

# BDO EAST AFRICA - TANZANIA

BUDGET HIGHLIGHTS 2016/2017

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10 JUNE, 2016



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This budget highlight is published as a guide. It is intended to provide general information on the changes in the 2016/17 budget speech. Additional changes may arise when the Finance Bill and Finance Act 2016 are published. We will update this highlight to reflect any further changes. It is not exhaustive and does not cover all subjects and treatment of such subjects.

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BDO East Africa - Tanzania  
10 June, 2016

# BUDGET HIGHLIGHTS 2016/2017

The following changes were noted in the 2016/17 budget speech

## Pay As You Earn (PAYE)

- Lowest tax band (monthly income between TShs 170,000 and 360,000) now subject to 9% PAYE, down from 11%.
- Skills and Development Levy (SDL) has been reduced to 4.5% from 5%.
- Members of parliament to be taxed on their final gratuity that they receive at the end of their 5 year term.

## Withholding Tax

- Income arising from dividends, rent and interest paid to approved retirement funds to be subject to withholding tax.
- Commissioner General now empowered to determine minimum market value for purpose of withholding tax on rental income.

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Changes noted in the 2016/17 budget speech (Continued..)

## Capital gains Tax

Capital gain tax to apply on the disposal of shares by non-resident shareholders controlling less than 25% of a Tanzanian resident entity.

## Value Added Tax

*Introduction of new VAT exemptions on the following:*

- Unprocessed vegetables and unprocessed edible animal products e.g. fruits and nuts, cereals, seeds, raw Soya beans and live fish.
- Vitamins and food supplements which have been approved by the responsible ministry.
- Water treatment chemicals approved by the health ministry.
- All types of Bitumen products under HS Code 27.13, 27.14 and 27.15.
- Insurance for aviation industry.

# BUDGET HIGHLIGHTS 2016/2017

Changes noted in the 2016/17 budget speech (Continued..)

## *Removal of VAT exemptions on the following:*

- VAT exemption on the tourism services has been removed. Tour guide services, game drives, water safari, animal or bird watching, park fees and ground transport services will now be subject to 18% VAT.
- VAT has been introduced on the cross union supplies of goods between Mainland and Zanzibar. These supplies will be charged 0% from where the goods are supplied but subject to 18% in the part where the good are received.
- VAT will apply to all fee based financial services except interest paid on loans.

# BUDGET HIGHLIGHTS 2016/2017

Changes noted in the 2016/17 budget speech (Continued..)

## Custom Duties

Increase in duty rates (based on custom values) as follows:

- Cement from 25% to 35% for one year.  
Structures and part of structures of iron and steel under HS Heading 7308 from 10% to 25%
- Pre-fabricated buildings under HS Code 9406.00.90 from 10% to 25%.
- Made up fishing nets of HS Code 5608.11.00 from 10% to 25%.
- Oil and petrol filters under HS Code 8421.23.00, and intake air filters under HS Code 8421.31.00 from 10% to 25%.
- Paper products falling under HS Heading 4804 from 10% to 25%.
- Specific duty rate on worn clothes and shoes from 0.2 US\$/kg to 0.4 US\$/kg.

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## Changes noted in the 2016/17 budget speech (Continued..)

### Duty remissions progressively reduced on:

- Sugar and sugar confectionery, from current rates of 10% to 15% (2016-17), to 20% (2018/19).

### Increase Common External Tariffs (CET) rates on:

- Flat rolled products of iron or non-alloy steel under HS Heading 7208 from 0% to 10%.
- Aluminum milk cans under HS Code 7612.90.90 from 10% to 25%.

### Decrease the CET rate of:

- Iron and steel products under HS Code 7308.10.00 from 25% to 10% for 1 year.
- Automotive bolts and nuts under HS Code 7318.15.00 from 25% to 10% for 1 year.
- Wheat grain under HS Heading 100 1 from 35% to 10% for 1 year.

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Changes noted in the 2016/17 budget speech (Continued..)

Increase in CET rates of:

- Crude edible oil under HS Code 1511.10.00 from 0% to 10% for 1 year.

Amendment of the EAC Customs Management Act, 2004 to include exemptions/remission of duty on:

- Refrigeration equipment for human dead bodies under HS Code 8418.69.90.
- Incinerator's equipment and materials.
- CMA to include blood collection tubes.
- Inputs for the manufacture of deep cycle batteries.
- Inputs or raw materials for use in the manufacture of solar equipment.



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## Changes noted in the 2016/17 budget speech (Continued..)

Amendment of the EAC Customs management Act, 2004 to abolish remission of duty on uniforms for hospitals staff.

### Excise Duties

- A general 5% inflationary adjustment on terms that are subject to specific excise duties, except for bottled water and petroleum products.
- Excise duty increased on non-alcoholic beverages(i.e. carbonated soft drinks, both imported and locally produced juice).
- Excise duty increased on alcoholic beverages (beers, wines and spirits).
- Cigarettes and other tobacco products will be subject to higher excise duty areas.
- Natural gas, lubricating greases and oil to be subject to higher excise duty rates.
- A 10% excise duty to apply on all commissions received for the provision of mobile money transfers.
- Increased rate of excise duty on imported furniture to 20% from 15%

# BUDGET HIGHLIGHTS 2016/2017

## Changes noted in the 2016/17 budget speech (Continued..)

### Miscellaneous

- Review of the Tanzania Investment Act 1977 to align it with the exemptions in the VAT Act 2014.
- Abolition of plastic bags - use of plastic bags of less than 50 microns will be banned
- TRA will be given mandate to collect property taxes from Local Government
- The Motor vehicle (Tax on Registration and Transfer)
- Act Cap 124 has been amended to:
  - Increase registration fee from the TZS 150,000 to TZS 250,000 for motor vehicles and from TZS 45,000 to TZS 95,000 for motor cycles and tricycles
  - Increase personalized registration number fee from TZS 5,000,000 to TZS 10,000,000 for every three years.



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