

Requirement for Supporting Expenditure with Fiscal Receipts and Exceptions

Tax Alert



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The Finance Act 2024 has amended Section 11 of the Income Tax Act 2004, practically, the amendment has emphasized the importance of issuing fiscal receipts (EFDs) and reinforced the taxpayers to use EFDs to support the expenditures incurred by businesses on goods or services. This requirement ensures transparency and accountability in financial transactions, aiding in accurate tax reporting and compliance.

Therefore, any expenses reported by the businessmen in their books of accounts should be supported by EFD receipts/ fiscal tax invoices. The expenditures for tax purposes shall not be allowed for a tax deduction if not supported by EFD receipts/ fiscal tax invoices. This documentation is essential for validating the claimed expenses and ensuring their legitimacy and justification to the tax authority.

Key Requirements

To qualify for a tax deduction, an expenditure must be incurred during the year of income by an individual or company and must be wholly and exclusively to generate business or investment income and EFD receipts/ fiscal tax invoices have to be well kept to validate such expenses.

Exceptions to the Rule

There are two notable exceptions to this requirement:

1. Non-Resident Providers without Permanent Establishment

Acquisition of goods/services by a resident person from a non-resident who does not have a permanent establishment in Tanzania, the requirement to provide a fiscal receipt is waived. This exception acknowledges the practical difficulties in enforcing fiscal receipt issuance from entities not operating within the United Republic of Tanzania.

2. Exemptions under the Tax Administration Act

A person who is not VAT registered and whose annual turnover is less than TShs. 11 Million. This provision allows for flexibility in cases where issuing fiscal receipts may be impractical or unnecessary as determined by the Commissioner General of Revenue Authority.

Implications to Taxpayers

Taxpayers must be diligent in obtaining and retaining fiscal receipts for all relevant expenditures. Understanding and adhering to these requirements is essential for maintaining compliance and ensuring that all deductible expenses are appropriately documented. Awareness of the exceptions can help avoid unnecessary complications and ensure accurate tax filings.

In summary, while fiscal receipts are generally mandatory for substantiating income-related expenditures, the specified exceptions provide practical relief in certain scenarios. Taxpayers should familiarize themselves with these rules to effectively manage their tax obligations.



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