




Tanzania  
2023  
Budget  
Bite


Pivoting for  
Inclusive Growth


Contacts


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**David Nchimbi**  
Country Managing Partner  
dnchimbi@deloitte.co.tz  
+255 222 169 002
- 

**Festo Barthalome**  
Partner, Tax & Legal  
fbarthalome@deloitte.co.tz  
+255 222 169 168
- 

**Yonazi Mngumi**  
Associate Director, Tax & Legal  
ymngumi@deloitte.co.tz  
+255 222 169 162
- 

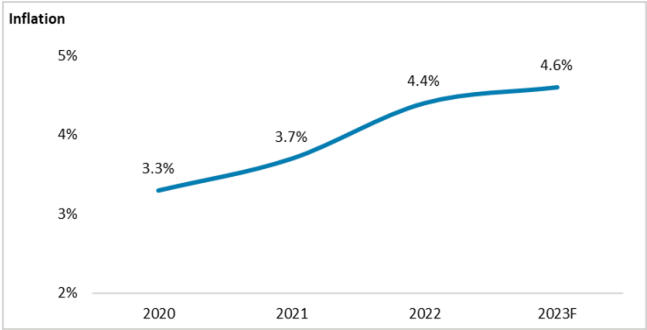
**Samwel Ndandala**  
Associate Director, Tax & Legal  
sndandala@deloitte.co.tz  
+255 222 169 355
- 

**Jacquiline Matiko**  
Associate Director, Tax & Legal  
jmatiko@deloitte.co.tz  
+255 222 169 052
- 

**Waziri Jumanne**  
Manager, Tax & Legal  
wjumanne@deloitte.co.tz  
+255 222 169 014

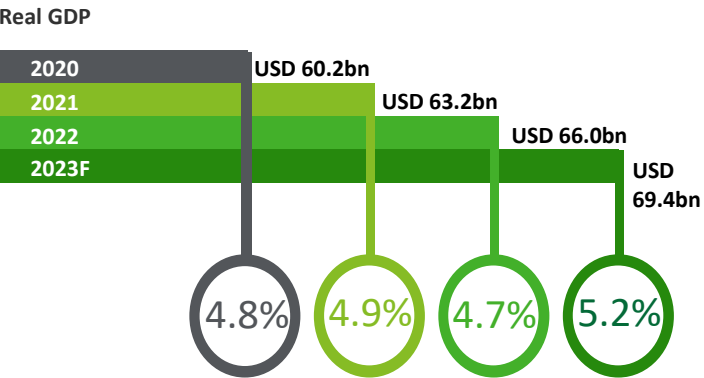
Summary Indicators

Indicators (Ratio)	2021	2022	2023 (Projected)
GDP Growth	4.9%	4.7%	5.2%
Debt to GDP	50.2%	50.7%	
Revenue to GDP	21%	22%	21%
Tax Revenue to GDP	11%	12%	12%



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.
- GDP is projected to grow at an average rate of 5.2% in 2023 compared to the 4.7% growth in 2022.
- The forecasted growth will come from mega infrastructure projects such as the implementation of the East African Crude Oil Pipeline (EACOP), the SGR, Nyerere Hydro-electric power dam, sizeable mining projects and increased private consumption.



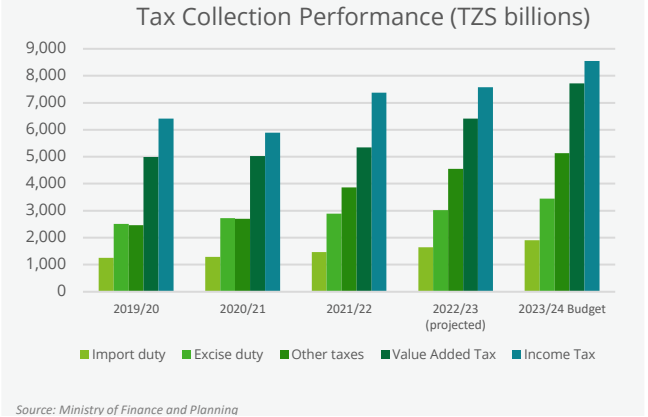
Source: EIU; Deloitte analysis  
F – Forecast  
The Minister's Speech

Exchange Rate

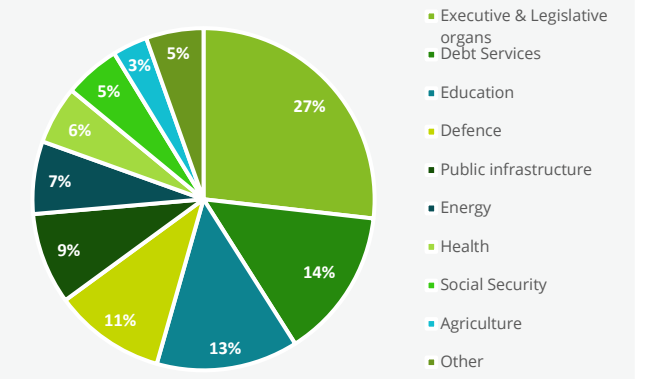
- Compared to 2021, the local currency has rapidly depreciated against its major trading currencies in 2022.
- The rapid depreciation of the local currency has resulted mainly from a downward drift in foreign exchange reserves since mid-2021 and a stronger demand for the dollar.
- The TZS is projected to depreciate to TZS 2,314 against the dollar in 2023 but will be buoyed by adequate foreign reserve stocks.

Exchange Rate Developments – Year to Date June				
Description	2020	2021	2022	2023F
TZS/USD	2,299	2,298	2,309	2,314

Tax Revenue



Budget Allocation per Sector



Useful Insights

- The 2023/24 budget stands at TZS 44.4tn, a 6.9% increase from the 2022/23 budget. The Five-Year Development Plan III has, as part of its targets, plans to increase annual GDP growth to 8%.
- The 2023/24 budget will be largely funded by domestic revenue which is expected to account for 70.6% of the total budget. Domestic revenue growth is expected to be driven by a 13.0% increase in tax revenue from TZS 23.2tn in 2022/23 to TZS 26.7tn in 2023/24.
- The TZS 3.8tn (19%) increase in recurrent expenditure in the 2023/24 budget from TZS 25.5tn in 2022/23 is a factor of the increase in debt servicing costs caused by a depreciating local currency against hard currencies and a growing civil servants' wage bill.
- Development expenditure is expected to account for 31.7% of the total budget in 2023/24. Energy and transportation infrastructure projects will drive the growth of development expenditure.
- The government is in the final steps of implementing the legal requirement to establish a Public-Private Partnership Center (PPP-Center). The potential projects to be funded through PPP are power projects and other infrastructure projects such as Kibaha-Chalinze-Dodoma road and the construction of the Bagamoyo Port.
- Mining remains the top foreign exchange earner. It continues to attract significant investment with a positive outlook in the medium term given the number of signed framework agreements and new mining licenses. The new mining projects include gold, graphite, nickel and rare earths whose development is imminent.
- Tourism is the second largest contributor of foreign currency earnings, contributing 25% to foreign currency collections and 17.5% of the GDP.

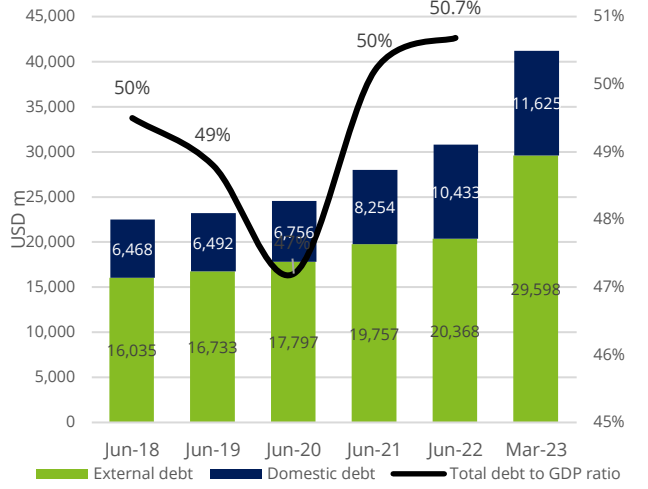
National Debt

- As at the end of June 2022, total national debt stood at USD 38,256.6 million, representing a growth of 13.3% from the previous year's USD 33,764.1 million as of June 2021.
- External debt payments in fiscal year 2021/2022 amounted to USD 1,661.5m and USD 2,025.15m.

Debt to GDP	June 2018	June 2019	June 2020	June 2021	June 2022
External Debt/total debt	71.26%	72.05%	72.48%	70.53%	66.13%
Domestic Debt/total debt	28.74%	27.95%	27.52%	29.47%	33.87%
Total Debt/GDP	49.5%	48.8%	47.2%	50.2%	50.7%

Increase in the national debt is attributable to the receipt of a loan from the IMF under the Rapid Credit Facility, the securitization of pension funds obligations in arrears, and domestic financing of fiscal operations.

Debt Sustainability and Performance



Credit Rating

- In early 2023, the government engaged Fitch Ratings Ltd and Moody's Investors Services to assess the Country's sovereign credit ratings.
- The results show a stable and more favourable outlook than many African countries.

Rating Agency	Publication Date	Outlook
Moody's	May 2023	B2 (positive)
Fitch Ratings	June 2023	B+ (stable)

Key Proposed Tax Changes

- Exemption of Capital Gains Tax ("CGT") on internal restructuring in accordance with framework agreements between the government and investors in mining.
- Clarification on non-applicability of Section 56 of the Income Tax Act on domestic transfer of shares and allotment of new shares.
- Exemption of VAT on sale and lease of aircraft, aircraft engine and parts by a local operator of air transportation.
- Introduction of TZS 20 excise duty per kilogram of imported and domestically manufactured cement.
- Increase of VAT registration threshold from an annual turnover of TZS 100 million to TZS 200 million.
- Introduction of deferment to VAT on locally manufactured capital goods, and deferment on imported capital goods will cease to have effect after three years.
- Zero rating of locally manufactured fertilizers for a period of 1 year.
- Change of CGT from 10% of the gain to 3% of sales value or appraised land value whichever is higher for sellers who do not keep a record of costs incurred for the property.
- Introduction of 2% income tax on payments to Artisanal and Small Miners.
- Introduction of 10% income tax on income accrued due to Verified Emission Reduction (verified carbon credits).
- Increase of excise duty on non-petroleum products with specific duty rates by 10% and on beer and tobacco products by 20%.
- Exemption of excise duty based on engine capacity on selected electric motor vehicles and condensed natural gas vehicles.
- Expounding the definition of a primary data server to include virtual or any other servers.
- Penalty for offence relating to failure to issue EFD receipts or not using EFD machine proposed to be 20% of the tax evaded or TZS 3 million whichever is higher.
- Penalty for offence relating to failure to claim EFD receipt or report the non-compliance proposed to be 20% of tax evaded or TZS 30,000 whichever is higher.
- Reduction of billboard fees from TZS 10,000 to TZS 7,000 per square foot and shifting the collection responsibility to PO-RALG from TRA.
- Increase of road and fuel tolls by TZS 100 per litre of petrol and diesel.
- Reduction of Skills and Development Levy (SDL) from 4% to 3.5%.
- Giving the powers to the Minister of Finance to grant SDL exemption upon consultation with the Minister of Education.
- Issuance of Class B residence permit to Investors who will buy a house of not less than USD 150,000.
- Proposed prohibition of regulatory authorities from suspending business operations due to violation of various legislations.