of packaging materials has been a deterring factor to the horticulture industry in Tanzania. Consequently, this move will make quality packaging materials affordable and improve value of exported horticultural products.

Impose excise duty at the rate of TZS 500/kg on locally manufactured sugar confectionery and TZS 700/kg on imported sugar confectionery with HS Codes: 1806.31 (chocolate); 1905.31 (biscuits) and 1704 (chewing gum).

Our point of view

In addition to increasing government revenues, the measure envision protecting domestic industries in the manufacturing of sugar confectionery products.

Impose a 5% excise duty on Lead-acid, of a kind used for starting piston engines HS Code: 8507.10.

Our point of view

This is a crucial measure to mitigate the detrimental environmental and health impacts associated with the consumption of lead acid batteries. This move will also promote the use of Dry cell batteries which are more environmental friendly.

Miscellaneous Fees and Levies

The Local Government Finance Act, Cap 290

The minister proposes to distribute 10% of revenue collected by the Local Governments as follows:

» 5 percent to improvement of the entrepreneur's infrastructures;

» 2 percent to youth loans;

» 2 percent to women; and

» 1 percent to people with disabilities

Our point of view

The government is keen to provide financing to small scale traders, particularly youth and women. It will take an effective administration of such funds to reach the targeted people in a manner that actually facilitates their businesses. If well managed, this measure will have a direct impact and stimulate entrepreneurial activities at the council level.

Exemption of crop cess on seeds

Our point of view

The exemption will provide relief to farmers by reducing the cost of agriculture inputs and attract investment in the production of quality seeds. This measure demonstrates the government's intention to increase food production for local consumption and exports.

Local Government Councils shall assess the revenue potential before entering into agreement with third party collection agencies to ensure that the amount collected is commensurate with the potential of the source. Additionally, all revenue collected through Point of Sale (POS) to be deposited to the bank within a period not exceeding seven days from the date of collection

Our point of view

This move will spur thorough assessment of relationships established with collection agents for mutual benefit. Timely accounting of collected amounts will enforce accountability of public funds and drive efficiency.

Reduction of produce cess on forestry products from 5% to 3%

Our point of view

Consistent with the VAT changes, there seems to be a drive within the government to promote forestry sector.

Clarity on exemption to pay produce cess for corporate entities paying service levy

Our point of view

There has been a lack clarity on payment of produce cess and service levy for corporate entities engaged in trading and processing of agricultural products. The proposed change is intended to provide the much-needed clarity in terms of when and where to account for produce cess and service levy

The minister proposes to grant powers to the Minister responsible for local government to issue regulations on sharing of service levy collected among local government authorities.

Our point of view

There are some companies that operate across multiple districts / local government areas and have suffered from the lack of agreement between councils on the distribution of the levy. These regulations will provide the clarity needed.

The Workers Compensation Fund Act, Cap 263 ("WCF")

Reduction of WCF contribution by private sector from 0.6% to 0.5%

Our point of view

A welcome move intending to bring equity in the WCF contribution between private and public sector employers. The public sector is currently contributing at 0.5% while the private sector is contributing at 0.6%. There will be a marginal decrease in the cost of employing people in the market.

The Mining Act, Cap 123

The Minister propose to amend the Mining Act by reducing the rate of royalty on the following:

» Coal used as energy raw materials in factories from 3% to 1%; and

» Gold minerals sold to refinery centres from 6% to 4%.

Our point of view

There has been an upsurge in mining activities and the changes will continue to support government industrialization initiatives. The reduction of royalty on coal, is advantageous move towards reduction of energy costs that has positive impact on manufacturing industries. The benefits of lowered costs may increase appetite for refinery centres.

The Export Levy Act CAP, 196

The minister proposes to introduce export levy of 30% or USD 150 per metric tonne (whichever is higher) on copper waste and scrap metals HS Code 7204 and 7404.

Our point of view

The measure intends to protect the domestic manufacturers who uses copper waste and scrap metals as raw material. The proposed amendment will discourage export of such material while ensuring local industries have enough resources.

The National Payment System Act, CAP 437

The minister proposes to reduce mobile money transaction levy on sending and withdrawing monies from a maximum of 7,000 shillings currently in existence to a maximum of 4,000 shillings on each transaction. The minister also proposes to widen the scope on the applicability of the levy to include all electronic transactions.

Our point of view

Since the introduction of the mobile money transaction levy in 2021 there has been a public concern that the amount of levy imposed is significantly high, discourages financial inclusion and generally increases cost of living to Tanzanians. Following the implementation of the levy, mobile money operators reported record decline in transaction volume and gross value. The proposed reduction is expected to reverse the impact experienced by the mobile money sector since first introduction of the levy in 2021 and continue to support financial inclusion. The widening of the base to include all electronic transaction is not clear and will require further detail of transactions covered.

The Insurance Act, CAP 394

The minister proposes to expand the scope for mandatory insurance to public markets, Commercial buildings, imported goods, marine vessels, ferries and pontoons.

Our point of view

This is a highly welcomed move to improve insurance uptake, support insurance penetration and provide Tanzanians protection against losses especially in public markets and commercial buildings that have recently been exposed to fire risks.

The Foreign Vehicle Transit Charges Act, CAP 84

The minister proposes to reduce transit charges for vehicles exceeding 3 axles from USD 16 per 100 kilometres to USD 10 per 100 kilometre.

Our point of view

The move is intended to improve relationship with COMESA member countries by resolving long outstanding challenges in charging road user fee on trucks entering the United Republic of Tanzania from other EAC countries or COMESA members.

Tax Administration

The Minister proposes to reinstate the powers to the Minister for Finance and planning to remit penalty and interest

Our point of view

Since the coming into force of the Tax Administration Act, Cap 438 in 2015 (TAA), powers to remit interest and penalty has shifted between the Commissioner General of the Tanzania Revenue Authority (TRA) and the Minister responsible for Finance. In 2018, the Commissioner General was empowered to remit both the interest and penalty but subject to procedures and eligibility as laid down in the Regulations published by the Minister responsible for finance. As such, in 2020 the Minister responsible for Finance published The Tax Administration (Remission of interest and Penalties) Regulations, 2020. These regulations were subsequently repealed.

The Minister of Finance proposes to remove the powers to remit interest and penalties currently sitting under the Commissioner General, transferring such powers to the Minister responsible for finance. The challenge in this case will inevitably be the coordination of such remission requests between the TRA and the Minister. It remains to be seen in the actual regulations how the proposed changes are an improvement from the current situation.

Implementation of the Blueprint for Regulatory Reforms to improve the Business Environment.

The government intends to continue to implement the Blueprint for Regulatory Reforms which was introduced in 2018 for improving the business environment by abolishing various fees and levies.

The following are the institutions and regulators where the changes will be introduced:

- Ministry of Livestock and Fisheries;
- Ministry of Agriculture;
- Ministry of Information, Communication and Information Technology;
- Ministry of Culture, Arts and Sports;
- Tanzania Bureau of Standards;
- Occupational Safety and Health Authority (OSHA);
- Tanzania Atomic Energy Commissions;
- Fire and Rescue Forces;
- Gaming Board of Tanzania; and
- Immigration Department

Our point of view

consistent with previous similar measures the move intends to improve the ease of doing business and remove roadblocks in the business environment.

SECTORAL HIGHLIGHTS

Agriculture

- The sector has been allocated a total budget of TZS 751.1b in 2022/2023 to boost agricultural production and output. The 2022/2023 budget allocation has been increased by 155.34% compared to 2021/2022 budget.
- This is in line with the second Agricultural Sector Development Program (ASDP II), which is aimed at enabling farmers through provision of agricultural knowledge, technologies, routes to market and adequate infrastructure.

Deloitte commentary

- The agriculture sector remains pivotal in Tanzania's economy, providing 65% of total employment and offering livelihood to 70% of the population. In addition, agriculture contributed 29% of GDP in 2021 and is source to 65% of total industrial inputs.
- The government, guided by the ASDP II strategy, intends to ensure food security and nutrition for its populace by 2025. This is to be achieved through creation of Agricultural Ecological Zones in all districts to ensure optimised crop production.
- The ongoing conflict between Russia and Ukraine has however exposed the over-reliance of Tanzania on the two warring countries for agricultural commodities. More specifically, data shows that in 2021, Tanzania imported a combined 61.1% of its total imported wheat from both Russia and Ukraine and 16.9% of total imported fertiliser from Russia.
- The conflict portends a deficit of critical inputs in agriculture over the medium term and as a result, the government would require to spend a significant proportion of this allocation to source for alternative markets but also ease the potential rise in prices of the agricultural inputs. The minister has also indicated the fact that such crisis presents opportunities for Tanzania to use irrigation to meet the local and regional agricultural product demand.

Tourism

- The government has allocated the tourism sector a total of TZS 624.1b.
- The allocation is primarily geared towards the revival of the sector following the COVID-19 pandemic.

Deloitte commentary

- Tourism has been one of the top foreign exchange earner in the Tanzanian economy. Tourism earnings have increased by 82% in 2021 from USD 714.596 million in 2020 to USD 1.3bn in 2021.
- With continued vaccination against COVID-19, tourist confidence is expected to increase, prompting a rebound in the number of tourist arrivals, back to pre-pandemic numbers. The number of international arrivals increased by 48.6% in 2021 from 620,867 arrivals in 2020 to 922,692 arrivals in 2021. The lifting of travel restrictions has allowed the inbound market to recover, with strongest growth likely over the half of 2022.
- In the year 2022, in order to promote tourism, the government embarked on Tanzania – Royal Tour project. A film which was directed by the famous Peter Greenberg of the CBS News (An American television service). The ministry of tourism and natural resources has indicated the following to be among the benefits derived by the royal tour project:
  - » More than 30 tour operators from United States of America, France and Lithuania were interested and started to visit Tanzania's tourist attractions for the purpose of marketing the same in their countries; and
  - » The project attracted four investors from Bulgaria who will build four five star hotels in Serengeti national park, lake Manyara and Tarangire national park
- The sector could however face further disruption in 2022, with downward pressure arising particularly from the ongoing conflict between Russia and Ukraine. In 2021, Russia was the second largest source of tourists for Tanzania, contributing 8% of the total international tourist flow, second only to Kenya, which contributed 10%.
- Marketing campaigns are set to intensify in a bid to brand Tanzania as a favourable tourist destination and put it on track to reach its target of attracting 5 million tourists annually by 2025.

Agriculture
Tourism
Energy
Infrastructure
Health care
Mining

Energy

- The sector has been allocated TZS 2.71b in 2022/2023.
- The allocation is geared towards the completion of the major hydroelectric dams and revival of the negotiation and implementation of the LNG project.

Deloitte commentary

- In 2019, the government of Tanzania, embarked on the construction of the Julius Nyerere Hydropower Dam, with a capacity of 2,115 MW.
- The dam is currently 60.22% complete, is expected to be fully completed by 2024 and is estimated to cost USD 2.9b.
- In addition, the government is looking to intensify its natural gas production capacity to exploit the country's vast reserves. This is in line with the Natural Gas Utilisation Masterplan (2016 - 2045). Tanzania's installed capacity is currently made of 45% gas fired plants and once the exploration is completed, this percentage is set to increase.
- The allocation to the energy sector is consistent with the energy targets set out in the Tanzania's Five-Year Development Plan (FYDP III), which intends to have a total installed capacity of 4,915MW by 2026. Further, the plan targets to have at least 60% of the total population connected to electricity in the same time.
- The following are the strategic projects in the energy sector for the 2022/2023 budget:
  - » To continue with the national grid stabilization project;
  - » To complete negotiations and implementation of the Lindi's LNG project;
  - » Introduction and construction of Strategic Petroleum Reserve in order to ensure constant supply of fuel in the country;
  - » Introduction of fuel price stabilization fund for controlling fuel price; and
  - » To revive exploration activities on oil and natural gas

Construction, transport and communication

- These sectors have been allocated a combined budget of TZS 3,867b for construction and transport and TZS 282b for communication in 2021/22.
- Government priority in these sectors is the completion of the key infrastructure projects and continued revamping of air transport.

Deloitte commentary

- Investment in the development of infrastructure and public utilities has remained a key priority of the Government of Tanzania. This was the key growth driver in the construction sector in 2021.
- The standard gauge railway is one the largest ongoing infrastructural projects. The project is being implemented in 5 phases: 202km Phase 1 (Dar es Salaam–Morogoro) Section, 348km Phase 2 (Morogoro–Makutopora) Section, 294km Phase 3 (Makutopora–Tabora) Section; 130km Phase 4 (Tabora-Isaka) Section, and 341km Phase 5 (Isaka–Mwanza) Section. The first phase is approximately 82% complete . The first phase is expected to be completed in December 2022, at an estimated cost of USD 2.35b.
- Road improvement is set to improve the interconnection of rural Tanzania to major towns and cities, subsequently improving the route to market and trading activities.
- Strategic projects under the FYDP III to be financed include the construction of the standard gauge railway, construction of Julius Nyerere Hydropower Project (2,115 MW), strengthening Air Tanzania Company Ltd, and construction of Crude Oil Pipeline Project from Hoima (Uganda) to Chongoleani, Tanga (Tanzania)
- Improvement of the overall transport infrastructure in the country will drive up the attractiveness of the country as a destination to set up industries and business.
- The promotion of cashless transactions by the Bank of Tanzania (BoT) is expected to increase the transaction value in 2022. To achieve this, the government intends to reduce levies on electronic transactions.
- The government issued new licenses to five non-bank institutions to provide payment system services, bringing the number to 22 in 2020/21. Number of active accounts in mobile money system and mobile money agents increased by 42 percent and 22.9 percent to 31.5 million and 767.1 thousand, respectively, partly contributed by the interoperability of systems of mobile financial service providers.

Health care

- The sector has been allocated TZS 1,109b in 2022/2023.
- The allocation is geared towards strengthening quality of health services delivery

Deloitte commentary

- Human health and social work activities contributed 6.5% to Tanzania's GDP in 2020, a slight growth of 1.5% compared to 2019. The health financing system of Tanzania depends primarily on tax revenues, support from the development partners, out-of-pocket payments, private and social insurance for the health service users.
- The Government of Tanzania in 2022/23 budget has identified some of the following issues which will be of great importance or priority;
  - » Strengthening the delivery of vaccines for children under age of five; and
  - » Strengthening the quality of delivery of health services in the country

Mining

- The sector has been allocated TZS 83.4b in 2022/2023.
- The allocation is geared towards increasing contribution of mining sector to government revenue
- Gold accounts to almost 80% of revenue derived from mining business in Tanzania. Experts expected that the gold price would be stable in 2022 however the price has been increasing largely due to COVID-19.
- Gold price is expected to keep on increasing due to the Ukraine war since countries and individuals tend to keep the value of the currency by using gold.

Deloitte commentary

- In 2021, the mining and quarrying sector contributed about 6.7% to Tanzania's GDP. The growth of 6.7%, is slower than 17.7% in 2019 mainly due to a fall in coal and diamond production. Diamond production declined to 147,191 carats in 2020 from 416,749.5 carats in 2019 attributed to slow down in price of diamond in the world market.
- In order to benefit from the increase of mineral price, the government intends to take several measures include the following:
- To create a conducive business environment including reduction of different tax and levies imposed on different minerals;
- The government will emphasize investment on strategic minerals such as palladium, nickel, aluminum, cobalt and graphite so that people can benefit on the increase of price on these minerals.
- For the period between July 2021 and March 2022 the ministry of minerals through mining commission has issued special mining license to
  - » Kabanga Nickel
  - » Orecorp (Nyanzaga Gold Project
  - » Black Rock Mining (Graphite)
  - » Strandline (Mineral Sands)
  - » Petra Diamonds
- This upsurge in mining activities not only means that there is an injection of FDI into the country, but also that the contribution of the mining sector is likely to increase in the economy.

APPENDICES

Stay of Application for one year

Table Number 1

Item	**HS Code**	**Current Rate**	**Proposed Rate**
Ceramic tiles	6907.21.00; 6907.22.00; and 6907.23.00	25%	35% or USD 1.5 per square meter whichever is higher
Flat-rolled products	7212.20.00 and 7226.99.00	10%	10% or USD125/MT whichever is higher
Crude vegetable oils of soyabeans, groundnuts, coconuts, mustard and linseed.	1507.10.00; 1508.10.00; 1513.11.00; 1514.91.00; and 1515.11.00	0%	10%
Semi-refined and refined vegetable oils	1507.90.00; 1508.90.00; 15.09; 1510.10.00; 1510.90.00; 1511.90.10; 1511.90.30; 1511.90.90; 1512.19.00; 1512.29.00; 1513.19.00; 1513.29.00; 1514.19.00; 1514.99.00; 1515.19.00; 1515.29.00; 1515.50.00; and 1515.90.00	35%	25%
Baby diapers	9619.00.90	25%	35%
Cotton yarn	Heading 5205, 5206 and 5207 except subheading 5205.23.00	10%	25%
Cane sugar imported under a permit issued by the Tanzania Sugar Board	1701.14.90	100% or USD 460/MT	25%

Continue with below Implementation of proposed measures that were taken into effect in the financial year 2021/22 implemented in 2022/23 are as follows

Item	HS Code	Current Rate	Proposed Rate
cash registers and other Electronic Fiscal Device (EFD) Machines and Point of Sale (POS)	8470.50.00 and 8470.90.00	10%	0%
Cocoa powder, not containing added sugar or other sweetening matter	1805.00.00	0%	10%

Item	HS Code	Current Rate	Proposed Rate	Item
Iron and steel products	7209.16.00; 7209.17.00; 7209.18.00; 7209.26.00; 7209.27.00; 7209.28.00; 7209.90.00; 7211.23.00; 7211.90.00; 7226.92.00;		10%	10% or USD 125/MT whichever is higher
Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more plated or coated with zinc	7210.49.00; 7210.61.00; 7210.69.00; 7210.70.00; and 7210.90.00		25% or USD 200/MT	25% or USD 250/MT whichever is higher
Flat-rolled products of iron or nonalloy steel, of a width of less than 600 mm, clad	7212.60.00		10%	10% or USD 250/MT whichever is higher
Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, clad	7212.30.00		25% or USD 200/MT	25% or USD 250/MT whichever is higher
Iron and steel products	7209.16.00; 7209.17.00; 7209.18.00; 7209.26.00; 7209.27.00; 7209.28.00; 7209.90.00; 7211.23.00; 7211.90.00; 7226.92.00;		10%	10% or USD 125/MT 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	25%	25% or USD 350 per MT whichever is higher
Mineral water		2201.10.00	25%	60%
Gypsum powder		2520.20.00	0%	10%
Worn items of clothing, footwear and articles		6309.00.10; 6309.00.20 and 6309.00.90	35% or USD 0.40/Kg	35%
Buses for transportation of more than 25 persons		8702.10.99 and 8702.20.99	25%	10%
New pneumatic tyres of rubber, of a kind used on motorcycles		4011.40.00	10%	25%
Wires of other alloy steel		7229.20.00	10%	0%

Item	HS Code	Current Rate	Proposed Rate	Item
Milk cans		7310.10.00 and 7310.29.90	25%	0%
Refined white sugar (sugar for industrial use)		1701.99.10	100 % or $ 460/MT whichever is higher	10%

Change of rate across EAC			
Table Number 2			
Item	**HS Code**	**Current Rate**	**Proposed Rate**
Wigs, false beards, eyebrows and eyelashes, switches of human or animal hair or of textile materials	Heading 6704	25%	35%
Petroleum oil products partly refined	2710.19.10	25%	10%
Electronic Cigarettes	8543.40.00	N/A, this is a newly introduced HS Code	35%

Duty Remission			
Table Number 3			
Item	**HS Code**	**Current Rate**	**Proposed Rate**
Raw materials used to manufacture food flavors.	1901.90.10; 3302.10.00; and 3505.10.00	10%	0%
Inputs used to manufacture corrugated boxes	4804.19.90; 4804.39.00; 4804.42.00; 4804.51.00; 4804.52.00; 4805.11.00; 4805.19.00; 4805.24.00; 4805.25.00; 4805.93.00; 4810.13.00; 4810.19.00; 4810.31.00; and 4810.32.00	10%	0%
Inputs used to manufacture toughened glass	7005.10.00; 7005.21.00; 7005.29.00; and 7005.30.00	10%	0%
Inputs used to manufacture electrical cables	7312.10.00; 7217.20.00; 7408.19.00; 7409.11.00; 7605.21.00; 2710.19.56; 3815.90.00; 5402.19.00; 5903.90.00; 7217.20.00; 7907.00.00; 7312.10.00; and 2712.10.00	10%	0%
Inputs used to manufacture soap.	3401.20.10	25%	10%
Prefabricated building	9406.20.90	25%	0%
Continue with below Implementation of proposed measures that were taken into effect in the financial year 2021/22 implemented in 2022/23 are as follows			
Item	HS Code	Current Rate	Proposed Rate
Inputs used to manufacture essential medical products and supplies for fighting COVID-19 including masks, sanitizers, coveralls, face shields and ventilators		25% or 10%	0%
Other packing containers including record sleeves.	4819.50.00	25%	0%
Corks and stoppers used as inputs by domestic manufacturers of local wines	4503.10.00	10%	0%
Packaging materials used for packing processed coffee	7310.21.00; 6305.10.00; 3923.50.10; 3923.50.90 and 3920.30.90	25%	0%

Item	HS Code	Current Rate	Proposed Rate
sacks and bags of polymers of ethylene used as inputs by domestic processors of cashew nuts	3923.21.00	25%	0%
Inputs used by domestic processors of cotton lint	3920.30.90; 6305.39.00; and 7217.90.00	25%	0%
Imported wheat grain	1001.99.10 and 1001.99.90	35%	10%
Printed Aluminum Barrier Laminates (ABL)	3920.10.90	25%	0%
Refined Bleached Deodorized (RBD) Palm Stearin	1511.90.40	10%	0%
Raw materials and industrial inputs used to manufacture textiles and footwear			
Organic surface-active agents (Anionic)	3402.11.00	10%	0%
Raw materials used in leather processing	3208.20.00 and 3210.00.10	25% or 10%	0%
Raw materials used to manufacture different types of fertilizers	2710.99.00; 2528.00.00; and 3505.20.00	25% or 10%	0%
Packaging materials for processed tobacco	5310.10.00	25%	0%
Packaging materials used by local manufacturers of tea (blenders)	4819.20.90; 5407.44.00; and 3923.29.00	25%	0%
CKD for three-wheel motorcycle excluding chassis and its components	8704.21.90	25%	10%
Inputs used to manufacture glass reinforced plastic pipes (Polyester Film 50mm & 200mm; Tissue Mat 30gr; Chopped Strand Mat/Knitted glass Mat; Mesh cloth liner; Sand holding cloth (Polyester Mesh); Direct Roving (2400 TEX); Direct Roving (600 TEX); Chop Roving; Surface Liner; Rubber Oring; Rubber Gasket; and Resin Cystitis)	3920.61.10, 7019.39.00, 7019.31.00, 6006.90.00, 7019.12.00, 3920.10.10, 4016.93.00, and 3907.91.00	25% or 10%	0%

Products Classified under 4th Band of 35%

Table Number 4

S/N	Items
a	Products of animals such as fish, meats and diaries,
b	agro-processing products including tea and coffee
c	Horticultural products
d	Luxurious goods such as human air, wigs, cosmetics, perfumes and beverages
e	Refined edible oils, Salt and Sugar
f	Cement and Paints
g	Soaps
h	Tanks
i	Packaging items
j	Wood and Leather products
k	Ceramics
l	Furniture
m	Iron and steel products
n	Confectionery such as chewing gum, biscuit, and chocolates
o	Tomato sauces, sausages, peanut butter

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