

Tanzania Finance Act, 2024

Tax Alert



Introduction

Following the amendments to various Governing laws through the Finance Act 2024, we would like to bring you the latest updates on the recent amendments to various tax laws and other related laws and their far-reaching impacts on the business. The amendments set out in the Act are effective from 1 July 2024 (unless specifically stated otherwise).

In this newsletter, we provide highlights of the key provisions of the Finance Act and their implications for financial planning and compliance strategies that affect taxpayers and businesses.



Income Tax Act

No EFD Receipt means no Deduction

Taxpayers are obliged to have EFD receipts for every expense incurred. Therefore, not having an EFD receipt means the expenditure will not be allowable for tax purposes. Exceptions for non-issuance of EFD receipt are provided to:

- Non-Resident person with no permanent establishment in United Republic of Tanzania; and
- v The taxpayers excluded from a requirement to issue EFD receipt in accordance with Tax Administration Act



Loss Slow Down Rule

Taxpayers with losses for four consecutive years and having a taxable income on a fifth year will only be allowed to claim tax losses up to 60% of their income. Therefore, will be required to pay income tax on 40% of the taxable income for the year compared to 30% in prior years. The remaining losses will be carried forward to subsequent years.

This means companies with unrelieved loss will be liable for more corporate tax compared to prior years.

Exemption of Alternative Minimum Tax (AMT) on Tea processing companies

Tea processing companies with perpetual unrelieved loss for three consecutive years are exempted from paying AMT for three years until 30th June 2027. This initiative has been made to encourage the level of investment in Tea processing companies in the country.



Extended Scope of Charitable Institutions

Resident entities engaged in the provision of health and environment conservational services can now qualify as the “charitable institutions”. They will be required to comply with the process established by Commissioner General of TRA to apply and obtain the charitable institution status including obtaining private ruling from TRA.

Extended Scope of Withholding Tax Application on Construction Equipment and Machinery

Rental payments made to a resident person in respect of the use of construction equipment and machinery are subjected to non – final withholding tax at the rate of 10%.

The Act defines the construction equipment or machinery to include the equipment, machinery, structure, scaffolding, materials, tools, supplies or systems rented or leased by contractor or its subcontractors for use in accomplishing the construction works but not intended to form part of the structure to be built or for incorporation into the project.



Withholding Tax Exemption on Interest Payments on Concessionary Loans

WHT does not apply on interest paid by resident financial institutions to non-resident financial institutions or funds which have an agreement with the Government of Tanzania to provide concessionary loans to resident financial institutions that on-lend the funds to resident borrowers. This exemption shall not apply to the interest payable on any loan taken by a resident financial institution from a related non-resident person.

The Digital World is on the Taxman's Radar

Payments made to a resident digital content creators by either residents or non-residents are subjected to 5% withholding tax. The act defines the digital content as any electronic content that may be downloaded, streamed or accessed in any other manner, including e-books, magazines, news, journals, periodical, database, music, movie, software, mobile phone applications, images, text, sound effects, website, webinar, webcast, which is not simultaneously broadcasted over any conventional radio or television network in the United Republic.

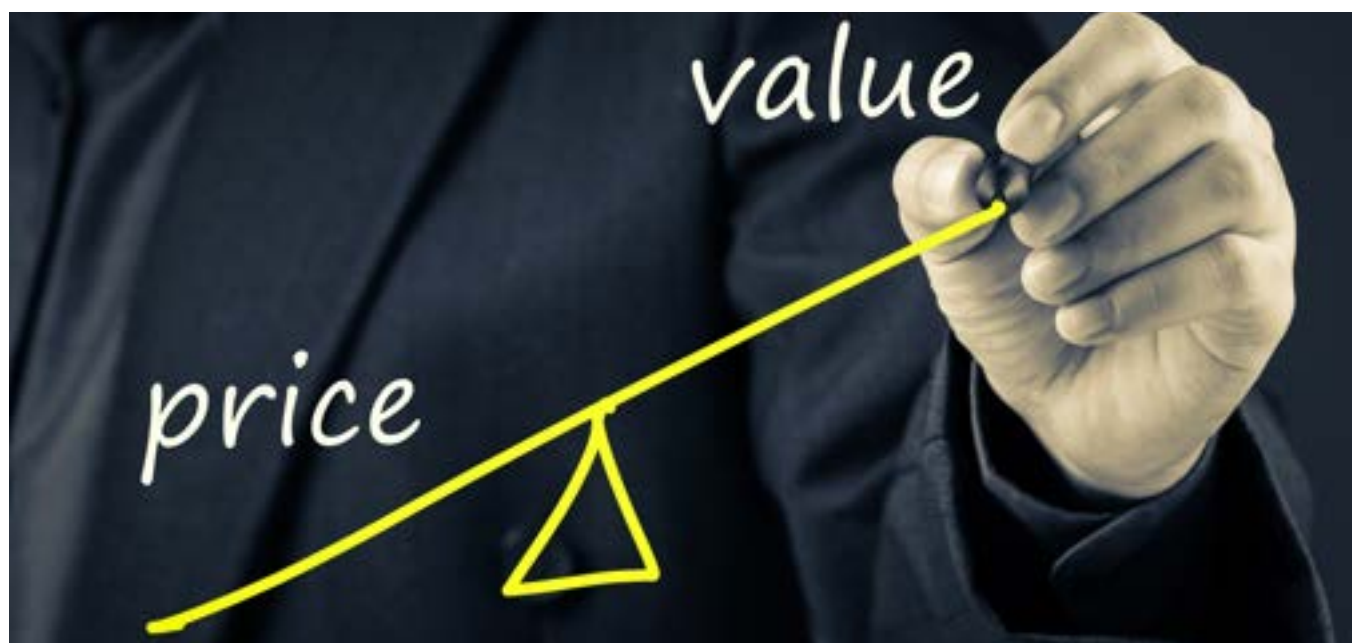
Further, a resident person or non-resident person who owns a digital asset exchange platform or facilitates the exchange or transfer of a digital asset and makes payment to a resident person in respect of exchange or transfer of the digital asset shall withhold income tax on the payment at the rate of 3%.



The Digital World is on the Taxman's Radar - cont'd

However, the Act defines digital asset as the anything of value that is not tangible including crypto- currencies, token code, number held in digital form and generated through cryptographic means or any other means, by whatever name called, providing a digital representation of value exchanged with or without consideration that can be transferred, stored or exchanged electronically or a non-fungible token or any other token of similar nature;

And the term payment means the gross fair market value considered received or receivable at the point of exchange or transfer of a digital asset.



Withholding Tax on Industrial and Metallic minerals

The resident person who is a buyer of the industrial and metallic minerals other than salt and precious metals supplied by holder of a primary mining license or artisanal miner shall withhold the income tax at the rate of 2%. The withholding tax shall be final if deducted on the payments for purchase of minerals made to an individual who is a holder of primary mining license or artisanal miner.



Final Withholding Tax Payments

The payment made to a local government authority, local community or any resident individual in respect of verified carbon emission reduction are now considered as final withholding tax.

Clarity on Capital Gain Tax (CGT)

The Act now clarifies that CGT payable at the rate of 3% of the incomings or approved value of the asset, whichever is greater and it is only applicable to individuals who realizes an interest in land or building and does not have records of costs of assets.

This amendment, entities will still liable to pay CGT at the rate of 10% and not 3%.

Clarification on Single Installment Taxpayers

A gross payment to be received by a non-resident person (an installment payer) in conducting business of land, sea or air transport shall exclude any fees, charge or tax paid by a passenger and received by that person on behalf of the Government.

Extension of time to file Income Tax Return by Public Sector

The due date to file income tax return by the Institutions whose financial statement is audited by the Controller and Auditor General has been extended from six to nine months after the end of each.

Requirement not to file Income Tax Return

Non-resident employees are not obliged to file an individual tax return if they have only Tanzania-sourced employment income from which their employer has already withheld income tax.

Taxation of Passenger Service Vehicles

The rate of income tax for a resident individual engaged in transportation of passengers:

Passenger Service Vehicles		
S/N	No. of passengers	Tax payable
1	Up to 15	250,000
2	16 to 30	650,000
3	31 to 45	1,100,000
4	46 to 65	1,600,000
5	Above 65	2,200,000

Payments to Football Federations are subjected to Withholding Tax

Royalty payment to resident sports entity or Tanzania Football Federation (TFF) are subjected to withholding Tax at the rate of 5%.

Change in Control

Exclusion from tax implications of change in underlying ownership is limited to a change that results from allotment of shares in a resident entity.



Value Added Tax Act

Introduction to new definitions

Gaming Supply

Means a supply of games or devices that are approved by the Gaming Board and for which person make money for the operating the game but excludes games played in private residence areas, on charitable organization or educational organization.

Serviced Apartment

Means a furnished apartment or similar establishment, available for short or long-term stay, providing amenities for daily use, housekeeping and a range of other services all included within the rental price. The purpose of definition is to clarify that VAT is applicable on supply of serviced apartments.

Broaden the VAT Base

The Act has introduced the VAT on online data services with the aiming of broadening VAT base. As the supply of online data services to a customer who is not a registered person shall be treated to have been made in Mainland Tanzania.

However, this amendment comes with clear definition of online data service which means all data, works or material uploaded or to be stored on platform to derive economic value for commercial purpose.

Broadening the definition of Electronic Service

Definition of Electronic Services has been amended to encompass services offered via the internet in the Mainland Tanzania.

Deemed VAT deregistration by Intending Trader

Businesses which are registered for VAT as intending traders but fail to commence production of taxable supplies, required to notify TRA within 90 days after expiration of the period in which they had indicated they would commence the production of taxable supplies. Failure to notify results in a deemed deregistration from VAT. Consequently, any input VAT claimed previously, by the intending trader will be lost.

Extended time of Zero-Rated Supply to the Local Manufacturers of Fertilizer and Cotton Garments

Supply of local manufactured fertilizer and cotton garments continue to be zero rated for the coming one year until 30th June 2025. Initially, the limit was until 30th June 2024.



Removal of VAT exemption

The VAT exemption has been abolished on the supply and importation of the following agricultural implements:



VAT Exemptions introduced

- The supply of all goods, including material, supplies, equipment, machinery and motor vehicle for official use of armed forces as certified by the Minister responsible for defense are VAT exempt.
- The Supply of precious metals, gemstones and other precious stones, buying stations or Mineral and Gem Houses designated by the Mining Commission under the Mining Act, Cap. 123.
- Blended tea and fermented tea from locally grown tea leaves with HS code 0902.30.00 and 0902.40.00 respectively.
- The supply of Single Axle Tractors (Power tiller) with H.S Code 8701.10.00 is exempted from VAT.

VAT Exemptions cont'd

- Supply of sewerage services by a water supply and sanitation authority.
- Supply of video assistant referee (VAR) technology equipment and accessories upon approval by the Minister responsible for sports.

The Supply of;

- aircraft and aircraft maintenance to a local operator of air transportation;
- aircraft engine and aircraft parts to a local manufacturer or assembler of aircraft or to a local operator of air transportation.

Prior to the amendment, Supply of aircraft, aircraft engine, aircraft parts and aircraft maintenance were VAT exempt to only local operator of air transportation, however after the Finance Act 2024 has also included the local manufacturer or assembler of aircraft in ambit of VAT exemption.

Extended time frame for VAT Exemption

The supply of double refined edible oil from locally grown seeds by a local manufacturer has been extended for one year until 30th June 2025. Initially the exemption has to expire on 30th June, 2024.

Zero rating on supply of Gold

A supply of gold to the Bank of Tanzania (BoT) and a licensed refinery in Mainland Tanzania shall be zero rated.



Approvals for VAT Exemption by the Minister

The Minister of Natural Resources is now granted power to issue VAT exemption to bee keepers on the following:

Item	Equipment	HS Code	Approval By
	Honey Settling tank	8436.80.00	The Minister responsible for Natural Resources
	Honey Homogenizer tank	8479.90.00	
	Honey/ Wax press machine	8436.80.00	
	Wax Sterilizer	8419.89.00	
	Wax Melter	8419.89.00	
	Honey Barrel	7319.10.00	
	Sack for honey barrel	3923.29.00	
Importation or Supply of water sanitation and treatment chemicals	Chlorine	2801.10.00	The Minister responsible for water
	Aluminum Sulphate	2833.22.00	
	Calcium Chlorite	2828.10.00	
	Powered Activated Carbon	3802.20.00	
	Potassium Permanganate	2841.61.00	
	Carbon dioxide	2811.21.00	
	Polly aluminum Chloride (PAC)	2827.32.00	
	Hydraulic Lime	2522.30.00	

Item	Equipment	HS Code	Approval By
Importation or Supply of water sanitation and treatment chemicals	Sodium Metalbisulphite	2832.20.00	The Minister responsible for water
	Sodium Hydroxide	2815.12.00	
	Hydraulic Lime	2522.30.00	
	Algae Floc 19s	2827.32.00	
	Water Meters	9028.20.00	

Tax Administration and Appeals Act

Introduction to new definitions

Tax audit

Means examination of taxpayer's tax affairs to check compliance with tax laws and includes desk audit, issue-oriented audit or comprehensive audit.

Obligation of Cargo Consolidators

The Act has posed the obligation of a cargo consolidator to comply with customs and other laws and procedures governing deconsolidation of cargo to its owners at the time of importation of goods in the country.

This amendment has come with clear definition of a cargo consolidators as defined as a person licensed by a competent authority to operate cargo consolidation and deconsolidation business.

The cargo consolidator who fails to comply with customs and other laws and procedures governing deconsolidation of cargo to its owners commits an offence and is liable on conviction to a fine equal to 30% of the customs value of imported cargo.



Capping the offence for failing to use electronic fiscal device

The Act now is limiting the maximum fine for the failure to issue a fiscal receipt to 200 currency points equivalent to TShs 4,000,000. Prior to this amendment, the Tax Administration Act R.E. 2019 had imposed a fine of greater of 20% of the value of goods sold or service rendered or currency 100, equivalent to TShs 4,500,000.

This means if a person has committed an offense on failure to use EFD properly would be liable to a fine of any amount above TShs 4,500,000 if the 20% of value of goods sold or service rendered exceeds TShs 4,500,000. Therefore, with this change the maximum fine is capped to TShs 4,000,000.

Further, the value of currency points used to determine the fine impositions has been increased from TShs. 15,000 to TShs. 20,000 thus increasing tax fines valued in terms of currency points.



Servicing the Documents for Tax Purposes

A document is considered to be served on the Commissioner General or a person when that document is duly sent by email, fax or any other electronic means in accordance with written laws governing electronic transactions.

This amendment should be the alarming call to the taxpayers with incorrect/outdated registered emails and other contact details with Commissioner to update the contact particulars so as to be able receiving the information from TRA on time.



No Statutory Requirements for CPA in Public Practice to Certify the Income Tax Return

A Manager and Head of Finance or Certified Public Accountant appointed or employed in the public service by the parastatal or an entity which is wholly or substantially owned by the Government may declare that the tax return is complete and accurate.

Prior to this amendment, the manager of the entity and a certified public accountant who is in public practice were required to declare the return is complete and accurate.

Deemed Admission of Objections

An objection shall be deemed to have been admitted upon the fulfillment of tax deposit requirements (Upon the payment of a tax deposit equivalent to the greater of the tax not in dispute or one third of the assessed tax).

Amicable Out of Court Settlement

An appeal can be settled amicably within 60 days from the date the Tax Revenue Appeals Board or Tribunal issued an order allowing the appeal to be settled amicably. If the parties have not finalized their settlement within 60 days, the parties may apply for an extension of time and the Board or Tribunal may grant time not exceeding 10 days.

Failure to resolve the appeal amicably within the time prescribed, the settlement of the appeal shall be treated as failed and the Board or Tribunal shall proceed to determine the appeal.

Excise (Management & Tariff) Act

Excise Duty on Commercial Advertisement for Betting, Gaming or Lotteries

Excise duty at a rate of 10% is chargeable to the fees payable to a service provider for commercial advertisement on betting, gaming or lotteries through print media, television or radio broadcasting. This excise duty shall not apply to non-commercial advertisement of promotions, national lotteries and licensed trial games.



Excise Duty offset

The imported or locally manufactured undenatured ethyl alcohol is subject to excise duty, however where used as a raw material is creditable against excise duty payable on finished products (certain specified alcoholic products).

Excise Duty Remission on Undenatured Ethyl Alcohol

Upon the approval, the Commissioner may remit the excise duty payable on the on un-denatured ethyl alcohol under HS Code 2207 used for either production of industrial energy where the person produces the undenatured ethyl alcohol or medical or laboratory use.

New date of Submitting the Return

The new filing deadline for monthly exercise duty return is on 25th day of the following month. Prior to the amendment, the deadline was on the last working day of the following month.

However, the Commissioner-General may allow an extension of time by manufacturer or provider to submit their tax return for a specific month later than usual if the Commissioner-General believes it is reasonable to do so.



New Excisable Products

The Act has introduced the new excisable products/ goods as follows:

- Imported tomato ketchup and other tomato sauces (other than tomato paste) – Tanzania Shillings (TZS) 300 per kilogram
- Locally produced undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol or higher – TZS 5,000 per litre
- Imported undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol or higher – TZS 7,000 per litre
- Imported opaque beer – TZS 963.90 per litre.

Reduced Excise Duty

The Locally produced, bottled mineral waters and aerated waters reduced the duty charge from TZS 63.80 per litre to TZS 56.00 per litre.

The Act has amended the Fourth Schedule to reflect the new and amend various rates.

Kindly see **Appendix I** for detailed review of the amendments.



The Vocational Educational and Training Act

Laborers employed under water project are exempted from SDL

Casual Laborers engaged in implementation of water and sanitation projects under water supply and sanitation authority are excluded from SDL payments. The purpose of this is to boost employment opportunities in the country, cost savings on government projects and increase in water supply.



Motor Vehicle (Tax on Registration and Transfer) Act

Electrical Motor Vehicles and Motor cycles under the Tax man's Radar

The Act has introduced the registration tax charges for electrical motor vehicle as follows:

Type of MV	Capacity of MV	Registration Fee Charges
Fuel Car	Any Cylinder	250,000
Electric MV / Electric hybrid MV	Micro hybrid with capacity 5<Kw	95,000
	Mild or semi-hybrid with capacity 6-30 Kw	250,000
	Full hybrid with capacity 41-90 Kw	250,000
	Plug-in hybrid with capacity 41-90 Kw	250,000
Other MV	N/A	250,000

Furthermore, the registration tax charges for electrical motor cycles amounts to TShs 95,000.

Railways Act

Change of the Railway Development Levy

The Railway Development Levy is increased to 2% of custom value on importation of goods. Prior to amendment, the applicable rate was 1.5%.



Bank of Tanzania Act

Use of Tanzania Shillings is Mandatory

From now on transactions conducted within the country are required to be made using Tanzania shillings currency. Using other currency may attract an offence. The Minister of Finance shall issue the Regulations providing further clarification on the same.

National Parks Act

TRA to subdue wildlife Management

Any sum, fees, monies and charges payable to the Tanzanian Wildlife Management shall be collected by the Tanzanian Revenue Authority. This is in order to increase efficient collection of revenue in terms of time and cost.



Gaming Act

Continuation with Operation after Expiring of License

Where a licensee has made applications for renewal of licence before its expiration date but no approval has been made will continue with normal gaming activities lawfully until such time his licence is renewed. This will begin as from 1st April 2025.

Imports Control Act

Introduction of Industry Development Levy

Industrial Development levy at a rate specified on the schedule has been introduced on the customs value of imported goods entered for home consumption in Mainland Tanzania as per below table:

S/N	HS Code	Description	Industrial Development Levy Rate
1	7213.91.10	Wire rod	10%
	7213.91.90		
2	2203.00.10	Beer	5%
	2203.00.90		
3	2204.10.00	Wine	10%
	2204.21.00		
	2204.22.00		
	2204.29.00		
	2204.30.00		
	2205.10.00		
4	2202.99.00	Energy drink	5%
	2202.91.00		
5	2202.91.00	Non-alcoholic beer	5%

S/N	HS Code	Description	Industrial Development Levy Rate
6	3402.50.00	Other organic surface-active agents, whether or not put up for retail sale	10%
	3402.90.00		
7	2523.10.00	Cement Clinkers	10%
8	2523.29.00	Portland Cement	10%



This has been introduced as one of the Governments' strategic efforts to promote local manufacturing and reduce import dependency.

This levy will not apply to goods from East African Community Partner States that comply with the East African Community Rules of Origin.

Mining Act

Exemption of Inspection Fee

A supply of gold to the Bank of Tanzania is exempt from the 1% inspection fee.

Royalty Charge

Royalty at the rate of 4% is payable on gold supplied to the Bank of Tanzania. The provisional royalty paid by the Bank of Tanzania shall be final, and the Bank shall not be required to pay balance or excess amount of royalty.

At least 20% of Gold to be kept aside for Local Processing, Smelling and Trading

Mineral right holders and licensed dealers shall set aside at least 20% of gold for local processing, smelting, refining, and trading. An exclusion applies to persons who have an agreement with the Government that stipulates otherwise.



Other Amendments

The following are other amendments of various taxes and duties which have been brought up by the Finance Acts, 2024:

1. Banking and Financial Institutions Act, (Cap. 342);
2. Budget Act, (Cap. 439);
3. Cashewnut Industry Act, (Cap. 203);
4. Export Tax Act, (Cap. 196);
5. Land Act, (Cap. 113)
6. Local Government Authorities (Rating) Act, (Cap. 289);
7. Local Government Finance Act (Cap. 290);
8. Microfinance Act, (Cap. 407);
9. The Motor Vehicle (Tax on Registration and Transfer) Act, (Cap. 124);
10. The National Industries Licensing and Registration Act, (Cap. 46);
11. Ngorongoro Conservation Area Act, (Cap. 284);
12. Plant Health Act, (Cap. 133);
13. Ports Act, (Cap. 166);
14. Road And Fuel Tolls Act, (Cap. 220);
15. Sheria Ya Bima Ya Afya Kwa Wote (Sura Ya 161);
16. Sugar Industry Act, (Cap. 251);
17. Wildlife Conservation Act, (Cap. 283)

Partner's note



We understand that tax compliance is crucial to your business's success. Our team is ready to help you navigate complex tax matters and ensure your business remains compliant.

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