



What this year's budget taught us

The fiscally curious among us take the month of June very seriously. June is when budgets are read, deliberated and approved by parliament. This year was no different.

In some ways, you have to appreciate the difficulty of Dr. Mpango's job. He has to walk a fine line between the demands from a multitude of interest groups (businesses across different sectors, civil society groups, and ordinary citizens), all of them seeking tax relief of some kind; but also try to raise enough revenues to implement the ambitious plans that the government has. He has to do all of this while trying to grow an economy. Inevitably, it is virtually impossible to leave everybody satisfied.

Now that the process is over, we should pause to think about what lessons we can take, and reflect on the missed opportunities, because we will arrive to this come next June. I can think of three things that can help us going forward. The first one is procedural.

Perhaps it is time to revisit the final part of the budget process, that is how long it takes between the reading of the Finance Bill and when the Finance Act becomes effective. Surely, something as important as the budget process should take more than two weeks. There is a good example to emulate in the region.

In Uganda, the Proposed Annual Budget is presented at the beginning of April, discussed and approved by the end of May, and implementation starts in July. This means, Ugandan MPs have two months to deliberate the budget (whilst their Tanzanian counterparts have two weeks), and taxpayers have a month to prepare for the new changes (Tanzanians have none). Whilst a great deal of consultations happens before the budget reading through the think tank and other formal submissions, a slight adjustment of the calendar on our part will allow time for consultations and preparations in a more comprehensive way.

The second lesson is that while discussions can zig and zag, things can move when we engage constructively. Case in point is the amendment to the VAT law that now allows exporters of raw agricultural products to claim their input VAT. This change comes after the active engagement of various experts and industry groups, which made the demerits of the restriction very clear to the government. The motive of the restriction was positive, aiming at ensuring more value addition in Tanzania. However, the unintended consequences of the measure was that many local producers were left disadvantaged, because a great deal of agricultural products are exported raw (think of flowers or avocados); the amendment therefore was a positive change.

Perhaps the biggest win, and testimony to the power of constructive engagement, is the commencement of the implementation of the Blueprint on Regulatory Reforms to Improve the Business Environment. This must be the highlight of this year's budget, with the abolition of 54 different levies. One can also point out the establishment of the office of an independent Tax Ombudsman, the extension of the amnesty period and establishment of a special desk within TRA to promptly resolve tax disputes. The message here is clear; constructive engagement yields results, we just need to keep at it.



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The last lesson is that there is still quite a bit to do to make our tax system easier, efficient and friendly. For one, there is a lot of space for the use of technology to eliminate some of the manual filing we still do. Payroll taxes are still filed manually, and with multiple returns for the Skills Development Levy and PAYE. We have made progress on VAT filings; so surely, we can do more to leverage from technology to get our filings done right. On that same vein of payroll taxes, whilst this improvement can help save time, I think some adjustments in the taxable bands for employees is due; these bands were last revised in 2008. The times have changed and the real values of those thresholds have shifted.

A budget is an ongoing process of planning, learning, recalibrating and improving. There are many ways that this one has moved us in the right direction. The hope is that this momentum is sustained and intensified.

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