2022 Finance Bill Analysis

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The Government of Tanzania has published the Finance Bill 2022 ("The Finance Bill") dated 15 June 2022 to implement various tax and regulatory changes announced by the Minister of Finance and Planning during his 2022/2023 Budget Speech on 14 June 2022.

The Finance Bill was tabled for discussion in Parliament and is intended to come into force from 1 July 2022. The bill has proposed to impose and alter certain taxes, duties, levies, fees and to amend certain written laws relating to collection and management of public revenues.

This newsletter supplements the analysis and insight in our Budget brief. Our analysis is based on our interpretation of the Finance Bill and may change upon publication of the Finance Act, 2022.

01

Income Tax

The Finance Bill proposes to introduce the following changes to the Income Tax Act:

Widening of the definition of the word "Business" to include transactions carried out through the internet or digital market place

- The definition of the word "Business" has been made broader to include a transaction or activity carried out through the internet or an electronic means including an electronic service or transaction conducted in the digital market place.
- With this proposal, the term "digital market place" to mean a platform which enables direct interaction between buyers and sellers of goods and services through electronic means.
- This means that transactions such as websites, web-hosting, remote maintenance of programmes and equipment, software and the updating thereof, images, text, and information, access to databases, self-education packages, music, films, games, broadcasts and events including broadcast television, will now be subject to taxation in Tanzania.

More power vested to the Minister to provide exemption from income tax to special strategic investment projects approved by the National Investment Steering Committee (NISC)

- The Finance Bill has proposed to empower the Minister responsible for finance, to grant exemption from income tax in respect of a special strategic investment approved by the NISC under the Tanzania Investment Act, after being approved by the Cabinet. This is where the agreements provide for such income tax exemption.
- This is an extension of the Minister's power following the previous year's empowerment to exempt grant agreement, non-concessional or concessional loan agreement between the Government of the United Republic and a donor or lender.
- Therefore, this proposal has widened the scope of the Minister's powers and will thus, assist to fast-track implementations of investments and harmonise the provisions of the Investment Act and the Income Tax Act.

Recognition of the "margin" earned from alternative financing arrangement in the same manner as "interest"

- The Finance Bill has proposed that, where an alternative financing arrangement approved by the Bank of Tanzania is payable as cost plus margin, the margin shall be treated in the same manner as interest. From the Income Tax Act, interest/margin earned should be included either as business income or investment income for taxation purposes.
- The "alternative financing arrangement" is not clear, as no definition has been provided of the term in the Act. However, we believe this may include financial arrangements done by non-conventional banks. More clarity on the implementation of this proposal needs to be provided for the avoidance of doubt.
- This proposal will also mean that the interest income will be liable for withholding tax (WHT) unless where the interest is paid to a resident financial institution in which case, it will be exempted from such obligation and taxed as corporate income tax.

Residency status of corporations now triggered by management and control being done through electronic means in the United Republic

- The Finance Bill has proposed to give more clarity of the triggering aspects for a corporation to be resident in Tanzania. As such, the residency status is triggered from whether the management and control of the entity is done physically or through electronic means, in the United Republic.
- This proposal aims to address the current technological changes in the way businesses are managed and controlled. This will increase the incidences of creating a Permanent Establishment (PE) in the United Republic of Tanzania.

The source rule extended to cover payments made to foreign investors who harness natural resources

- The Finance Bill has proposed to add payments made to foreign investors who harness natural resource located alongside the border or within the country, as having a source in the United Republic to widen tax the base.
- This proposal will mean that the natural resource payments will be liable for WHT.

The Finance Bill has proposed to subject digital services payments made by individuals to non-resident persons to tax at a rate of 2% on the amount (excluding applicable VAT).

Non-resident digital services providers to pay tax at a rate of 2% on payments received from individuals

- The Finance Bill has proposed to subject digital services payments made by individuals to non-resident persons to tax at a rate of 2% on the amount (excluding applicable VAT).
- This tax will be payable by a way of single instalment monthly by the non-resident persons by way of filing monthly returns, to the TRA on or before 7th day of the subsequent month. In addition, they will not be required to file final return of income in the United Republic.
- Furthermore, it is noted that the Minister responsible for finance may issue Regulations on this subject matter for assessing or collecting the income tax or giving effect to the proposed tax.
- Even though, this proposal is intended to expand the tax base and uphold equity principles of taxation with local businesses, we foresee that this change will make it more expensive to acquire digital services as the prices of these services are likely to increase.

Exemption of WHT on interest income from corporate and municipal bonds

- The Finance Bill has proposed an exemption for WHT on the interest paid to a holder of corporate and municipal bonds issued and listed on the Dar es Salaam Stock Exchange (DSE) from 1st July 2022, aiming at increasing alternative sources for funding Government's development projects.

Introduction of a regime to tax small-scale miners

- The Finance Bill has proposed to introduce income tax at a rate of 2% on the sale value of minerals done by small-scale miners who do not have regular income. Furthermore, this tax will be paid at the time of selling minerals at Mineral and Gem Houses or buying stations designated by the Mining Commission under the Mining Act.
- The proposal aims to expand the tax base and enhance compliance by ensuring that the income earned by such small-scale miners, who are taxable under the presumptive income tax scheme (turnover does not exceed TZS 100 million per annum) are taxed accordingly. As such, with the proposed tax law as worded, the small-scale miners would not be liable to pay the presumptive income tax.
- A similar proposal was included in the previous year's Finance Bill 2021 at a rate of 3% however, was subsequently deleted from the Finance Act 2021.

Exemption for individuals to withhold tax from investment returns now abolished

- The Finance Bill has proposed to abolish exemption to withhold tax by individuals (not conducting business) when making payment in relation to investment returns. From the Income Tax Act, investment returns include payments for dividend, interest, natural resource payment, rent or royalty.
- As such, the aim of this proposal as grasped from the Budget speech and the Finance Bill is to now make individuals (tenants) liable to withhold tax on rent paid for residential houses, apartments, and commercial premises. However, scrutiny of this change, will also include the above-mentioned investment returns covered in that section.
- The only challenge foreseen on this is on the modality for collecting and remitting such WHT since the said individuals are normally not withholding tax agents.

Introduction of retailer's advance tax on petroleum product

- The Finance Bill has proposed to introduce advance tax of TZS 20 per litre for retailers of petroleum products. The tax will be collected by the wholesalers of bulk petroleum products at the time the products are purchased by the retailers.
- In terms of proposed obligations, the wholesalers are required to remit the tax collected to TRA not later than 7 days from the date of the transaction and further, submit a return or certificate of payment of the tax collected to TRA on or before 7th day of the subsequent month.
- The aim of this amendment is to widen the tax base and increase Government revenue. However, the retailers may find themselves in tax credit positions at the yearend in case the overall business incomes are low.

Amendments to bands for presumptive income tax and which individuals fall under this scheme

- The Finance Bill has proposed to adjust the upper band of the presumptive tax rate to now include a rate of 3.5% for taxpayers with a turnover between TZS 11 million and TZS 100 million as shown in the table below. Since, it is based on turnover, this will simplify the tax assessment process as the Electronic Fiscal Device (EFD) acquisition threshold for taxpayers is also TZS 11 million.

Total income	Previous rate payable		Proposed rate payable
	Where taxpayers do not maintain records	Where taxpayers maintain the records	
Where turnover exceeds TZS 11,000,000, but does not exceed TZS 14,000,000	TZS 450,000	TZS 230,000 plus 3% of turnover in excess of TZS 11,000,000	3.5% of turnover
Where turnover exceeds TZS 14,000,000, but does not exceed TZS 100,000,000	N/A	TZS 450,000 plus 3.5% of turnover in excess of TZS 14,000,000	

- Furthermore, the proposed change excludes individuals dealing with professionals, technical, management, construction and training services business to use the presumptive income tax scheme.
- In turn, this translates to such individuals required to use the normal rates of income tax for individuals which will also require them to submit their final returns of income together with certified financial statements as per the requirements of Section 91 of the Income Tax Act.

02

Value Added Tax (VAT)

The Finance Bill introduced the following amendments to the Value Added Tax (VAT) Act:

Exemption of VAT on special strategic investments

- The Finance Bill has proposed to grant power to the Minister to grant VAT exemption on goods or service supplied for implementation of special strategic investments approved by the NISC under the Tanzania Investment Act. Such exemption will be granted by the Minister upon approval by the Cabinet and by order published in the Gazette.
- The proposal is aimed at promoting Investment and to do away with the current inconsistency in granting additional incentives to special strategic investors.

Regulations to prescribe dealing of alternative financing products

- The Finance Bill has proposed to add a provision that give power to the Minister to make regulations that prescribe the manner and procedures of dealing in loans including alternative financing products approved by the Bank of Tanzania.
- The aim of the proposal is to align the treatment of alternative financing products and conventional loans, enhance financial inclusion and bring equity in taxation.

Non-residents can now be registered for VAT

- The Finance Bill has proposed where it is not practical to appoint a tax representative for a non-resident who carries on business in Mainland Tanzania without a fixed place to apply to the Commissioner General to be registered for VAT.
- Currently, a non-resident person carrying on business without a fixed place was required to appoint a VAT representative who will be responsible for undertaking all obligations required under the VAT Act.
- Regulations that will provide more light on such registration will be issued.
- The proposed change is viewed to simply the registration of a non-resident person who provides service in Mainland Tanzania without having a fixed place of business.

Zero rating of supply of double refined edible oil and fertiliser for one year

- The Finance Bill has proposed to zero rate for a period of one year, a supply of locally manufactured double refined edible oil and fertiliser.
- Currently, the supply of double refined edible oil and fertiliser is a taxable supply. With the proposed changes, the cost to the final consumer should reduce.
- Although this incentive is limited to just one year, it is a commendable move to reduce price hikes on such critical products.

NGOs now required to have a financing agreement with the Government to qualify for VAT exemptions on supplies and imports

- The Finance Bill has proposed to add a requirement for the Non-Governmental Organisations ("NGOs") to have a financing agreement with the Government as a pre-requisite to qualify for VAT exemption on their imports or supply of goods or services.
- Currently, if the agreement between the NGO and the government provides for VAT exemption, then the said NGO will qualify for exemption regardless of the type of agreement it has with the Government. With the proposed change, the number of NGO qualifying for exemption will likely reduce.

Widening the scope of capital goods qualifying for deferment

- The Finance Bill has proposed to add to the scope of capital goods qualifying for deferment. This includes trailers and road tractors for semitrailers falling under Heading 87.16 and HS Code 8701.20.90.
- The proposed change is aimed at reducing the costs to investors and promoting growth of industries in the country.

Amendments to the VAT exemption schedule

- The Finance Bill has proposed to exempt VAT on supplies and imports as tabulated below:

Item	HS Code
Ear tag	3926.90.90
Ear tag applicators	8456.90.00
Automatic turning table	8207.30.00
Stunning box	8438.50.00
Lessor beam machines	9402.90.90
Agro net	56.08
Unpasteurized or pasteurized cow or goat milk with additives and long-life milk	04.01
Unprocessed fruits	0905.10.00
Standing tree	6.02
Fishing nets	3926.90.10
Fishing hooks, reels and lines	9507.20.00, 9507.90.00 and 9507.30.00
Dairy packaging materials	3923.30.00, 4819.10.00, 4819.20.00 and 4819.20.90

Furthermore, the Finance Bill has proposed to exempt VAT on imports as tabulated below:

Item	HS Code
Raw materials to be solely used and directly used in manufacturing of fertilizers duly certified by the Ministry responsible for industries	2528.00.00, 2710.99.00 and 3505.20.00
Equipment and machinery used and directly used in manufacturing of fertilizers duly certified by the Ministry responsible for industries	Chapter 84 and 85
Soil testing equipment as certified by the Ministry responsible for agricultural	9026.10.00, 9031.80.00, 9027.80.00 and 9027.90.00
Moisture meter as certified by the Ministry responsible for agricultural	9031.80.00
Rain gauge for weather stations as certified by the Ministry responsible for agricultural	9023.00.90
PH meters as certified by the Ministry responsible for agricultural	3822.00.90
Tissue culture equipment as certified by the Ministry responsible for agricultural	8419.89.60
Tension meters as certified by the Ministry responsible for agricultural	9031.80.00
Meteorological equipment and machinery by the Tanzania Meteorological Authority.	N/A
Raw materials by a manufacturer of gas cylinders upon signing a performance agreement with the Government of the United Republic.	7229.90.00, 3810.90.00, 3401.19.00, 7904.00.00, 4016.93.00, 8481.10.00 and 8309.90.90

However, the Finance Bill has proposed to abolish the exempt VAT on the following:

Item	HS Code
Smart phones	8517.12.00
Tablets	8471.30.00 and 8517.12.00
Modems	8517.62.00 or 8517.69.00

The Finance Bill has also proposed to make substitutions to VAT exempted supplies and imports as seen below:

Current regime	Proposed change
Supplies of arms and ammunitions, parts and accessories thereof, to the armed forces.	Importation of arms and ammunition, parts and accessories thereof. equipment and machineries for the official use of the armed forces as certified by the Ministry responsible for security and defence
Revenue Stamps of HS Code 4907.00.90	A supply of sisal ropes of HS Code 5607.21.00 and 5607.29.00
Modems	8517.62.00 or 8517.69.00

Likewise, the Finance Bill has proposed to make substitutions to VAT exempted imports as seen below:

Current regime	Proposed change
An import of machinery of HS Code 8453.10.00 by a local manufacturer of hide and skins for exclusive use in manufacturing leather in Mainland Tanzania	An import of machinery of HS Code 8438.50.00 and 8453.10.00 by a local manufacturer of hides and skins; and a registered abattoir for exclusive use of skinning, dehiding and leather processing in Mainland Tanzania duly certified by the Ministry responsible for livestock or fishery
An import of cold rooms of HS Code 9406.10.10 and 9406.90.10 by a person engaged in horticulture	An import of cold rooms of HS Code 9406.10.10, 9406.90.10 and refrigerated truck of HS Codes 8704.21.90; 8704.22.90; 8704.23.90; 8704.31.90; 8704.32.90; 8704.90.90 by a person engaged in livestock, fishery or agriculture duly certified by the Ministry responsible for livestock, fishery or agriculture

03

Excise Duty

The Finance Bill proposes to introduce the following changes to the Excise (Management and Tariff) Act:

Shifting of the penalty for the offence of unregulated denaturing of spirits

- The Finance Bill has proposed to eliminate the punishment for the offences of denaturing spirits with formulae unprescribed by the Act or denaturing spirits without a licence, from the Excise (Management and Tariff) Act and instead rely on the penalty as now stated in the Tax Administration Act, 2015.

- Initially, the above-mentioned activities resulted to imprisonment for a term not exceeding 3 years or to a fine not exceeding TZS 10,000 or to both, and forfeiture of any plant, spirits and materials in relation to the offence which was not in harmony with the Tax Administration Act, 2015.

- The aim of this amendment is to harmonise penalty system in tax laws.

Shifting of the penalty for licensee who contravenes with Act's regulations on entry of premises and plant

- The Finance Bill has proposed to eliminate the punishment for contravening with the Act's regulations on entry of premises and plants, from the Excise (Management and Tariff) Act and instead rely on the penalty as now stated in the Tax Administration Act, 2015.

- Initially, the offence resulted into imprisonment for a term not exceeding 3 years or to a fine not exceeding TZS 10,000 or to both and forfeiture of any materials in relation to the offence.

- The aim of this amendment is also to harmonise penalty system in tax laws.

Excise duty on pay-to-view television service, to now include service from terrestrial, satellite or other technology operator

- The Finance Bill has proposed to charged duty at the rate of 5% of the dutiable value in respect of the service for pay-to-view television provided from licensed terrestrial, satellite or other technology operator. This duty shall also be payable when the service is supplied from the mentioned suppliers.

- Initially, only pay-to-view television service from licensed cable television network or cable operator was dutiable at the rate of 5%.

- This aims to expand the tax base by recognizing other pay to view television service providers apart from cable service providers. However, in turn this may lead to such services being more expensive as this additional cost will be passed to the final consumers.

Good news to exporters of horticultural products

- The Finance Bill has proposed to exempt excise duty on articles for the conveyance or packing of goods used by exporters of horticulture products, that were once charged at a rate of 5%.

- This amendment aims to reduce costs for exporters, encourage entry in the market and increase competitive of horticultural products in the international market.

New excisable items

– The Finance Bill has proposed to introduce new excisable rates and items as highlighted below:

Heading	HS Code	Description	Unit	Current Rate	Proposed Rate
17.04		Sugar confectionary (including white chocolate), not containing cocoa			
	1704.10.00	- chewing gum, whether or not sugar-coated			
		Locally produced	Kg	Nil	Tshs 500.00
		Imported	Kg	Nil	Tshs 700.00
	1704.90.00	- Other			
		Locally produced	Kg	Nil	Tshs 500.00
		Imported	Kg	Nil	Tshs 700.00
18.06		Chocolate and other food preparations containing cocoa			
	1806.31.00	-- filled, Chocolate in divided bars etc filled with cocoa and sugar preparation			
		Locally produced	Kg	Nil	Tshs 500.00
		Imported	Kg	Nil	Tshs 700.00
	1806.32.00	- not filled			
		Locally produced	Kg	Nil	Tshs 500.00
		Imported	Kg	Nil	Tshs 700.00
	1806.90.00	- Other			
		Locally produced	Kg	Nil	Tshs 500.00
		Imported	Kg	Nil	Tshs 700.00
19.05		Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products			
	1905.31.00	-- Sweet biscuits			
		Locally produced	Kg	Nil	Tshs 500.00
		Imported	Kg	Nil	Tshs 700.00
85.07		Electric accumulators, including separators thereof, whether or not rectangular (including square)			
	8507.10.00	Locally produced	u	Nil	5%
		Imported	u	Nil	5%
	8507.10.00	- other lead-acid accumulators			
		Locally produced	u	Nil	5%
		Imported	u	Nil	5%

The Finance Bill has proposed to amend the definition of the term fiscal device to include any other electronic system as authorized by the Commissioner General.

04

Tax Administration Act

The Finance Bill proposes to modify the Tax Administration Act by introducing the following changes:

Electronic systems including mobile phones to issue fiscal receipt or invoice

- The Finance Bill has proposed to amend the definition of the term fiscal device to include any other electronic system as authorized by the Commissioner General.
- The aim of the amendment is to allow fiscal receipts or fiscal invoices that are now issued through mobile phones and other electronic system to qualify as valid fiscal receipt or fiscal invoice for tax purposes.

Tax Identification Number to every person aged more than 18 years

- The Finance Bill has proposed to put a requirement to the Commissioner General to register and issue Tax Identification Number (TIN) to every Tanzanian citizen aged 18 years or above and who has been registered and issued with a National Identification Number (NIDA). The Commissioner General will ensure each TIN issued is connected with NIDA and the TIN will be used in every transaction that involve sales or purchases whether made electronically or manually.

The above requirements are proposed to come into operation effectively on 1st January 2023.

Licencing of tax consultants

- The Finance Bill has proposed to give power to the Commissioner General to licence an individual to act as a tax consultant on behalf of any person for the purposes of discharging the person's obligation in a tax law.
- With exception of an employee or manager of a person, any other person who is not licenced by the Commissioner General as a tax consultant shall not act on behalf of such person or communicate with the Commissioner General on pretext of representing a person on any matter under any tax law.
- The proposed change is aimed at providing the licencing, restrictions, functions and control of tax consultants.

Tax returns to be filed electronically

- The Finance Bill has proposed every taxpayer who is required to file a tax return, should do so electronically on or before the due date of filing the respective tax return.
- However, the Bill has proposed to leave a room for the Commissioner General under special circumstances to permit a person to file a return manually or by any other means and such permit shall be in writing. The room to file a return manually is likely maintained to allow tax returns which are yet to be electronically incorporated such as excise duty returns to be filed.
- The proposed changes are in spirit of removing the administration burden which was brought by filing of paper tax returns.

Introduction of registration and monitoring requirements for storage facility

- The Finance Bill has proposed every person who establishes a storage facility for storing of goods of value excessing TZS 10 million, to register such facility with the Commissioner General. The owner of the registered facility is required to keep records of all goods stored and report to the Commissioner General on monthly basis on the manner prescribed by the Commissioner General.

- If the Commissioner General is satisfied that the storage facility has not been registered or goods have been kept without being reported as required, the owner of the facility will be liable to a penalty of TZS 4.5 million and pay any undetected loss of revenue with respect to undisclosed goods, irrespective of whether the goods are owned by storage facility owner or not.

- Despite the good intention of warranting to provide mechanism of enabling close monitoring of storage facilities for tax compliance, this proposal is likely to increase administration burden to both the storage owners and the TRA and operating cost to the storage owners.

More clarity as to when a manager of an entity is liable to payment of defaulted tax of the entity

- The Finance Bill has proposed to amend the conditions under which the manager of the entity is jointly and severally liable with the entity for payment of tax. The Bill has proposed that, where it is proven by the court that the default to pay tax was due to fraud, then the manager together with the entity shall be jointly and severally liable to payment of the tax.

- Prior to the proposed change, the manager was not liable where the manager has exercised the degree of care, diligence and skills that would have been exercised in preventing the failure to pay tax.

- The proposed changes are viewed to provide more clarity since it is currently subjective and involve application of judgment to establish if the manager has exercised the degree of care, diligence and skills.

Reinstating of power to the Minister to remit interest or penalty

- The Finance Bill has proposed to reinstate the power to the Minister of Finance and Planning to remit the whole or part of interest or penalty after consultation with the Commissioner General.

- Prior to the proposed change, the power to remit interest or penalty was vested to the Commissioner General. The proposal is aimed at removing obstacles in the granting of the exemptions and simplifying remission of interest and penalties.

- However, it is difficult to ascertain that this will indeed achieve the intended purpose since the Minister's decision will still depend on the TRA's recommendations. Could this be creating unnecessary bureaucracy?

Introduction of offence for failing to comply with tax laws

- The Finance Bill has proposed to amend the provisions that impose fine to a person who fails to comply with any tax law in order to impose fine to an offence that has been committed in the other tax laws.

- The proposal is aimed at providing clarity and harmonization of offences as prior to the proposed change, a fine for an offence was imposed to a person who has failed to comply with the provisions of the Tax Administration Act. With the proposed changes, it will mean that a person who fails to comply with both the provisions of the Tax Administration Act and any other tax laws will be liable to a fine as provided for under the Tax Administration Act.

Broadening the point for imposition of a fine for failure to issue fiscal receipt or invoice

- The Finance Bill has proposed to add a compliance criterion for a person to be liable to a fine following the failure to issue fiscal receipt / invoice. The Bill has proposed that where a person fails to issue a fiscal receipt / invoice at the time of supply of goods, rendering services or receiving payment for goods or service to be liable to a fine of not less than TZS 3 million and not more than TZS 4.5 million.

- Prior to the proposed change, a person was liable to a fine only at the point where the person fails to issue fiscal receipt or invoice upon receiving payment for sale of goods or service.

- Though silent, the proposed change will mean that, fiscal receipt / invoice should be issued at earlier of supplying good or service or the time of receiving payment for good or service.

Widening the point for imposition of fine for failure to demand or report a denial of issuance of fiscal receipt or invoice

- The Finance Bill has proposed to amend the point at which a person will be liable to a fine following the failure to demand or report a denial of issuance of a fiscal receipt / invoice. The Bill has proposed that, where a person fails to demand or report a denial of issuance of a fiscal receipt / invoice at the time of receipt of goods or services or payment for goods or service to be liable to a fine of not less than TZS 30,000 and not more than TZS 1.5 million.

- Prior to the proposed change, a person was liable to a fine only at the point where the person fails to demand or report a denial of fiscal receipt / invoice upon payment for goods or service.

If a person fails to make entry or declaration, before commencing manufacture of excisable goods, of each building, room, place, machinery or equipment, item of plant for the manufacture, preparation for sale or storage of excisable goods;

- Though silent, the proposed change will mean that, fiscal receipt / invoice should be demand or in case of denial to be issued reported at earlier of receiving goods or service or the time of payment for goods or service.

Offence for failure to be registered or licenced under a tax law

- The Finance Bill has proposed to introduce a fine to a person who is required to be registered or licensed under a tax law to perform any functions and fails to apply for such registration within the period prescribed by law or as may be notified by the Commissioner General.

- The fine shall on conviction of the offence be not more than TZS 7.5 million or to imprisonment for a term not exceeding 1 year or to both.

Introduction of excise duty offences

- The Finance Bill has proposed to introduce a fine to a person who has committed an offence and on conviction is found to have contravened the provisions of the Excise (Management and Tariff) Act.

- For the first time offender, the proposed fine is a maximum of TZS 4.95 million or to imprisonment for a term not exceeding 3 years or to both. For a subsequent offender, the fine is not less than TZS 4.95 million but not exceeding TZS 52.5 million or to imprisonment for a term not less than 5 years but not exceeding 20 years or to both.

- In addition to the above penalties, the court may issue an order for forfeiture of any plant, excisable goods or materials connected to the commission of the offence.

- A person will be deemed to commit an offence if he commits the following:

i. manufactures any excisable goods without being licenced by the licensing authority;

ii. does not abide with any of the condition in a licence imposed on him or breaches any of the licence conditions given to him;

iii. does not obey a suspension or revocation of his licence by the Commissioner together with any condition thereof;

iv. fails to keep records with respect to manufacture, storage and delivery of excisable goods at his factory or place of work in the prescribed manner;

v. denatures spirits for sale without being licenced by the licensing authority and adopting the prescribed formula;

vi. fails to make entry or declaration, before commencing manufacture of excisable goods, of each building, room, place, machinery or equipment, item of plant for the manufacture, preparation for sale or storage of excisable goods;

vii. makes use of any building, room, place, machinery or equipment or item of plant for manufacture, preparation for sale or storage of excisable goods without a valid entry;

viii. makes use of a building, room, place, machinery or equipment or item of manufacture, preparation for sale or storage of excisable goods for purpose other than that declared in the approved entry; or

ix. effects alteration in shape, position, or capacity of a building, room, place of manufacture or preparation for sale or storage of excisable goods without prior permission of the Commissioner.

05

Other Notable Changes

The Finance Bill also proposes to introduce several changes to various Acts. Below are some highlights on the notable changes:

Reduction of hotel levy

- The Finance Bill has proposed to amend the Local Government Finance Act by reducing hotel levy from 10% to 5% collected by urban authorities, district councils and township authorities. This will be good news to the hospitality industry.

More levies to be paid to municipals on service levy and produce cess

- The Finance Bill has proposed to amend the Local Government Finance Act by emphasizing that on top of service levy paid by entities, corporate bodies or individuals, they shall also be liable to pay produce cess where they purchase agriculture produce.

- Prior to the change, the rates imposed in relation to service levy was payable in lieu of the industrial cess and the corporate entities paying service levy was not liable to pay the produce cess.

- Furthermore, it is noted that the Minister may make regulations on the manner for distributing revenue of such service levy paid by entities, corporate bodies or individuals who carry their economic activities in more than one local government authority.

- Based on the Budget speech, the aim of the proposed amendment is to ensure that every local government authority benefit from the economic activities carried out in its area of jurisdiction and to facilitate the provision of quality services to the community. However, the wording of the Finance Bill suggests that a person is required to pay both service levy and produce cess if operating from the same council.

No cess on seeds; less cess on forest produce

- The Finance Bill has proposed to amend the Local Government Finance Act by exempting crop cess on seeds. This change is expected to provide relief to farmers and boost productivity in the agricultural sector.

- Furthermore, forest produce cess is also proposed to be reduced from 5% to 3%. The reduction in the levy is expected to provide relief to forestry traders and support the growth of the forestry sector.

Tax Administration Act provisions now applicable to Gaming Tax

- The Finance Bill has proposed to amend the Gaming Act by introducing the provision of the Tax Administration Act relating to the maintenance of documents, tax liability, collection and recovery of tax, imposition of interest, tax enforcement, objection and appeal to apply with respect to the gaming tax.

- The proposal is aimed at bringing homogenous administration of the Gaming Act with other tax laws.

Scope for mandatory insurance expanded

- The Finance Bill has proposed to amend the Insurance Act by restricting a person from importing goods or operate a public market, commercial building marine vessel, ferry or pantoon without obtaining insurance coverage.

- The proposal is aimed at increasing insurance uptake and enhance financial inclusion.

Reduced Royalty on coal used as industrial raw material and gold sold at refinery centres

The Finance Bill has proposed to amend the Mining Act by reducing the royalty rates as shown in the table below:

Item	Previous royalty rate	Proposed royalty rate
Gold sold at refinery centres	6%	4%
Coal used as industrial raw material	3%	1%

Cheaper mobile money transaction costs?

- The Finance Bill has proposed to amend the National Payment Systems Act by reducing the mobile money transaction levy on sending and withdrawing monies from a maximum of TZS 10,000 to TZS 4,000.
- In line with the above change, we expect to receive amended regulations that will now capture the proposed levy.
- The proposal is aimed at reducing the cost of living to citizens.

Who is a Beneficial Owner (BO)?

- The Finance Bill has proposed to amend the Companies Act, the Trustees Incorporation Act and the Business Names (Registration) Act by deleting the current definition of BO and referring to the definition in the Anti-Money Laundering Act.
- Therefore, a BO means any natural person who ultimately owns or controls the customer, the natural person on whose behalf a transaction or activity is being conducted, a person who exercises ultimate effective control over a legal person or legal arrangement or beneficiary of an insurance policy or other investment linked insurance policy and includes a shareholding of 5% or more in the legal person or an ownership interest of 5% or more in the legal person held by a natural person.
- This amendment is made to consolidate the meaning of a BO across all Acts.

Disclosure of beneficial ownership for partnership and fines therein

- The Finance Bill has proposed to amend the Business Names (Registration) Act by introducing a requirement to furnish information and particulars relating to the BO during registration of partnership and to introduce a penalty for failure to provide information relating to the BOs of partnership which will be fine of not less than TZS 1 million but not exceeding TZS 5 million.
- The aim of the amendment is to enhance compliance and ensure availability of beneficial ownership information.

Stringent penalties for non-compliance in relation to registration and filing of returns

- The Finance Bill has proposed to amend the Companies Act by introducing stringent penalties for companies that either fail to:

i. maintain a register of members and BO;

ii. notify the Registrar of any changes;

iii. to keep an index of the names of the members and BOs of the company; or

iv. to file annual returns.

- The suggested penalty is TZS 100,000 and an addition of TZS 10,000 for every day during which the default continues.

Requirement to maintain documents relating to dissolution of companies for 5 years

- The Finance Bill has proposed to amend the Companies Act by stating that after 5 years from the dissolution of the company, no responsibility shall rest on the company, the liquidators, or any person to whom the custody of the books and papers has been committed provided that the liquidator shall be responsible for maintaining accounting records and underlying documentations relating to the dissolution of a company for a period of at least 5 years from the date of dissolution.
- This amendment is made to require the liquidators of companies to maintain accounting records and documents relating to dissolution of companies for at least five years.

Save costs and time through amicable settlement of tax disputes

- The Finance Bill has proposed to amend the Tax Revenue Appeals Act by opting for amicable settlement of tax disputes rather that amicable mediation since the latter involves a third party (such as the legal officers/counsellors) which had proven to be less effective due to the time used.
- This amendment aims at ensuring time and cost saving settlement of disputes. Essentially, the proposed amendments align with the current practice.

Introduction of export levy on copper waste and scrap metals

- The Finance Bill has proposed to amend the Export Levy Act by introducing an export levy of 30% or USD 150 per metric tonne (whichever is higher) on copper waste and scrap metals HS Code 7204 and 7404.
- This measure is intended to protect local manufacturers and ensure sufficient availability of raw materials to the respective industries.

Interest to be paid 12 months after due date for Land Rent payments

- The Finance Bill has proposed to amend the Land Act by changing the duration of imposing interest on outstanding rent payable in respect of a right of occupancy, or any part of such rent or instalment, from 6 to 12 months and the interest of 1% per month shall be payable on the unpaid amount until payment of the amount is made, and such interest shall be collected and recovered in the same manner as rent.

Intern students being exempted from SDL

- The Finance Bill has proposed to amend the Vocational Education and Training Act by exempting intern students from universities who are under the Tanzania Employment Service Agency (TaESA) program, from paying the SDL.

- The proposed change is aimed at providing relief to employers who engage university graduates through TaESA program as interns in their workplace. The proposed change will boost the number of internships beneficiaries who will have job skills and experience prior to employment.

New fee on television decoder subscription

- The Finance Bill has proposed to amend the Electronic and Postal Communications Act by imposing a fee to be charged on television decoder subscription paid at a rate ranging from TZS 1,000 to TZS 3,000.

The introduction of this fee aims to increase government revenue.

The Government through the Finance Bill 2022 is still implementing the Blueprint for Regulatory Reforms for improving the business environment by amending various fees and levies

Other notable changes in the speech but not reflected in the Finance Bill

- The proposed Worker's Compensation Fund (WCF) contribution rate reduction from 0.6% to 0.5% for the private sector. We believe this will come through the Regulations.

- The proposed change to include ALL electronic transactions for purposes of charging mobile money levy. We believe this will come through the Regulations.

- The proposed abolishment of the VAT exemption on supply of air charter services.

- The proposed License fees for manufacturers and importers of excisable goods being reduced from TZS 500,000 to TZS 300,000.

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