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BUDGET HIGHLIGHTS

2023 - 2024



BUDGET OVERVIEW

The theme for the Tanzanian budget 2023–2024 is **“Realising Competitiveness and Industrialisation for Human Development.”**

Tanzania's budget for the fiscal year 2023–2024 was presented by Hon. Mwigulu Nchemba, minister of finance and planning, on June 15, 2023.

According to the 2023–2024 budget framework, TZS 44.39 trillion will be mobilized and spent.

It is anticipated that domestic revenue will be the total of TZS 31.38 trillion equivalent to 70.7% of the overall budget. The Tanzania Revenue Authority is expected to collect TZS 26.73 trillion of the total domestic revenue, and the predicted TZS 4.66 trillion in non-tax revenue would be collected by the 167 departments, institutions, and local government authorities.

The TZS 44.39 trillion proposed budget includes strategies to increase revenue in 2023/24, intending to improve investment and business environment, widen the tax base, strengthen and encourage the use of ICT systems as well as continue to raise public awareness to promote investment and strengthening cooperation with Development Partners.

The government is aiming for GDP growth of 4.7% in 2022 and targeting to grow up to 5.3% in 2023

The EAC Partner states the Budget theme for 2023–2024 as “Accelerating Economic Recovery, Climate Change Adaption/Mitigation, and Enhancing Productive Sectors for Improved Livelihood.”

The government plans to reduce billboard fees and transfer the mandate to collect billboard fees from TRA to the local government.

The government plans to reduce the SDL rate from 4% to 3.5%

The Ministry of Culture, Arts, and Sports proposes introducing a 1.5% levy on mini discs, compact discs, DVDs, and SD Memory

The government proposes to increase the Road and Fuel Tolls by TShs 100 per each litre of Petrol and Diesel.

REVENUE STRATEGIES

- Increase in Value Added Tax (VAT) Registration Threshold: The government plans to increase the VAT registration threshold from 100 million shillings to 200 million shillings, gradually increasing to 500 million shillings. This measure is expected to increase government revenue by 75,333.05 million shillings.
- Introduction of a 3-Year Excise Duty Freeze Calendar: The government plans to introduce a 3-year excise duty freeze calendar effective from the Financial Year 2023/24.
- Exemption from excise duty on electric vehicles.
- The government plans to reduce excise duty on domestically manufactured Ready to Drink products from Shilling 4,386.6 to Shilling 2466.45 per litre.
- The government plans to amend Section 65T of the Income Tax Act, CAP 332 and introduced a simplified procedure for estimating income tax for transporters or passengers and cargo by using indicative tax rates. This procedure will apply to individual taxpayers who are not obliged to prepare accounts and file tax returns.
- Reduction in the statutory rate from 30% to 28% (with the eventual target of 20% in the medium term).
- The government plans to reduce the premium charge from 0.5 percent of the land value to 0.25 percent.
- The government plans to reduce the Skills Development Levy rate from 4 percent to 3.5 percent.



EXPENDITURE STRATEGIES

The government will implement new revenue measures effective from 1st July 2023, which expects to increase government revenue and support expenditure plans.

- The government's priorities for the year 2023/2024 will be in the completion of flagship and strategic projects such as SGR, J. N. Hydro-power Project, LNG, J.P Magufuli bridge (Kigongo-Busisi as well as deepening industrialization and service provision; Investment and trade promotion; human development; and skills development.

- The government has set aside 2.82 billion shillings for PPP Facilitation Fund.
- The government will continue to combat the effects of various natural and man-made disasters, including climate change, disease, & war.
- In the year 2023/24, it is estimated that a total of 14,077.2 billion shillings will finance development projects. Of which, 10,795.1 billion shillings, equivalent to 77.0 percent of the development budget, is from domestic sources and 3,282.1 billion shillings equivalent to 23% of the development budget is from external sources
- The government requires Ministries, Departments, Government Agencies, Public Institutions, Regional Secretariats, and Local Government Authorities to adhere to the National Monitoring and Evaluation Framework.
- Investment in agriculture and ensuring food security is likely a key area of expenditure.
- The government is likely to allocate funds for environmental conservation and climate change mitigation efforts.
- The government is likely to allocate funds to promote tourism and cultural heritage, which includes marketing campaigns, the development of tourist sites, and the preservation of cultural heritage.
- The government will likely allocate funds for research and development activities to promote innovation and technological advancement.



PROPOSED TAX CHANGES

- Reduce Capital Gain Tax for property sellers who don't keep expense records to 3% of the sales price or the appraised land value, whichever is higher.
- Introduce Income Tax to Artisanal and Small Miners (ASM) at a rate of 2% of sales.
- Increase VAT registration threshold from TZS 100 million to TZS200 million.
- Exemption of VAT on inputs used to manufacture insecticides and acaricides.
- Exemption of VAT on imported prefabricated structures to be used by poultry farmers.
- Zero rate Value Added Tax on textiles products manufactured using domestically produced cotton for one year.

- Exemption of VAT on the supply of precious metals, gemstones, and other precious stones at buying centers, mineral markets, and Gem houses designated by the Mining Commission under the Mining Act or refinery in Mainland Tanzania.
- Zero rate Value Added Tax on fertilizer manufactured locally for one year.
- Reduction in the application fee from 20,000 shillings to 5,000 shillings.
- Reduction in Registration Fees from 20% to 10% of Land Rent.
- Include VAT exemption on the sale and lease of aircraft, aircraft engines, or parts by a local operator of air transportation.
- Adjustment of specific excise duty rates on non-petroleum products and 20 percent on beer and tobacco products.
- Introduce the excise duty rate of TZS 20 per kilogram of imported and domestically manufactured cement.
- Introduce excise duty rate of 5% on motor vehicles, with engine capacity of more than 2000cc capable of being charged by plugging into an 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.
- Reduce Skills Development Levy rate from 4% to 3.5%.

- Introduction of the digital asset tax which will be 3% applicable to cryptocurrency and non-fungible tokens
- Reduction in the statutory rate from 30% to 28% (with the eventual target of 20% in the medium term)
- Introduction of a 10% VAT rebate to customers when they receive an EBM receipt.
- Duty rate of 35% for one year on cane sugar imported under a permit issued by the Tanzania Sugar Board.
- 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.
- To empower the Minister responsible for Local Government to collect service levy (0.3% of turnover) from Electronic Money Issuance Licenses (EMI).
- Abolish the daily levy imposed on each SIM Card based on the ability to recharge the balance by users.
- Exempt refinery centers from paying the inspection fee of 1%.
- Reduce Certificate of Occupancy fees to TZS 25,000 per certificate.
- Abolish the fee for the Deed Plan.

IMPLEMENTATION OF THE BLUEPRINT TO IMPROVE THE BUSINESS ENVIRONMENT

- The government is making changes in the financial sector to support citizens' economic empowerment, including women, youth, and people with disabilities.
- The government is taking measures to increase production to increase exports and reduce imports. In implementing this, the government will continue to collaborate with producers of agricultural products, livestock, fisheries, manufacturing, and processing industries to ensure that productivity is increased.
- To promote the private sector and improve the environment for doing business in the country, the government has decided to revive the loan guarantee funds managed by the Bank of Tanzania. This will enable manufacturers and entrepreneurs to easily access loans from local banks for raising capital, equipment, and raw materials to produce high-quality goods for export at a competitive price.
- The government's vision is to strengthen private-sector engagement. All public servants must nurture the private sector and ensure they fully participate in economic growth.

- The government will continue to implement the CCM Election Manifesto 2020 which emphasizes: economic transformation for human development; access to quality social services; the presence of good governance, rule of law, and democracy; and strengthening regional and international cooperation.
- The 2023/24 budget will support the government's efforts to implement the Tanzania Development Vision 2025 and the Third National Five-Year Development Plan (2021/22 - 2025/26). In achieving these goals, every citizen should participate and work hard to utilize available opportunities. The effective implementation of this budget will stimulate economic growth and human development.
- Reduce right-of-way fees for use of roads reserve corridor for installation of fiber optic cables to the initial management charge of USD 200 per kilometer and the annual management charge of USD 100 per kilometer.
- Impose a 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.
- 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.

DISCLAIMER

This publication on insights and analysis of the Tanzania National Budget intends to provide brief highlights of the main economic, tax and related regulatory proposed changes tabled in the 2022/23 Budget speech by The Minister.

Therefore, 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, ASSAD ASSOCIATES 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.

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