

Tax & Legal Alert
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Keeping you informed

Indirect Tax changes Introduced by Finance Act 2021

The Finance Act, 2021, Act No. 3 of 2021 came into force effectively from 1st July 2021 and made the changes to numerous legislations and among others it introduced changes to The Value Added Tax, Cap 148 [RE 2019], The Excise (Management and Tariff) Act, Cap 147 and The East African Community Customs Management Act, 2004.

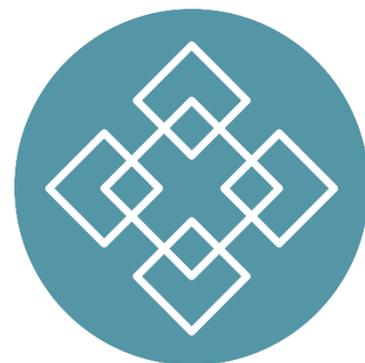
Changes introduced by the Finance Act

The Finance Act Introduced the below changes to the Value Added Tax, Cap 148 [RE 2019] and the The Excise (Management and Tariff) Act, 147 as elaborated below;

Value Added Tax (VAT), Cap 148 [RE 2019];

- **VAT equalization:** The Act amended section 3 of the VAT Act to allow for transfer of goods to Mainland Tanzania without payment of additional VAT in case VAT on those goods has been paid in Tanzania Zanzibar at the same rate as the rate applicable in Mainland Tanzania. Further, in cases that the VAT rate in Tanzania Zanzibar is lower than the rate in Mainland Tanzania, the difference in VAT shall be deemed to be unpaid and hence will be collected by the Tanzania Revenue Authority upon transfer of goods to Mainland Tanzania.
- **VAT collection by the Tanzania Revenue Authority on behalf of Zanzibar Revenue Board – section 3(4):** The amendments in the Act also requires the TRA to remit VAT collected, in respect of a recipient who is a taxable person in Tanzania Zanzibar, to the Zanzibar Revenue Board.
- **Empowering the Commissioner General to Grant VAT exemptions – Section 6(2):** The amendments made have given more power to the Commissioner General to grant VAT exemptions. Powers in the Act are transferred from the Minister of Finance to the Commissioner General to grant VAT exemption upon application by a taxpayer. Power to grant exemption by the Commissioner General may be on the following:
 - i. Importation of raw materials to be used solely in manufacturing of mosquito nets;
 - ii. Importation by or supply to a Government entity of goods or services to be used solely for implementation of a project funded by Government, Concessional loans etc.; and
 - iii. Importation or supply of goods or services for the relief of natural calamity or disaster etc.
- **Definition of Capital Goods that qualify for VAT deferment –Section 11.** The Act amended section 11 of the VAT Act by redefining the meaning of capital goods, to mean goods classifiable under Chapters 84, 85 and 90 of Annex 1 to the Protocol on the Establishment of the East African Community Customs Union.
 - Chapter 84: Nuclear reactors, boilers, machinery and mechanical appliances (parts thereof);
 - Chapter 85: Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles;
 - Chapter 90: Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof;
 - Zero rating of a supply of transportation and incidental services to an international pipeline – Section 59(3); and
 - Exemption by either addition or amendment of the items under exemption schedule

“Powers in the Act are transferred from the Minister of Finance to the Commissioner General to grant VAT exemption upon application by a taxpayer.”



The Excise (Management and Tariff) Act:

- Imposition of excise duty at a rate of 10% on imported used Motorcycles aged more than 3 years (HS Code 87.11 – Section 124 (5A)(c).
- Imposition of excise duty at a rate of 10% to a payment system provider licensed under the National Payment Systems Act for money transfer and payment service – Section 124 (6A) (c).
- Reduction of excise duty on beer made from locally grown and malted barley from TZS 765 per liter to TZS 620 per liter.
- The whole of the section with HS 22.08 is deleted and replaced with another section. The section provides for undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol; spirits, liqueurs and other spirituous beverages. As per the budget speech by the Minister for Finance, the change is intending to increase excise duty on all spirit by 30%.

The East African Community Customs Management Act, 2004:

- Increased duty rates for various products and raw materials including cotton yarns, pneumatic tires of rubber, peanut butter, coffee, cocoa powder, sack & bags, tea, ceramic tiles, certain iron & steel products, certain horticulture products, certain paper and paper products, sausages, chewing gum, chocolates, tomato source, mineral water, meat, crude and refined/semi-refined vegetable oil, gypsum powder, leaf springs with specified HS Codes

- **Duty remission for various products, raw materials and inputs including:**
 - Packaging materials for tea, coffee, cotton, tobacco and seeds;
 - Raw materials for manufacture of UHT milk, baby diapers, local wines, fertilizers, leather, detergents, cooking pots, essential medical products and supplies for fighting Covid-19, glass reinforced plastic pipes, corrugated boxes;
 - Three-wheel motorcycles, Electronic Fiscal Device (EFD) machines;
 - Inputs used by domestic mineral processors; and
 - Buses with capacity of more than 25 passengers, wires of other alloy steel and milk cans.
- Removal of the requirement of 15% refundable additional import duty deposit on sugar for industrial use.
- Introduction of de minimis value of USD 50 where customs duties shall not be collected.
- Valuation of imported printed fabrics to be re-vested by the Commissioner General, and if no justification of declared values, the Commissioner to impose USD 0.55 to 1 for a meter of polyester kitenge and USD 0.6 to 1 for a meter of cotton kitenge

NB: Details of the items and specified HS Codes are as summarized in the attached Appendix 1



Appendix 1

Table Number 1: Stay of application

Item	HS Code	Current Rate	Proposed Rate
Organic surface-active agents (Anionic) used by manufacturers of detergents and liquid soaps.	3402.1 1.00	10%	0%
Raw material used in leather processing	3208.20.00;321 0.00.10	or 25%	0%
Raw materials used to manufacture different types of fertilizers for fertilizer manufacturers	2710.99.00; 2528.00.00 3505.20.00	10% or 25%	0%
Packaging materials for processed tobacco	5310.10.00	25%	0%
Packaging materials for processed tea	481 9.20.90; 5407.44.00 3923.29.00	25%	0%
Aluminum alloy circles to manufacture cooking pots	7606.92.00	25%	10%
CKD for Three-Wheel Motorcycle excluding Chassis and its components	8704.21.90	25%	10%
Inputs used to manufacture Glass Reinforced Plastic pipes	3920.61.10;7019.39.00 7019.31.00;6006.90.00 6006.90.00;701 9.12.00 7019.12.00;701 9.12.00 3920.10.10; 4016.93.00 401 6.93.00; 3907.91.00	or 25%	0%

Table Number 2: Duty remission

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%	10%
Cotton yarns	52.05;52.06	10%	25%
New pneumatic tyres of rubber, of a kind used on motorcycles	4011.40.00	10%	25%
Peanut Butter	2008.1 1.00	25%	35%
Wires of other alloy steel	7229.20.00; 72200		0%
Milk cans	7310.10.00;7310.29.90	25%	0%

Table Number 3: Change of rate across EAC

Item	HS Code	Current Rate	Proposed Rate
Flat-rolled products of other alloy steel, of a width of 600 mm or more	7225.30.00	1 0%	0%

Table Number 4: Continued duty remission

Item	HS Code	Current Rate	Proposed Rate
Inputs for the manufacture of essential medical products and supplies for fighting COVID-19		25%	0%
Packaging materials for domestic manufacturers of UHT	4819.50.00	25%	0%
Corks and stoppers for domestic manufacturers of local wines	4503.10.00	10%	0%
Packaging materials for processed coffee	7310.21.0;6305.1 0.00 3923.50.10;3923.50.90 3920.30.90	25%	0%
Sacks and bags of polymers of ethylene inputs used 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 used to manufacture baby diapers	3906.90.00;5903.90.00 5402.44.00;3920.10.90 3920.10.10; 5603.11.00 3506.91.00; 5806.10.00 4803.00.00	25%	0%
Inputs used by domestic minerals processors	3606.90.00;6804.10.00 6813.20.00; 7018.90.00 7020.00.99; 8202.20.00 8202.99.00;8203.20.00 8205.10.00; 8423.89.90 8513.10.90; 9002.19.00	25% or 10%	0%
Paper products manufacturing of packaging materials (corrugated boxes)	4805.24.00 4805.25.00	25% or 10%	0%
Imported wheat grain	1001.99.10 1001.99.90	35%	10%
Printed Aluminum Barrier Laminates	3920.10.90	25%	0%
Refined Bleached Deodorized (RBD) Palm Stearin	1511.90.40	10%	0%
Raw materials and industrial inputs used to manufacture textiles and footwear			
Inputs used to manufacture leaf springs	7228.20.00		0%

Table Number 5: Continues stay of application

item	HS Code	Current rate	Proposed rate
Cash registers and Other Electronic Fiscal Device (EFD), Machines and Point of Sale (POS)		10%	0%
Ceramic tiles	6907.21 .00;6907.22.00 6907.23.00	25%	35%
Tea whether or not flavored	09.02	25%	35%
Sacks and bags of Jute or other textile bast fibres	6305.10.00	25%	35%
Cocoa powder not containing added sugar or other sweetening matter	1805.00.00	0%	10%
Coffee whether or roasted or decaffeinated, coffee husks and skins coffee substitutes containing coffee in any proportion	09.01	25%	35%
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;721 1.23.00 7211.90.00		or USD 125/MT whichever VAT
Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more plated or coated with zinc	7210.41 .00;7210.49.00 7210.61 .00;7210.69.00 7210.70.00;7210.90.00	25% or USD 200/MT whichever is higher	25% or USD 250/MT whichever is higher
Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, clad	7212.60.00	10%	10% or USD 250/MT whichever is higher
Iron and steel reinforcement bars and hollow profiles	7213.10.00;721 3.20.00 7213.99.00; 7214.10.00 7214.20.00; 7214.30.00 7214.91 .00;7214.99.00 721 5.10.00;7215.50.00 721 5.90.00;7225.91.00 7225.92.00;7225.99.00 7306.30.00;7306.50.00 7306.61 .00;7306.69.00 7306.90.00	25% or USD 200/MT whichever is higher	25% or USD 250/MT whichever is higher

Table Number 5: Continues stay of application (cont'd from previous page)

item	HS Code	Current rate	Proposed rate
Horticultural products	0603.11.00; 0603.12.00; 0603.13.00; 0604.90.00; 0603.15.00; 0603.19.00; 0604.20.00; 0604.90.00; 0701.90.00; 0702.00.00; 0703.10.00;0703.20.00; 0703.90.00; 0706.10.00; 0706.90.00;0710.10.00; 0710.21.00;0710.22.00; 0710.30.00; 0714.10.00; 0804.40.00; 0808.50.00 0805.10.00; 0805.40.00; 0805.50.00; 0806.10.00; 0807.11.00;0807.20.00; 0808.10.00; 0808.30.00; 0910.10.00;0910.12.00	25%	35%
Monofilament of which any cross-sectional dimension exceeds 1 mm, 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	4804.11.00; 4804.21.00;4804.29.00 4804.31.00 and 4804.41.00	10%	25%
Safety matches	3605.00.00	25%	25% or USD 1.35/kg whichever is higher
Nails, tacks, drawing pins, corrugated nails staples	7317.00.00	25%	25% or USD 350 per metric ton whichever is higher
Sausages and similar products	1601.00.00	25%	35%
Chewing gum	1704.10.00	25%	35%
Biscuits	19.05		
Other sugar confectionery (sweets)	1704.90.00		
Chocolate and other food preparations containing cocoa	18.06	25%	35%
Tomato sauce	2103.20.00	25%	35%
Meat and edible meat offal	Chapter 2	25%	35%

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