




TANZANIA BUDGET 2020/2021 HIGHLIGHTS



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A snapshot of tax and other legislative changes as presented in the 2020/21 budget speech by the Minister of Finance on June 11, 2020. The proposed tax measures are expected to become effective on 1 July 2020.

The Value Added Tax Act

For the benefit of farmers an introduction of exemption of value added tax on Agricultural Crop Insurance. That insurance companies will not charge 18% value added tax on insurance premiums. This move reduces insurance costs and hence encourages agricultural producers to insure against loss due to natural disaster or loss of projected yields.



For the benefit of exporters of raw products now they will recover input tax incurred on purchase of the said raw products. The restriction to claim input tax is removed and hence enabling competitive prices in the international markets.

The Income Tax Act

270,000

The new tax free threshold

Slight tax relief for employees have been proposed.

Tax free monthly threshold has been increased from Tshs. 170,000/= to Tzs. 270,000/= and the highest tax rate of 30% now applies on an income in excess of Tshs. 1,000,000/= instead of the previous Tshs.

720,000/=. The tax bands will be widened. The new monthly tax table with effect from 1 July 2020 will be as below: shown below:

Monthly Income	Rate Payable
Up to 270,000/=	NIL
270,001/= to 520,000/=	9% on excess over 270,000/=
520,001/= to 760,000/=	22,500/= + 20% on excess over 560,000=
760,001/= to 1,000,000/=	70,500/= + 25% on excess over 760,000/=
Over 1,000,000/=	130,500/= + 30% on excess over 1,000,000/=

- **On donations:** Those made to AIDS Trust Fund and to the Government for fighting against COVID-19 Pandemic are 100% allowable for income tax purpose. The intention is to stimulate contributions to these causes.
- **On primary cooperative societies:** the maximum income exemption threshold has been increased to TSh 100 million from TSh 50 million. The intention is to strengthen these cooperatives as they will start paying income tax when the turnover exceed TSh 100 million.
- **On special economic zones operators:** those who produce 100% for the local market there are no longer exempt from income tax. This brings a fair business ground with other producers.
- Net gain from realization of license or concessional right on reserved land are now chargeable to Capital Gain Tax.

- **On banks:** Withholding tax at a rate of 10% is now applicable to payment of commission to Banks and Digital payment agents. This creates a level playing field with other electronic money transfer service operators as the same was applicable on commission paid to mobile money agents.
- **On strategic projects:** To fast track the strategic projects the Minister of Finance has been empowered to grant income tax exemption without consulting the Cabinet but restricted to a tax liability of Tshs. 1 billion.

The Excise (Management and Tariff) Act

Imported powdered beer with HS Code 2106.90.90 to be charged excise duty rate of TSh 844/=per kg., and TSh 232/= per kg on imported powdered juice with HS Code 2106.90.90. The intention is to protect domestic industry

The Vocational, Educational and Training Act

Some relief on the cost of employment to employers has been introduced. The rate for Skills and Development Levy (SDL) has been reduced from 4.5% to 4%.



The Tax Administration Act

On tax dispute resolution. To expedite dispute resolution a time limit of six months have been introduced. The TRA is now required to determine objections within six months while taxpayers are to submit their documents within thirty days. Indeed justice delayed is justice denied; the period of uncertainty to businesses which have been aggrieved by tax decisions made by the Commissioner has been decreased. The Finance Bill will throw light on the proposed amendment of various sections.

The Local Government Finance Act

On service levy being 0.3% of the turnover:

To avoid disputes between Local Government Authorities and Telecommunication Companies the Minister of Local Government will now collect the said service levy from telecommunication companies and distribute proportionately to the local government authorities within 14 days.

The Motor Vehicle (Tax Registration and Transfer) Act

An opportunity to register preferred motor vehicle numbers at the cost of TSh 500,000/= have been introduced to whoever wishes to have a special registration number. However, the number will be in the current format e.g T 999 AAA. This is a reduction of cost as previously one had to pay TSh 5,000,000/= to have any format of the registration number.

The Mining Act

It is now requirement to obtain a tax clearance certificate from TRA to be able to apply for a new licence or even on renewal of the mining licence. The change is intended to enhance tax compliance.

The Treasury Register Act

70% of surplus revenue to be contributed to Treasury.

Public institutions, agencies and parastatals with surplus revenue are now required to contribute 70% of their surplus to Treasury. This will apply regardless to whether the entities are financed by the Government budget or not. The intention is to heighten public fund management.

The Public Finance Act

The obligation to declare and pay dividends or 15% of the gross turnover to Consolidated Fund has been expanded to include the National Identification Authority, Tanzania Investment Centre, Tanzania Fertilizer Regulatory Authority and the Government Procurement Services Agency.

The Electronic and Postal Communication Act

The mandatory listing at the DSE has been withdrawn for telecommunication companies which are owned by the government to the tune of at least 25%. The measure is taken to protect government interest. Equally, telecommunication tower leasing companies are not required to list their shares at the DSE.

The Land Act

It is now mandatory within ninety days to apply for the Right of Occupancy for a person who has a surveyed land and a plan that has been approved by the Ministry of lands. The intention is to enhance formal ownership of land.

90 days
mandatory
application of
the Right of
Occupancy

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This pamphlet provides an abstract of the tax and related measures contained in the 2020/21 Budget speech presented by Hon. Dr. Philip I. Mpango, the Minister for Finance and Planning. The pamphlet constitutes only a concise guide and is not intended to be an all-inclusive digest of the tax laws and practice. While all reasonable care has been taken in the preparation of this guide, Tax & Financial Associates Limited (which trades as Tax Professionals) will not be responsible for any omission or errors it may contain, whether due to negligence or otherwise in preparing this document.