



# Finance Act 2022

~in brief~

Prepared by



# INCOME TAX

- **Definition of Equity** – Finance Act 2022 defines equity as ‘paid up share capital’ only. Finance Act 2012 had defined ‘equity’ to include, in addition, ‘*paid up share premium*’, and ‘*retained earnings*’. The motive behind this change remain unclear and open to Questions.
- **Small scale minors** – removal of proposed 2% income tax (*second year in a row removal*)
- **Transport Business** – now required to issue receipts electronically, along with advance income tax per vehicle based on vehicle type (i.e., goods’ or passengers’)
- **Digital services tax** – digital transactions now limited to electronic services (no mention of goods in the definition of ‘digital market place’)

# INCOME TAX...

- **Petroleum advance tax of TZS 20/Litre to retailers** – reversed (i.e., removal of proposed single installment tax on sale of petroleum products to retailers)
- **Withholding tax on royalty** – 10% rate for both resident and non-resident (for use of a cinematography film, videotapes, sound recording or any other like medium)
- **Mainland TZ & Z'bar special tax credit** – if a resident person has business or investment operations in both, a tax credit is allowed to be claimed for income tax paid in either jurisdiction.



## INDIRECT TAX

- **Electronic Money Transactions (EMT) levy**
  - not applicable to salary payments by employers.

# INDIRECT TAX...

## (VAT)

- **VAT Exemption for NGOs** – approval by the minister for finance is a new condition for the existing VAT exemption on a supply to/import by an NGO (*for which a Government agreement is in place for such exemption*)
- **Capital goods (VAT deferment) scope** – bill proposed (defined) agricultural vehicles to be included as '**Capital goods**', Act, has included condition that they must be locally manufactured or assembled in a custom bonded warehouse.

# INDIRECT TAX (VAT)...

- **Edible oil & fertilizer** - the proposed zero rating of the supply of locally made double refined edible oil has been reversed. Instead this will be exempt from VAT for one year (1 July 2022 – 30 June 2023) during which exemption applies to raw/packaging materials used by local makers of d. refined edible oil from locally grown seeds.
- **Fertilizer** - will continue to be an exempt supply
- **Air charter services** - VAT continues to be exempted from air charter services until 31 December 2022. (The delay intends to avoid interruption on pre-sold holiday packages)



# TAX ADMINISTRATION

- **Primary data server requirement to be local** – commencement date moved forward 12 months (to 1 July 2023)
- **Interest and penalties remission** – power to remit to remain with the Commissioner General (CG) of TRA
- **TIN** – removal of proposed requirement for use of TIN in every sale/purchase transactions. Persons with NIDA IDs are to be registered with TRA for TINs without the age threshold (of 18 yrs) requirement.

# TAX ADMINISTRATION...

- **Goods storage facility** – registration and reporting requirements – unlike the Bill, the Act limits the scope of reg & reporting to ones used for business purposes (and not investment) with no value threshold.



# COMPANY/ENTITY ADMINISTRATION (BRELA)

- **Removal** of the proposed daily penalty (TZS 10,000 per day) for failure to file annual return or comply with beneficial owner (BO) disclosure and reporting requirements.
- The penalty therefore will be b/n TZS 100k and 1m (Companies & Trusts) and b/n TZS 1m and 5m (Partnership)

## COMPANY/ENTITY ADMINISTRATION (...)

- **Liquidator Accounting records keeping period** – The stated requirement for liquidators to maintain accounting records and documents in relation to the dissolution of companies is for at least 10 years (not proposed 5)

# OTHER TAXES

- **Gaming tax** – Introduction of **10%** tax on the amount of winnings from sports betting.
- **TV Decoder subs. Fee** – will range b/n TZS 500- TZS 2000 (Instead of proposed TZS 1K-3K)
- **Land rent** – Interest on late payment (originally charged at 1% per month) has been reduced to 0.5% per month for the first 12 months of delay (thereafter revert to 1%)

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**EAC Rd, AICC Plot, Block No. 3, 3<sup>rd</sup> Floor, Kilimanjaro Wing,  
P. O. Box 12454, Arusha, Cell: +255 755 637 505**

**E: [tbs@tbs.co.tz](mailto:tbs@tbs.co.tz) | W: [tbs.co.tz](http://tbs.co.tz)**