

Tanzania Revenue Authority upgrades electronic financial data management system

EY Tax News Update: Global Edition

EY's Tax News Update: Global Edition is a free, personalized email subscription service that allows you to receive EY Global Tax Alerts, newsletters, events, and thought leadership published across all areas of tax. Access more information about the tool and registration [here](#).

Also available is our [EY Global Tax Alert Library](#) on ey.com.

Executive summary

The Tanzania Revenue Authority (TRA) has upgraded its electronic financial data management system (EFDMS) in line with the improved e-filing system. The aim of the upgrade is to simplify and promote voluntary tax payment for businesses and also increase efficiency.

With the new system, traders¹ are required to have and maintain electronic fiscal devices (EFD) that issue tax invoices which can be automatically verified by the EFDMS.

Prior to deployment of the new system, traders were only required to issue tax invoices through EFDs purchased from suppliers approved by the TRA. The previous system had no mechanism for automatic verification of the validity of invoices.

All traders are now required to upgrade their EFDs to align with the improved system or purchase a new EFD if their EFDs are incompatible with the new system.

Detailed discussion

As part of the improvements in the e-filing system, the TRA has upgraded the EFDMS to enable automatic verification of invoices issued by traders.

With the upgraded system in place, traders with EFDs are required to upgrade their devices to align with the improved EFDMS, which will facilitate the automatic verification of invoices upon issuance.

What traders must do

Traders should consult with TRA-approved EFD suppliers as soon as practicable to confirm if their EFD is compatible with the upgraded EFDMS. Where compatible, traders will only be required to upgrade their EFD to facilitate issuance of tax invoices which are automatically verified in the EFDMS.

Traders with EFDs that issue tax invoices which are not compatible with the improved EFDMS are required to purchase new EFDs from the respective suppliers.

The upgraded EFDMS allows traders to use computers, Point of Sale (POS) machines, and other payment processing machines capable of connecting to the improved system. Traders using any of these are not required to purchase an EFD but will have to integrate the technology into the upgraded EFDMS. Traders in this category are required to contact their respective TRA offices to learn how their machines will be connected to the improved EFDMS.

Deadline for upgrading/acquisition of new machines

Traders are required to upgrade their EFDs (where compatible) or acquire new EFDs within 30 days from 7 December 2020, i.e., by 6 January 2021.

Reliefs available to traders

Costs borne by traders to purchase new EFDs from suppliers approved by the TRA are refunded through the following mechanisms:

- a. Traders who are registered for Value Added Tax (VAT) will be allowed to claim a credit of the full EFD acquisition cost as input tax.
- b. For traders who are not registered for VAT, the EFD acquisition cost is a business expense which will be deductible when calculating the chargeable income for the respective year of income.

Consequences for non-adherence

Upon the expiry of the 30-day period, traders who do not have EFDs compatible with the improved EFDMS will be considered as traders who do not have or do not use EFDs.

It is an offense for a trader to fail to acquire and/or use an EFD. The offense is punishable upon conviction by a fine of not less than 200 currency points² and not more than 300 currency point or imprisonment of a term not exceeding three years or both.

Endnotes

1. The new system applies to all taxpayers conducting businesses.
2. One currency point = Tanzania Shillings (TZS) 15,000.

For additional information with respect to this Alert, please contact the following:

Ernst & Young (Tanzania), Dar es Salaam

- ▶ Silke Mattern silke.mattern@tz.ey.com
- ▶ Laurian Justinian laurian.justinian@tz.ey.com
- ▶ Beatrice Melkiory beatrice.melkiory@tz.ey.com

Ernst & Young Société d'Avocats, Pan African Tax - Transfer Pricing Desk, Paris

- ▶ Bruno Messerschmitt bruno.messerschmitt@ey-avocats.com
- ▶ Alexis Popov alexis.popov@ey-avocats.com

Ernst & Young LLP (United Kingdom), Pan African Tax Desk, London

- ▶ Byron Thomas bthomas4@uk.ey.com

Ernst & Young LLP (United States), Pan African Tax Desk, New York

- ▶ Brigitte Keirby-Smith brigitte.f.keirby-smith1@ey.com
- ▶ Dele Olagun-Samuel dele.olaogun@ey.com

About EY

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2020 EYGM Limited.
All Rights Reserved.

EYG no. 002481-20Gbl

1508-1600216 NY
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com