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Budget 2023/24 Highlights

Pivoting for inclusive growth

JUNE 2023

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Foreword

In today's rapidly changing global landscape, pivoting for inclusive growth has become crucial for sustainable economies. It involves adapting to changing environments, capitalising on emerging opportunities, and innovating to create new growth avenues. This approach can be particularly beneficial for countries like Tanzania, which are seeking to achieve sustainable economic growth and development. Recent global disruptions have made it evident that growth in an economy should be inclusive for meaningful and long-term gains.

The previous fiscal year showed encouraging developments in the investment landscape, as we observed millions of dollars in investments from both domestic and foreign investors. Between July 2022 and March 2023, the Ministry of Industry, Trade, and Investment registered several large-scale projects in the manufacturing sector, transportation, and construction of commercial buildings. Although Mwanza, Arusha, and Dodoma each secured more than 10 projects; Dar es Salaam and Pwani regions are likely to get the majority of these investments, totaling 111 projects for both regions. Investment in these regions has been lured to some extent by the existence of growing markets and the availability of reliable infrastructure, i.e. transport (water, road, and air), energy and power, and social services. Additionally, five projects in Export Processing Zones (EPZ) were registered, expected to contribute to future exports worth US$12.46 million, and provide employment for at least 1,247 people during the same period.

Furthermore, Tanzania Investment Centre (TIC) registered and approved a mix of around 162 projects between February and May 2023, worth approximately $1,833.03 million in capital and estimated to create at least 25,921 jobs. The TIC monthly reports analysed and also showcased a rising interest among local investors to register as TIC investors and increasing the number of joint ventures. This was one of the several positive influences of the new Investment Act 2022, which lowered the requirement for local participation. In terms of joint venture appetite, the synergy strengths of both parties, i.e. the local partners' domestic market knowledge, familiarity with government regulations, labor markets, and supplier networks, and the foreign partners' advanced technologies, management expertise, and export market access, will help better sustain businesses. Investor interest in the nation is rising overall, mostly as a result of the commendable reform momentum.

In terms of industry performance, Tanzania's financial sector has continued to grow rapidly with strong asset growth and improving lending quality. The agriculture and manufacturing sectors have also experienced steady growth, fueled by government investment in key infrastructure projects aimed at enhancing port efficiency, connectivity, power and energy supply, and quality access to social services. The tourism sector has shown impressive growth, with a record number of tourists visiting the country in 2022/23. Meanwhile, the extractive and energy sectors have also displayed significant potential, with several new investments expected in the coming year.

The National Budget 2023/24 presents a unique opportunity for the government to prioritise strategic investments and policies that can help pivot the country's economy for inclusive growth. Key global trends such as the rise of renewable energy and the increasing adoption of digital technology are expected to impact several sectors in Tanzania. Companies worldwide are embracing cutting-edge technology like automation, cloud computing, blockchain, and artificial intelligence to enhance productivity and efficiency. Increasing regulatory scrutiny around data privacy and cybersecurity will require businesses to adapt their practices to ensure compliance. Additionally, it is now more important than ever for the private sector to drive climate change mitigation and adaptation in order to achieve a sustainable inclusive development.

Tanzania has invested more than US$75 billion, in its national development during the last five years, with the primary areas of attention being agriculture, infrastructure, industries, and social services. As a top priority, the finance ministry continues to place emphasis on finding innovative, inclusive, and favorable ways to raise more funding for development to complement their efforts in tax administration, public administration, and revenue management while stimulating private sector growth.

This publication on '*Pivoting for inclusive growth*' covering the Tanzania National Budget 2023/24 provides an overview of the current economic state of the Tanzanian government, as well as strategic priorities for the coming financial year. Our commentary also looks at analysing growth and tax measures from the lens of inclusive distribution and economic opportunities for all. Given Tanzania's potential for growth and its strategic location in the East African region, it is imperative to prioritise inclusivity in economic planning.

At Deloitte Tanzania, we are committed to helping our clients navigate the business landscape and capitalise on new opportunities. Our team of experts are positioned to provide insights and advisory services, ensuring businesses are equipped to succeed in an ever-evolving economic setting.

Tuko Pamoja.

#PurposeKwaGround

David Nchimbi
Country Managing Partner
Deloitte Tanzania

Foreword

The global economy continues to face headwinds impacting growth in various sectors. Tanzania is no stranger to this. A stronger American dollar, the effect of the war in Ukraine, and an increase in commodity prices in the world markets combine to pose a novel challenge in the development story of this East African nation.

In this financial year's budget reading, H.E. Samia Suluhu Hassan's administration looks to tackle this obstacle whilst sustaining the growth nurtured throughout the implementation of the country's 3rd Five-Year Development Plan (FYDP III) 2021/22 – 2025/26. The government's numerous reforms come at the right time to proactively react to the tumultuous economic waters felt across the world and ensure Tanzania's growth is not only maintained but also inclusive.

As we face these uncertainties, it is key that the budget is agile yet decisive in fostering the environment necessary for the whole country to flourish. It has been a crucial objective of the FYDP III to accelerate inclusive economic growth in realising the Vision 2025 of a nation with a high quality of life for all, supported by a strong and resilient economy built for the digital age. This year's budget provides the government with an opportunity to enable broad based solutions that will truly put Tanzania on course towards inclusive growth.

The government expects to marshal TZS 44.4 trillion for this year's budget, with domestic revenue expected to contribute TZS 30.2 trillion to that amount. External non-concessional debt financing has been reduced by 31% from last year, a welcome move which will help improve the country's debt sustainability in these trying times.

For the private sector, the Tanzania Investment Act No. 10 of 2022, continued the government's commitment to improve the business environment. Deliberate efforts to support the private sector have inspired confidence for local and foreign investors alike seeking to invest in the country. This, together with the Bank of Tanzania's efforts to improve access to capital to the private sector and the overall growth of the banking sector has the potential to drive Tanzania towards a safer, more inclusive recovery.

The extractive sector continues to be among the key focus areas for the government because of the growing demand for critical minerals, due to its contribution in terms of forex tax revenue. The government continues to implement various reforms to encourage more investments in the sector including proposed introduction of tax exemption in respect of restructuring triggered by framework agreement between sector players and the government, as well as measures to encourage local mineral refinery.

To balance between revenue collection and fostering economic growth, the government proposes several reforms to tax laws and regulations – including expanding tax on tobacco products, limiting tax exemptions to 1% of GDP and proposing to increase focus on non-tax incentives (i.e. land, water, infrastructure and energy), increase consumption taxes such as excise and modest VAT measures aimed at incentivising certain sectors such as tourism. But Tanzania needs loftier goals when it comes to tax reform, which have the potential to simultaneously fix the structural deficit, realign incentives and boost the productive capacity of the economy.

This document summarises the core focus areas of the 2023/24 budget and our analysis of impact on businesses and the economy. We hope this document provides relevant insights and serves as a reference document as you embark on the new fiscal year.

Happy reading!

#InclusiveGrowth

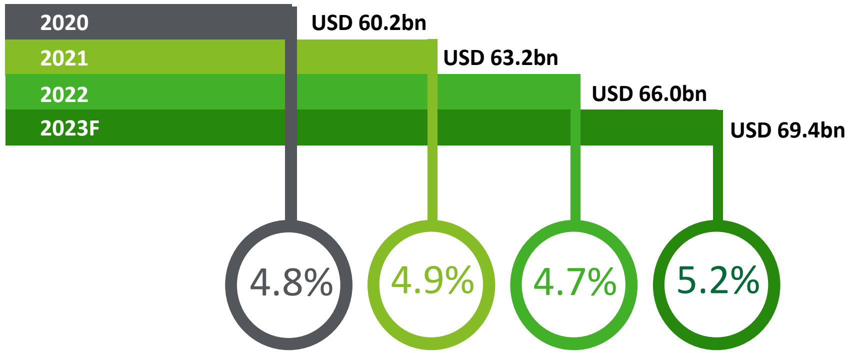
Festo Barthalome
Tax & Legal Partner
Deloitte Tanzania

Economic Outlook

Key macroeconomic highlights

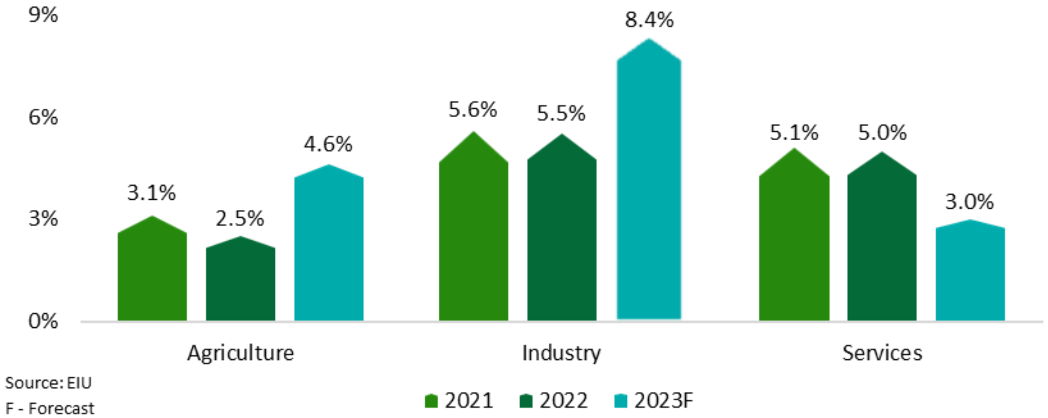
GDP and sectoral growth

Real GDP



Source: EIU; Deloitte analysis
F – Forecast
The Minister's Speech

Sectoral GDP Growth



Source: EIU
F - Forecast

GDP Growth

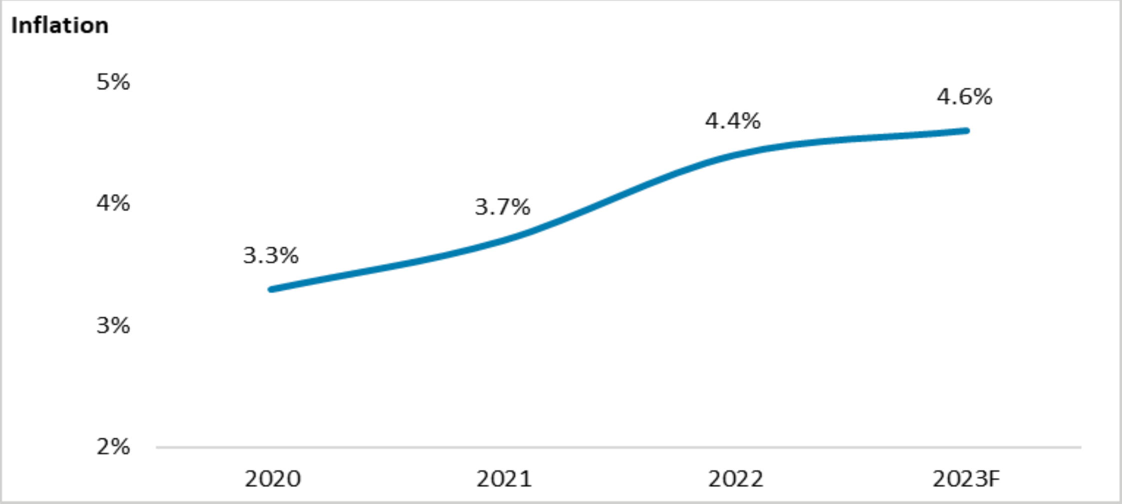
- Tanzania's real GDP growth slowed down from 4.9% in 2021 to 4.7% in 2022 due to the global downturn caused by the prolonged Russia-Ukraine conflict, which had adverse effects on agriculture sector.
- In 2023, Tanzania's real GDP growth was expected to recover moderately to over 5%, driven by agriculture, mining, trade, and infrastructure investment. Notably, for the quarter ending March 2023, the Zanzibari economy reported growth at 8.3% according to the Bank of Tanzania.
- Over the medium term, 2024/27, GDP is expected to grow at an average rate of 6.5% supported by mega infrastructure projects such as the completion of the East African Crude Oil Pipeline (EACOP), the Standard Gauge Railway (SGR), Nyerere Hydropower Project, sizeable mining projects and increased private consumption.

Sectoral Growth

- Growth in the agriculture sector faced a slight slowdown to 2.5% in 2022, due to the global fertiliser crisis caused by the Russia-Ukraine conflict and low yields owing to the regional drought. The fertiliser subsidy continuing into the 2023/24 fiscal year is expected to boost recovery in the forecast period. This will be supported by a 29.2% increase in budgetary allocation.
- Industry grew by 5.5% in 2022, driven by infrastructure projects such as the SGR and the Julius Nyerere Hydropower Project. The sector is projected to grow by 8.4% in 2023 driven by ongoing and planned mega-projects such as the crude oil pipeline between Uganda and Tanzania. This will be supported by a Tanzanian Shillings ("TZS") 3.6tn budgetary allocation.
- Despite the slower growth projected in the services sector, a continued rebound in tourism activities will mitigate any further decline in the growth of the sector.
- According to the Minister, the highest growth sectors are arts and entertainment (19%), quarrying and mining (10.9%), finance and insurance (9.2%), accommodation and food service (9%) and electricity supply (7.6%).

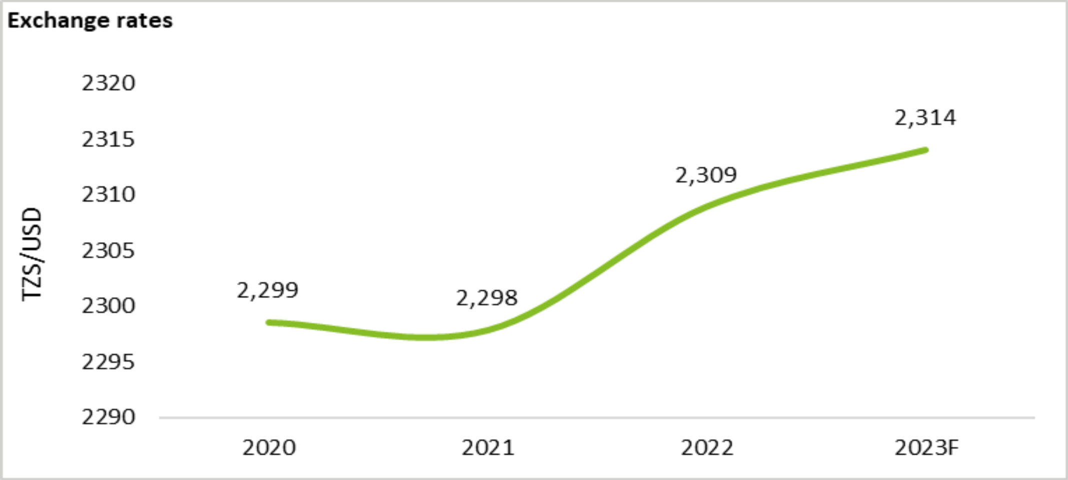
Key macroeconomic highlights

Inflation and exchange rates



F - Forecast

Source: Bank of Tanzania; EIU



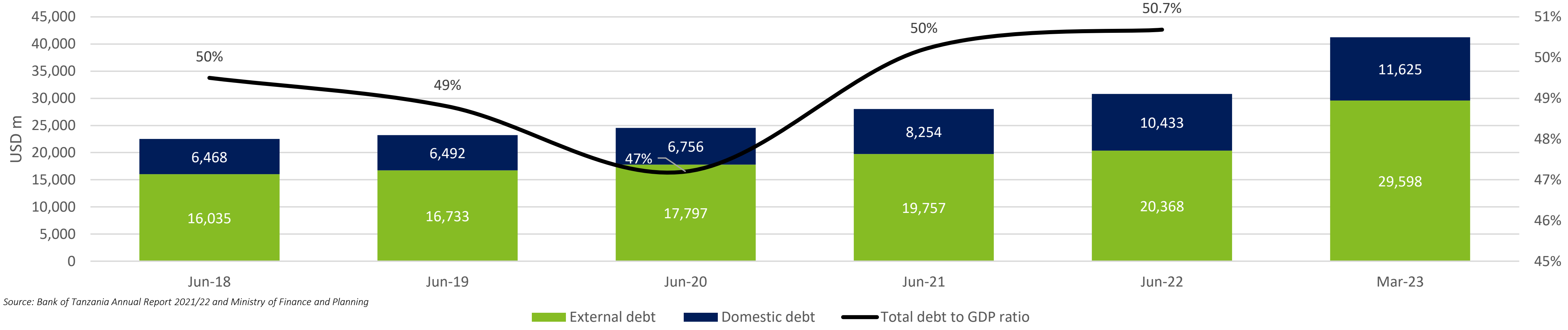
F - Forecast
Source: Bank of Tanzania; Fitch Solutions

Inflation and Foreign Exchange

- Inflation increased from 3.7% in 2021 to 4.4% in 2022, primarily driven by rising global commodity prices following supply chain disruptions resulting from the Russia-Ukraine conflict and increased local food prices owing to the regional drought experienced in the past 2 years.
- Despite the upward pressure on inflation from rising food prices, government fuel and fertiliser subsidies have kept inflation below Bank of Tanzania's (BoT) target ceiling of 5.0%, and it is forecasted to average 4.7% in 2023.
- The TZS is projected to depreciate to TZS 2,314 against the dollar alongside a structural current-account deficit but will be buoyed by adequate foreign reserve stocks offering 4.6 months of import cover in the forecast period. The TZS is expected to lose value at a slower pace than other East African currencies which face faster purchasing power erosion due to lower foreign reserve stocks averaging less than four months in the forecast period.

Fiscal commentary

Debt sustainability and performance



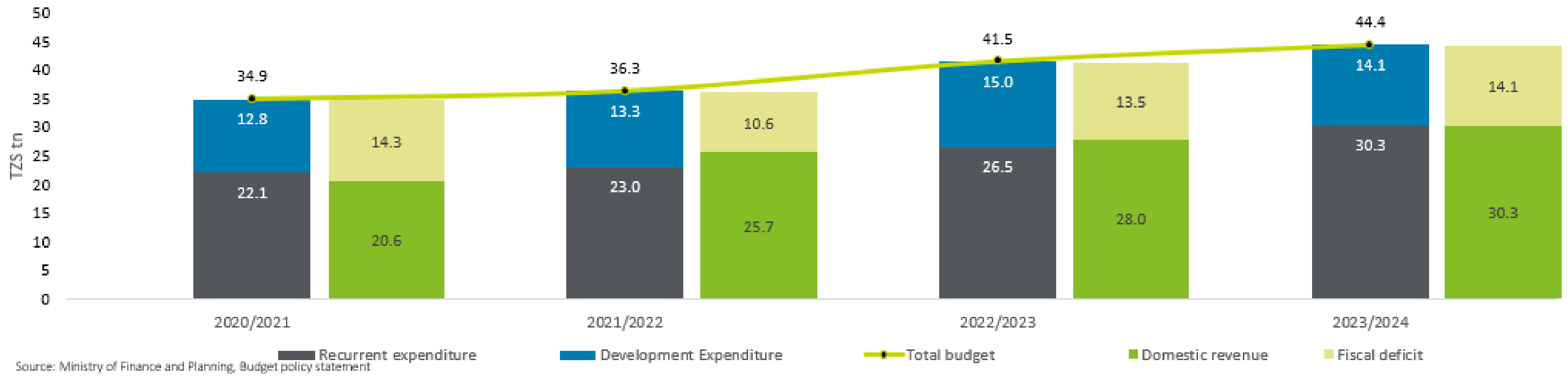
Source: Bank of Tanzania Annual Report 2021/22 and Ministry of Finance and Planning

- National debt increased by USD 4.5bn (13.3%) to USD 38.3bn between June 2021 and June 2022, primarily driven by the receipt of a USD 372.4m loan from IMF, under the Rapid Credit Facility, the securitisation of pension funds obligations in arrears, and domestic financing of fiscal operations.
- Of the total stock of national debt, public debt (external and domestic) amounted to USD 30.9bn, 80.7% of national debt.
- 45.9% of external debt was owed to multilateral creditors with commercial creditors accounting for a significant minority at 29.2%.
- External debt service payments stood at USD 1.7bn during the period ended June 2022, a USD 230.8m (16.1%) increase from 2021. Of these payments, 79.5% were principal payments.

- External debt service payments stood at USD 1,662m, a USD 230.8m (16.1%) increase from 2021, or 15% of exports, during the period ended June 2022. Of these payments, 79.5% were principal payments.
- Long-term instruments (treasury bonds and stocks) constituted the largest part of domestic debt, public and private sector, accounting for 83.8%. 31.1% of domestic debt was owed to pension funds, while 27.9% was owed to commercial banks.
- Tanzania's debt-carrying capacity, as a result of the post-pandemic economic fallout, remains uncertain. The country's carrying capacity downgrade by the IMF from a strong to medium performer in 2021 is unchanged.

Budget overview

Budget overview



Source: Ministry of Finance and Planning, Budget policy statement

The 2023/24 budget stands at TZS 44.4tn, a 6.9% increase from the 2022/23 budget. The government intends to allocate funds guided by its Five-Year Development Plan with plans to increase annual GDP growth to 8%. This allocative strategy is in line with insights from our 2022/23's budgetary publication and a shift to a broad-based economy

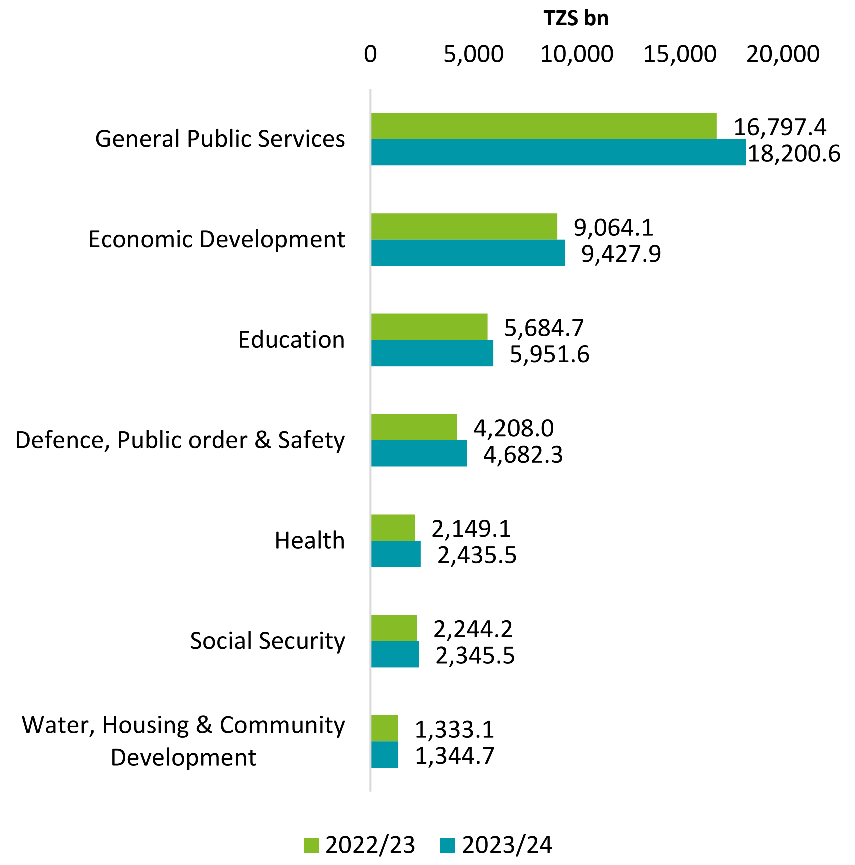
The TZS 3.8tn (14.3%) increase in recurrent expenditure in the 2023/24 budget from TZS 26.5tn in 2022/23 is a factor of the USD 230.8m (16.1%) increase in debt servicing costs and a growing civil servants' wage bill.

The 2023/24 budget will be largely funded by domestic revenue, which is expected to account for 68.2% of the total budget. Domestic revenue growth is expected to be driven by a 13.0% increase in tax revenue from TZS 23.7tn in 2022/23 to TZS 26.7tn. The fiscal deficit, inclusive of grants, is projected to decrease to TZS 8.7tn from TZS 8.9tn in 2022/23. The government intends to plug the deficit through a mixture of internal and external borrowing.

Development expenditure is expected to account for 31.7% of the total budget in 2023/24. Energy and transport infrastructure projects will drive the growth in development expenditure.

Budget overview

Budgetary allocation by sector



The largest winners in the 2023/24 budgetary allocation include:

General public services

General public services comprises two sub sectors: executive & legislative organs, financial & fiscal affairs, and external affairs; and debt services (principal repayment). The sector has been allocated TZS 18.2tn in 2023/24, an 8.4% increase from the 2022/23 TZS 16.8tn allocation. The allocation is aimed at funding the increase in public servants' minimum monthly wage from TZS 300k to TZS 370k and covering principal debt service costs that are estimated at TZS 3.5tn in 2023/24.

Economic development

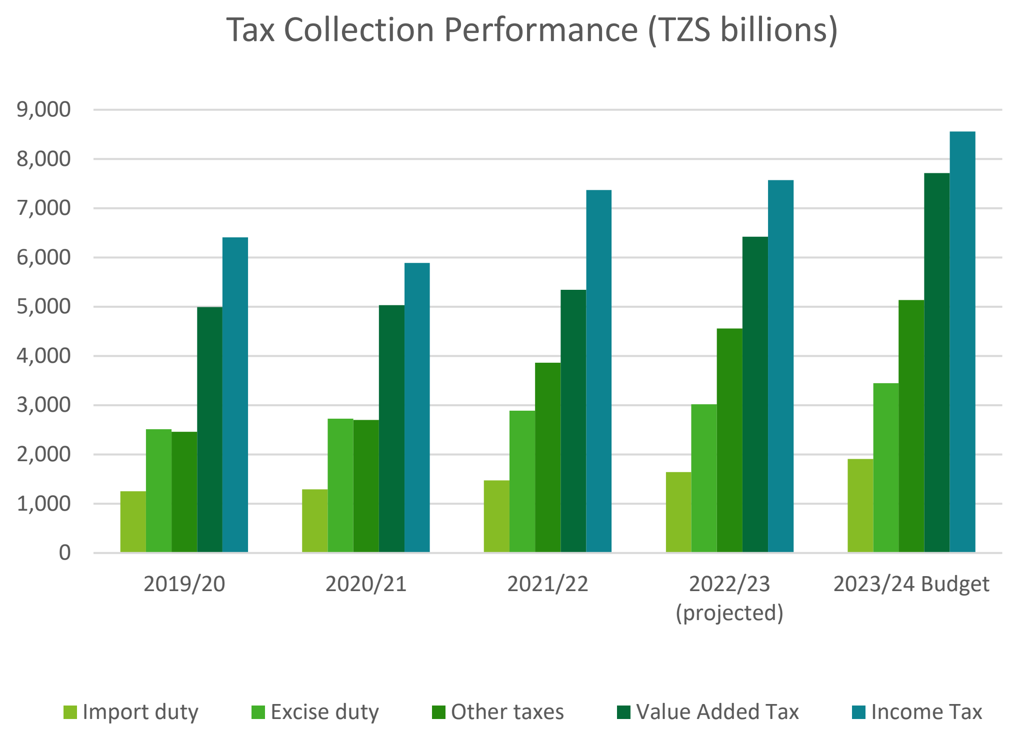
Economic development has been allocated TZS 9.4tn to facilitate construction of infrastructure aimed at enhancing economic opportunity, expanding electricity coverage, and protecting the populace from global petroleum price volatility.

The sector comprises: works, transport & communication; agriculture; industry & trade; energy; minerals; natural resources, environment, & tourism; and labour, youth & skill development. Energy accounts for 32.6% of the overall allocation.

Education

Education has been allocated TZS 6.0tn, a 4.7% increase from 2022/23, reflecting the government's commitment to free education, ensuring graduates' employability, and strengthening the country's capacity in research and the use of science, technology and innovation to accelerate the move towards an industrial, knowledge-based economy.

Revenue collections



Source: Ministry of Finance and Planning

** Fourth quarter values for 2022/23 have been forecasted*
Source: Tanzania Revenue Authority tax collection statistics

The revenue collected from domestic sources has increased by 8% down from the 22% growth seen in 2021. The share of domestic revenue in the total resources available to the government continues to improve, showing the steady diversification of the source of the nation’s revenue.

In 2022/23, we have seen a surge in tax refunds dispersed to taxpayers with a three-fold increase in the refunds remitted to taxpayers in comparison to the previous financial year. This is welcomed news for businesses, particularly exporters.

Sectoral Highlights

Agriculture highlights

The agriculture sector contributes 26.1% of Tanzania's GDP and has created employment opportunities to about 65.5% of the total population and contributed about 65% on the availability of industrial raw materials.

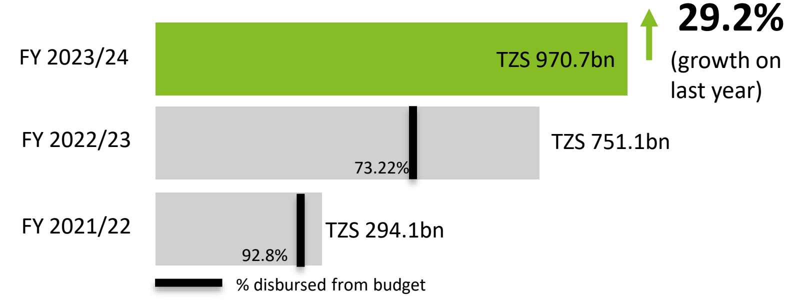
TZS **44.4trn**

Total budget

Budget changes

- The allocation is aimed at seeing Tanzania achieve 10% sectoral GDP growth in agriculture by 2030 to ensure food security and increase the value of agricultural exports from USD 1.2bn to USD 5bn.
- In a bid to achieve the zero hunger Sustainable Development Goal, the increased budget allocation to the Ministry of Agriculture should allow for improved productivity, reduced farming costs through subsidies, agricultural infrastructure development, seed production, and irrigation research.
- The utilisation of irrigation coupled with the growing of drought-resistant crop strains should mitigate the impact of climate change on food production and guarantee food security for the Tanzanian people.

Budget Allocation



29.2%
(growth on last year)

26.1%
of GDP

Strategic priorities 2023/24

- Increase productivity and production.
- Increase decent jobs and enhancing youth and women participation in agriculture sector.
- To improve resilience for food and nutrition security.
- Strengthen access to markets, crop exports and agriculture financing.
- Strengthening development of Cooperatives.

TZS **970.8bn**

2.2%
(of total budget)

Insight

- For the FY 2022/23, the Ministry of Agriculture was allocated a total of TZS 751,123,280,000 for both development and recurrent expenditure. As of April 2023, only 73.22% of the total amount allocated was received by the Ministry.
- In FY 2023/24 The agriculture sector is allocated TZS 970,785,619,000 which is made up of TZS 767,835,139,000 (i.e., 79.1% of the total amount allocated) for capital expenditure and TZS 202,950,480,000 for recurrent expenditure.

Construction and transport highlights

Sector highlights

Construction

- The Ministry of Works and Transport (MoT) is in the bid evaluation process for the Public Private Partnership for the construction of expressway of 205 kilometers from Kibaha – Chalinze – Morogoro. This will be the first project of its kind in Tanzania.
- In FY 2022/23 the MoT started the process of obtaining contractors for Engineering, Procurement, Construction and Financing (EPC + F) for construction of roads of about 2,035 kilometers.
- For FY 2023/24 the MoT is allocated a total of TZS 48,395,392,000 and TZS 1,419,843,057,000 for recurrent and capital expenditures respectively.

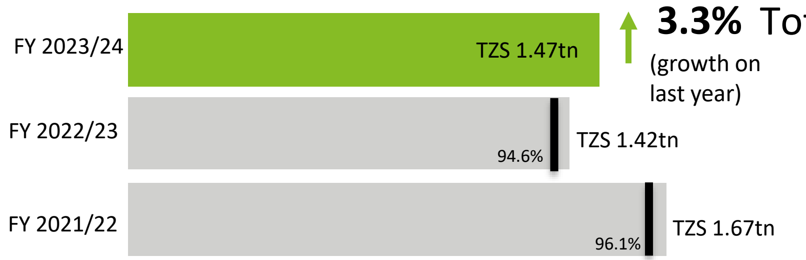
Transport

- The Land Transport Regulatory Authority of Tanzania (LATRA), in conjunction with the e-Government Authority (eGA) and the Tanzania Bureau of Standards (TBS) has started implementing the usage of fare meters for taxis, aiming to improve the transportation services offered by taxis and increase fare controls for taxis and ride sharing vehicles.
- For FY 2023/24, a total of TZS 118,215,599,000 is requested for recurrent expenditures and TZS 1,968,329,909,000 for capital expenditures.

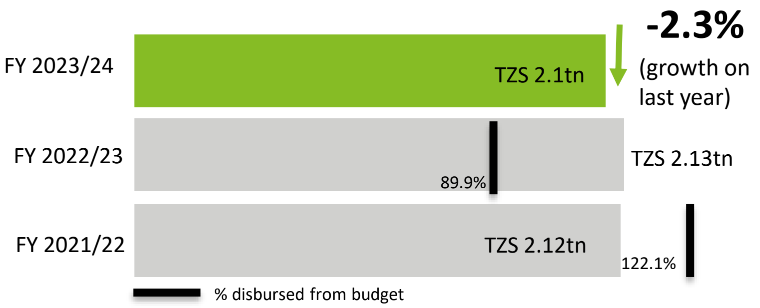
Key items within the transport sector:

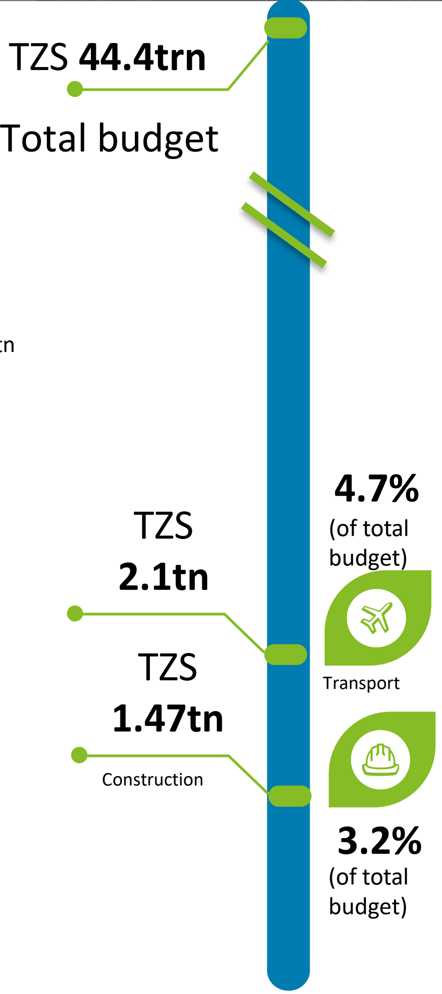
- Within the two years of the current regime, 15,563KM of roads are in construction stages.
- There has been significant progress in the construction of the Standard Gauge Railway (SGR), with about more than 90% completion for the Dar-es-Salaam to Morogoro and Morogoro to Makutupora lots.

Budget Allocation - Construction



Budget Allocation - Transport





Insight

Amounts disbursed during the FY 2022/23 to construction sector was 95.3% denoting a commitment to fulfilling infrastructure priorities set out for the fiscal year. This is far higher than the disbursed amounts of other sectors such as Transport (89.9%) and Agriculture (73.22% - as at April 2023).

Energy highlights

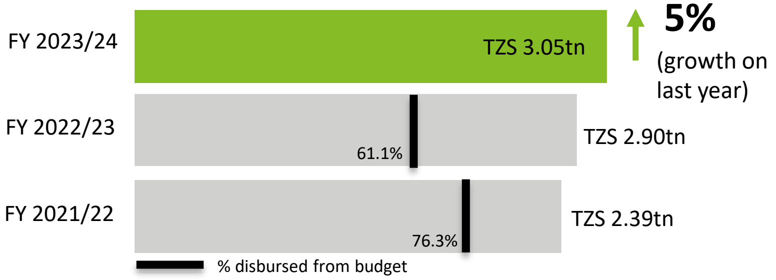
Successes in the energy sector

- Capacity increase of the machinery for production of electricity by 10.1%.
- Completion of Julius Nyerere hydroelectric dam (MW 2,115) by 86.89% compared to 60.22% in April 2022.
- Completion of extension of Kinyerezi I project (MW 185).
- Increase of number of people connected to electricity by 12.4% as of April 2023.

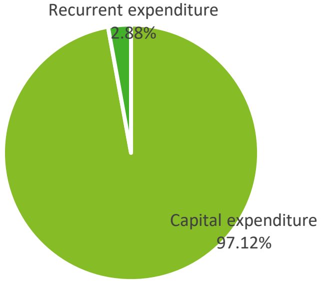
Strategic priorities 2023/24

- National Grid Stabilization Project.
- Provision of National Grid electricity in Katavi, Kigoma and Kagera Regions.
- Implementation Projects for Rural Energy as well as starting the process of delivering electricity to rural areas all in the country.
- Finalization of LNG project negotiations and start preparations of its implementation.
- To improve the infrastructure for receiving, unloading, storage and delivery of fuel in the Ports of Dar es Salaam, Tanga and Mtwara and Single Receiving Terminal.

Budget Allocation - Energy



Allocation of capital vs recurrent expenditures



TZS **44.4trn**

Total budget

TZS **3.05tn**

6.87% (of total budget)

Financial sector highlights

Sector highlights

- Growth of 9.2% in FY 2023/24 in finance and insurance.
- Increase in microfinance licenses from 736 licenses in March 2022 to 1,187 licenses in March 2023.
- Credit extended to the private sector recorded an average growth of 15.8% from April 2022 to April 2023.
- Non-performing loans continued to decrease in this fiscal year to 5.5% in April 2023 compared to last year's 8.3%.
- The government intends to amend the Banking and Financial Institutions Act, CAP 342. The amendment will extend duties to provide liquidity in the form of a loan to a bank or financial institutions facing liquidity challenges.

- **Recapitalisation**: the government has placed a strategy to recapitalise its strategic banks (Tanzania Agricultural Development Bank (TADB) and TIB Development Bank) to the tune of TZS 235.9bn after assessing their conditions. The devised strategy will extend for five to ten years ultimately aiming to recapitalise each bank to the tune of 1tn.
  Furthermore, the government has already injected TZS 30bn to Tanzania Commercial Bank Plc and expect to inject additional TZS 101bn for lending to the private sector in order to boost productive sectors.

- **Bank of Tanzania measures**
  - Promoting the use of electronic systems in completing transactions, for instance the use of Tanzania Instant Payments Systems (TIPS) is fostering financial inclusion.
  - The Government has revived the Loan Guarantee Fund, managed by the Bank of Tanzania, in a move designed to support small and medium sized enterprises (SMEs) in raising capital and facilitating the increase in competitive exports.
  - World Bank will contribute USD 150m and Bank of Tanzania will contribute TZS 280bn for supporting credit guarantee schemes for SMEs.

Insight

- Overall lending rate decreased to 15.91% from 16.58% in April 2023, this reduction in lending rate has contributed to the rise in credit extended to the private sector by 22.% from April 2021 to April 2023, signifying positive movements over two years.
- The proposed amendments on mobile money is to remove levies on sending and receiving money electronically intending to avoid double taxation and increase levies on withdrawal by 50% to boost government revenue. This move is expected to promote digital economy and increase government revenues by TZS 16.71bn.

TZS 28,702bn

Loans disbursed to the private sector in FY 2022/23 (through month ending April 2023)

TZS 870bn

Loans processed by Tier II Microfinance service providers

69.17% increase

Investment in UTT AMIS funds increased to TZS 1.44tn from TZS 852.21bn

Mining highlights

Sector highlights

- Tanzania has been involved in the trade of various minerals both internally and externally. About 80% of the revenue obtained from the business comes from gold that was at a price of $1,854.54 per ounce as of March 2023.
- While Tanzania has historically exported gold, the increase in technology in the world has led to an increase in demand on minerals including; palladium, nickel, aluminum, cobalt and graphite. Tanzania is strategically placed to exploit this potential.
- A number of signed framework agreements and issued special mining licences mean that there is going to be an uptake of mining activity in the country in the medium term. New mining projects include gold, graphite, nickel, rare earths.
- The value of mineral exports rose by 20.1% in the quarter ending March 2023 as compared to the corresponding previous period.
- The diamond price however has dropped from $296.3 to $265.78 per carat from July 2022 to March 2023, this mainly attributable to the decline in demand of diamond in the world market due to economic crisis in Europe.

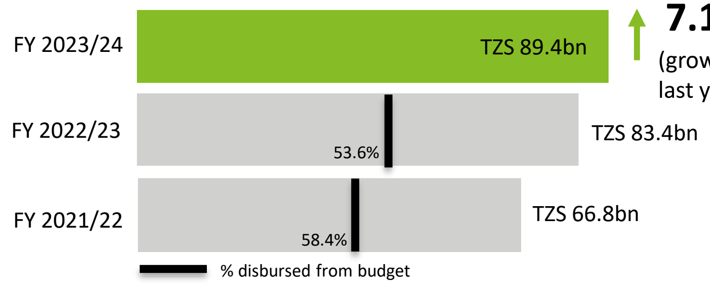
9.7% of GDP

Mining contribution to the GDP

TZS **44.4trn**

Total budget

Budget Allocation - Mining



7.1% (growth on last year)

TZS **89.4bn**

0.20% (of total budget)

Key achievements in 2022/23

- Improved royalty collection and contribution of the sector in GDP. For the financial year 2022, exported minerals accounted for $3,395.3 million which is about 56% of the export value;
- Enabled small scale miners and citizens in taking part in the mining sector economy – this was done through direct training of small-scale miners by the Ministry and its institutions like GST, STAMICO;
- Facilitated activities or process relating to mineral value addition – the government implemented a strategy to enforce production of minerals derived products and attracting investment in the sector from both local and foreign investors. In enforcing this, the government amended the Mining Act of 2010 to include the Primary Processing License;
- Facilitated business and Investment in the Mining Sector – for instance, with Tanzanite the value for investment is projected to rise to $538.925 million fostering opportunities for employment, increased tax revenue and Community Social Responsibilities (CSR). Signing contracts with investors amounting to $667 million;
- Empowered efficient operations for institutions under the mining sector – these included among other; GST, STAMICO, TGC, TEITI; and
- Other implementations include; formulating Mining Act (Compounding of Offences) Regulations 2022 which guides on compounding offences and payments on compounded offences and Mining Act (Government Inclusion).

Mining highlights

Proposed implementations in 2023/24

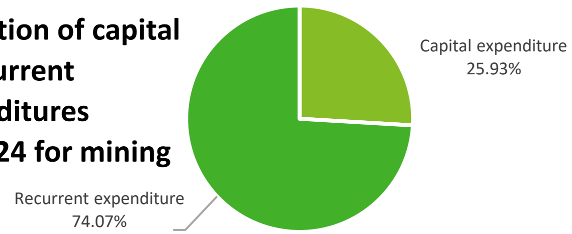
Key implementations

- Continue to improve royalty collection and increasing the sector's contribution to GDP;
- Develop the trade of strategic minerals, these include; Nickel, Graphite, Cobalt, Lithium, Manganese, Vanadium, Niobium, Titanium and Tin. Developments in science and technology has increased the demand of the listed minerals in manufacturing electronic, automobile, aeronautical and energy processing appliances;
- Developing and extending services to small scale miners;
- Facilitating mineral value addition processes;
- Facilitating investment and business in mining sector, establishment of auction platforms and gem mining exhibitions; and
- Enabling efficient operations for Institutions under the mining sector, i.e., STAMICO, TEITI, TGC and GST.

TZS **44.4trn**

Total budget

Allocation of capital vs recurrent expenditures 2023/24 for mining



TZS1tn

Expected in royalties in 2023/24

Mining contribution to GDP

TZS **89.4bn**

7.1% (growth on last year)

0.05% (of total budget)

Tourism highlights

Tourism remains one of the largest contributors to foreign currency, contributing 25% to foreign currency collections and 17.5% of the GDP.

Highlights

- Tourism accounts for 25% of Tanzania's foreign exchange earnings and 17.5% of the country's GDP. The target is 5 million tourists by 2025/26.
- The Tourism sector will be allocated TZS 654,668,208,000 which will be made up of TZS 168,166,759,000 (i.e., 25.7% of the total amount allocated) for capital expenditure and TZS 486,501,449,000 for recurrent expenditure.
- Due to several initiatives by the government in order to increase number of tourists in Tanzania such as the Royal Tour, the number of tourists has increase from 1,711,625 in 2021 to 3,818,180 in 2022 which is 123% increase.
- According to the Minister of Finance and Planning, the number of domestic tourists rose to 2,363,260 in 2022 from 788,933 in 2021.

17.5%
of GDP

Strategic priorities

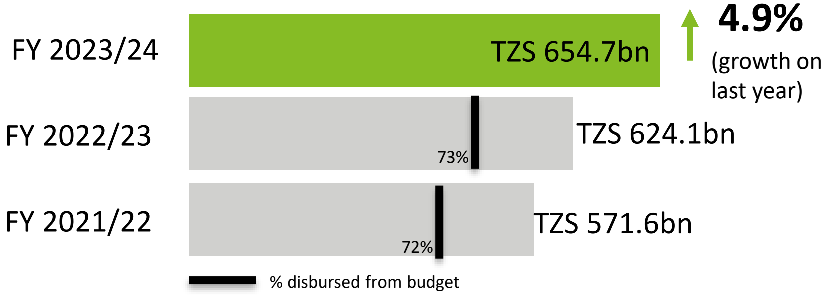
- Excavation and refurbishment of 6 ponds for the use of wild animals in the national park reserves of Tarangire, Mkomazi, Mikumi, Katavi, Ruaha, Saadani and Serengeti.
- Construction of new road lines of about 500 kilometers in a quest of improving infrastructures for tourism services

Insight

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:

- Tanzania received a number of awards whereby Serengeti national reserve was named as an African's leading national park attraction for 4 consecutive years from 2019 to 2022.
- Tanzania became number 7 out 18 African countries that was most visited by tourists for the year 2022.
- Serengeti National Park was among the top six (6) attraction center which was most visited in June 2023.

Budget Allocation



+123%

Growth in visitors to Tanzania compared to 2022.

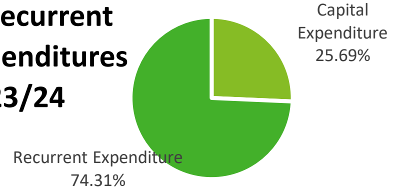
TZS **44.4trn**

Total budget

TZS 654.7bn

1.47% (of total budget)

Allocation of capital vs recurrent expenditures 2023/24



Tax Measures

Income Tax

Key changes

- Income tax exemption on revenue generated by NHIF from investment returns such as dividend from shares, treasury bonds and bills. While aimed at specifically supporting the retired non-contributing members, the proposed change follows the recent trajectory of exempting interest income from government bonds having a tenor of 3 years or more and listed in the Dar es salaam Stock Exchange, that were issued from July 2021.
- Amendment of deemed realization provision (Section 56 of the Income Tax Act) by exempting tax on direct share transactions and capital dilution resulting from issuance of new shares.
- Individual tenants will no longer be required to withhold tax when making rental payments tax for non-commercial properties. This aims to mitigate the administrative complexities that arose following the introduction of the requirement by the Finance Act 2022.
- Exemption of Capital Gains Tax on internal restructuring of the mining companies in accordance with Framework Agreements entered between the government and the Investor to form a partnership entity.
- Reduction of Capital Gains Tax on sale of property, from 10% on profits to 3% of the sales value or the appraised land value (whichever value is higher) without consideration of the investment costs incurred in the relevant areas. The proposed change will not apply to investors who keep records of expenses and capital developments.

Insight

The income tax changes are centred around providing clarity on contentious issues and relieving taxpayers of the existing administrative complexities. This is evidenced by removal of the withholding tax requirement on individual lessees who are not conducting business, and the proposed indicative income tax rates for transporters, among others.

Before the reading of the budget, there was a lot of anticipation over the likelihood of changes in section 56 of the Income Tax Act. While the provision was aimed at bringing offshore indirect transaction in the Tanzanian tax net, the wording in the provision left room for misapprehension which will now be cleared by the proposed change.

While a lot, in terms of the challenges with the provision, has been left untouched, the Finance Act may shed some more light on this in the coming days.

10% to 3%

(reduction of Capital Gains Tax on sale of property)

Income Tax

Key changes

- Introduction of indicative income tax rates (refer to Appendix 1) for individual transporters of passengers and cargo who are not obliged to prepare books of accounts and file tax returns and whose gross sales do not exceed 100 million shillings.
- Introduction of income tax on payments to Artisanal and Small Miners (ASM) at a rate of 2% of their income.
- Introduction of 10% income tax on income accrued due to Verified Emission Reduction (VER).

10%

(Income tax on VER)

Additional information on detailed listing of rates and duties available in appendix.

Insight

We are also seeing a third attempt at taxing small scale miners in the current budget speech. In the budget speech for the year 2021/22, the Minister proposed an income tax at 3% to small scale miners and subsequently proposed a final withholding tax of 2% in the budget speech for the year 2022/23 however, none of these changes made it to the respective Finance Acts.

Section 10 of the Mining Act provides that in any mining operations under a mining licence or a special mining licence, the government shall have not less than sixteen percent non-dilutable free carried interest shares in the capital of a mining company depending on the type of minerals and the level of investment. This State participation calls for the respective mining company to transfer 16% of its stake to the government, and such transfer could potentially result to a Capital Gain Tax (CGT) being assessed. The proposal to exempt CGT on restructuring of the mining companies in accordance with the Framework Agreement entered between the government and the investor is a welcome move. We however expect the Finance Act to provide further clarity on the proposed amendment.

The introduction of the 10% linked to the VER comes at a time where we are also seeing the government enact carbon credit trading. This move aims at widening the tax base, but we await the Finance Bill to understand how the proposal will be implemented.

Value Added Tax (VAT)

Our point of view on VAT

The proposal to increase the VAT registration threshold from TZS 100m to TZS 200m and the desire to gradually increase to TZS 500m is a welcome move which will reduce the administration burden to both the tax collectors and taxpayers. It will also reduce tax leakages due to fraud by some traders whose gross sales are less than TZS 200m whereby the input VAT claim outweigh the output VAT due to non-compliance with the use of EFD Machines.

Whilst the government has good intention of supporting the growth of the aviation sector, the proposed amendment of exempting the VAT on lease of aircraft may affect the ability of operators of claiming input VAT on purchases. The amendment would have been beneficial to the operators if the proposal would have been to zero rate the lease of aircraft. This applies also to sellers of precious metals, gemstones and other precious stones to be sold to buying centres, mineral markets and gem houses designated by the Mining Commission.

Deferment of locally manufactured capital goods eliminate that discrimination which existed whereby the deferment was only on imported capital goods. This move will attract manufacturing of capital goods locally which can compete with imported goods and create employment opportunities along the process.

Key changes

- To enhance administrative efficiency and to promote voluntary compliance, the Minister has proposed the long-awaited change of increasing the VAT registration threshold from TZS 100 million to TZS 200 million. He also stated that Government will gradually increase the threshold to the tune of 500 million.
- Exemption of VAT on raw materials used in manufacturing of insecticides and acaricides. These are Benzalkonium Chloride (HS Code 2916.32.00) and Glutaraldehyde (HS Code 2916.32.00).
- Exemption of VAT on prefabricated structures (HS Code 9406.20.90) used by poultry farmers.
- Inclusion in the list of supplies and imports exempted from VAT (Part I of the Schedule of the VAT Act) the sale and lease of aircraft, aircraft engines, or parts by local operators of air transportation.
- Exemption of VAT on the local supply of precious metals, gemstones, and other precious stones at buying centers, mineral markets and gem houses designated by the Mining Commission or refinery situated in Mainland Tanzania.
- Introduction of VAT deferment on locally manufactured capital goods. The Minister also stated that the VAT deferment on importation will cease to have effect after three years.
- Exemption of VAT on raw materials used to manufacture pharmaceutical packaging materials. These are Polypropylene USP (Medical Grade) under Heading 3902 and Polyethylene Terephthalate USP under Heading 3907. The exemption will be granted subject to signing of Performance Agreement with the government.
- Exemption of VAT on moulds used solely by pharmaceutical manufacturers.
- Zero rating textile products manufactured using locally produced cotton. This measure is intended to last for one year, which is the period of recovering from Covid-19 and Russia – Ukraine war.
- During this period of global economic recession, the Minister has proposed zero rating on locally manufactured fertiliser. This measure is intended to last for one year only.
- Inclusion of gaming odds and gaming software as part of the gaming supply in the Exemption Schedule to the VAT Act.
- Update the Exemption Schedule to the VAT Act to reflect the scope of exempted items and to harmonise the HS Codes in the EACC External Tariff book 2017 with those in the current version of the East African Community Common External Tariff Book of the year 2022 (Refer to Appendix Page 37).
- Exemption of VAT on the sale of houses by real estate developers with a value of not more than TZS 50 Million.

Customs

Key changes

- Amendment of Item 27, Part B of the Fifth Schedule so that exemption is now applicable on both plastic and non-plastic "Biogas Digesters"
- Introduction of new subheading 1701.99.20 under heading 17.01 to cater for other refined sugar for industrial use.
- Introducing subheading 7612.90.10 under heading 76.12 so as to align with heading 73.10 to attract a duty rate of 10% instead of 25% for aerosol cans made of base metals.
- Split of tariff line 8703.80.00 (other vehicle, with only electric motor for propulsion) to provide tariff line for unassembled at a duty rate of 0% and others at a duty rate of 25% with the aim of promoting assembly operations of such vehicles in the region.
- Duty remission on raw materials and industrial input used to manufacture textiles and footwear.

Insight

The measures taken to increase the customs duties play various important roles. Increased tariffs protect local/domestic manufacturers from foreign competition.

With increased tariffs, foreign products tend to be more expensive, which makes them less competitive in comparison to local/domestic goods. Furthermore, reduced tariffs promote domestic production as it makes foreign products less competitive.

This encourages consumers and/or businesses to choose local goods instead of foreign goods that leads to increased demand and production in the country. This creates jobs and fosters economic growth in the country.

Additional information on detailed listing of rates and duties available in appendix.

Excise Duty

Key changes

- Introduction of excise duty at the rate of TZS 20 per kilogram of local and imported cement.
- Introduction of excise duty at the rate of 30 percent on tobacco and manufactured tobacco substitutes under HS Code 2402.90.00; water pipe tobacco under HS Code 2403.11.00; and electronic cigarette, vape products and shisha with Hs codes: 8543.40.10, 8543.40.90 and 9614.00.00.
- Exemption of excise duty on electric non-utility vehicles based on engine capacity, with only electric motor for propulsion with HS CODE 8702.40.11; 8702.40.19; 8703.80.10; and 8703.80.90 and on Compressed Natural Gas (CNG) vehicles.
- Increase excise duty rate on imported energy drink with HS Code 2202.99.00 from TZS 589.05 to TZS 600 per litre.
- Reduction of excise duty on locally manufactured Ready to Drink products with HS CODE 208.60.00 from TZS 4,386.6 to TZS 2,466.45 per litre.
- Increase of excise duty rates by 10% for all non-petroleum products with specific duty rates and by 20% for beer and tobacco products. The change will not affect domestically manufactured wines, spirits and confectionary products and excisable goods which are charged at ad valorem rates.
- Introduction of excise duty at the rate of 20 percent on imported and domestically manufactured gambling machines under HS code 9504.30.00.

10% (non-petroleum products)

20% (beer and tobacco products)

Insight

Whilst the proposed changes are intended to increase the government revenue, the proposal to introduce excise duty on both local and imported cement will increase price of the products. This will have an impact to the construction industry as it will increase construction costs to both individuals and companies undertaking construction projects.

The market for electric vehicles in Tanzania is still at the infancy stage hence the proposed changes will incentivize and increase the country's uptake. Additionally, the use of natural gas will decrease air pollution as it is more environmentally friendly compared to other hydrocarbon fuel sources.

Also given the reduction of duty on locally ready to drink products, the threat to local industries will be reduced which in turn will result in increased local production and employment opportunities.

Excise Duty

Key changes

- Introduction of excise duty rate of 5 percent on motor vehicles, with engine capacity of more than 1000cc but not exceeding 2000 cc capable of being charged by plugging to external source of electric power of HS Code 8703.40.00, 8703.50.00, 8703.60.00 and 8703.70.00.
- Introduction of excise duty rate of 10 percent on motor vehicles, with engine capacity of more than 2000cc capable of being charged by plugging to external source of electric power of H.S Codes 8702.10.11, 8702.10.19, 8702.20.11, 8702.20.19, 8702.30.11, 8702.30.19, 8702.90.11, 8702.90.19, 8703.40.00, 8703.50.00, 8703.60.00, 8703.70.00, and 8703.90.90.
- Introduction of excise duty at the rate of 10 percent on Motor vehicles older than five years used for the transportation of passengers of H.S Codes 8702.20.22, 8702.20.29, 8702.20.99, 8702.30.22, 8702.30.29, 8702.30.99, 8702.40.22, 8702.40.29 and 8702.40.99.
- Introduction of excise duty on petroleum oils and oils obtained from bituminous minerals (other than crude) and preparations not elsewhere specified or included, containing by weight 70 percent or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, containing biodiesel, other than waste oils of HS code 2710.20.00.
- Amendment of HS codes in the Excise (Management and Tariff) Act, CAP 147 to align with the ones indicated in the 2022 East African Community Common External Tariff book.

+10%

(motor vehicles olders than five years)

+5%

(motor vehicles engine capacity >1000 cc)

Insight

These proposed changes are intended to bring tax fairness since imposing the duty on the indicated motor vehicles brings alignment with the others (petroleum vehicles) which have similar capacity that are subject to the same duty rate.

In addition to bringing equity in taxation, the measure will increase government revenue. However, this is somehow misaligned with a proposal to exempt from duty the electrical motor vehicles. Hence, the introduction of the duty might discourage the use of these motor vehicles which are capable of being charged. Consequently, due to this misalignment, it is likely that the government may not achieve the intended goals.

Miscellaneous fees and levies

Our point of view on miscellaneous fees and levies

The sixth phase Tanzanian Government leadership has been vocal about its intention to improve the business climate in an effort to attract foreign direct investment. In line with this, we have seen significant efforts being taken to ensure an inflow of new investments and the budget for the upcoming government year appears to be in alignment for the most part.

For one, the intention to give permits that would allow foreign investors in real estate to enjoy their acquired residencies is a positive move by the government considering the massive real estate investments in Zanzibar and other coastal areas. This would serve as a good selling point for new investors who had concerns on immigration restrictions. It is unclear however why the proposed change seems to only intend to apply to foreigners who are not in the country.

Harmonization and equitability are also a common theme in the current budget as reflected by the abolition of tax exemptions for government councils and reduction of gaming tax for those charged on gross gaming revenue in order to give players in the sectors a fair playing ground. There are proposed transfer of mandates for tax collection that aimed at ensuring efficiency. The simplification of processes and intended fairness are all likely to help boost collections in the coming year.

The proposed change in the telecommunication sector specifically the mobile money may come with mixed feelings from the public because while the double taxation may be abolished, the burden has shifted to the end person in the chain because of the increase in the withdraw levy. It remains to be seen what the exact wording of the bill will contain.

The Minister highlighted the government's intention to review different laws and regulations with the aim of amending penalties and ensuring smooth and effective implementation of the respective laws. There are also a number of reductions in fees, penalties and fines that are aimed at encouraging voluntary compliance, seal corruption loopholes and promote investment. While well intended, such moves should be properly monitored to avoid abuse and ensure effective control.

Key changes

The Tax Administration Act, CAP 438

- Clarity has been given on what constitutes a primary data server. The latter includes a physical server in the country, virtual or any other server which stores data that is created or collected by a taxable or liable person in the ordinary course of business. The requirement to maintain the primary data server shall now become effective on 1 January 2024.
- Failure to acquire or use electronic machines (EFD) will attract a fine of 20% of the value of tax evaded or TZS 3,000,000, whichever is higher. On the other hand, failure to demand or report a denial of issuance of a fiscal receipt shall attract a fine of 20% of the value of tax evaded or TZS 30,000, whichever is higher.
- The Minister has further proposed a review of all the laws and regulations that impose penalties with the aim of lowering the rates to reduce the loopholes for corruption. The Minister responsible for Finance shall be responsible for approving the revised rates before they are implemented.

The Local Government Finance Act, CAP 290

- To keep up with technological advancements, the government intends to introduce an electronic system for monitoring online advertisements. The aim is to curb tax revenue leakage caused by failure to track e-commerce activities.
- Reduction of billboard fees from TZS 10,000 to TZS 7,000 per square feet for non-illuminated billboards, and from TZS 13,000 to TZS 10,000 per square feet for illuminated billboards. Additionally, there will be no fees for billboards with business names that are placed within the commercial area(s) of the respective business.
- The Minister proposes to move the mandate to collect the billboard fees from the Tanzania Revenue Authority to the President's Office Regional Administration and Local Government.
- Integration of property tax and land rent so that the two are paid through one control number. The revenue collected will be remitted to the Consolidated Fund and 20% of the collected amount will be disbursed to the Local Government Authority to facilitate collection and monitoring.
- Empowering the Minister responsible for Local Government to collect city service levy from Electronic Money Issuance Licenses (EMI) on behalf of the Local Government Authorities and distribute the collected amount to the respective Councils.

Miscellaneous fees and levies

Key changes

The Local Government Authorities (Rating), Act CAP 289

i. Inclusion of all District Council areas as ratable areas. The properties that would continue to enjoy exemption are those that are explicitly indicated as non-ratable under the Act.

ii. Increase of property tax rates from TZS 12,000 to TZS 18,000 for normal buildings and from TZS 60,000 to TZS 90,000 per each storey building. The new rates are intended to apply for the next three years while the government conducts a property valuation exercise that will create the basis for charging the tax in subsequent years.

iii. The Minister has proposed to give mandate to the President's Office-Regional Administration and Local Government Tanzania to conduct the property valuation exercise and collect property tax effective from January 2024.

The Roads and Fuel Tolls Act, CAP 220

The Minister proposed to increase the road and fuel tolls by TZS 100 per litre of petrol and diesel and directed the funds expected to be collected, to be used for the implementation of strategic projects.

The National Payment System Act, CAP 437 and the Electronic and Postal Communications Act, CAP 306

i. The Minister proposed to put an end to the outcry on double taxation of mobile money transactions by removing mobile money transaction levy on sending and receiving money electronically. However, there will be an increase in the mobile money transaction levy on withdrawals by 50%.

ii. Abolishment of the daily levy imposed on each SIM card based on the ability to recharge the balance by users.

Key changes

The Immigration Act, CAP 54

The Minister proposed to issue a Class B Residence Permit to any foreign investor who is not resident in Tanzania, that buys a house in Tanzania with a capital of not less than U$ 150,000.

The Mining Act Cap 123

To support small scale miners and attract more investments in the sector, the Minister proposes to exempt refineries centers from paying the 1% inspection fee.

The Land Rent Act, CAP 113

There is a proposal to amend several fees and charges as follows:

- Reduction of the premium charge from 0.5% to 0.25% of the land value;
- Reduction of the certificate of occupancy fees from TZS 50,000 to TZS 25,000 per certificate;
- Reduction of the registration fees from 20% to 10% of land rent;
- Reduction of application fee from TZS 20,000 to TZS 5,000; and
- Abolishment of the TZS 20,0000 fee for the deed plan.

The Minister further proposed to assign the responsibility of collecting land rent to the Director of the Council. The collection will be done on behalf of the Ministry of Land, Housing and Human Settlements Development however, 20% of the collection will be returned to the Councils to facilitate the collection and

Miscellaneous fees and levies

Key changes

The Vocational Education and Training Act, Cap 82

- There is a welcome proposal in the reduction of the Skills and Development Levy (SDL) rate from 4% to 3.5%.
- There is a proposal to give mandate to the Minister of Finance to issue an SDL exemption certificate if the exemption is considered to be for the interest of the nation. However, such power shall be exercised upon consultation with the Minister of Education.
- The levy collected will now be distributed in the following manner:
  - One third to the Ministry of responsible for Employment;
  - One third to the Higher Education Students' Loans Board; and
  - One third to the VETA Fund**.**

The Gaming Act, Cap 41

- To increase tax revenue from gaming activities, the following changes have been proposed:
  - Introduction of a limitation of two table games to forty machines sites operations;
  - Increase of the gaming levy from TZS 10,000 to TZS 30,000 per slot machine in bar sites; and
  - Introduction of a TZS 500,000 application fee for slot machines in shops, bar sites and forty machines sites. Additionally, there will be a US$ 10,000 principal license fee for slot machines in shops and bar sites, while forty machine sites will be subject to a principal fee of US$ 5,000.
  - To promote fairness in taxation of gaming operations, the Minister proposed to reduce the tax rate charged on gross gaming revenue from 25% to 18%.

The Export Levy Act, Cap 196

- The Minister proposed to waiver the 80% export levy on raw or semi processed (wet blue) hides & skin exported outside Tanzania for investors who are in the Export Processing Zone ("EPZ").

Appendices

Appendix 1

1: Detailed Domestic Revenue Collection

	2022/23 Projected Collections	2022/23 Actual Collections	Budget shortfall	2023/24 Budget	Growth of budget against 2022/23 Projected collections
Tax Revenue					
Excise duty	3,203,284	3,019,234	6%	3,447,727	14%
Value Added Tax	6,717,492	6,416,353	4%	7,712,646	20%
Income Tax	7,668,298	7,571,761	1%	8,552,730	13%
Other taxes	3,859,303	4,552,980	-18%	5,133,585	13%
Income Tax	7,668,298	7,571,761	1%	8,552,730	13%
Total	**29,116,675**	**29,132,089**	**0%**	**33,399,418**	**15%**
Non-Tax Revenue					
Parastatal dividends and Contributions	933,029	839,726	10%	998,341	-100%
Ministries and Regions	2,419,795	2,177,815	10%	2,513,378	-100%
LGAs own source	1,012,286	1,012,286	0%	1,143,883	-100%
Total	**4,365,110**	**4,029,827**	**8%**	**4,655,602**	**-100%**

Appendix 2 - Customs

2: Reduced rates

A: Proposed duty remissions

Item	HS Code	Current rate	Proposed rate
Inputs/raw materials used to manufacture capital good/equipment for various sectors	72.14; 72.15; 72.16; 32.08; 73.07; 83.11; 85.44; 68.06; 74.19; 72.08; 73.06; 73.12; 73.15; 73.18; 84.82; 84.83; 72.22; 73.04; 84.81; 84.84; 72.25; 40.10; 76.06	10% or 25% or 35%	0%
Inputs used to manufacture wiring harnesses for vehicles and motorcycles	8538.90.00; 4016.99.00; 8205.59.00; 8536.10.00; 8536.69.00; 8536.90.00; 8547.20.00; 3926.90.90; 3917.32.00; 8544.30.00	10% or 25%	0%
Inputs used to manufacture radiators	7409.11.00; 7409.19.00; 7410.11.00; 7410.12.00; 7409.21.00; 8001.10.00; 3810.90.00	10% or 25% or 35%	0%
Input used to manufacture tyres and inputs used to manufacture wire products, needles, strings, rope, pins, nails, electric cables,	7217.30.10; 7217.10.00; 7217.20.00; 7217.30.90; 7217.90.00	10%	0%

B: Continued duty remissions

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		10% or 25%	0%
Packing containers including record sleeves used as inputs by domestic manufacturers of UHT milk	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 packaging processed coffee	7310.21.00; 6305.10.00; 3923.50.10; 3923.50.90; 3920.30.90	25%	0%
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; 7217.90.00	25%	0%
Raw materials (Hot melt adhesive, PE film, Empty bag for baby diapers, Plastic cask, Super Absorbent Polymer, Wet strand paper, Non-woven, Polyethylene laminated Nonwovens, Spandex, Dust free paper	3506.91.00; 3920.10.90; 6305.33.00; 3926.90.00; 3906.90.00; 4803.00.00; 5603.11.00; 5903.90.00; 5402.44.00; 4803.00.00	10% or 25%	0%
Packaging materials for seeds used by local producers of agricultural seeds	3923.29.00; 6305.10.00; 4819.40.00; 7310.29.90; 6305.33.00; 6305.20.00; 6304.91.90; 7607.19.90	25%	0%
Wheat grain	1001.99.10; 1001.99.90	35%	10%
Printed Aluminum Barrier Laminates (ABL)	3920.10.90	25%	0%
Refined Bleach Deodorized (RDB) Palm Stearin	1511.90.40	10%	0%
Organic surface active agents used by manufacturers of detergents and liquid soaps	3402.31.00; 3402.39.00; 3402.49.00	10%	0%
Raw materials used in leather processing	3208.20.10; 3208.20.20; 3208.90.20; 3210.00.10	10% or 25%	0%

Appendix 2 - Customs

2: Reduced rates

B: Continued duty remissions

Item	HS Code	Current rate	Proposed rate
Raw materials used to manufacture different types of fertilisers	2710:99:00; 2528.00.00; 3505.20.00	25%	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; 3923.29.00	25%	0%
CKD for three-wheel motorcycles excluding chassis and its components	8704.21.90	25%	10%
Inputs used to manufacture of 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 O-Ring; 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; 3907.91.00	25% or 10%	0%
Raw materials used to manufacture food flavors	1901.90.10; 3302.10.00; 3505.10.00	10%	0%
Inputs used to manufacture corrugated boxes	4804.39.00; 4805.11.00; 4805.19.00; 4805.24.00; 4805.25.00	10% or 25%	0%
Inputs used to manufacture toughened glass	7005.10.00; 7005.21.00; 7005.29.00; 7005.30.00	10%	0%
Inputs used to manufacture soap	3401.20.10	35%	10%
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; 2712.10.00	10% or 25%	0%

Appendix 2 - Customs

2: Reduced rates

C: Stay application			
Item	HS Code	Current rate	Proposed rate
Vitenge	5208.51.10; 5208.52.10; 5209.51.10; 5210.51.10; 5211.51.10; 5212.15.10; 5212.25.10; 5513.41.10; 5514.41.10	50%	35%
Smart cards	8523.52.00	25%	0%

D: Continued stay of application			
Item	HS Code	Current rate	Proposed rate
Buses for transportation of more than 25 persons imported for rapid transport project	8702.10.99; 8702.20.99	25%	0%
Cane sugar imported under permit issued by the Tanzania Sugar Board	1701.14.90	100% or USD 460 per metric ton (whichever is higher)	35%
Cash registers and other electronic fiscal devices (EFD machines) and Point of Sales (POS) imported by the government or authorized persons	8470.50.00; 8470.90.00	10%	0%
Worn item of clothing, footwear	6309.00.10; 6309.00.20; 6309.00.90	35% or USD 0.4 per kg (whichever is higher)	35%
Milk cans	7310.10.00; 7310.29.90	25%	0%
Refined sugar (sugar for industrial use)	1701.99.10; 1701.99.20	100% or USD 460 per metric ton (whichever is higher)	10%
Refined vegetable oils	1507.90.00; 1508.90.00; 15.09; 1510.10.00; 1510.90.00; 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; 1515.90.00	35%	25% or USD 500 per metric ton (whichever is higher)

E: Change of rates across EAC			
Item	HS Code	Current rate	Proposed rate
Raw materials (wire rod) used to manufacture wire products	7213.91.10; 7213.91.90;	25% or USD 200 per metric ton (whichever is higher)	0%
Base oil used to manufacture lubricants	2710.19.59	10%	0%

Appendix 2 - Customs

2: Increased rates

A: Stay of Application

Item	HS Code	Current rate	Proposed rate
Other paper, paperboard, cellulose wadding and webs of cellulose fibres	4811.90.00	10%	25%
Cotton grey fabric	5208.11.00; 5208.12.00; 5208.13.00; 5208.19.00; 5209.11.00; 5209.12.00; 5209.19.00; 5210.11.00; 5210.19.00; 5211.11.00; 5211.12.00; 5211.19.00; 5212.11.00; 5212.21.00	25%	25% or 0.25USD per meter (whichever is higher)
Polyester/Nylon Twine	5607.50.00	10%	25%
Ceramic tiles	6907.21.00; 6907.22.00; 6907.23.00	25%	35% or USD 2 per square meter (whichever is higher)
Nails, tacks, drawing pins, corrugated nails staples (other than those of heading 83.05), and similar articles of iron and steel	7317.00.00	35%	35% or USD 350 per metric ton (whichever is higher)

B: Changes of rates across EAC

Item	HS Code	Current rate	Proposed rate
Footwear; grains and vegetables like almonds, hazelnuts, macadamia nuts, cucumbers, and gherkins; live animals like cows, goats, sheep; coffins; fish; cassava and natural honey	4421.20.00; 6402.19.00; 6403.19.00; 6403.51.00; 6404.19.00; 6404.20.00; 6405.20.00; 6405.90.00; 0802.11.00; 0802.22.00; 0802.61.00; 2001.10.00; 0102.29.00; 0102.39.00; 0102.90.90; 0103.91.00; 0103.92.00; 0104.10.90; 0104.20.90; 0407.21.00; 0409.00.00; 0714.10.00	10% or 25%	35%
Wire of iron or non-alloy steel.		0% or 10%	25%

Appendix 2 - Customs

2: Increased rates

C: Continued Stay of Application

Item	HS Code	Current rate	Proposed rate
Cocoa powder not containing added sugar or other sweetening matter	1805.00.00	0%	10%
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; 7225.50.00	10%	10% or USD 125 per metric ton (whichever is higher)
Flat-rolled products of iron on non-alloy steel	7210.30.00; 7210.49.00; 7210.61.00; 7210.69.00; 7210.70.00; 7210.90.00; 7212.30.00	25% or USD 200 per metric ton (whichever is higher)	25% or USD 250 per metric ton (whichever is higher)
Flat-rolled products of iron on non-alloy steel of a width of less than 600mm, clad	7212.60.00	10%	10% or USD 250 per metric ton (whichever is higher)
Iron and steel reinforcement bars and hollow profiles	7213.10.00; 7213.20.00; 7213.99.00; 7306.30.00; 7306.50.00; 7306.61.00; 7306.69.00; 7306.90.00	25% or USD 200 per metric ton (whichever is higher)	25% or USD 250 per metric ton (whichever is higher)
Flat-rolled products of other alloy steel of a width of 600mm or more	7225.91.00; 7225.92.00; 7225.99.00	10%	25% or USD 250 per metric ton (whichever is higher)
Monofilament of which any cross-sectional dimension exceeds 1mm, rods, sticks, and profile shapes whether or not surface worked but not otherwise worked of plastics	3916.10.00; 3916.20.00; 3916.90.00	0%	10%
Paper and paper products	4804.29.00	10%	25%
Safety matches	3605.00.00	25%	25% or USD 1.35 per kg (whichever is higher)
Mineral water	2201.10.00	25%	60%
Gypsum powder	2520.20.00	0%	10%
New pneumatic tyres of rubber of a kind used on motorcycles	4011.40.00	10%	25%
Flat-rolled products	7212.20.00; 7226.99.00	10%	10% or USD 125 per metric ton (whichever is higher)
Baby diapers	9619.00.90	25%	35%
Cotton yarn (except sub-heading 5205.23.00)	52.05; 52.06; 52.07	10%	25%
Horticultural products	0604.20.00; 0604.90.00; 0808.10.00; 0808.30.00	25%	35%
Crude vegetable oils of soya beans, groundnuts, coconuts, mustard, and linseed	1507.10.00; 1508.10.00; 1513.11.00; 1513.21.00; 1514.11.00; 1514.91.00; 1515.11.00	0%	10%

Appendix 3 - Income tax

3. Corporate Tax

A. Class A: Passenger Service Vehicles

	Current Rates		Proposed Rates	
	No. of Passengers	Rates (Tshs)	No. of Passengers	Rates (Tshs)
1	Less than 10	180,000	Less than 15	250,000
2	11 to 15	450,000	16 to 25	550,000
3	16 to 30	720,000	26 to 45	1,100,000
4	Up to 32	1,710,000	46 to 65	1,600,000
5	Normal Buses	2,430,000	Above 65	2,200,000
6	Semi-Luxury	2,610,000		
7	Luxury	2,790,000		

B. Class B: Tour Service Vehicles

	Current Rates		Proposed Rates	
	No. of Passengers	Rates (Tshs)	No. of Passengers	Rates (Tshs)
1	Nil	Nil	Up to 15	650,000
2			16 to 25	900,000
3			26 to 45	1,300,000
4			46 to 65	1,800,000
5			Above 65	2,400,000

C. Class C: Goods Carrying Vehicles

	Current Rates		**Proposed Rates**	
	Capacity (Tons)	**Rates (Tshs)**	**Capacity (Tons)**	**Rates (Tshs)**
1	Less than 1	180,000	Less than 1	250,000
2	1 to 5	450,000	1 to 5	500,000
3	6 to 10	720,000	6 to 10	750,000
4	11 to 15	1,710,000	11 to 15	1,100,000
5	16 to 20	2,430,000	16 to 20	1,300,000
6	21 to 25	2,610,000	21 to 25	1,650,000
7	26 to 30	2,790,000	26 to 30	1,900,000
8	31 tons and above	2,790,000	31 tons and above	2,200,000

D. Class D: Private Hire Service Vehicles

	Current Rates		**Proposed Rates**	
	Item	**Rate (Tshs)**	**Item**	**Rate (Tshs)**
1	Motorcycles	Nil	Motorcycles	65,000
2	Tricycles		Tricycles	120,000
3	Tax Cab		Tax Cab	180,000
4	Ride Hailing		Ride Hailing	350,000
5	Ride sharing		Ride Sharing	450,000
6	Special Hire		Special Hire	750,000

Appendix 4 - VAT

4. VAT exempted items reflecting HS Codes in line with EAC CET 2022

No.	Implements	HSC	NEW HS CODE _CET 2022	REMARKS
1	Tractors for agricultural use	8701.90.00	8701.30.00 8701.91.00 8701.92.00 8701.93.00 8701.94.00 8701.95.00	The law should be transposed as per CET 2022
4	Liquid sprayers for agriculture	8424.81.00	8424.41.00 8424.49.00	The law should be transposed as per CET 2022
5	Powder sprayers for agriculture	8424.81.00	8424.41.00 8424.49.00	
14	Tractor trailers (what about farm trailers)	8716.10.10	8716.20.90	The law should be amended to reflect CET 2022
15	New Pneumatic tyres of a kind used in agricultural and forest vehicles	4011.61.00	4011.70.00	
18	Irrigation equipment (system)	8424.81.00	8424.82.00	The law should be amended to reflect CET 2022
20	Green house system	9406.00.10	9406.10.10 9406.20.10 9406.90.10	The law should be transposed as per CET 2022

No.	Item	HS code	NEW HS CODE _CET 2022
4	Fungicides	3808.92.10 or 3808.99.90	3808.92.10 or 3808.92.90
5	Rodenticides	3808.92.10 or 3808.99.90	3808.99.10 or 3808.99.90
6	Herbicides	3808.93.10 to 3808.92.90	3808.93.10 or 3808.93.90

Appendix 4 - VAT

4. VAT exempted items reflecting HS Codes in line with EAC CET 2022

No	Food item	HSC	NEW HS CODE _CET 2022	REMARKS
1	Live cattle	0102.21.00	0102.21.00 0102.29.00	To probe whether it was an omission or intention
2	Live swine	0103.10.00	0103.10.00 0103.91.00 0103.92.00	
3	Live sheep	0104.10.10	0104.10.10 0104.10.90	
4	Live goats	0104.20.10	0104.20.10 0104.20.90	
5	Live poultry	0105.11.10	01.05	
7	Unprocessed edible eggs	0407.29.00	0407.21.00 0407.29.00	To probe whether it was an omission or intention
10	Unprocessed fish (Crustaceans, molluscs, etc)	03.02	03.02 03.03 03.05 03.06 03.07 03.08	To probe whether it was an omission or intention
12	Unprocessed fruits	08.10 and 0905.10.00	08.03 to 08.13	To probe whether it was an omission or intention. Also vanilla should be separated from fruits
13	Unprocessed nuts	08.02	08.01 08.02	
21	Unprocessed coffee	0901.11.00	0901.11.00 0901.12.00	To probe whether it was an omission or intention
22	Unprocessed tea	0902.10.00	0902.10.10 0902.10.90	The law should be amended to reflect CET 2022
		0902.20.00	0902.20.10 0902.20.90	
23	Soya beans	12.01	12.01	The law should be amended to take into consideration of the Finance Act 2016.
24	Groundnuts	12.02	12.02	
28	Unprocessed cotton	1207.21.00	52.01	The law should be amended to reflect CET 2022
31	Seeds and plants thereof (seeds, fruits, spores, seedlings and plants for sowing or planting).	12.09	Any Description	The description should be amended

Appendix 4 - VAT

4. VAT exempted items reflecting HS Codes in line with EAC CET 2022

33	**Fertilised eggs for incubation**	**0407.11.00**	**0407.11.00**	**The law should be amended to reflect CET 2022**
		0407.19.00	0407.19.00	
		0407.21.00		
40	Methionine	29390.40.00	2930.40.00	The law should be amended to reflect CET 2022
41	Mycotoxin binders	3824.10.00	2309.90.10	
42	Pollard	2309.90.10	2309.90.90	
43	Standing Tree	06.02	06.02	The law should be amended to consider proper numbering
44	Rice Bran	2306.90.90	2302.40.00	The law should be amended to reflect CET 2022
45	Cotton cake	2304.00.00	2306.10.00	Repetition of item 33
No	**Implements**	**HSC**	**NEW HS CODE _CET 2022**	**REMARKS**
2	Fishing nets	5608.11.00 3926.90.10	5608.11.00 3926.90.10	The law should be emended to consider adding HS Code 3926.90.10 in sub item 1 and delete it in sub item 2
2	Protective bee keeping jacket veil	6113.40.00	Any Description	The law should be amended
3	Mask	6307.9	6307.90.00	The law should be amended to reflect CET 2022
4	Honey strainer		Any Description	The law should be amended
5	Bee hive smoker	8424.89	Any Description	The law should be amended
No.	**Implements**	**HSC**	**NEW HS CODE _CET 2022**	**REMARKS**
10	Milk storage tanks		Any Description	The law should be amended
11	Dairy packaging materials	3923.30.00 4819.10.00 4819.20.00 4819.20.90	3923.30.00 4819.10.00 4819.20.10 4819.20.90	
8	Braille	8469.00.007	8472.90.00	The law should be amended
9	Mechanically propelled tricycle for carriage of disabled persons	8713.1.00	8713.90.00	The law should be amended
No.	**Article**	**HSC**	**NEW HS CODE _CET 2022**	**REMARKS**
3	Newspapers	4902.90.00	4902.10.00 4902.90.00	The law should be amended
7	Instructional charts and diagrams	4911.90.10	4911.99.10	The law should be amended

Appendix 4 - VAT

4. VAT exempted items reflecting HS Codes in line with EAC CET 2022

10. Petroleum products

No	Petroleum product	HSC	NEW HS CODE _CET 2022	REMARKS
4	Petrol (MSR and MSP)	2710.12.10 and 10.12.20	2710.12.10 and 2710.12.20	The law should be amended
23	Revenue Stamps of HS Code 4907.00.90	4907.00.90	4907.00.90	The law should be amended to take into considerations Finance Act 2018 (Should be Shifted to part one)
24	Electronic cash register Code 8470.50.00	8470.50.00	8470.50.00	
26	A supply of precious Aircraft Lubricants of HS codes 2710.19.51, 2710.19.52,3403.19.00 and 3403.99.00 to a local operator of air Transportation	2710.19.51 2710.19.52 3403.19.00 3403.99.00	2710.19.51 2710.19.52 3403.19.00 3403.99.00	The law should be amended to delete word "precious" in the description
23	An import of grain drying equipment of HS code 8419.31.00 by a person engaged in Agriculture for exclusive use in Agriculture in mainland Tanzania	8419.31.00	8419.34.00	The law should be amended to reflect CET 2022
28	An import of artificial grass of HS Code 5703.30.00 and 5703.20.00 for football pitches located in City or Municipal Council approved by the National Sports Council of Tanzania.	5703.30.00 5703.20.00	5703.31.00 5703.39.00 5703.21.00 5703.29.00	The law should be amended to reflect CET 2022
33	An import of raw materials of HS Code 7208.39.00, 3810.90.00, 3401.19.00, 7904.00.00, 4016.93.00, 8481.10.00 and 8309.90.90 by a manufacturer of gas cylinders upon signing a performance agreement with the government of the United Republic.	7208.39.00 3810.90.00 3401.19.00 7904.00.00 4016.93.00 8481.10.00 8309.90.90	7208.39.00 3810.90.00 7904.00.00 4016.93.00 8481.10.00 8309.90.90	Amend the law to delete HS code 3401.19.00 (Soap) as it defeats the spirit of exemptions

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