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**TANZANIA BUDGET NEWSLETTER**

**BDO EAST AFRICA (TANZANIA)**

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## BASIS AND OBJECTIVES OF BUDGET 2010/2011

The 2010/11 budget takes into account the objectives for the National Development Vision 2025, MKUKUTA II, the Millennium Development goals, the National Debt Strategy and priorities outlined in the budget guidelines 2010/11-2012/13. The budget also takes due account of the objectives of the Joint Assistance Strategy for Tanzania (JAST). The basis and objectives of the 2010/11 budget are:

- Improvement of the tax administration system, including identification of new sources of revenue;
- Strengthening of management and control of revenue collection from various sources;
- Reduction of tax exemptions in order to increase revenue collection;
- Allocation of financial resources for the implementation of Kilimo Kwanza;
- Acceleration of the process of introducing National Identity Cards;
- Allocation of more funds for MKUKUTA II implementation;
- Allocation of funds to the ministry of Lands and Human Settlements for land survey and land use planning;
- Protection of achievements in education and health sectors;
- Allocation of funds for 2012 Population and human settlement census;
- Strengthening of good governance and accountability;
- Improvement of remuneration for civil servants and employment creation;
- Allocation of sufficient funds for facilitating the October 2010 General Election;
- Continuation of improvement of conducive environment for attracting local and foreign investment;
- Improvement and expansion of essential infrastructure services, including roads, railways, ports, airports and electricity projects;
- Harmonization of monetary and fiscal policies in order to control inflation and interest rates and enhance access to credit by the private sector;
- Strengthening the local government authorities to manage financial and human resources for efficient implementation of the decentralization by devolution (D by D) policy; and
- Mobilization of both concessional and commercial loans in order to enable the government finance large infrastructure projects including involving the private sector through the Public Private arrangement.

## SECTOR HIGHLIGHTS

The following are key allocations;

- **Infrastructure** Tshs 1,505.1 billion ( Tshs 1,096.6 billion in 2009/10). An increase of 37.3 percent;
- **Agriculture** Tshs 903.8 billion ( Tshs 666.9 billion in 2009/10). An increase of 35.5 percent;
- **Education** Tshs 2,045.3 billion ( Tshs 1,743.9 billion in 2009/10). An increase of 17.2 percent;
- **Health** Tshs 1,205.9 billion (Tshs 963.0 billion in 2009/10). An increase of 25.2 percent;
- **Water** Tshs 397.6 billion ( Tshs 347.3 billion in 2009/10). An increase of 14.5 percent;
- **Energy** Tshs 327.2 billion ( Tsh 285.5 billion in 2009/10). An increase of 14.6 percent;
- and
- **Research and Monitoring** Tshs 30 billion for research and monitoring.

## TAX CHANGES

### General provisions

#### Income Tax

- Reduction of the tax rate for the lowest income band rate for individuals from 15% to 14% - tax saving of Tshs 2,600 per month.

#### Withholding Tax

- All supplies of goods and services by non-TIN holders are subject to withholding tax of 2%, currently only levied on supplies by non-TIN holders to government.

#### Value Added Tax

- Re-introduction of the practice of classifying goods intended for use in specific investments as „deemed capital goods“ .

#### Excise Duties

- Excise duty rates on the following excisable products have been increased by 8%:
  - ✓ Carbonated soft drinks;
  - ✓ Beer made from local un-malted cereals;
  - ✓ Other beers;
  - ✓ Wine produced with more than 25% imported grapes; and
  - ✓ Spirits.
- ✓ Amendment to excise duty on cigarettes:
  - ✓ Cigarettes without filter tip and having domestic tobacco exceeding 75% increased to Tshs 6,209 per thousand cigarettes;
  - ✓ Cigarettes with filter tip and having domestic tobacco exceeding 75% increased to Tshs 14,649 per thousand cigarettes;
  - ✓ Other cigarettes increased to Tshs 26,604 per mil; and
  - ✓ Cut rag or cut filler increased to Tshs 13,436 per kilogram.
- ✓ Excise duty on Heavy Fuel Oil (HFO) has been reduced by 18% from Tshs 97 per litre to Tshs 80 per litre.

### Import Duty

- ✓ Increase of the East African Community Common External Tariff (CET) from 10% to 25%;
- ✓ Aluminum conductors and cables; and
- ✓ Other copper wires.

### Agriculture and environmental conservation

- Extend the application of a 10% CET rate on wheat grain for 1 year instead of the 35% CET rate.
- Exemption of import duty on tractors.
- Exemption of import duty on lamps/bulbs made using LED technology.
- Exemption of import duty for parent stock for the poultry industry.
- VAT exemption for transportation (intra-transport) of certain agricultural products (sugar cane, sisal and tea) from the farm to the processing industry.
- Vat exemption for breeding services through artificial animal.
- VAT exemption for the supply of packaging materials for fruit juices and milk products.
- VAT exemption for certain machines and equipment used in the collection, transportation and processing of milk products.
- VAT exemption for the supply of animal feeds and seed cake.
- VAT exemption for the supply of agricultural implements used in agricultural production and livestock (combine harvesters, pick-up balers, hay making machinery and mowers).
- VAT has been zero-rated on locally produced edible oil using local oil seeds by local processors.
- VAT special relief will be granted for the supply of goods and services to organized farms and farms under the registered cooperatives unions for the purpose of building farm infrastructure on the farms (irrigation canals, road networks, go-downs and similar storage facilities).
- Specifically for horticulture:
  - VAT exemption of airfreight charges for the transportation of flowers; and
  - VAT special relief for the importation by or supply of green houses to growers.

### **Health and life science**

- VAT special relief will be granted for the supply of equipments to a registered Veterinary Practitioner.

### **Mining**

- Introduction of ring-fencing for the mining industry. Mining companies will not be able to utilize losses of one mine against taxable income of another mine.

### **Transportation**

- Application of a 10% CET for 1 year on trucks with a carrying capacity of 5 tones instead of 25% CET.
- Application of a 0% CET for 1 year on trucks with a carrying capacity of 20 tones instead of 25% CET.
- Exemption from import duty for 1 year of certain classes of buses imported under the Dar es Salaam Fast Track Truck Bus project.
- Remission of import duty for motor vehicles assemblers.
- Increase in motor vehicle/cycle registration fees by 25%.
- Increase in annual motor vehicle license fee of between 33.3% to 100%.

### **Construction**

- Import duty on pigments used in the manufacture of paints reduced from 10% to 0%.
- Extend the application of a 25% CET on imported cement for 1 year.
- VAT special relief will be granted for the supply of building materials and construction services to Economic Processing Zone developers.

### Local Government Finance Act

- People over 60 and disabled persons exempted from property tax if they have no reliable source of income.
- Produce Cess chargeable on agricultural products to be charged between 3% and 5% of farm gate price.

### Motor Vehicles

#### Motor vehicle / cycle registration fees:

- Motor vehicles to Tshs 150,000; and
- Motor cycle to Tshs 45,000.

#### Motor vehicle license fees:

- Motor vehicle with 0-500 cc increased to Tshs 50,000;
- Motor vehicle with 501-1500 cc increased to Tshs 100,000;
- Motor vehicle with 1501-2500 cc increased to Tshs 150,000; and
- Motor vehicle with 2001 cc and more increased to Tshs 200,000.

### Cashew nut industry

- Levy on raw cashew nuts increased from 10% to 15% of Free on Board (FOB) value or USD 160/MT.

### Gaming Act

- Gaming tax on slot machines doubled to Tshs 32,000; and
- Gaming tax imposed on “forty machines site” at the rate of 13% of gross gaming revenue.

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