



THE UNITED REPUBLIC OF TANZANIA

TANZANIA REVENUE AUTHORITY

TAXATION IN TANZANIA

*Presentation by the Commissioner for Large Tax Payers
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ОБЪЕДИНЕННАЯ РЕСПУБЛИКА ТАНЗАНИЯ

НАЛОГОВОЕ УПРАВЛЕНИЕ ТАНЗАНИИ

СИСТЕМА НАЛОГООБЛОЖЕНИЯ

В ТАНЗАНИИ

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PRESENTATION OUTLINE

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- 2.0 The Tanzania Tax Structure**
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1.0 INTRODUCTION

Tanzania has a three-tier tax administration structure, namely

- Central Government tax administration
- Tax administration in Zanzibar
- Local Governments tax administration

- The Tanzania Revenue Authority (TRA) administers the Central Government taxes
- Zanzibar Revenue Board administers domestic consumption taxes in Zanzibar
- Local Authorities administer the various local imposts.

- Central Government taxes are the major revenue earner for the Government
- Account for 90% of domestic revenue.

2.0 THE TANZANIA TAX STRUCTURE

- **Direct Taxes**
 - Direct Taxes include
 - Personal Income Taxes
 - Corporate Income Taxes
 - Withholding Taxes on Capital incomes
 - Direct taxes account for 30% of total tax revenue
- **Indirect Taxes**
 - Levied on international trade transactions and domestically produced goods and services
 - Account for 70% of total tax revenue

- Tax structure has undergone significant reforms for fairness, simplicity, equity, efficiency and taxpayer friendliness, characterised by abolition of a number of nuisance taxes
- Regulatory framework has been harmonised
- There is a good incentive regime in place
- Most rates are in line with internationally accepted best practice as follows:
- Direct Taxes
 - Corporate Income Tax - 30%
 - Withholding Taxes
 - Dividends for company controlling 25% share or more - 10%
 - Interest - 10%
 - Royalties - 15%
- Indirect Taxes
 - Value Added Tax - 20%
 - Import Duty - 0%, 10%, or 25%

Excise duties are also chargeable on specific rate basis for all traditional excisable products and a few select goods and services

3.0 THE TAX ADMINISTRATION

- For effective and efficient implementation of fiscal policy, the Government established an autonomous revenue agency, the Tanzania Revenue Authority (TRA) which became operational in July 1996
- TRA is charged with the assessment, collection and accounting of Central Government revenues
- The United Republic of Tanzania Constitution recognizes the two parties of the union, namely Zanzibar and the Mainland Tanzania.
- The Constitution has identified union taxes and non-union taxes.
- TRA collects the Union taxes, while the Zanzibar Revenue Board collects all non-union taxes in Zanzibar.
- UNION Taxes are taxes on income imposed under the Income Tax Act 2004 and Custom duties under the East African Customs Management Act 2004
- NON-UNION taxes are taxes on domestic consumption, including the Value Added Tax, Excise Duties, Hotel Levies, Stamp Duties, Motor Vehicles Taxes, and other charges

4.0 TAX INCENTIVES IN TANZANIA

- Tanzania recognizes the importance of investment to stimulate economic growth and create a potential for sustainable future revenue generation.
- Tanzania offers tax incentives to investors as provided for in the various tax laws including:
 - non-taxation of imports of capital goods and raw materials, deferment of VAT on capital goods and capital allowances on investment goods for income tax purposes.
- Special attention in granting tax incentives is directed to lead and priority sectors
- Lead Sectors: *agriculture, agro-based industries, mining, economic infrastructure, tourism, and petroleum and*

gas sector.

- **Priority Sectors:** *manufacturing, natural resources such as fishing and forestry, aviation, commercial building, financial services, transport, broadcasting, human resource development and export-oriented projects.*
- Investors in these sectors enjoy zero import duty rate for importation of capital goods and deferment of VAT thereon.
- Investors in export processing through the Free Economic Zones Authority and Export Processing Zones (EPZ) enjoy a wide range of exemptions.
- Time may not be our best ally to mention them all, but the exemptions range from long term tax holidays to full tax remissions.

5.0 REFORMS IN TAX ADMINISTRATION

- TRA is implementing a 5 year Corporate Plan for 2003/04 – 2007/08
- The focus of the TRA Corporate Plan is to make it an investor and taxpayer friendly machinery and collect revenue to capacity levels
- Vision: “To be a Modern Tax Administration by the year 2008”
- Mission: “To be an effective and efficient tax administration which promotes voluntary tax compliance by providing high quality customer services with fairness and integrity through competent and motivated staff”

Strategic Goals:

- a) To increase revenue collection in a cost effective way
- b) To integrate TRA operations
- c) To provide high quality and responsive customer service
- d) To promote tax compliance through a fair, equitable and transparent application of tax laws
- e) To improve staff competence, motivation, integrity and accountability

Core Values for TRA employees:

- a) Business oriented and professional
- b) Fair and Accountable
- c) Prompt and accessible
- d) Dignity and respect
- e) Honest and integrity
- f) Committed and motivated
- g) Competent

a) Integration of TRA Operations

- Large Taxpayers Department
Established 2001; handles 370 taxpayers; contributes 38% of TRA collections and 70% of domestic revenue
- District One Stop Centres
Operational in 71 Districts since January 2004
- Integration of VAT and Income Tax Dept
Establishment of Domestic Revenue Dept in July 2005

b) Reform on the Tax Refund Systems

- claims are classified into three categories of gold, silver and non-gold silver based on risk analysis
- GOLD category for regular payment traders who meet the qualifying criteria, their claims are settled within 30 days from the date of lodgement
- SILVER category get their 2 consecutive claims settled within 30 days with full scale audit as prerequisite for the third claim settlement
- NON-GOLD SILVER category for claims requiring full audit before settlement

c) Information Systems

- Payment of Taxes through banks
- Tanzania Interbank Settlement system
- TRA website: www.tra.go.tz

d) Customs Modernisation

- Mobile scanner (July 2004)
Risk based categories – red, yellow and green
- ASYCUDA++ (June 2005)
- Direct Trader Input (May 2005)
- Time Release Study (2005)

6.0 CONCLUSION

- The macroeconomy and fiscal policy in Tanzania are both supportive of investment inflow
- Tax administration is committed to cooperate with stakeholders including investors
- Tanzania is the best Investment Destination

KARIBU TANZANIA!