

## Tanzania issues *Finance Act, 2019*

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### Executive summary

On 30 June 2019, the Tanzanian Government published the *Finance Act, 2019* in the *Official Government Gazette*. The provisions of the *Finance Act, 2019*, unless noted otherwise, became effective on 1 July 2019.

This Alert is based on the *Finance Act, 2019* which includes numerous amendments of tax and other non-tax laws. This Alert outlines the key tax amendments.

### Detailed discussion

#### ***Income Tax Act (ITA), 2004***

The following amendments have been made:

- Amendment of Paragraph 2(2) of the First Schedule to the Act to increase the threshold of presumptive income tax from TZS 20m to TZS 100m. The previous schedule for presumptive tax regime is deleted and the new schedule is inserted as shown below.

Turnover	Tax payable where section 35 of <i>Tax Administration Act</i> is not complied with	Tax payable where section 35 of <i>Tax Administration Act</i> is complied with
Where turnover does not exceed TZS4,000,000	NIL	NIL
Where turnover exceeds TZS4,000,000 but does not exceed TZS7,000,000	TZS100,000	3% of turnover in excess of TZS4,000,000
Where turnover exceeds TZS7,000,000 but does not exceed TZS11,000,000	TZS250,000	TZS90,000 plus 3% of turnover in excess of TZS7,000,000
Where turnover exceeds TZS11,000,000 but does not exceed TZS14,000,000	TZS450,000	TZS230,000 plus 3% of turnover in excess of TZS11,000,000
Where turnover exceeds TZS14,000,000 but does not exceed TZS100,000,000	NOT APPLICABLE	TZS450,000 plus 3.5% of turnover in excess of TZS14,000,000

- ▶ Amendment of Paragraph 3(2)(d) of the First Schedule to the Act to reduce the corporate income tax (CIT) rate from 30% to 25% for new investors in the production of sanitary pads for two years starting from year 2019/20 up to 2020/21.
- ▶ Amendment of the Second Schedule to the Act to remove the exemption to income tax granted to the Dar es Salaam Stock Exchange.
- ▶ Amendment of the Second Schedule to the Act to grant an exemption from withholding tax on interest, fees and other financing charges paid by the Government to a nonresident bank, financial institution, other government or representative of other government arising from a loan agreement that entitles such nonresident entity to a tax exemption for purposes of financing Government projects. This provision has retrospective effect and applies from 1 June 2017.

### ***Tax Administration Act (TAA), 2015***

- ▶ Introduction of the definition of the term fiscal device to mean any electronic receipt issuing machine authorized by the Commissioner General for business transactions.
- ▶ Introduction of the definition of the term fiscal receipt to mean receipt or invoice issued using a fiscal device, government electronic payment gateway system and any other electronic system approved by the Commissioner General.
- ▶ Amendment of Section 22 to allow deferment of the requirement to pay installment tax under the *Income Tax Act* for a period of six months by a person registered and issued with the Taxpayers Identification Number (TIN) for the first time.
  - The amount of tax deferred is payable in three equal installments in the remaining period.
  - The deferment granted is optional and a person can opt to pay the tax during the deferment period.
- ▶ Introduction of the office of the Tax Ombudsman responsible for reviewing and addressing complaints raised by taxpayers regarding the service, procedural or administrative matters arising from the administration of tax laws by the Tanzania Revenue Authority (TRA).
- ▶ The list of tax returns has been extended to include returns filed under the *Airport Service Charge Act* and the *Port Service Charge Act*.

### ***Value Added Tax Act (VAT), 2014***

- ▶ Zero rating of the supply of electricity by a supplier of electricity service in Mainland Tanzania to another supplier of electricity service in Tanzania Zanzibar.
- ▶ Amendment of Section 68(3)(d) to remove restriction in claiming input tax credit on exportation of raw agricultural products.

- ▶ Amendment of the Schedule to the Act to provide exemptions on the following supplies and imports;
  - Supply of aircraft lubricants to a local operator of air transportation.
  - An import of refrigerated containers of Harmonized Schedule (HS) code 8418.69.90 by a person involved in horticulture for exclusive use in Mainland Tanzania.
  - An import of grain drying equipment of HS code 8419.31.00 for exclusive use in agriculture in Mainland Tanzania.
  - An import of aircraft lubricants, airline tickets, brochures, leaflets, calendars, diaries, headed papers and airline uniforms imported by designated airline under a Bilateral Air Service Agreement between the Government of United Republic of Tanzania and a foreign government.
- ▶ Amendment of the Fourth Schedule to introduce new excise rates to various items including human hair, tobacco, tubes, pipes and fittings of plastic.

### Changes made in other laws

- ▶ Amendment of the *Airport Service Charge Act*, to introduce the requirement for agents to file monthly returns to the TRA disclosing the amounts collected and other particulars as prescribed by the Commissioner General.
- ▶ Amendment of the *Port Service Charge Act* to introduce the requirement for agents to file monthly returns to the TRA disclosing the amounts collected and other particulars as prescribed by the Commissioner General.
- ▶ Amendment of the *Road Traffic Act* to extend the validity period for a driving license from three years to five years.

### ***Excise (Management and Tariff) Act, Cap 147***

- ▶ Introduction of an exemption from excise duty on importation and supply of aircraft lubricants to a local operator of air transportation or designated airline under Bilateral Air Service Agreement with the Government.

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EYG no. 003518-19Gbl

1508-1600216 NY  
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