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# Tanzania Budget Highlights

2023/2024

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On 15th June 2023, the Minister of Finance and Planning, Hon. Mwigulu Nchemba presented the Tanzanian Budget for the Financial Year 2023/2024. The Budget for 2023/24 is the third in the implementation of the Third National Five Year Development Plan (2021/22-2025/26).

The budget frame for 2023/24 shows that TZS 44.39 trillion will be mobilized and spent. Domestic revenue is projected to be TZS 31.38 trillion, equivalent to 70.7% of the total budget. Out of the total domestic revenue to be collected, Tanzania Revenue Authority is estimated to collect TZS 26.73 trillion and non-tax revenue collected by Ministries, 167 Departments, Institutions and Local Government Authorities is estimated at TZS 4.66 trillion.

Grants and concessional loans from Development Partners are estimated at TZS 5.47 trillion. In addition, the Government expects to borrow TZS 5.44 trillion from the domestic market, of which TZS 3.54 trillion will be for rolling over of maturing Government Treasury Bills and Bonds and TZS 1.90 trillion for financing development projects. The Government also expects to borrow TZS 2.10 trillion from non-concessional sources for the purpose of accelerating the implementation of development projects.

The theme for the Tanzanian 2023/24 Budget is ***“Realising Competitiveness and Industrialisation for Human Development.”***

The EAC Partner States, Budget theme for 2023/24 is ***“Accelerating Economic Recovery, Climate Change Adaption/Mitigation, and Enhancing Productive Sectors for Improved Livelihood.”***

The 2023/24 budget aims at and focuses on the Macro-economic policy targets:

- Real GDP Growth rate at the rate of 4.7% in 2022 and at 5.2% in 2023.
- Inflation rate to remain in a single digit range of an average of 3%-7% in the medium term.
- Tax revenue collection projected at 12% of GDP in 2023/24.
- Domestic revenue collection is estimated to reach 14.9% of GDP in 2023/24.
- Budget deficit (including Grants) is estimated to be below 3% of the GDP.
- Maintaining foreign reserves sufficient to cover at least 4 months of imports of goods and services.

To increase and improve revenue collection for the year 2023/24, the Government will focus on the following revenue and expenditure strategies:

### **Revenue Strategies**

- Improve investment and business environment and continue with the amendment of various laws so as to increase the private sector participation in business and investment.
- Widen the tax base by registering businesses and new taxpayers as well as continue implementing various measures so as to reduce tax evasion and creation of public awareness on voluntary tax payment.
- Strengthen and encourage the use of ICT systems for the collection of Government revenue.

- Encouraging the use of the Government Electronic Payment Gateway (GePG) system by ministries and other government institutions and ensure usage of control number in all Government transactions.
- Ensure the proper use of Electronic Fiscal Device (EFD) so as to increase efficiency in tax collection.
- Limiting tax exemptions below 1% of the GDP by assessing the legal framework used to provide and manage tax incentives and improve and sensitize investment using non-tax incentives such as land, provision of water, roads, and energy infrastructure.
- Conducting research aiming at strengthening the collection of Government revenue.
- Continuing to strengthen the systems and management of public institutions, agencies and entities to increase efficiency and ensure dividends and eligible contributions are timely submitted to the Consolidated Fund.
- Continue to raise public awareness to encourage investment in the domestic Government bonds market.
- Strengthening cooperation with Development Partners including implementing contractual agreements so as to facilitate access to grants and loans as planned.
- To utilize opportunity resulted from credit rating exercise to raise additional resources from international financial and capital markets for investing in strategic development projects.
- Continue to implement the Strategy to Finance Development Projects Using Alternative Project Financing (APF) to increase the scope of access to funds for the implementation of Development projects.

## Expenditure Strategies

1. Ensure prudent use of public funds in accordance with existing laws and guidelines.
2. Continue to enhance the use of ICT on the implementation of Government activities including conducting virtual meetings and minimize the use of papers (paperless) to minimize public expenditure.
3. Improve management of public institutions, agencies and entities to enhance efficiency in their operations and minimize dependency to the Consolidated Fund.
4. Improve projects management by conducting real time audit to reduce cost overrun that may occur during projects implementation.
5. Review the Public Procurement Act, CAP 410 to enable strategic sourcing in public procurement and curb loopholes that lead to embezzlement of public funds so as to obtain value for money.





# Proposed Tax Changes

The Minister for Finance and Planning has proposed several changes in the tax laws, including, Income Tax Act, Value Added Tax, Tax Administration Act and Excise (Management and Tariff) Act. The minister has proposed various amendments to the existing provisions and the enactment of new provisions in the tax laws.

### **A: Income Tax Act, Cap 332**

- Removed requirement for Individual tenants to withhold rental income tax for non-commercial property.
- Reduction of Capital Gain Tax to 3% of sales value or the appraised land value, (whichever value is higher) for property sellers who do not keep records of expenses.

### **Exemptions**

- Income tax exemption on revenue generated from investment returns of the National Health Insurance (such as dividend from shares, treasury bonds and bills) Fund.
- Income Tax Exemption on Capital Gain Tax on internal restructuring of the mining companies in accordance with the Framework Agreement entered between the Government and the investor to form a partnership entity.
- Introducing “Indicative Tax Rate” during estimating Income tax for individual taxpayers whose gross sales do not exceed TZS 100 million and are not obliged to prepare accounts and file returns in a sector of transportation of passengers and cargo.
- Introducing the Income Tax at the rate of 2% of payments to Artisanal and Small Miners (ASM).

### **A: Value Added Tax, Cap 148**

- Increase VAT registration threshold from TZS 100 million to TZS 200 million.

The Minister has proposed VAT exemptions on various items including the following:

- Inputs used to manufacture insecticides and acaricides (Benzalkonium Chloride and Glutaraldehyde).
- Imported prefabricated structures to be used by the poultry farmers.
- Supply of precious metals, gemstones, and other precious stones at buying centres, mineral markets and Gem houses designated by the Mining Commission under the Mining Act or refinery situated in Mainland Tanzania.
- Inputs used to manufacture packaging materials (Polypropylene USP (Medical Grade) and Polyethylene Terephthalate USP).

### **Other proposed VAT amendments**

- Include domestically manufactured capital goods in the list of capital goods that qualify for deferment. That on importation will cease to have effect after 3 years.
- Include VAT exemption on sale and lease of aircraft, aircraft engine or parts by a local operator of air transportation.
- Exempt moulds used solely by pharmaceutical manufacturers .
- Zero rate VAT on textiles products manufactured using domestically produced cotton for period of one year.



- Zero rate Value Added Tax on fertilizer manufactured locally for the period of one year.
- Including gaming odds and gaming software as part of gaming supply that qualifies for exemption.

### **C: Tax Administration Act, Cap 438**

The Minister has proposed amendments to the Tax Administration Act as follows:

- To provide clarity on the definition of “primary data server” to include physical server in the country, virtual or any other server which stores data that is created or collected by a taxable or liable person in the ordinary course of business
- To change the current level of the penalty charged for the offense of not issuing receipts or not using electronic machines (EFD) to 20% of the value of tax evaded or TZS 3,000,000 depending on the amount that will be greater,.
- To change the level of the penalty charged for the error of not claiming a receipt or not reporting the error of not issuing a receipt to 20% of the value of tax evaded or TZS 30,000 depending on the amount that will be large.

### **D: The Excise (Management And Tariff) Act, Cap 147**

The Minister has proposed amendments to the Excise (Management and Tariff) Act as follows:

- Introduce a 3-year excise duty freeze calendar effective from Financial Year 2023/24.

- Exempt excise duty charged based on engine capacity on electric non - utility vehicles with only electric motor for propulsion along with Compressed Natural Gas (CNG) vehicles.
- Reduce excise duty on domestically manufactured Ready to Drink products from TZS 4,386.6 to TZS 2466.45 per litre.
- Introduce excise duty at the rate of TZS 20 per kilogram of imported and domestically manufactured cement.
- Introduce an excise duty rate of 5% on motor vehicles with engine capacities of more than 1000cc but not exceeding 2000 cc capable of being charged by plugging into an external source of electric power.
- Introduce excise duty rate of 5% on motor vehicles, with engine capacity of more than 2000cc capable of being charged by plugging to external source of electric power.
- Introduce excise duty at the rate of 10% on Motor vehicles older than five years used for the transportation of passengers.
- Introduce excise duty rate of TZS 80 per litre on petroleum oils and oils obtained from bituminous minerals (other than crude) and preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, containing biodiesel, other than waste oils.

- Introduce excise duty at the rate of 30% on other Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes, water tobacco, electronic cigarette, vape products and shisha.
- Introduce excise duty at the rate of 20% on imported and domestically manufactured gambling machines.
- Increase excise duty rate on imported energy drink with to TZS 600 per litre.
- Amend the Excise (Management and Tariff) Act, CAP 147 to harmonize the HS Codes in the East African Community Common External Tariff book, 2017 with those contained in the current version of External Tariff book of the year 2022 as specified in Annex No.9.

## **E: The Vocational Education And Training Act, Cap 82**

The Minister has proposed amendments in the Vocational Education and Training Act as follows:

- Reduce Skills Development Levy rate from 4% to 3.5%.
- To grant the Minister responsible for Finance, after consultation with the Minister responsible for Education, to issue a Skilled Development Levy exemption certificate.

## **F: The East African Community Customs Management Act, 2004**

The Minister for Finance proposed to effect new changes in the Common External Tariff (CET) for the year 2023/2024 and also agreed to continue with some measures that were taken into effect in the financial year 2022/23.

The proposed new changes in the Common External Tariff are as follows:

- Apply a duty rate of 0% on imported Smart cards under by the National Identification Authority (NIDA) for one year.
- Apply a duty rate of 25% on Polyester/ Nylon Twine for one year to protect local manufacturers of polyester/nylon.
- Apply a duty rate of 0% on buses for transportation of more than 25 persons imported for rapid transport project for one year.
- Apply a duty rate of 35% for one year on cane sugar imported under a permit issued by the Tanzania Sugar Board.
- Apply a duty rate of 0% for one year on cash registers and other Electronic Fiscal Device (EFD) machines and Point of Sale (POS) imported by the Government or authorized persons.
- Grant Duty Remission at a duty rate of 0% on inputs/raw materials used to manufacture capital goods/equipment for various sectors for one year.
- Grant Duty Remission at a duty rate of 0% on inputs (base oil) used to manufacture lubricants .
- Grant Duty Remission at a duty rate of 0% used to manufacture wiring harnesses for vehicles and motorcycles.
- Grant Duty Remission at a duty rate of 0% used to manufacture radiators.

- Grant Duty Remission at a duty rate of 0% on inputs used to manufacture essential medical products and supplies for fighting COVID-19 including masks, sanitizers, coveralls, face shields and ventilators.
- Grant Duty Remission at a duty rate of 0% for one year on other packing containers, including record sleeves used as inputs by domestic manufacturers of UHT milk.
- Grant Duty Remission at a duty rate of 0% for one year on corks and stoppers used as inputs by domestic manufacturers of local wines.

## **Other Changes On Duties And Levies**

### **G: The Local Government Finance Act, Cap 290**

- Transferring the mandate to collect billboard fees from the Commissioner General of Tanzania Revenue Authority to the President's Office Regional Administration and Local Government.
- Property tax and Land rent to be paid through one control number.
- To empower the Minister responsible for Local Government to collect service levy (0.3% of turnover) from Electronic Money Issuance Licenses (EMI).

### **H: The National Payment Systems Act, Cap 437 And The Electronic And Postal Communication Act, Cap 360**

The Minister has proposed the following amendments:

- To remove mobile money transaction levy on sending and receiving money electronically and amending the transaction fees schedule by increasing the mobile money transaction levy on withdrawals by 50%.
- To abolish the daily levy imposed on each SIM Card based on the ability to recharge the balance by users.

### **I: The Mining Act, Cap 123**

The Minister has proposed the following amendments:

- Exempt refineries centres from paying the inspection fee of 1%,.

### **J: The Immigration Act, Cap 54**

The Minister has proposed the following amendments:

- Issuing a residence permit (Residence Permit Class B) to any investor who is not a resident in this country but will invest to buy a house with a capital of not less than USD 150,000 in the country.

### **K: The Land Rent Act, Cap 113**

The Minister has proposed the following amendments:

- Reduce the Premium charge to 0.25%.
- Reduce Certificate of Occupancy fees to TZS 25,000 per certificate.
- Reduce Registration Fees to 10% of Land Rent.
- Reduce the application fee to TZS 5,000.
- Abolish the fee for the Deed Plan .



# Implementation of the Blueprint to Improve the Business Environment



## Ministry of Investment, Industry and Trade

To abolish the 15% penalty on the value of the product charged by the Tanzania Bureau of Standards (TBS) on products imported without a certificate of quality inspection (Certificate of conformity - (COC).

## Ministry of Works and Transport

Reduction of right of way fees for use of roads reserve corridor for installation of fibre optic cables to the initial management charge of USD 200 per kilometre and the annual management charge off USD100 per kilometre.

## Ministry of Home Affairs

- Increase fee for a certificate of good conduct for non-resident to USD 50
- Increase fee for clearance certificate of good conduct for residents to TZS 10,000
- Increase fee of examination of disputed documents to TZS 75,000
- Increase fee for property loss report to TZS 1,000
- Impose fee at the rate of TZS 10,000 for driving license clearance for foreign drivers coming to work in the country/employed by companies in the country.

## Ministry of Tourism and Natural Resource

- Abolish fees on grading and regrading to all accommodation facilities established inside and outside protected areas.

- Reduce Tourism Business Licence fees for accommodation establishments owned by Tanzanians,  
To USD 1,500 for five-star hotels.  
To USD 1,000 for four-star hotels.  
To USD 500 for three-star hotels.  
To USD 300 for two-star hotels and  
To USD 200 for 1-star hotels.





## Please feel free to contact us for any further discussions

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### Preamble

Our publication of the budget highlights presents a brief description of the main tax and related regulatory changes contained in the 2023/2024 Budget speech as presented by the Minister of Finance and Planning, Dr. Mwigulu L. Nchemba.

This publication only constitutes a brief guide on key proposed changes and is not intended to be a comprehensive summary of the economic, tax laws and practice. While we have taken reasonable care in the preparation of this guide, INNOVEX accepts no responsibility for any errors it may contain, whether caused by omission or otherwise, or for any loss that may result, caused, or sustained by any person that places reliance on it.