

## Tanzania issues new Value Added Tax Regulations

---

### **NEW!** EY Tax News Update: Global Edition

EY's new 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 Government of Tanzania published the Value Added Tax (General) (Amendment) regulations, 2018 (the Regulations) on 19 October 2018. The Regulations amend the Value Added Tax (General) Regulations, 2015.

This Tax Alert summarizes the key changes introduced by the Regulations.

### Detailed discussion

#### **Deferment of Value Added Tax (VAT)**

The threshold for deferment of VAT on imported capital goods has been reduced and can be applied for if the VAT payable for each unit of the capital goods is Tanzanian shillings (TZS) 10 million or more. Previously, approval could only be granted if the VAT payable was at least TZS20 million.

Once benefitting from VAT deferment on imported capital goods, an importer may not enjoy the VAT exemptions for importation of machineries for manufacturing vegetable oil, textiles, pharmaceutical and leather products.

## Apportionment of input tax

A supplier of both taxable and exempt supplies is required to apportion input tax incurred in respect of supplies made by him.

To determine the apportionment of input tax a taxpayer needs to allocate the total input tax to different categories: (i) input tax directly attributable to taxable supplies; (ii) input tax attributable to exempt supplies; and (iii) input tax attributable to both taxable and exempt supplies in a given tax period.

A taxable person may claim the whole of input tax directly attributable to taxable supplies but is not allowed to claim input tax directly attributable to exempt supplies. The taxpayer must apportion input tax attributable to both exempt and taxable supplies in line with the formula provided under the *Value Added Tax Act, 2014*.

Where a taxable person has conducted an economic activity for a period less than 12 months, the accounting year may be adjusted for the purpose of the annual adjustment of input tax credit.

## Apportionment of input tax for a supplier of financial services

A supplier of financial services who makes both taxable and exempt supplies is required to apportion input tax in accordance with the formula  $I \times T/A$  whereas;

- ▶ T= Total value of taxable supplies excluding VAT
- ▶ A= Total value of all supplies (standard rated + zero rated + exempt) excluding VAT
- ▶ I = Total input tax for which credit is claimed in the tax period

Previously, the value of supplies of imported services were excluded from the apportionment.

## Supply of financial services

Financial services for which no consideration is charged are exempt from VAT. The Regulations have made long-awaited clarifications.

A supply made in relation to a payment system or for a payment service is not exempt if consideration is based on fee. Payment system means a facility consisting of payment instruments, banking and transfer of money procedures, interbank funds transfer system or payment system provider's systems that ensure the circulation of money. A payment service means service of money transfer through payment system.

The following services shall not be considered financial services:

- ▶ Safe custody for money or documents
- ▶ Brokerage services
- ▶ Debt collection or factoring services
- ▶ Legal, accounting, record packaging services and tax agency services including tax advisory services. Accounting and record packaging services may include:
  - Services related to a financial clearing system
  - Posting of financial transaction or maintenance of the account of customers of supplier of financial service
  - Services ancillary to the above

## Periodic statement to be issued by supplier of financial services

A supplier of financial services is required to issue periodic statements to customers which shall be deemed to be tax invoices.

It is not necessary for the periodic statement issued to bear the words "tax invoice" in the header or bear sequential numbering.

The periodic statement must be issued within 10 days following the end of the month to which the tax period relates.

The periodic statement must include the following:

- ▶ Name, address, Tax payer Identification number (TIN) and VAT registration number (VRN) of the service provider and the customer
- ▶ Date of the periodic statement
- ▶ Description and value of each transaction listed on the periodic statement
- ▶ Total consideration, excluding VAT for the listed transactions
- ▶ Applicable VAT rate and total VAT charged
- ▶ Total price payable by the recipient of the service

In case the customer is not a taxable person, the supplier is required to issue a normal statement which may not necessarily contain all the details of a normal periodic statement.

A taxable person who has incurred input tax in relation to a supply of financial services in a particular period shall not claim the input tax unless he is in possession of the periodic statement at the time of filing the return.

## Goods transported to Zanzibar from mainland Tanzania

To enjoy zero rating for locally manufactured goods transported from mainland Tanzania to Zanzibar, the manufacturer must produce the following documents:

- ▶ Tax invoice generated by electronic fiscal device (EFD)
- ▶ Landing certificate
- ▶ Single Administrative Document
- ▶ Transire
- ▶ Certified copy of VAT registration certificate of the customer

---

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

### Ernst & Young (Tanzania), Dar es Salaam

- ▶ Tom Philibert                      tom.philibert@tz.ey.com
- ▶ Silke J Mattern                      silke.mattern@tz.ey.com
- ▶ Beatrice Melkiory                      beatrice.melkiory@tz.ey.com
- ▶ Innocent Alex                      innocent.e.alex@tz.ey.com

**About EY**

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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. For more information about our organization, please visit [ey.com](http://ey.com).

Indirect Tax

© 2018 EYGM Limited.  
All Rights Reserved.

EYG no. 012319-18Gbl

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, or other professional advice. Please refer to your advisors for specific advice.

**[ey.com](http://ey.com)**