



Improving mining revenue collections in Tanzania

Tanzania is endowed with vast quantities and types of natural resources whose extraction has been significant to the country's economic contribution and growth. Leading minerals include gold, iron ore, nickel, copper, cobalt, silver, diamond, tanzanite, ruby, garnet, limestone, soda ash, gypsum, salt, phosphate, coal, uranium, gravel, graphite, sand and dimension stones. However, how can we improve the tax landscape in mining?

Tanzania is the fourth largest gold producer in Africa following South Africa, Ghana and Mali. Mining is one of the leading foreign currency earners in Tanzania and a large contributor to the Gross Domestic Product (GDP) of Tanzania. There are however, sentiments that the sector's contribution to the GDP is lower compared to other sectors of the economy.

Mining companies in Tanzania are presently highly regulated; generating tax payments such as royalties, corporate tax, employment tax, withholding tax, custom duties and city service levy. Various mining agencies in Tanzania also regulate and monitor mineral resources through their functions. Recently, however, the government has made important additional strategic measures aimed at improving mining revenue collections and administration in Tanzania. The measures include the recent changes in the regulatory framework of minerals sector administration through the Written Laws (Miscellaneous Amendments) Act, 2017. Among other things, the Act has provided for the establishment of the Mining Commission, the abolishment of Tanzania Minerals Audit Agency (TMAA) and the Zone Mines Offices, and transfer of operational functions that were being performed under the Minerals Division of the former Ministry of Energy and Minerals to the Mining Commission and Geological Survey of Tanzania (GST).

These changes aim at overhauling the mining sector to enable the government to get a bigger slice of the pie from our mineral resources and ensuring significant contributions to the economic growth and development of Tanzania. These changes include, the introduction of a 1 percent inspection fee on the gross value of all minerals exported out of the country, and establishment of clearing houses at appropriate areas including airports and mining areas to facilitate the verification of minerals and collection of fees. The government appears to be optimistic that these measures will improve transparency in the mining sector.

In a move of similar nature, in September 2017, President Dr. John Magufuli ordered the military to build a 24 km-long wall with security cameras and checkpoints around the Mererani Tanzanite mining site in the Manyara region, to control illegal mining and trading activities such as smuggling. Generally, there have been reported increases in Tanzanite royalties from small-scale (artisanal) miners following the government-introduced controls to curb illegal mining of the blue-violet gemstone.

The recent establishment of the minerals exchange markets assist in locating buyers and sellers of minerals and collecting government revenues. The Mining Regulations on Local Content (2018), which came into effect in January 2018, requires mining companies to have bank accounts in a Tanzanian-owned bank in the country. This government's decision is in line with changes in mining laws aimed at curbing illicit financial flows in the mining sector.



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The majority of the measures stated above relate to the enforcement of transparency. The government has also recognized that there are challenges that legitimate miners face. This has resulted in the government meeting with small-scale miners to hear their concerns; many of which are around the multiplicity of taxes and regulatory hurdles. The government has noted plans of eliminating some of the taxes that tend to burden the mining industry, especially small-scale miners (artisans). The tax elimination is focussed on curbing mineral smuggling, helping artisanal miners to be recognized in the established mineral exchange markets, minimizing mining operation costs to artisanal miners and increase/widening the country's mining revenue base.

A major sticking point for mining, especially for exporters of minerals, is a need for more traction in the area of VAT refunds. Many of them face cash flow challenges arising from outstanding VAT refund claims. These pending refunds are viewed almost as interest free loans given to the government as businesses struggle with cash flow. In order to enhance the business environment for mining companies, particularly if we want to be more export oriented, there needs to be deliberate attempts to resolve the VAT refund problems. Ultimately, this move will eventually maximize mining revenue collections and significantly contribute to the economic growth of the country.

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