



Revision of Penalties for Non-Issuance of EFD Receipts

Introduction:

In a bid to bolster tax compliance and revenue accountability, the Finance Act 2023 has brought forth significant changes to various tax laws, particularly concerning issuance of Electronic Fiscal Device (EFD) receipts.


Among these changes is the imposition of substantial penalties for businesses failing to issue EFD receipts as required by the relevant tax laws and regulations. This amendment marks a pivotal shift in Tanzania's tax landscape, aiming to enhance transparency and ultimately, revenue accountability.

The New Penalty Framework:

The cornerstone of this amendment lies in the revised & stringent penalty structure imposed on entities neglecting issuance of EFD receipts. The penalty is now calculated as the greater of two components provided below;



TShs 1,500,000: Businesses failing to issue EFD receipts will face a minimum penalty/offence of TShs 1,500,000, or



20% of Revenue/Service Amount: The penalty is calculated as 20% of the revenue/service amount for which an EFD receipt was not issued.

Previously, non-compliance in issuance of EFD receipt was a minimum of TShs 3,000,000 to a maximum of TShs 4,500,000. Thus the new penalty structure penalizes the businesses based on the amount of revenue for which an EFD receipt was not issued.

For demonstrative purposes, when EFD receipt was not issued for a total revenue amounting to TShs 100,000,000 (100 Million) the penalty initially would have been a minimum of TShs 3,000,000 (3 Million) to a maximum of TShs 4,500,000 (4.5 Million). Under the amended penalty structure, the penalty would be TShs 20,000,000 (20 Million) which is 20% of the value of the revenue for which an EFD receipt was not issued.

Implications for Businesses:

Businesses operating in Tanzania need to be vigilant about compliance with the updated EFD regulations to avoid substantial penalties. The Finance Act 2023 emphasizes the government's commitment to fostering a fair and transparent business environment. With penalties directly linked to revenue or service amounts, the financial repercussions of non-compliance in issuing EFD receipts could be severe, potentially denting profitability and impeding growth.

Challenges and Compliance Measures:

Despite the clear benefits of this legislative amendment, businesses may encounter challenges in ensuring full compliance. Technical issues with EFD devices or human error could hinder the seamless issuance of receipts. To mitigate such risks, businesses should adapt to the changes in regulations & take the following steps;

1. Ensure EFD functionality: Regularly check and maintain the functionality of EFD devices to ensure that the device is in proper working condition.

2. Train Staff: Provide adequate training to staff members responsible for issuing receipts, emphasizing the importance of EFD compliance & the significant impact of non-compliance in issuance of EFD

3. Regular reconciliation: Conduct regular reconciliations to identify and rectify any lapses in EFD compliance before they lead to penalties. We advise reconciliations should be done on a weekly basis or at a maximum, on a monthly basis.

4. Stay Informed: Keep abreast of any further updates or clarifications issued by the tax authorities regarding EFD regulations.

Conclusion:

The Finance Act 2023's amendment for penalizing non-issuance of EFD receipts heralds a new era of tax enforcement in Tanzania. By imposing substantial penalties directly linked to revenue amounts, the legislation reinforces the importance of tax compliance, fosters a culture of transparency and accountability among businesses, adherence to EFD regulations emerges as a non-negotiable imperative for businesses, ensuring not only legal compliance but also long-term sustainability in an increasingly regulated fiscal landscape.

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