

FINANCE ACT 2023

HIGHLIGHTS

TANZANIA TAX RATES 2023/2024 FEATURED

INTRODUCTION

This newsletter highlights the various amendments effected by the Finance Act 2023 ("the Act") following the Budget speech and the Finance Bill 2023 ("the Bill"). The Act was released to the public on 1 July 2023 and became effective from the same date.



ALERT

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HIGHLIGHTS

FINANCE ACT 2023

EFDMS OFFENCES

The penalty for 'failure to use EFD/VFD or issue a fiscal receipt' is now defined as the higher of;

- I. 20% of the value of goods sold or services rendered or
- II. 100 currency points (1CP=TZS 15k, i.e., TZS 1.5M)

EXCISE DUTY & TARIFFS ADJUSTMENTS

- The same TZS 620 on malt beer made from 100% locally grown barley.
- 20% increase on beer and tobacco, save for local malt beer.
- 10% increase on most other non-petroleum products.
- TZS 20/Kg extension on cement.
- TZS 100/litre increase on fuel & road toll (making Excise Duty, Road Toll & Petroleum levies totaling TZS 868/Litre and TZS 992/Litre for diesel and petrol respectively.

TAX ADMINISTRATION



Primary data server - definition now includes a virtual or any other server, and revised effective date as of 1 January 2024.

Tax refund claim – deadline for application for tax refund claim timeline of 3 years extended to (the date) resulting overpayment decision was made.

Storage facility – revised definitions to clarify the scope of the storage facility reporting requirement.

Mobile Money Transaction Levy (aka TOZO)

Removal of mobile money transaction levy (tozo) on electronic money transfer.

Removal of daily SIM card levy.

VAT RATES

Standard - 18%

THRESHOLD

The VAT registration threshold proposed in the budget speech at TZS 200m (from TZS 100), is confirmed by Value Added Tax (General) Regulations 2015 amendments.

EXEMPTIONS

- **Vehicles' accessories (for gas and/or electrical):** - Persons engaged in the conversion of motor vehicles' fuel system to natural gas or electricity
- **Cooking Seed Oil:** - Local manufacturers of double refined edible oil from locally grown seeds enjoy one more year extension to 30th June 2024.

DEFERMENT SCHEME

VAT deferment scheme extended to domestically manufactured capital goods, and for importation to cease after three years (from 1 July 2023)

VALUE ADDED TAX [VAT]



SDL RATE(S)

3.5%

Return - Removal of filling requirement if a return is NIL. Threshold remains at 10 staff plus

No filling return if return is NIL

Rate - reduced from 4.0% to 3.5%

GAMING RATES

25% on gross sales

Local ownership requirement now at - 5%

SKILLS & DEVELOPMENT LEVY [SDL]



TRANSACTIONS

- **Section 56 of Income Tax Act 2004 (ITA 2004) Shares:** amendment to change in control provision.
- **Capital gains tax – Income tax on property disposal –** alternative to pay 3% on gross disposal proceeds (by an individual) instead of 10% on gain.
- **Corporate restructuring –** Exemption on internal corporate restructuring in accordance with a framework agreement
- **Income tax on** truck and passanger vehicles now limited to individuals with gross sales of less than TZS 100M

INCOME TAX



KEY DEADLINES

TAX TYPE/STATUTORY PAYMENT	DUE DATE (PAYMENT & FILLING)	REMARKS
Corporate tax – provisional instalments	Each quarter end	TZS 75k (individual) TZS 225k (corporate) monthly penalty if late
Corporate tax – final return (30%)*	6 months after accounting period	TZS 75k (individual) TZS 225k (corporate) monthly penalty if late Filled with TP, if so
Withholding tax, PAYE & SDL (3.5%)	7th day of the following month	
NSSF& PSSF (20%)	1 month after the end of the month	S.14 (NSSF Act)
WCF (0.5%)	1 month after the end of the month	Annual return due by 31st March
VAT (18%)	20th day of the following month	Imports payable at the time custom duty is due and payable
Digital Service Tax – DST (2%)	20th day of the following month	
Excise duty	Last working day of the next month	
Stamp duty	30 days after execution/entry of instrument	Penalty btn 25% & 1000% for late payment
Service levy (0.3% of net turnover)	End of each quarter	Collected by LGAs
Refund of overpayment	3 years from the date of payment of excess tax, or date of decision of such overpayment	

INTEREST & PENALTIES

TAX TYPE/STATUTORY PAYMENT	INTEREST/PENALTY (MONTHLY) [%]
Corporate tax – provisional instalments under-estimation	Statutory Rate* (currently set at 5%)
Corporate tax – final return late file/payment	Higher of 2.5 % of net assessable tax or 5 CP {TZS 75k (individual)} 15 CP {TZS 225k (corporate)}
Late payment of refund	Statutory Rate (5%) from date of approval
WHT tax, DST, PAYE, SDL & VAT	Higher of 2.5 % of net assessable tax or 5 CP {TZS 75k (individual)} 15 CP {TZS 225k (corporate)}
NSSF	5%
PSSSF	1.5% (compounded)
WCF	Interest Rate determined by the Director General of WCF
Service levy	Maximum of 1.5% (Varies with LGAs by-laws)
Transfer Pricing documentation & policy	- 100% of the tax shortfall- if TP adjustment incompliant with arm's length - principle - 3,500cp [TZS 52.5m] for failure to adhere to TP documentation requirements
Failure to maintain proper records	TZS 15k (individual, i.e., 1 currency point [cp]) TZS 150k (corporate, 10 cp) monthly penalty if late
Disclosure for extractive & construction	Failure to disclose names of contractors and subcontractors in extractive and contraction industry results in penalty of higher of 25% of payable amount or a fine of up to TZS 60m

TABLE 5 - INTEREST RATES

DISCOUNT RATE	Jan - 22	Feb - 22	Mar - 22	Apr - 22	May - 22	Jun - 22	Jul - 22	Aug - 22	Sep - 22	Oct - 22	Nov - 22	Dec - 22	Jan 23	Feb - 23	Mar - 23	Apr - 23	May 23	Jun - 23
	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

*Source: Bank of Tanzania [<https://www.bot.go.tz/Publications/Filter/13>]

ROYALTIES & TAX TREATIES

MINERAL ROYALTIES

MINERAL TYPE	RATE (%)	REMARKS
Diamond, Gemstones, Metallic minerals (i.e., gold, silver, copper, platinum group, etc)	6	
Uranium (U)	5	
Gold (Au) sold to refinery locally	4	
General rate	3	
Coal used as raw materials, salt & gems	1	

ACTIVE INTERNATIONAL DOUBLE TAXATION AGREEMENTS WITH TANZANIA

COUNTRY	FOCUS	SINCE
Canada	Income & capital tax	1995
Denmark	Income & capital tax	1976
Finland	Income & capital tax	1976
India	Income tax	1979
Italy	Income tax	1973
Norway	Income & capital tax	1976
South Africa	Income tax	2005
Sweden	Income & capital tax	1976
Zambia	Income tax	1968

INCOME TAX RATES (ENTITIES)

CORPORATIONS RATES	TAX ON PROFIT (%)	TAX ON TURNOVER (%)
Resident corporation	30	-
Newly listed Companies with at least 30% shares issued publicly (1st 3 years)	25	-
Manufacturers of sanitary pads (with performance agreement with Government) [2 years from July 2019 - June 2021*]	25*	-
Pharmaceutical or leather manufacturer (1st 5 years)	20	-
Assembly of motor vehicles, tractors, fishing boats, boat engines (1st 5 years)	10	-
Repatriation of income	10	-
Alternative minimum tax (if tax losses for 3 consecutive years)	-	0.5
Digital Services provided by non-resident	-	2
Extractive technical & management services	-	5

* It's unclear whether the extension of time has been provided

LOCAL GOVERNMENT AUTHORITIES (LGAS) TAXATION	RATE (%)
Service levy (on net turnover)	0.3%
PROPERTY TAX: Ordinary building	TZS 18,000
Storey building (city council (each floor) & district council (entire building))	TZS 90,000

INCOME TAX RATES (INDIVIDUALS)

RESIDENTS – MONTHLY INCOME (TZ MAINLAND)

	Excess dif (TZS)	Taxable (TZS)	Rate (%)	Tax on excess (TZS)	Cumulative tax (TZS)
Min-wage	270,000	270,000	0	0	0
Level 2	250,000	520,000	8	20,000	20,000
Level 3	250,000	760,000	20	48,000	68,000
Level 4	240,000	1,000,000	25	60,000	128,000
Above	1,000,000	-	30		

SECONDARY EMPLOYMENT

RATE (%)

Secondary Income

30

NON-RESIDENTS

RATE (%)

Income (e.g., temporary employees from abroad)

15

High Commissions, Embassies and Diplomatic missions

0

PRESUMPTIVE INCOME TAX SCHEME

MAX TURNOVER (TZS)*

Presumptive income tax applies for individuals (save, regulated professionals, providers of technical, management, construction & training services) with business turnover not exceeding TZS 100M

100,000,000

WITHHOLDING TAXES

SOURCE OF WHT	RESIDENT (%)	NON-RESIDENT (%)
Service fees	5	15
Rent – land, building and aircraft	10	10
Rent – other assets	0	10
Interest	10	10
Dividend – to 25% or more controlling company	5	10
Dividend – from DSE listed company	5	5
Dividend – other	10	10
Royalty – general	15	15
Royalty – item (c)	10	10
Natural resources payment	15	15
Director fees (non-full time not in the payroll)	15	15
General insurance premium (other than life insurance)	0	5
Mobile money transfer commission paid to money transfer agent	10	-
Commission, fees & charges to banks, agents or digital agents	10	-
Payments for goods by Government institutions	2	-
Payment for precious metals, gemstones to holder of primary m.l	2	-
Payments for verified carbon emission reduction	10	-

TANZANIA TAX RATES (2023/2024)

ASSETS REALIZATION

ASSET (INVESTMENT) DISPOSAL RATES	TANZANIAN ASSET (%)	OVERSEAS ASSET (%)
Individual – Resident (with records of cost) – on gain	10	30
Individual – Resident (with no records of cost) – on gross sale	3	-
Individual – non-resident	30	-
Resident Company	30	30
Non-resident Company	30	-

SINGLE INSTALLMENT TAX	RESIDENT (%)	NON-RESIDENT (%)
Sale of land, license or concessional right on reserved land, building or share (applied on gain and at times credit vs liab.)	10	20
Sale of mineral or petroleum rights (applied to gain, if before production then computed separately from business I/L)	30	30
Transport operator/charterer without permanent establishment	-	5
Realization of interest in land or building (with no records of cost) [applied to incomings or approved value of asset, whichever is higher]	3	-

INDIRECT TAXES

VALUE ADDED TAX [VAT]	RATE (%)	REMARKS
Taxable supplies		
▪ Supply of goods & services	18	-
▪ Import of goods & services	18	-
▪ Export of goods & services	0	-

REGISTRATION THRESHOLD (ANNUAL TURNOVER)	RATE (TZS)	REMARKS
Standard threshold	200,000,000	VAT (Gen) Regul. '15*
Mandatory registration		
▪ Professional service providers	✓	-
▪ Government institutions with economic activity	✓	-
Refund claims		
▪ Standard claim	Six monthly basis	-
▪ Routine payment	Monthly basis	-

CUSTOMS & DUTIES

CUSTOM DUTY	RATE (%)
Finished consumer goods	25/35
Railway Development Levy (RDL)	1.5* (CIF)
Custom processing	0.6 (FOB)
* Not applicable to goods exempted under EACCMA 2004	
EXCISE DUTY	RATE (%)
Goods: Applied to specified goods including tobacco, petroleum, soft drinks, non-utility motor vehicles >1k cc, vehicles exceeding age limits, etc	∞
Services: Electronic communication services	17
Charges by financial institutions, money transfer & pay services	10
Pay to view TV service providers	5
EMWT - Electronic Money withdraw transaction levy	TZS 10 - TZS 2,000
STAMP DUTY	RATE (%)
Conveyance*, transfer of shares or debentures, lease agreement	1
* Stamp duty on conveyance of agri land is TZS 500	

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