

## Tanzania 2024 Budget Bite

Fostering inclusion for sustainable growth

### Contacts



**Kibiki Fortunatus**  
Country Managing Partner  
kfortunatus@deloitte.co.tz  
+255 222 169 002



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



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



**Mukiza Richard**  
Partner, Audit & Assurance  
rmukiza@deloitte.co.tz  
+255 222 169 147

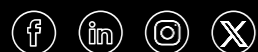


**Jacquiline Matiko**  
Associate Director, Tax & Legal  
jmatiko@deloitte.co.tz  
+255 222 169 052



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

**Office address**  
Aris House, 3<sup>rd</sup> Floor  
Haile Selassie Road  
Dar es Salaam  
Tel: +255 22 216 9000



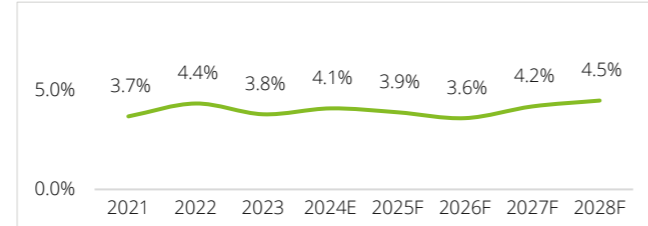
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### Summary of Key Indicators

Indicators (Ratio)	2022 (Actual)	2023 (Actual)	2024 (Forecasted)
GDP Growth	4.7%	5.1%	5.4%
Debt to GDP Ratio	52.7%	52.4%	*
Revenue to GDP	21.8%	22.7%	21.9%
Tax Revenue to GDP	12.3%	12.5%	13.2%

Source: Bank of Tanzania; Ministry of Finance  
\*Data not available

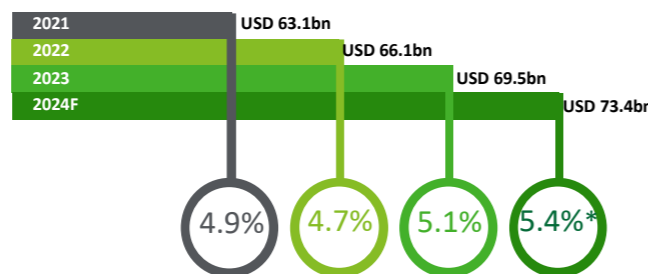
### Inflation



Source: Bank of Tanzania; EIU

### GDP Growth

- Tanzania's real GDP grew by 5.1% in 2023, an increase from 4.7% growth reported in 2022. Agriculture remains a significant contributor to GDP at 26.5%. Construction accounted to 13.2% of GDP, and mining at 9.0%.
- It is projected that in 2024, real GDP growth will increase to 5.4% driven by public and private investment.
- Beyond 2024, the Economic Intelligence Unit (EIU) forecasts that annual real GDP will grow at an average of 6.3% and will peak at 6.8% in 2028, on account of strong private consumption, growth in the energy sector and buoyant tourism and mining sectors.



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

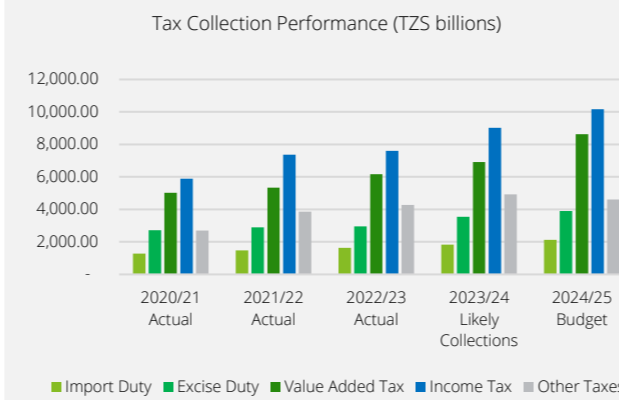
### Exchange Rate

- The Tanzanian Shilling depreciated by 3.5% from TZS 2,303/USD in 2022 to TZS 2,383/USD in 2023 mostly due to monetary tightening by major global central banks.
- The Shilling has experienced pressure from an increased import bill, particularly fuel. The Minister of Finance will seek to further control dollarization of the economy by restricting payment in dollars for goods and services procured locally.
- As of March 2024, the Shilling had depreciated to 2,569.66. The comparatively stability of the Shilling is partly driven by deliberate efforts of the central bank to impose various measures to maintain monetary stability.
- As of March 2024, the country's foreign currency reserves were USD 5.3 billion, which translate into an import cover of 4.4 months.

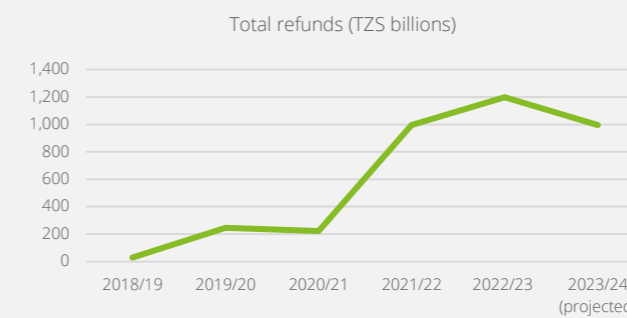
### Average Exchange Rate Development

Description	2021	2022	2023	2024F
TZS/USD	2,298	2,303	2,383	2,569

### Tax Revenue & Refund Trends



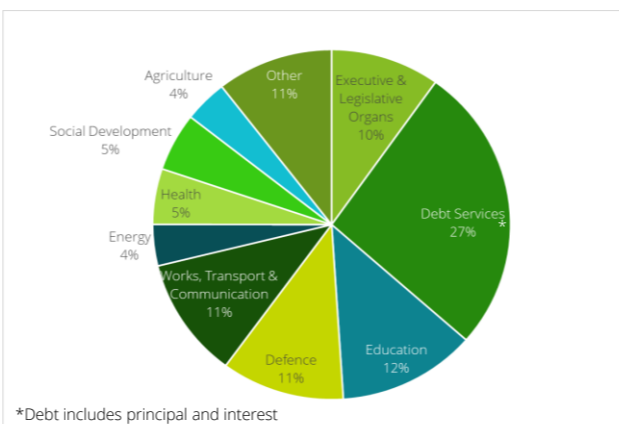
Source: Minister of Finance budget speech 2024/25



Source: TRA Tax collection statistics

Over the last five years there was a significant increase in tax refunds, which however has plateaued in 2023/24.

### Budget Allocation per Sector



\*Debt includes principal and interest

Source: Minister of Finance budget speech 2024/25

### Useful Insights

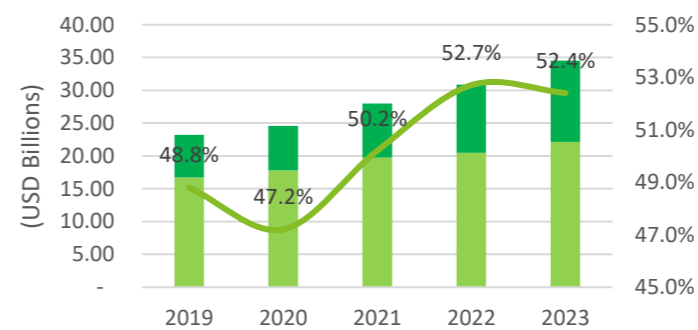
- The 2024/25 budget stands at TZS 49.35 trillion, a 11.2% increase from the 2023/24 budget. The Five-Year Development Plan III has, as part of its targets, plans to increase annual GDP growth to 8% which is higher than the projected growth.
- The 2024/25 budget will largely be funded by domestic revenue which is expected to account for 70.1% of the total budget (this excludes domestic loans). Domestic revenue growth is expected to be driven by a 10% increase in tax revenue from TZS 26.7 trillion in 2023/24 to TZS 29.41 trillion in 2024/25.
- The TZS 4.4 trillion (14.6%) increase in recurrent expenditure in the 2024/25 budget from TZS 30.1 trillion in 2023/24 is largely contributed by the increase in debt servicing costs caused by a depreciating shilling against the US dollar as well as further borrowing to finance infrastructure projects.
- Development expenditure is expected to account for 30% of the total budget in 2024/25. Energy and transportation infrastructure projects will drive the growth of development expenditure.
- In FY2024/25, the government will finance important projects such as the Local Government Election 2024, preparation for the 2025 General Election, preparation of the National Development Vision 2050, and preparation of the 2027 Africa Cup of Nations (AFCON 2027) including the construction and rehabilitation of stadiums.
- Tourism is the country's largest earner of foreign currency, generating USD 3.4 billion, contributing 30.9% of the foreign exchange earnings.
- Mining also remains a significant contributor to foreign currency earnings, and 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 mining projects include gold, graphite, nickel and rare earths whose development is imminent. The tax contributions from the mining sector increased from TZS 2.1 trillion in 2021/22 to TZS 3.1 trillion in 2022/23.

### National Debt

- As at the end of June 2023, total national debt stood at USD 42,440.6 million, representing an increase of 10.9% from the previous year's USD 38,256.6 million as of June 2022.
- As of April 2024, the total national debt stood at TZS 91.7 trillion out of which TZS 60.95 trillion is external debt and TZS 30.75 trillion is domestic debt.

Debt to GDP	June 2019	June 2020	June 2021	June 2022	June 2023
External Debt/Total Debt	72.05%	72.48%	70.53%	66.23%	64.02%
Domestic Debt/Total Debt	27.95%	27.52%	29.47%	33.77%	35.98%
Total Debt/GDP	48.8%	47.2%	50.2%	52.7%	52.4%

### Debt Sustainability and Performance



Legend: External Debt, Domestic Debt, Total Debt/GDP

### Credit Rating

- Fitch and Moody's assessed the Country's sovereign credit ratings. The results show a stable and more favorable outlook than many comparable economies

Rating Agency	Publication Date	Outlook
Moody's	March 2024	B1 (positive)
Fitch Ratings	December 2023	B+ (stable)

### Other Points of Note

- Taxation of the Digital Economy:** The government has indicated increased focus on widening the tax base to include the digital economy.
- Gold reserves:** Various measures have been introduced by the government to facilitate its purchase of gold for reserve purposes.
- Contingent Fund Act (CFA):** There is a proposal to amend the CFA to establish the criteria for a specialized fund dedicated to financing emergency repairs of roads. Sources will include infrastructure levy and a windfall tax on falling fuel prices.

### Key Proposed Tax Measures

#### VAT exemptions

- Supply of aircraft, engine, aircraft parts and aircraft maintenance to a local air manufacturer, assembling or production.
- Importation of Video Assistant Referee (VAR) equipment and accessories.
- Single axle tractors (Power Tiller) of HS Code 8701.10.00.
- Supply of double refined edible oil from locally grown seeds by a local manufacturer for one year.

#### Zero-rating of VAT

- Supply of gold to the Bank of Tanzania and local refineries.
- Supply of fertilizer manufactured locally for the period of one year.
- Supply of textile products (Fabric and Garments) made using locally grown cotton.

#### Other VAT measures

- Introduction of VAT on online data services.
- Introduction of a 30 days' timeline for payment of VAT refund from the date of submission of the application.
- Abolishment of VAT exemption on supply of precious metals, gemstones and other precious stones at refineries.

#### Introduction of new Withholding Tax ("WHT")

- 5% WHT on payments from non-residents to resident content creators.
- 5% WHT on income derived by resident entities from digital content creation businesses.
- 2% final WHT on payments for agricultural produce, fishing, animal and poultry keeping besides forestry produce.
- 3% WHT on income derived from transfer of digital assets.

#### Other Income Tax measures

- Exemption of Alternative Minimum Tax ("AMT") on tea processing companies.
- A clear intention to prescribe procedures for review, recognition, and write-off of bad debts through standardized regulations.
- Exemption of WHT on interest on loans paid by resident financial institution to non-resident financial institutions and Funds having concessional loans' agreements with the United Republic of Tanzania.
- Introduction of a 2% WHT on payments for purchase of industrial minerals. This will not apply to salt, metallic minerals or other precious minerals as defined by the Mining Act when sold by Primary Mining Licensees or Artisanal Miners.
- Entities with four consecutive years of unrelieved losses will only be allowed to utilize those losses to the tune of 60% of their current taxable income compared to the current 70%.

#### Excise Duty

- Introduction of a 10% duty on value of stake on betting, gaming and national lottery, the collected amounts will be remitted to the Universal Health Insurance Fund ("UHIF").
- Introduction of 10% excise duty on the advertisement fee in television, print media and radio stations for betting, gaming and lotteries advertisement.
- Allocation of 2% of collections of excise duty from carbonated soft drinks, cosmetics products and alcoholic drinks to be remitted to the UHIF.
- Licensing requirements – one will be licensed as a manufacturer of excisable goods after installation of ETS machine and beginning production.

#### Custom Duty

- Duty remission and stay of application of import duty rates on various items with the intention of promoting local manufacturing and employment creation.

#### Tax Administration

- Empowering the Tax Ombudsman to address complaints emanating from tax decisions, procedural, service and administrative matters relating to such tax decision or objection.
- Increasing the currency point value from TZS 15,000 to TZS 20,000 to keep up with the real value of the penalty as the currency point has not been revised for a long time.
- Introduction of a maximum fine on offence for failure to issue EFD receipts at 1,000 currency points.

#### Skills & Development Levy (SDL)

- Exemption from SDL on casual workers involved in water projects managed by water authorities.