Sustaining the Momentum

National Budget Bulletin 2019/20

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Commentary

In his speech on the Economy, the Minister for Finance and Planning Hon Dr Philip Mpango cited robust macro-economic statistics including robust GDP growth (7.0%) and single digit inflation. Against the background of national development priorities as set out in the National Five Year Development Plan 2016/17-2020/21, he emphasised the importance of the implementation of ongoing infrastructure development projects so as to set the platform to nurture industrialisation.

Economic activities with the highest contribution to GDP including agriculture (28.2%) and construction (13.0%), both of which had robust growth. Agriculture's growth of 5.3% reflected favourable weather conditions that enabled a bumper harvest. Construction's growth of 12.9% was a consequence of the infrastructure investments, in particular in roads, railway and airports - and this was also reflected in the balance of payments which saw an increase in the value of imported goods and in particular construction materials.

For the nine months to March 2019 Government Revenue was only 3.9% up on prior year (based on Bank of Tanzania monthly economic reviews). If looking at tax revenue in isolation (namely, excluding non-tax revenue and Local Government Authority direct revenues both of which grew strongly during the year), then the growth was just 1.4%. The Budget speech mentioned underperformance of tax revenue collections which for the ten months to April 2019 were equivalent to 87.4% of the target.

Looking forward, the Minister's macro-economic objectives for 2019/20 include continued strong growth (7.1% for 2019 compared to 7% in 2018) and revenue collection (Tax to GDP ratio of 13.1%, compared to a projected 12.1% for 2018/19). There is also an aim of controlling inflation to between 3.0% and 4.5%. To achieve this he emphasised the Government's intention to improve the business environment in a bid to attract foreign direct investment in priority areas (including agriculture, construction, manufacturing, mining, oil and gas, telecommunications, tourism).

Apart from continued infrastructure investment there was recognition of the need to rationalise and harmonise laws, regulations and policies governing investment; and to encourage investment in public private partnerships. The focus on improvement of the business environment is well placed. The country's ranking in various survey continue to indicate a challenge on this front - for example, ranking of 144th out of 190 countries in the 2019 World Bank

Commentary

Ease of Doing Business Ranking, or World Economic Forum (WEF) Global Competitiveness Ranking (116th out of 140 countries in 2018).

In its January 2019 Tanzania Economic Update, the World Bank highlighted that *"in 2017, FDI declined to 2.3 percent of GDP, down from 3.9 percent in 2016"* noting that *"the decline in FDI inflows bodes poorly for future growth"*. The report emphasised the importance for the Government *"to urgently implement measures to foster greater private sector participation in the economy"*. For the short term it highlighted the need to improve liquidity in the economy including (i) prioritisation of the payment of verified domestic arrears to private sector contractors and suppliers, (ii) speeding up the release of VAT refunds to improve liquidity in the economy, and (iii) ensuring tax collection efforts do not unfairly burden businesses. For the medium term the World Bank emphasised the need to continue reforms to address structural constraints on private investment, and to reduce the high cost of regulatory compliance through full implementation of the Blueprint for regulatory streamlining. It also noted the need to address deficiencies in infrastructure services and skills.

The Budget speech included reference to steps taken to verify and pay arrears to suppliers, contractors and public servants, and there was a commitment given to *"continue to set aside funds for payment of verified arrears and [to] take various measures to reduce accumulation of arrears"*. However there was no explicit comment on steps to deal with pending VAT refunds. The speech did include that TRA should not close businesses so as to enforce payment of tax and tax arrears without a written permission of the Commissioner General of the TRA.

Reference was made to the meeting held on 7 June 2019 between the President and the business community, and as an immediate step the Budget speech included a number of initial measures to rationalise regulatory fees and levies. The Minister gave the following assurance *"I wish to assure the business community, investors and citizens at large that with effect from next financial year, the Government will implement the Blueprint Action Plan exhaustively to improve business environment, so that the business environment becomes more friendly, cost effective and efficient"*.

The TZS 23,045 billion domestic revenue budget for 2019/20 comprised tax revenue of TZS 19,101 billion and non tax revenue of TZS 3,944 billion. This tax revenue budget represents an increase of 18% on the 2018/19 projected outturn of TZS 16,220 billion (a projected outturn which represents 90% of the 2018/19 budget of TZS 18,000 billion, and a 7% increase on the 2017/18 actual outturn of TZS 15,191 billion). A significant focus in order to achieve the revenue targets are various tax administration strategies highlighted in the speech.

Direct taxes

Income tax – Companies

Reduced Corporate Income Tax ("CIT") rate for new investors in production of sanitary pads

Reduction of CIT rate to 25% (from 30%) for the two years from 2019/20 to 2020/21 to encourage new investors to manufacture sanitary pads, increase Government revenue, reduce foreign exchange used on importation of the sanitary pads and create local employment opportunities.

In practice, the benefit of this relief is unclear as the expectation is that in the initial years there would be a tax loss due to recovery of the investment costs by way of tax depreciation. Ideally, the reduced rate should apply from the time that an investor starts making taxable profit.

Income tax – individuals

TZS 100m minimum annual turnover for filing financial statements with the TRA

The turnover threshold for a taxpayer to be required to file audited financial statements with the TRA is increased to TZS 100m (from TZS 20m).

The objective of the measure is to reduce compliance costs but also with the expectation that it will result in voluntary compliance and widen the tax base.

Application of presumptive tax regime for taxpayers with annual turnover up to TZS 100m

Presumptive tax rates will now apply to individuals with annual turnover up to TZS 100m (previously presumptive tax only applied to individuals with annual turnover between TZS 4m to TZS 20m).

In addition, the presumptive tax rates have been reduced – see **Appendix 1**.

Income tax – Exemptions

Exemption of withholding tax on fees related to loans financing Government projects

Exemption of withholding tax on all fees (such as commitment fees) on loans secured by the Government from non-resident banks and financial institutions.

The intention is to enable the Government to secure loans at lower cost and in a timely manner which will facilitate the implementation of Government projects.

A similar exemption was introduced last year for interest costs incurred by the Government to be exempted from the 10% withholding tax which applies on payment of interest.

Other administrative matters

Tax Amnesty – deadline extended to December 2019

The Minister announced an extension of six months to 31 December 2019 to comply with existing amnesty applications.

In our view, this is due to the fact that a number of taxpayers are still waiting to hear from the TRA on their amnesty application and therefore the extension of the amnesty window will enable the process for these taxpayers to continue.

Proposal to establish an 'Office of Tax Ombudsman' coordinated under the Ministry of Finance and Planning

There is a proposal to establish an independent office that will deal with complaints against TRA officials regarding tax administration including corruption, arbitrary assessments and unlawful closure of businesses.

This measure is expected to enhance tax administration and result in a friendly business environment for the taxpayers.

Transfer pricing – Building capacity

One of the administrative strategies to be implemented to increase domestic revenue is to strengthen capacity for monitoring and controlling transfer pricing by international companies.

This is the first time that transfer pricing is explicitly mentioned in a budget speech and shows the level of importance placed by the Government on this issue. This measure is likely to result in increased transfer pricing audits by the TRA in the future.

Amendment to The Road Traffic Act, CAP 168

Increase in validity period for a driver license to five years (from three years).

Increase in driver license fees to TZS 70,000 (from TZS 40,000).

Increase in registration fees (currently TZS 10,000) to:

- Motor vehicle – TZS 50,000
- Motorcycle – TZS 30,000
- Tricycle – TZS 20,000

Other proposed measures to improve collection of Government revenue

- Integration of domestic revenue collection systems through Electronic Fiscal Device Management System to curb issuance of fake receipts, revenue leakages in processing of tax refunds.
- Introduction of a system to regulate gaming activities.
- Enhance utilisation of electronic system in collection of tax and non-tax revenues.
- Establishment of a dedicated desk by the TRA to receive complaints and disputes by taxpayers that will be dealt with in twenty four hours. This includes complaints against tax assessments and unrealistic valuation on imported goods.
- A relief period of six months from the date of receipt of a Taxpayer Identification Number (TIN) to pay the relevant taxes.

Indirect taxes

Petroleum Taxes – no change

Excise duty, fuel levy, road toll and petroleum levy remain unchanged.

Excise Duty

There are no adjustments for inflation on non-petroleum excisable products including alcohol, soft drinks and tobacco (whether imported or locally produced). The reason given for no adjustment is the low inflation rate (3.5%).

To promote local manufacturing, the following minor changes are proposed:

- Reduction in excise duty on wine produced using domestic fruits (such as banana, cashew, rozera, tomatoes, etc.) to TZS 61/litre (from the current TZS 200/litre).
- Introduction of excise duty on artificial hair (10% if made locally; 25% if imported).
- New 10% excise duty on imported pipes and plastic materials (such as tubes, pipes and hoses and fittings).

A new exemption is introduced for aircraft lubricants imported by a domestic airline operator, the National Air Force or airline companies recognised in Bilateral Air services Agreement.

Value Added Tax (VAT)

Input VAT – agricultural exports

In order to facilitate export of agricultural and horticultural produce and enhance the competitiveness of these raw products in the international markets, the VAT Act has been amended to remove the restriction on claiming of input VAT on export of raw agricultural products. This restriction was introduced in 2017 and was to become operational from July 2019. The reversal has therefore occurred before it became operational.

Exemptions - agriculture

VAT exemption as follows:

Imported refrigeration boxes of HS Code 8418.69.90. The measure is intended to reduce production costs and promote modern horticultural farming in the country; and

- Grain Drying Equipment of HS Code 8419.31.00. This exemption is expected to reduce costs incurred in grain drying for storage purpose. In addition this measure will stimulate production of grain crops.

Exemptions – Airline Sector

In addition to the existing exemptions on importation of aircraft, aircraft engine or parts, new exemptions are proposed for:

- Aircraft lubricants imported by domestic operators of air transportation; and
- Imported airline tickets, flyers, calendars, diaries, labels and employees uniforms with the names of the Airline operator. These items will be exempted if they are imported by airlines recognized under Bilateral Air Service Agreements.

Indirect taxes

Apart from other benefits, Tanzania will now be able to sign Bilateral Air Service Agreements which could not be signed in the absence of such exemptions.

Removal of exemption on sanitary pads

The previous budget introduced a VAT exemption on supply of Sanitary Pads under HS Code 9619.00.00. The aim was to ensure that this product is available and affordable to women and girls, particularly school girls and those in the village. However, this year the proposal is to abolish this exemption because the measure could not facilitate availability of this essential product to the intended beneficiaries at reasonable price but instead the benefits have gone to the traders.

Zero rating: electricity supplies to Zanzibar

The supply of electricity to Zanzibar is to be zero rated.

Our observation

Although exempting the airline sector products will result in cost saving for the air transport sector, it will make local suppliers of the same products less competitive.

As regards sanitary pads the intention of the previous budget was probably not met because the suppliers could not claim input tax incurred on locally manufactured sanitary pads, and this cost was subsequently passed to final consumers by embedding the same in the price of the sanitary pads. It therefore also affected the competitive of local manufacturers when competing with imports (with no embedded VAT cost).

Indirect taxes

Customs Duty

The pre-Budget Consultation of the Ministers of Finance from the EAC Partner States that was held on 3rd May, 2019 proposed to effect changes in the common External Tariffs (CET) rates and the East African Community Customs Management Act (EAC-CMA), 2004 for year 2019/20. The proposed changes are aimed at "*Transforming Lives through industrialization and Job Creation for shared Property among the people of the East African Community*.".

The Ministers have proposed to effect new changes in the Common External Tariff (CET) for year 2019/20 and also agreed to continue with implementation of some measures that were effected during the financial year 2018/19.

The changes, together with the number of changes specific to Tanzania are summarised in **Appendix 2**.

Other taxes and levies

Removal of various fees and levies - Implementation of the Blueprint for Regulatory Reform

As a move to start and continue with the implementation of the Blueprint for Regulatory Reforms 2017 "the Blueprint", the Government is proposing amendments to various fees and levies in order to improve the business and investment environment and encourage compliance. This includes:

- Reducing and/or abolishing various fees and levies; and,
- Eliminate the existing duplication of roles among the Government regulatory authorities. Example food and cosmetics will be managed by TBS (previously under TFDA)

See details in **Appendix 3**.

The Economy

Real GDP - Tanzania

The National Bureau of Statistics ("NBS") rebased the GDP statistics by changing the base year from 2007 to 2015. This revision resulted in changes to the size of GDP, GDP overall growth levels, sectoral growth and the contribution of various sectors to GDP as well as various indicators of GDP.

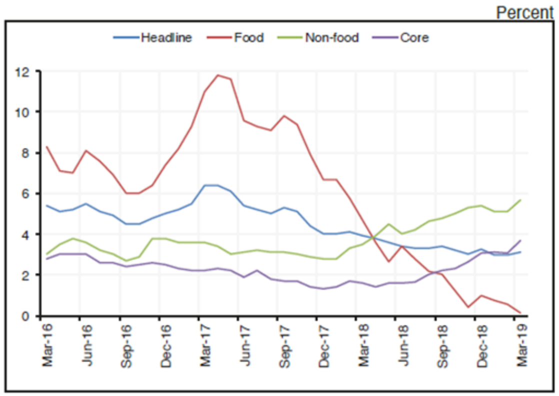
According to the NBS, the economy of Tanzania has continued to register high growth levels with real GDP growth rate in 2018 of 7.0% compared to 6.8% in 2017 (rebased from 7.1%). The growth was driven by increased investment especially in infrastructure, a stable supply of electricity, improvement in transport services and favourable weather conditions that resulted in an increased harvest of food and other crops. Economic activities with the highest contribution to GDP including agriculture (28.2%) and construction (13.0%), both of which had robust growth with agriculture growing 5.3% and construction 12.9%.

Inflation – Tanzania

In 2018, the rate of inflation continued to remain at a single digit level averaging 3.5% compared to 5.3% in 2017. The decrease is largely attributed to improved food supply, increased food production to 15.9 million tons (compared to domestic demand of 13.3 million tons) and implementation of prudent monetary and fiscal policies.

The inflation rate in April 2019 was recorded at 3.2% compared to 3.8% recorded during the same period last year.

Chart 1.1: Annual Inflation Rates



Source: National Bureau of Statistics and Bank of Tanzania computations

Interest Rates – Tanzania

During 2018, overnight interbank cash rate declined to an average of 3.18% compared to 3.67% in 2017. The overall Treasury bills rate increased to an average of 8.07% in 2018 from 7.75% in 2017. In addition, interest rates charged on loans by commercial banks decreased to an average of 17.15% from 17.93% in 2017. This trend of average lending rate declining was driven by banks to assist borrowers who had failed to repay loans on time. The Central Bank also took various measures to ensure that lending rates are kept low and consistent with the prevailing economic situation.

In order to reduce non-performing loans, the Central Bank ensured that banks and financial institutions get accurate information of the loan applicants by enforcing requirements to use the credit reference system during the loan approval processes.

During 2018, the Government took various measure aiming at increasing the level of liquidity in the economy in order to enable banks and financial institutions to stimulate growth of economic activities. These measures include:

The Economy

- Provision of short-term loans to banks;
- Purchase of foreign currency from commercial banks and government institutions;
- Reducing the bank discount rate from 9.0% to 7.0% in August 2018; and
- Payment of arrears to contractors, service providers and civil servants by making payments of TZS 598.4 billion of verified arrears between July 2018 and May 2019.

Due to these measures, banks and financial institutions liquidity improved and money market interest rates decreased.

Regional Economic Performance

Real GDP – EAC

Nations within the East African Community (EAC) recorded an increase in economic growth with Rwanda recording the highest growth of 8.6%, followed by Tanzania, which recorded growth of 7.0%. Kenya recorded economic growth of 6.3% and Uganda 6.1%.

Inflation – EAC

Inflation rates in EAC member countries have generally remained at single digit levels during 2018 to 2.9% from 7.9% in 2017. The average inflation rate for Uganda was 2.6%, Burundi was 2.3%, Tanzania was 3.5%, Rwanda was 1.4%, and Kenya was 4.6%. This outcome was attributed to strong food supply within the EAC.

External Trade

During the period ended April 2019, the balance of payments recorded a deficit of USD 1,089.2 million compared to a surplus of USD 299.2 million during the same period in 2018.

Export

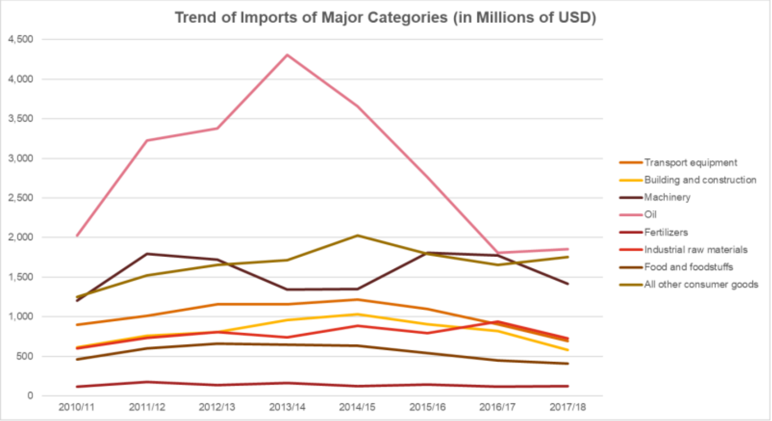
The value of goods and services exported between July 2018 and April 2019 reached USD 7,210.6 million down from USD 7,291.9 million recorded during the same period in 2017/18.

Import

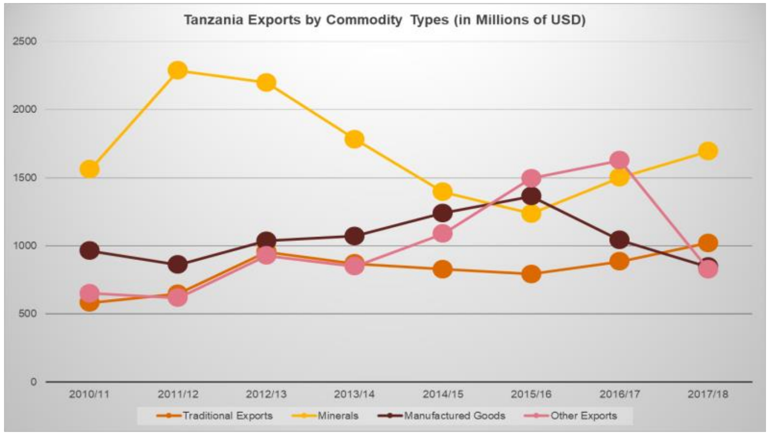
The value of goods and services imported between July 2018 and April 2019 reached USD 9,024.9 million compared to USD 8,464.6 million recorded during the same period in 2017/18 equivalent to an increase of 6.6%. This was mainly due to an increase in the importation of construction materials for railway, airports, ports and roads projects undertaken by the government.

The Economy

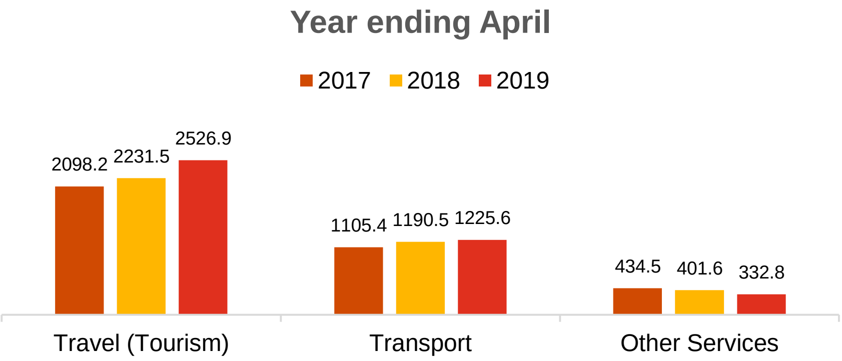
Trend of Imports by Major Categories (in Millions of USD)



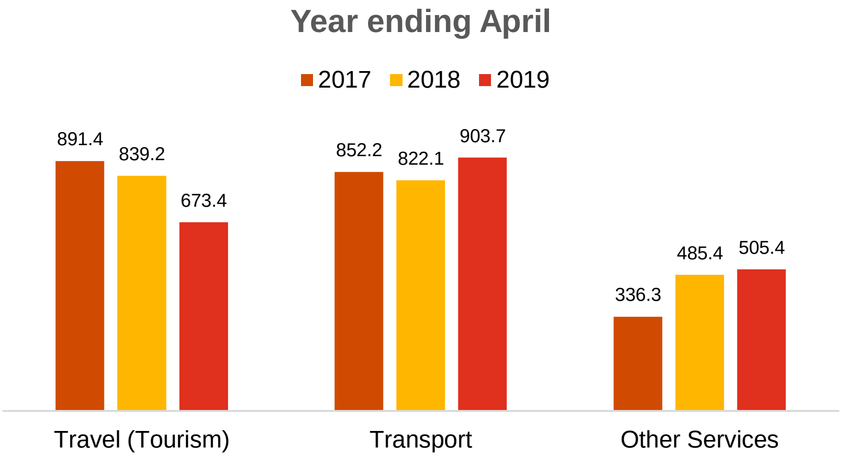
Trend of Imports by Major Categories (in Millions of USD)



Service Receipts



Service Payments



Past performance 2018/2019

Revenue/Collections

Total resources mobilised during the ten month period from July 2018 to April 2019 amounted to TZS 21.16 trillion equivalent to 65% of the annual target of 32.48 trillion. These were mobilised from the following sources:

- Tax Revenue amounted to TZS 12.9 trillion, which is equivalent to 87.4 percent of the target;
- Non-tax revenue amounted to TZS 2.04 trillion, which is equivalent to 122 percent of the target. Non-tax revenue surpassed the target due to improvement in the use of technology in collection of the non-tax revenue in the Government Agencies through Government Electronic Payment Gateway (GePG);
- LGAs own source amounted to TZS 529.25 billion, equivalent to 72 percent of the target;
- Grants and concessional loans from Development Partners amounted to TZS 1.70 trillion, equivalent to 86 percent of the target;
- Loans from domestic sources, including rollover of matured Treasury bills and bonds, amounted to TZS 3.3 trillion, equivalent to 57.4 percent of the target; and
- External non-concessional loans amounted to TZS 692.3 billion.

Expenditure

Development Expenditure

During the period ended April 2019, the Government had released TZS 22.19 trillion to Ministries, Departments, Regional Secretariats and Local Government Authorities equivalent to 68.32% of the annual target of TZS 32.48 trillion. Out of this, TZS 16.75 trillion was for recurrent expenditure (equivalent to 81.83% of the annual target of TZS 20.47 trillion) while TZS 5.44 trillion was for development expenditure (equivalent to 45.3% of the annual target of TZS 12.01 trillion). The amount released for development projects includes TZS 4.89 trillion local funds and TZS 547.38 billion foreign funds. However, the amount of foreign funds do not include some funds from Development Partners which were directly disbursed to projects.

Some of the strategic areas accorded priority in the release of development funds during the period under review include:

Area	Strategic Areas	TZS ' bn
Energy	Construction of Hydroelectric Power Project at Rufiji River	723
Education	Fee free basic education and higher education students' loans	616
Energy	Rural electrification project-phase III under the Rural Electrification Agency (REA)	269
Transportation	Procurement and operation of new aircrafts	238
Transportation	Ongoing manufacturing of new ships for the great lakes regions	27

The 2019/2020 Budget Objectives and Targets

Macroeconomic policy

Based on macroeconomic objectives and targets, the priority for 2019/20 will be: (i) industries to foster economic growth and industrialisation with emphasis on establishment of industries that will utilise local raw materials; (ii) economic growth and human development; (iii) improvement of an enabling environment for business and investment; (iv) strengthening implementation effectiveness of the National Five Year Development Plan 2016/17 – 2020/21.

To achieve the objectives, the following projects will be implemented:

- ***Industries:*** developing industrial parks including TAMCO in Kibaha; Leather Industrial Park in Dodoma; Special Economic Zone in Bunda and Dodoma; strengthening the research centres of CAMARTEC, TIRDO, TEMDO and SIDO
- ***Agriculture:*** implementation of Agricultural Sector Development Programme II; strengthening agricultural crop boards; enabling availability of agricultural inputs, extension services, storage facilities and markets for strategic crops; construction and rehabilitation of irrigation schemes; and strengthening research on quality sees and crops' diseases
- ***Livestock and fisheries:*** strengthening farms for producing quality heifers and centres for animal breeding; revamping Tanzania Fisheries Cooperation; construction of a fishing port; procurement of large fishing vessel
- ***Economic growth and human development:*** fee-free basic education; improved education infrastructure; improved health facilities and supplies; improved availability of water in rural and urban areas
- ***Improvement of enabling business environment and investment climate:*** construction and rehabilitation of various infrastructures for improving business environment and attracting private sector investment
- ***Monitoring and Evaluation:*** strengthen monitoring and evaluation of the implementation of development projects at all levels; strengthen administration of tax and non-tax revenue

The 2019/2020 Budget Objectives and Targets

Revenue policies for 2019/20

The Government is committed to increasing and strengthening domestic revenue collections by pursuing the following policies:

- Increase efficiency in administration and collection of domestic revenue through implementation of Integrated Domestic Revenue Administrative System (IDRAS);
- Widen the tax base through identification and registration of new tax payers as well as continue with the exercise of informal sector formalisation;
- Invest in areas that have potential of generating more revenues particularly in deep sea fishing through construction of fishing port and procurement of fishing ships;
- Strengthen capacity for monitoring and controlling of transfer pricing;
- Enhance administration of tax exemptions by ensuring that they are directed to the intended projects;
- Ensure that non-tax revenues are collected through Government Electronic Payment Gateway System (GePG) in order to improve efficiency in domestic revenue collection; and
- Strengthen monitoring systems in the Government institutions in order to ensure that contributions from public institutions are timely remitted to the Government Coffers.

Strengthen Cooperation with Development Partners

Grants and concessional loans have declined from an average of 26.3% in 2010/11to 8.3% in 2017/2018.

The Government will continue to engage Development Partners through various dialogues to ensure that the principles as outlined in the Framework for Development Cooperation endorsed by the government in 2017 are complied with by all parties to improve sustainable development and disbursements of loans and grants.

Expenditure policies for 2019/20

In 2019/20, the Government will continue to allocate funds in priority areas to ensure effective implementation of the 2019/2020 Annual Development Plan. The Government will sustain financial discipline in order to realise the value for money. In implementing this initiative, the Government will carry out the following:

Ensure that the budget deficit does not exceed 2.3% of GDP;

Allocated funds to priority areas and productivity in order to stimulate economic growth in industries and agriculture, economic growth and human development, improvement of enabling business environment and investment climate, and monitoring and evaluation;

Ensured discipline in the use of public funds and continue to reduce unnecessary expenditure; and

Verify, clear and control further accumulation of arrears.

Summary of Targeted Revenue Collection for 2018/2019 and 2019/2020

		2019/2020 12 month Budget TZS' bn	2018/2019 12 month Budget TZS' bn	2019/20 v 2018/19 Increase
Domestic Revenue:				
	Tax Revenue - TRA	19,101	18,000	6.1%
	Non Tax Revenue	3,179	2,158	47.3%
		22,280	**20,158**	10.5%
Local Government Authorities (LGA) own source		765	736	3.9%
Domestic Revenue + LGA		**23,045**	**20,894**	10.3%
Program loans and grants		273	546	-50.0%
Project loans and grants		2,311	2,005	15.3%
Basket support loans		35	34	2.9%
Basket support grants		165	92	79.3%
Non Bank borrowing /roll over		3,460	4,600	-24.8%
Bank borrowing (Financing)		1,500	1,194	25.6%
Non-concessional borrowings		2,316	3,111	-25.6%
Total revenue		**33,105**	**32,476**	**1.9%**
Expenditure				
	Recurrent	20,857	20,469	1.9%
	Development	12,249	12,007	2.0%
	Total	**33,106**	**32,476**	**1.9%**
Recurrent expenditure				
	National Debt Service*	9,721	10,005	-2.8%
	Wages and Salaries	7,559	7,410	2.0%
	Other Charges	3,577	3,054	17.1%
		20,857	**20,469**	**1.9%**
Development expenditure				
	Domestic Financing	9,738	9,876	-1.4%
	Foreign Financing	2,511	2,131	17.8%
		12,249	**12,007**	**2.0%**

***National Debt Service** includes: domestic interest TZS 1,439 bn, domestic amortisation (rollover) TZS 3,460 bn, external interest and amortisation TZS 2,963 bn, Government contribution to pension funds TZS 1,256 bn, other expenditure under CFS TZS 603 bn

Financial Services Sector

The financial sector in Tanzania has seen some turbulence over the past few months with the Bank of Tanzania (BoT) revoking the licenses of some banks during the first half of 2018 due to inadequate capital requirements and taking control of some banks due to liquidity and under capitalization. The BoT revoked the licences of Covenant Bank, Efatha Bank, Njombe, Community Bank, Kagera Farmers' Cooperative Bank, Mbinga Community, Bank and Meru Community Bank.

Mergers and acquisition

The banking sector in Tanzania has also witnessed a number of mergers and acquisitions over the recent months involving both local and foreign banks. In August, the central bank ordered three state-owned banks namely TPB Bank, Twiga Bancorp and TWB Bank to merge. The BoT also issued banking license to China Dasheng Bank in November 2018, which was previously issued with provisional license in November 2017.

In August 2018, the central bank took over the administration of Bank M Tanzania due to liquidity issues. In the early half of 2019, the BoT authorised the merger between Azania Bank and Bank M.

In March 2019, Exim Bank Tanzania announced that it was planning to acquire UBL Bank through a joint statement issued by the two banks. One month later, Equity Group announced that it has entered into an agreement with Atlas Mara, a pan Africa focus banking group to acquire banking operations in four African countries including Tanzania. Atlas Mara is the majority shareholder of BancABC Tanzania.

CBA and NIC Bank Tanzania are also expected to undergo consolidation following the banks' groups in Kenya approved the merger deal in their respective annual general meetings in April 2019. During the same month, Hakika Microfinance Bank announced the intent to acquire Mwanga Community Bank based in Kilimanjaro region.

Non-performing loans

The Non-Performing Loans (NPLs) of most banks in the country have been cited as among the major reasons that contribute to declining profit margin. The rise in NPL ratios is driven by a combination of economic developments and poor credit risk management.

Early in 2018, the BoT took measures to reduce the burden of unpaid loans. BoT issued a circular entitled Measures to Increase Credit to the Private Sector and Contain Non-Performing Loans, in which, among other things, it waved some provisions of Banking and Financial Institutions Regulations 2014 for two years up to December 2020 to enable banks to collect unpaid loans. Some of the other measures instituted by the BoT include directing banks to improve loan granting process, requiring banks with high non-performing loans to submit strategies to contain non-performing loans as well as enforcing the requirement to

Financial Services Sector

use credit reference system by submitting credit information to the system and using that information to scrutinize credit applicants.

Interest rates cut

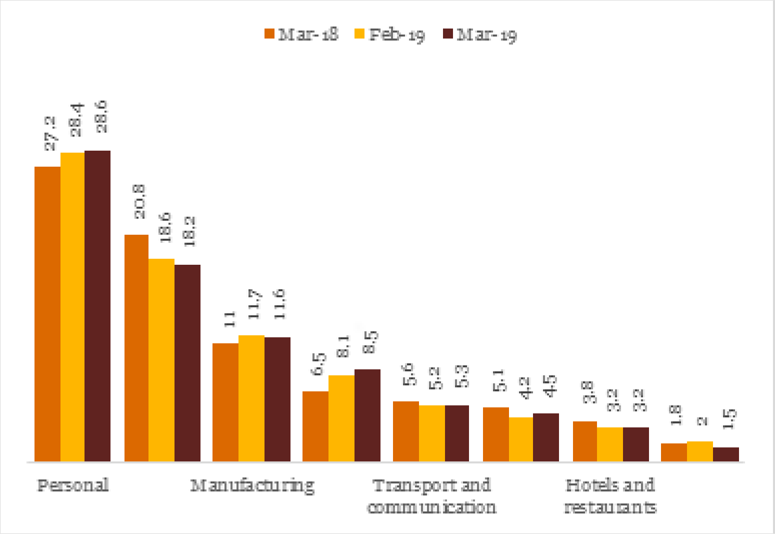
BoT also took other measures to boost liquidity by cutting the discount rate three times in 18 months, from 16 per cent to 12 per cent in March 2017 and again to 9 per cent in August 2017 and further to 7 per cent in August 2018.

Industry performance

The Tanzania banking sector remains highly concentrated with two former state banks CRDB and NMB, holding around 35% of total banking assets and a combined 40% of the deposits. The top 5 largest banks have over 50% of the total banking assets. According to the BoT mid-year review – 2018/2019, the banking sector remains sound, stable and profitable; with levels of capital and liquidity above regulatory requirements. The sector continued to maintain steady growth, with total assets reaching TZS 30,215.9 billion at the end of December 2018, from TZS 29,804.9 billion recorded at the end of December 2017.

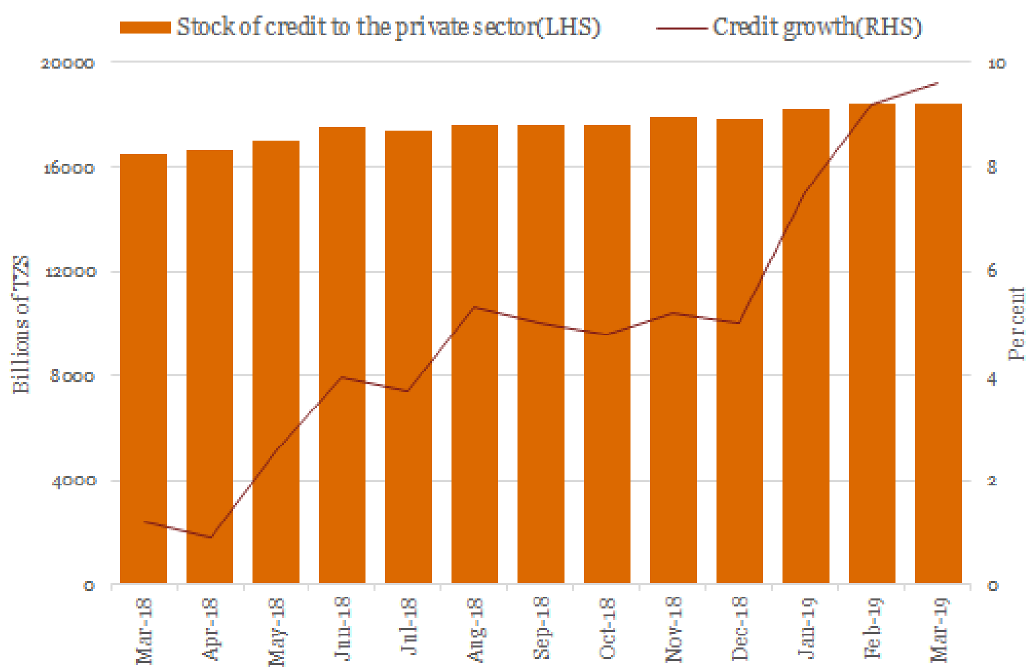
As per the BoT monthly economic review for April 2019, sectoral composition of stock of credit extended by banks to the private sector remained almost the same as in the previous month and corresponding month of 2018. Personal loans, often used to finance small and medium-size businesses, and credit to trade activities accounted for the largest share of the outstanding credit, holding 28.6 percent and 18.2 percent in March 2019, respectively.

In terms of growth rates, credit to agriculture, mining and quarrying, manufacturing and personal activities grew faster as in February 2019. Noteworthy, credit extended by banks to transport and communication activities recorded positive growth in March 2019 after a sustained contraction since October 2018.



Composition of Banks’ Outstanding Credit by Major Economic Activities

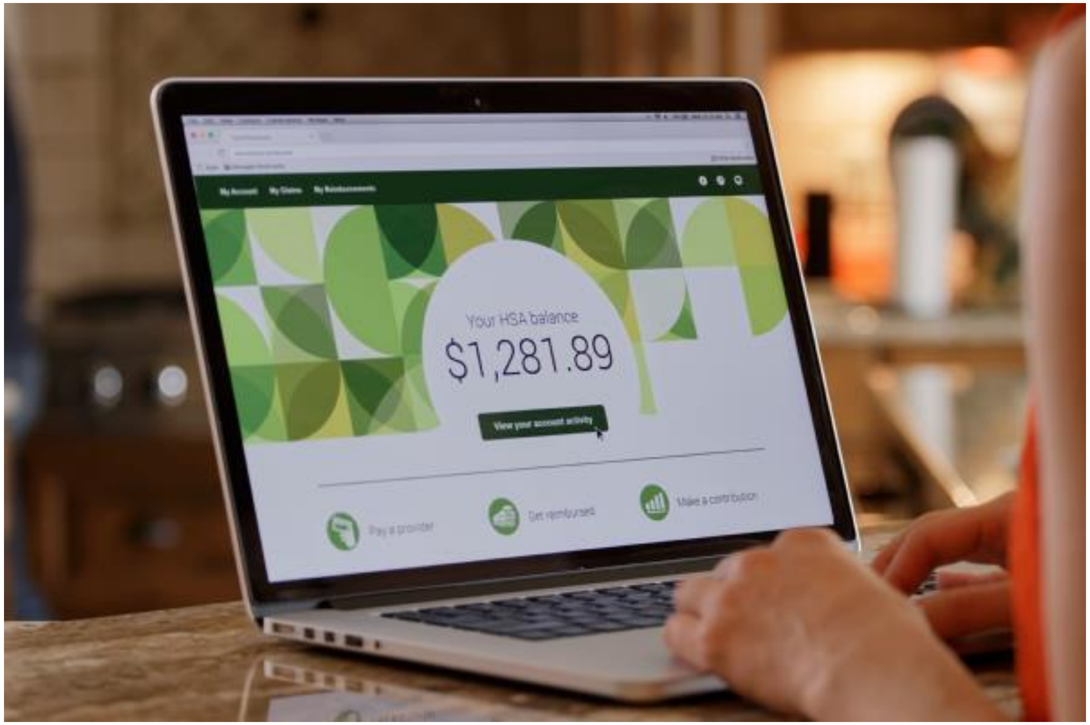
Financial Services Sector



Credit to the Private Sector by Banks

The BoT monthly economic review for April 2019 mentioned that the level of credit extended by banks to the private sector grew significantly by 9.6 percent in the year ending March 2019 compared with 1.2 percent in the corresponding period of 2018. The outturn was because of sustained accommodative monetary policy stance and measures taken by banks to reduce the amount of non-performing loans, including mandatory use of credit reference system before loan approval.

Financial Services Sector



Foreign exchange bureaux reforms

Early this year, the BoT initiated the process to revoke licenses of bureau de change in Dar es Salaam which were understood to be operating without observing laws, regulations and procedures guiding foreign exchange businesses. As a result of this operation, banks and financial institutions have been urged to continue playing an active role in providing foreign exchange services to the public. Following this operation, the BoT revised the rules for operating retail foreign exchange bureaux in the country.

Insurance sector

In an effort to increase coverage and stimulate growth in the Insurance sector, the Tanzania National Insurance Regulatory Authority (TIRA) announced early this year that the sector is expected to undergo some major reforms in 2019. This is being planned when the sector experienced a 7.7% growth during the first nine months of 2018. Such reforms will include policy reforms to allow banks to provide insurance services. Currently banks act merely as insurance agents. In addition measures are expected to be taken to establish an appropriate legal and regulatory framework for Islamic insurance practices as demand for Islamic insurance products is considerably high.

Consumer Industrial Products and Services Sector

Telecommunication

Growth in information and communication remained buoyant at 9.1% in 2018. Technological disruption (by way of third-party instant call services or over-the-top (OTT) platforms such as WhatsApp, Skype, Viber and Facebook Messenger) have continued to cause a drastic decline in voice revenue but this has been countered by strong growth in mobile money and data revenue. As an example, the preliminary results publicly issued by Vodacom PLC for the year ended 31 March 2019 show a decrease in mobile voice revenue by 1.1% year on year but growth in M-Pesa and data revenue by 14.5% and 17.9%.

Statistics from the Telecommunications Regulatory Authority ("TCRA") show the following share of voice subscriptions and mobile money subscriptions as at December 2017 and December 2018:

Voice Telecom Subscription

Operator	2017	2018	% change
Airtel	10,855,955	10,954,621	1%
Smart	131,501	132,292	1%
Halotel	3,799,691	3,941,237	4%
Tigo	11,062,852	12,583,640	14%
TTCL	429,735	711,411	66%
Vodacom	12,866,059	14,143,657	10%
Zantel	935,161	1,153,641	23%
Total	**40,080,954**	**43,620,499**	9%

Mobile money subscriptions

	2017	2018	% change
Airtel Money	5,875,149	4,848,545	-17%
Tigo Pesa	6,863,349	7,586,240	11%
M-Pesa	8,085,684	9,014,088	11%
Ezy Pesa	280,825	546,353	95%
Halotel Money	781,476	1,342,206	72%
TTCL	3,135	30,394	870%
Total	**21,889,618**	**23,367,826**	7%

The mobile sector remains concerned with the high level of taxation on the sector as illustrated in the summary schedule below :

	2017/18 to date		
		TZS	**TZS**
Gross charge before tax		100.0	
Excise Duty	17.0%	17.0	17.0
		117.0	
VAT	18.0%	21.1	21.1
		138.1	38.1
Local tax - service levy	0.3%		0.3
TCRA;UCAF (0.8%;0.3% up to June 2017 and 1.1%;0.9% afterwards)	2.0%		2.0
Total tax and levies on gross income			**40.4**

This budget saw no change to these rates.

Consumer Industrial Products and Services Sector

Manufacturing

During 2018/19, the Government continued with implementation of the industrialisation agenda whereby, 3,530 new industries have been established in various regions. The established industries include manufacturing industries for construction (cement, tiles, and steel bars) and agriculture, in particular, processing fruits, oil and skin.

A number of manufacturers have been affected by the roll out of the new electronic tax stamp (ETS) system to replace the previous paper tax stamp process. While the objective is a good one, namely to help create transparency in assessing taxes on these businesses, a number of manufacturers are unhappy that the additional cost of the system is borne by the taxpayer rather than only the Government. Another concern for the manufacturing sector remains the delays in payment of VAT (for exporters) and excise duty refunds.

Effective 1 June, the Government has banned the use of plastic bags in the country in order to preserve the environment. The time lapse between the announcement of the ban and the effective date was only 2 months. This is a short period of time to ensure that the demands of the country in replacing plastic bags has been met without disruption in the supply of the bags. On the positive side this will create opportunities for companies manufacturing specific bags that are not plastic and those who will supply materials and other factor inputs needed for the bags.

Manufacturing features strongly under the list of priority projects and activities of r2019/20 to be implemented as a continuation of the National Five Year Development Plan 2016/17 - 2020/21. Specific projects to foster industrialisation include the development of industrial parksm and the encouragement of value addition in crop production and agro-processing.

Consumer Industrial Products and Services Sector

Tourism

Tanzania is targeting India and China to bolster tourism and drive growth in guest nights. The country is stepping up its marketing and promotional activities in India and China to attract more tourists from those countries.

Tanzania has not been a major player in MICE (meetings, incentives, conventions and exhibitions) tourism but is looking to improve its offerings. The Ministry of Tourism is establishing a national convention bureau that will supervise the expansion of facilities to attract conferences and business meetings.

According to a forthcoming PwC Hotels Outlook: 2019 to 2023 report, 2018 saw a rebound in guest nights which returned to their 2015-16 level. (Guest nights had declined in 2017, with demand adversely impacted by the introduction of the 18% VAT on tourism services introduced in 2016 and the fixed rate concession fee introduced in 2017.). There was also a benefit from an increase in available rooms with the opening of new hotels (for example, City Lodge and Zuri Zanzibar and the full-year impact of a new Melia hotel that opened in late 2017). Looking forward a number of planned openings in the coming years, are expected to add around a 1,000 rooms cumulatively over the next 5 years. We expect the tourist initiatives and an emerging MICE market, along with a strong global economy, to lead to further growth in guest nights, which we project will rise at a 3.5% compound annual rate.

Consumer Industrial Products and Services Sector

Agriculture

The agriculture sector grew by 5.3% in 2018 compared to 4.8% in 2016. This growth has contributed to increased food security, decline in food inflation to 2.7 percent in April 2019 compared to 7.3 percent in April 2016 and an increase in receipts from export of traditional goods from USD 793.4 million in 2015 to USD 1,020.7 million in 2017, equivalent to an increase of 28.6 percent.

For exporters of agricultural products a continuing concern is the delay in processing of VAT refunds - in particular, for some companies VAT refunds have not been processed for over 3 years. Falling world commodity prices for certain items (e.g. cloves and coffee) also cause concern.

Government and Public Sector - Infrastructure

Since coming into office in 2015, the fifth-phase Government has prioritised initiatives to clampdown on corruption, improve public administration and manage public resources for improved social outcomes. In seeking to drive Tanzania towards a modern economy, in line with Tanzania's Vision 2025 (of being a semi-industrialized middle-income country by 2025), a key focus has been to focus on implementation of various infrastructure projects at an accelerated pace so as to support the growth that this Vision contemplates.

Notable infrastructure projects that the Government of Tanzania is implementing include the following:

Rufiji Hydroelectric Project

In December 2018, Tanzania signed the agreement to build the Stiegler's Gorge Hydroelectric Power Station, on the Rufiji River. The project is estimated to cost $2.9bn and will be entirely financed by the Government of Tanzania. The hydropower plant is expected to be finalized in 42 months and should have the capacity to produce 2,115 MW by 2022, dramatically increasing the country's current power production capacity of 1,560 MW. It will also include a 400 KV substation and a transmission line integrated into the national electricity grid.

The East Africa Crude Oil Pipeline

The Governments of the Republic of Uganda and the United Republic of Tanzania signed the Inter-Governmental Agreement for the East Africa Crude Oil Pipeline (EACOP) Project in May 2017. The EACOP is a 1,445 km crude oil export pipeline that will transport Uganda's crude oil from Kabaale – Hoima in Uganda to the Chongoleani peninsula near Tanga port in Tanzania. With an estimated cost of USD 3.5bn, the EACOP will be the longest electrically-heated pipeline in the Continent. It is expected that residents from 226 villages in Tanzania are set to benefit from the EACOP project. The start of the construction of the pipeline awaits finalisation of prolonged negotiations including in relation to provisions of the host government agreement, shareholder agreements and transportation tariffs.

Standard Gauge Railway (SGR)

SGR is the new railway project that will eventually connect Dar es Salaam to Kigali along 1,090 miles of track. The Government expects the first phase, costing USD 1.9bn and covering 186 miles between Dar es Salaam and Morogoro, to be completed by December 2019. In his budget presentation for FY2019/2020, the Minister for Works, Transport and Communication, requested for TZS 2.5 trillion out of the total development budget of TZS 4.8 trillion (52%) to be set aside for the construction of the SGR.

Government and Public Sector - Infrastructure

The actualisation of this project will make Tanzania the third country in the region (after Ethiopia and Kenya) to have rolled out a modern standard gauge network, The trains to be used will be electric trains, and so the availability of reliable power supply will be key. If all goes according to the plan, the entire project is expected to be completed in five years' time i.e. by 2023.

New Airports and Revival of Air Tanzania

The Government has continued with the construction and rehabilitation of several airports in the country including the following:

- Dar es Salaam: Construction of the new Terminal III at Julius Nyerere International Airport, now 90% complete;
- Mwanza: Completion of the 500 meters extension of the runway and expansion of the apron at Mwanza airport; and
- Dodoma: Design of the Msalato International Airport in Dodoma is at an advanced stage, and once constructed it will be the fifth international airport in the country. The financing (USD 200 million) is from the African Development Bank.

The Government has also revived the state-owned Air Tanzania Company Limited (ATCL) with the purchase of half a dozen new planes including a Boeing 787 Dreamliner. Long haul international flights were planned to commence from earlier this year, but the expectation now is that these will first start from July this year.

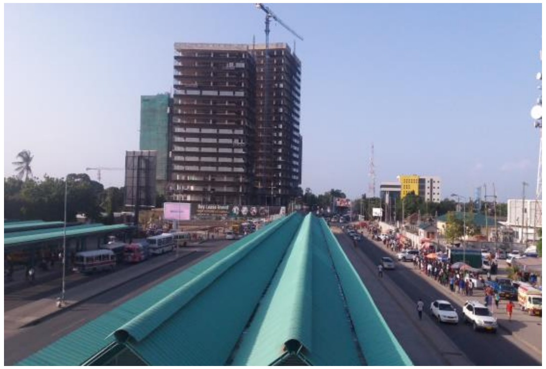
New Selander Bridge in Dar es Salaam

When completed, the New Selander Bridge will be 6.2 kilometres long and 20.5 m wide and will have four ways for cars and two pedestrian routes. The bridge is estimated to cost TZS 256 billion and to be built in about 30 months. The funding is provided by a concessionary loan from the Republic of Korea through its Economic Development Cooperation Fund (EDCF). The bridge will link the areas surrounding Aga Khan Hospital and Coco Beach in Masaki and aims to reduce traffic congestion.

Government and Public Sector - Infrastructure

Bus Rapid Transit (BRT) system of Dar Es Salaam (DART)

The Dar es Salaam BRT is planned as an extensive system of 137 km of corridors to be built in six sequential phases.



Construction of the first phase (total length of 21 km) was completed in December 2015 at a total cost of EUR134m, funded by the African Development Bank (AfDB), the World Bank and the Government of Tanzania (GoT). Construction of the second phase (total length of 20.3 km) which is expected to commence in July this year and be completed in 36 months at an estimated of cost $160m (to be financed by AfDB and GoT), will include two flyovers of 24m width and 150m length each, 29 bus terminals, a control centre and a garage.

Dodoma – The Capital City

In its quest to restore Dodoma as Tanzania's Capital City, the Government is overhauling Dodoma's entire infrastructure. Except for the President's office, all other Government Ministries, Departments and Agencies have shifted to Dodoma. The expectation is for International Development Agencies and Embassies to shift headquarters to Dodoma in the due course of time once the supporting infrastructure is complete.

Roads and Bridges Infrastructure

Significant investment continues in the construction of roads that connect regional headquarters and those that link Tanzania and neighbouring countries. These include completion of: Dodoma – Babati (251.4 km); Sumbawanga - Kanazi (75.0 km), Kanazi - Kizi - Kibaoni (76.6 km); Sitalike – Mpanda (36.9 km); Kyaka - Bugene (59.1 km); and Uyovu - Bwanga (45 km). There is also significant progress on the following road construction: Kidahwe - Kasulu - Kibondo – Nyakanazi road (310 km); Tabora – Ipole – koga – Mpanda road (373 km). In addition, Kilombero and Kavuu bridges as well as the TAZARA flyover have been completed. The construction of the 266 meter Ubungo interchange, which was launched in March 2017 is 25% complete. It is expected to be fully completed by December 2020 with a total cost of TZS 200.73 billion.

Infrastructure-driven development will certainly foster economic growth, however to achieve sustainable results, they need to be well-planned, carefully implemented and make financial sense. In tandem with this, and because most of these mega projects are financed by the Government, there is a need to constantly monitor benchmarks related to the level of the resultant debt.

Mining Sector

Contribution to exports

Tanzania's mining industry continues to be a significant contributor to export earnings with estimated mineral exports in 2018 of USD 1,549 million representing 40% of the USD 3,893 million total goods exports.

Production updates (based on publicly issued financial accounts)

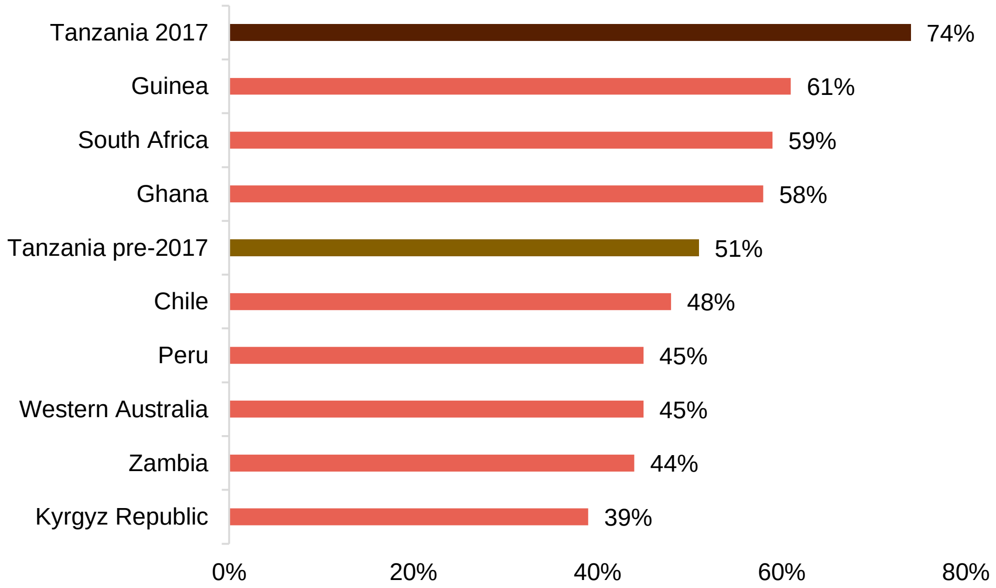
The sector is dominated by the gold mining sector, and in particular subsidiaries of AnglogoldAshanti Limited ("AAL") and Acacia Mining Plc ("Acacia") whose 2018 production was 564,000 oz and 521,980 oz respectively. A smaller contributor to the mix was Shanta Gold's New Luika Mine (81,872 oz). Production from AAL's flagship Geita mine was 5% up on 2017 (and represents 16.6% of AAL's global 2018 production). Acacia's production was significantly down on 2017 and 2016 (when production was 767,883 oz and 829,705 oz respectively), with the majority of production now coming from the North Mara mine (336,055 oz). Although the Bulyanhulu mine is currently on reduced operations, with only 40,485 oz produced in 2018, the provisional outcome of an optimisation study of the mine indicates an estimated 18 year mine life with annual production of between 300,000 oz to 350,000 oz.

Gold mines	2014	2015	2016	2017	2018
North Mara Gold Mine	273,803	287,188	378,443	323,607	336,055
Buzwagi	210,063	171,172	161,830	268,785	145,440
Bulyanhulu	234,786	273,552	289,432	175,491	40,485
Acacia	**718,652**	**731,912**	**829,705**	**767,883**	**521,980**
Geita gold mine	477,000	527,000	489,000	539,000	564,000
Shanta Gold/ New Luika	84,028	81,873	87,713	79,585	81,872
Total	**1,279,680**	**1,340,785**	**1,406,418**	**1,386,468**	**1,167,852**

Mining Sector

NRGI study of average effective tax rate from a gold project with development costs of USD 420 million, per unit operating costs of $600 per ounce and a gold price of $1,300 per ounce [based on a 10 percent discount rate, assuming that the government continues to treat gold doré as a "raw mineral" and therefore not eligible for VAT] refunds:

Table from Natural Resource Governance Institute (NRGI)
Average Effective Tax Rate



Fiscal and regulatory environment

The delay and / or non-payment of VAT refunds continues to pose significant challenges for existing operators. The sector has raised concerns as to the impact of recent regulatory and fiscal changes, most notably changes made in 2017. In a January 2019 publication, the Natural Resources Governance Institute issued a preliminary analysis of the current fiscal regime for Tanzania's mining sector and concluded that:

- The fiscal regime now places a significantly larger tax burden on projects than other comparator gold mining countries.
- The tax mix, with high royalties and limited value added tax refunds, mean that this difference is even greater for less profitable mines.

The publication was issued shortly after a multi-stakeholder meeting between the President and the mining sector, where he had stated the government's intention to review the 2017 fiscal regime if recent increased taxes could be seen to be hindering rather than helping efforts to collect more revenue from the sector. While the immediate focus was on artisanal and small-scale mining and tax evasion, ultimately the same concerns can impact large-scale investment.

Mining Sector

Looking forward

Grounds for optimism for further growth in the gold sector includes a 6 September 2018 announcement of a completion agreement between the Orecorp Group and Acacia which (subject to certain conditions) paves the way for Orecorp to move to 100% ownership of the Nyanzaga Gold Project with a view to its subsequent development.

Aside from gold, and other existing minerals in production (for example diamonds), there are expectations that a number of projects for other minerals (including graphite, niobium, rare earths, helium) could move to development.

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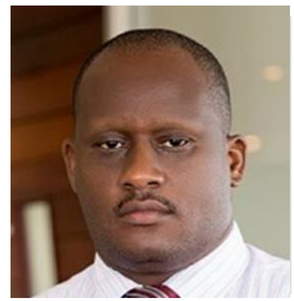

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Appendix 1

Presumptive income tax rates

Current rates			Proposed rates		
	Section 35 of the TAA 2015 is not complied with (Taxpayer does not maintain records)	Section 35 of the TAA 2015 is complied with (Taxpayer maintains records)		Section 35 of the TAA 2015 is not complied with (Taxpayer does not maintain records)	Section 35 of the TAA 2015 is complied with (Taxpayer maintains records)
Turnover (TZS)	**Tax liability (TZS)**	**Tax liability (TZS)**	**Turnover (TZS)**	**Tax liability (TZS)**	**Tax liability (TZS)**
< 4,000,000	NIL	NIL	< 4,000,000	NIL	NIL
4,000,000 – 7,500,000	150,000	3% of amount in excess of 4m	4,000,000 – 7,000,000	100,000	3% of amount in excess of 4m
7,500,000 – 11,500,000	318,000	135,000 plus 3.8% of amount in excess of 7.5m	7,000,000 – 11,000,000	250,000	90,000 plus 3% of amount in excess of 7m
11,500,000 – 16,000,000	546,000	285,000 plus 4.5% of amount in excess of 11.5m	11,000,000 – 14,000,000	450,000	230,000 plus 3% of amount in excess of 11m
16,000,000 – 20,000,000	862,500	487,000 plus 5.3% of amount in excess of 16m	14,000,000 – 100,000,000	N/A	450,000 plus 3.5% of amount in excess of 14m

Appendix 2 - Customs Duty

Increase of customs duty rates

1. Stay of application of the EAC-CET rate of 25% and instead apply a duty rate of 35% on **roasted coffee** for one year (HS Code 09.01) to protect domestic industries and increase Government revenue.
2. Imposing an import duty of 10% or USD 125 per metric ton on **flat-rolled products of iron or non-alloy steel and flat-rolled products of other alloy steel of width of 600mm or more**, whichever is higher for one year. The referred products are those under HS Codes 7209.16.00; 7209.17.00; 7209.18.00; 7209.26.00; 7209.27.00; 7209.28.00; 7209.90.00; 7211.23.00; 7211.90.00; 7225.50.00 and 7226.92.00. This is to protect domestic industries and address the challenges of under-invoicing and undervaluation.
3. Imposing an import duty of 25% or USD 200 per metric ton on **flat-rolled products of iron or non-alloy steels** whichever is higher for one year (HS Code 7212.30.00; 7212.40.00; and 7212.50.00).

   The measure is intended to protect domestic industries and employment as well as addressing the challenges of under-invoicing and under–valuation.
4. Imposing an import duty of 10% or USD 250 per metric ton on **flat-rolled products of iron or non-alloy steel**, whichever is higher for one year (HS Code 7212.60.00). The objective is to protect domestic industries and employment and also addressing the challenges of under-invoicing and under-valuation.
5. Imposing an import duty of 25% or USD 250 per metric ton **on flat-rolled products** whichever is higher for one year (HS codes 7210.41.00; 7210.49.00; 7210.61.00; 7210.69.00; 7210.70.00 and 7210.90.00) in order to protect domestic producers of flat-rolled products in the EAC region.
6. Stay of application of EAC-CET rate of 25% or USD 200 per metric ton whichever is higher on **reinforcement bars and hollow profiles** and apply a duty rate of 25% or USD 250 per metric ton whichever is higher for one year to protect local manufacturers of reinforcement bars in the region and enhancing competitiveness of domestically produced iron and steel products (HS codes 7213.10.00; 7213.20.00; 7213.99.00; 7214.10.00; 7214.20.00; 7214.30.00; 7214.90.00; 7214.99.00; 7215.10.00; 7215.50.00; 7215.90.00; 7225.90.00; 7225.92.00; 7225.99.00; 7306.30.00; 7306.50.00; 7306.61.00; 7306.69.00; and 7306.90.00).

Appendix 2 - Customs Duty

Increase of customs duty rates

7. Staying application of the EAC-CET rate and applying a duty rate of 35% instead of 25% for one year on **horticultural products** falling under HS codes 0603.11.00; 0603.12.00; 0603.13.00; 0603.14.00; 0603.19.00; 0604.20.00; 0604.90.00; 0701.90.00; 0702.00.00; 0703.10.00; 0703.20.00; 0706.10.00; 0710.10.00; 0710.21.00; 0710.22.00; 0710.30.00; 0714.10.00; 0714.20.00; 0804.30.00; 0804.40.00; 0804.50.00; 0805.10.00; 0805.40.00; 0805.50.00; 0806.10.00; 0807.11.00; 0807.20.00; 0808.10.00; and 0808.20.00. This measure is expected to increase Government revenue.

8. Stay of application of the EAC-CET rate of 0% and applying a duty rate of 10% on **monofilament** (PVC Profiles HS Codes 3916.10.00; 3916.20.00 and 3916.90.00) for one year in order to increase Government revenue.

Decrease of customs duty rates

9. Granting duty remission and applying 0% rate instead of 10% on raw materials used to manufacture **baby diapers** imported by manufacturers of this product. The measure is intended to reduce production costs, create employment and increase Government revenue (HS Codes 3506.91.00; PE Film HS Code 3926.90.90; Super Absorbent Polymer HS Code 3906.90.00; Wet Strength Paper HS Code 4803.00.00; Non Wovens HS Code 5603.11.00; Polyethylene Laminated Non Wovens HS Code 5903.90.00; Spandex HS Code 5402.44.00; and Dust Free Paper HS Code 4803.00.00)

10. Granting duty remission and applying 0% rate instead of 25% for one year on the **equipment and appurtenant used for polishing and heat treatment of gemstones** (equipment falling under HS Codes 3606.90.00; 6804.10.00; 6813.20.00; 7018.90.00; 7020.00.99; 8202.20.00; 8202.99.00; 8203.20.00; 8205.10.00; 8423.89.90; 8513.10.90; and 9002.19.00). This measure is intended to create value addition on gemstones, creating employment and increasing Government revenue.

11. Granting duty remission and applying a duty rate of 0% instead of 10% for one year on **papers used as raw materials for manufacturing of packaging materials for export of horticulture products** (HS Codes 4805.11.00 and 4805.19.00). The measure is intended to reduce production costs in order to protect domestic industries against foreign competition, attract investment in the production of these products in the country and ultimately promote exports of horticultural products for foreign exchange earnings.

Appendix 2 - Customs Duty

12. Granting duty remission on **agricultural seeds packaging materials** and applying a duty rate of 0% instead of 25% for local producers of agricultural seeds for one year (HS codes 3923.29.00; 6305.10.00; 4819.40.00; 7310.29.90; 6305.33.00; 6305.20.00; 6304.91.90; 7607.19.90). The aim is to ensure good quality products and reduce costs to the seed production institutions in the country.
13. Granting duty remission and applying a duty rate of 0% instead of 25% for one year on **aluminium alloys** (HS Code 7606.92.00) **used as raw materials to manufacture aluminium pots.** The measure is intended to reduce production costs, promote production of pots in the country and creation of employment.

2018/19 measures that continue to be implemented in 2019/20

14. Staying the application of the EAC-CET rate of 0% and applying a duty rate of 25% for one year on **papers** under HS Code 4804.11.00; 4804.21.00; 4804.29.00; 4804.31.00 and 4804.41.00 in order to enhance competitiveness of domestically produced papers and paper products.
15. Granting remission and applying an import duty of 10% instead of 35% on **wheat grain** falling under HS Code 1001.99.10 and 1001.99.90 for one year. This measure due to insufficient level of production to meet the demand in the EAC region.
16. Stay of application of the EAC-CET rate of 10% and instead applying a duty rate of 0% for one year on **Electronic Fiscal Devices (EFD's)** machines falling under HS Code 8470.50.00. The measure is intended to continue encouraging taxpayers to use EFD machines for accounting VAT and facilitate efficient management control in the areas of sales analysis and stock control.
17. Granting duty remission and applying a duty rate of 0% instead of 25% for one year on **printed aluminium barrier laminates** under HS Code 3920.10.90. This is to reduce production costs and promote competitiveness of domestic industries producing toothpaste as well as promoting employment.
18. Granting duty remission and applying a duty rate of 0% instead of 10% for one year on **RBD Palm Stearin** (HS Code 1511.90.40) to ensure its availability for stand alone soap industries. It is also to take into account imposition of 25% import duty rate on crude palm oil.
19. Granting stay of application of the EAC-CET rate and applying a duty rate of 25% or USD 1.35 per kilogram of **safety matches** (HS Code 3605.00.00) whichever is higher for one year as there is sufficient capacity to produce the product in the EAC region.

Appendix 2 - Customs Duty

20. Stay of application of EAC-CET rate and instead apply a duty rate of 25% or USD 350 whichever is higher for one year on **nails, tacks, drawing pins, corrugated nails, staples other than those of heading 83.05**. The objective of this measure is to protect local producers of these products against imported cheap products.
21. Staying application of the EAC-CET rate of 25% and instead applying a duty rate of 35% for one year on **sausages and similar products** (HS Code 1601.00.00) to protect domestic industries which produce similar products in the region.
22. Staying application of EAC-CET rate on **chewing gum** (HS Code 1704.10.00) and applying a duty rate of 35% instead of 25% for one year. The measure aims at protecting local production in the region.
23. Stay of application of EAC CET rate on **other sugar confectionary (sweets under HS Code 1704.90.00)** and applying 35% instead of 25% for one year to protect local industries in the region and promote employment.
24. Stay of application of the EAC-CET rate on **chocolates** (HS Code 18.06) for one year and applying a duty rate of 35% instead of 25%. The aim is to protect local production of the product as there is sufficient capacity to produce in the region.
25. Stay of application of the EAC-CET rate on **biscuits** (HS Code 19.05) for one year and applying a duty rate of 35% instead of 25% to protect local production and promote employment in the region.
26. Stay of application of the EAC-CET rate on **tomato sauce** (HS Code 2103.20.00) for one year and applying 35% rate percent instead of 25%. The objective of this measure is to protect local production.
27. Stay of application of the EAC-CET rate on **mineral water** (HS Code 2201.10.00) for one year and instead apply a duty rate of 60% instead of 25% since there is sufficient capacity to produce this product in the country. Also, to create employment and Government revenue.
28. Stay of application of the EAC-CET rate on **meat and edible offal** under Chapter 2 for one year and applying a duty rate of 35% instead of 25%. The measure is intended to protect and encourage domestic processing and value addition.
29. Imposing import duty of 25% on **crude edible oil (for example sunflower oil, palm oil, groundnuts oil, olive oil, maize corn oil** etc.**)** for one year. The edible oils fall under HS code 1507.10.00; 1508.10.00; 1511.10.00; 1512.11.00; 1513.11.00; 1514.11.00; 1514.91.00; 1515.11.00; 1515.21.00; 1515.30.00. The objective of this measure is to continue encouraging and promoting production of edible oils by using locally produced seeds. It is also intended to protect domestic producers of edible oil and oil seeds and create both employment and income to the farmers.

Appendix 2 - Customs Duty

30. Stay of application of the EAC-CET rate of 25% and instead applying a duty rate of 35% for one year on **semi refined, refined/double refined edible oils (for example sunflower oil, palm oil, groundnuts oil, olive oil, maize corn oil** etc.). The referred edible oil falls under HS Code HS codes 1507.90.00; 1508.90.00; 1509.90.00; 1510.00.00; 1511.90.10; 1511.90.30; 1511.90.90; 1512.19.00; 1512.29.00; 1513.19.00; 1513.29.00; 1514.19.00; 1514.99.00; 1515.19.00; 1515.20.00; 1515.50.00; and 1515.90.00. The aim is to protect and promote the processing of edible oil in the country using locally grown seeds and save foreign exchange used in the importation of edible oil.

31. Stay of application of the EAC-CET rate of 0% on **Gypsum Powder** (HS Code 2520.00.00) and instead apply a duty rate of 10% for one year in order to protect local producers and promote production of gypsum powder by using the locally available gypsum.

32. Imposing an import duty rate of 35% instead of 100% **on sugar (consumption sugar)**. The product is imported under special arrangements to cover the shortage in the domestic market. The intended objective is to protect domestic industries, employment and increase Government revenue.

33. Stay application of the EAC-CET rate and apply a duty rate of 35% instead of 35% or USD 0.40 per kilogram whichever is higher for one year on **worn clothes**. The intended objectives is to protect local manufacturers of finished textile products and make them competitive against substandard imports from outside the country.

34. To provide duty remission on selected list of **raw materials and industrial inputs for the manufacturers of textiles and footwear** (Harmonized list). The objective of this measure is to accelerate the industrialisation process in the textile and leather sector and creating employment opportunities.

35. Imposing an **Export Levy of 10% on wet blue leather**. The measure is intended to promote the processing of leather in the country, value addition and creating employment.

Amendments to the East African Community Customs Management Act 2004 (EACCMA 2004)

36. In order for the country to be able to sign the Bilateral Air Service Agreement (BASA) **import duty exemption** has been granted on **lubricants for aircrafts, uniforms, calendars, diaries, and pens that are used in the provision of air services**.

Other matters

37. **Individuals** will be allowed **to clear goods without the use of Clearing and Forwarding Agents**. However, this will not apply for transit goods. TRA to prepare guidelines and procedures in this regard.

Appendix 3

Fees and levies abolished/reduced on implementation of the Blueprint

Tanzania Food and Drugs Authority (TFDA)

The following fees have been abolished:

- Retention fees for domestic products on registration of:
    - Vaccines and Biologicals USD 150
    - Herbal medicines USD 150
    - medical devices USD 100
    - diagnostics 250
    - food USD 10
    - antiseptics and diagnostics TZS 100,000
- Fees for duplicate certificates on diagnostic USD 100
- Inspection fees for new food selling outlets TZS 50,000
- Registration fees for Retails Veterinary Pharmacy TZS 50,000 to TZS 100,000
- Inspection fees for fish industries TZS 200,000 to TZS 250,000
- Inspection fees for new fish outlets TZS 50,000
- Annual business licence fees on fish outlets TZS 50,000 to TZS 300,000

Appendix 3

Fees and levies abolished/reduced on implementation of the Blueprint (cont'd)

Tanzania Bureau of Standards (TBS)

The following fees have been abolished:

- Application fees for TBS mark TZS 50,000
- TBS mark guarantee fees (15 percent of overhead and transport costs)
- TBS mark licence fees (50 percent of cost of transport and testing of sample from the market)
- Application form fees for imported goods TZS 50,000
- Calibration of equipment based on industrial metrology fees. The amount payable depends on the distance covered from the office to the place e.g. for Dar es salaam it is TZS 10,000
- Application form on imported cosmetics and medical devices including condoms, syringes, gloves, cotton wool and bandage (0.2 percent of transport costs).

Appendix 3

Fees and levies abolished/reduced on implementation of the Blueprint (cont'd)

Government Chemist Laboratory Authority (GCLA)

The following fees have been abolished/reduced:

- Service charge for cancellation and issuing of new permit USD 50
- Service charge for replacement of permit USD 50
- Registration of Clearing Agents Company USD 500 per registration period
- Change of registration information USD 100 per registration period
- Emergency Inspection USD 300 per inspection
- Annual maintenance fee for the following:
    - Form industries USD 1000
    - Paint industries USD 1000
    - Textile industries USD 1000
    - Leather industries USD 1000
    - Plastic industries USD 1,000

Appendix 3

Fees and levies abolished/reduced on implementation of the Blueprint (cont'd)

Government Chemist Laboratory Authority (GCLA) (cont'd)

The following fees have been abolished/reduced (cont'd):

- Other large industries USD 1,000
- Other small industries USD 250
- Large distributors USD 1000
- Medium distributors USD 500

- Reduce chemical registration and renewal fees from USD 20 to TZS 40,000 per chemical per registration
- Charge TZS 200,000 and TZS 50,000 for large and small scale certificate holder per registration period respectively
- Charge TZS 200,000 for large and small scale premises registration per registration instead of USD 100
- Reduce fee for sorting of obsolete chemicals from USD 300 to TZS 300,000 per day per person
- Reduce identification and approval of disposal method fees from USD 500 to TZS 200,000 per chemical
- Reduce fees charged on supervising of loading, transportation, unloading and disposal of obsolete chemicals from USD 300 to TZS 300,000 per day per person

Appendix 3

Fees and levies abolished/reduced on implementation of the Blueprint (cont'd)

Government Chemist Laboratory Authority (GCLA) (cont'd)

The following fees have been abolished/reduced (cont'd):

- Reduce premises inspection fees from USD 200 to TZS 300,000 per inspection
- Reduce Transportation Routes assessment and emergency inspection fees from USD 100 to TZS 150,000 per person per day
- Reduce escorting of chemical convoy fees from USD 100 to TZS 150,000 per person per day; and
- Transportation of on transit hazardous and other chemical will be charged as shown in below table:

Quantity of chemicals to be transported in MT	Current Fees	Proposed fee
	(USD)	(USD)
Between 0.1 and 10	1-2 per MT	10
10.1 - 200		1 per MT
201 - 1000		400
1001 - 5000		600
5001 - 10,000		800
10,001- 20,000		1,200
20,001- 40,000		1,500
40,001+		2,000

All levies charged in USD will now be charged in TZS except for chemicals on transit.

Appendix 3

Fees and levies abolished/reduced on implementation of the Blueprint (cont'd)

Ministry of Livestock and Fisheries

The following fees have been abolished:

- License fee of TZS 5,000 and TZS 50,000 for milk producers below 51 and 201 litres respectively
- Registration fee of TZS 5,000 for milk producers below 51 litres
- License for registration of TZS 500,000 of carriers and containers permit for transportation of milk
- License fee of TZS 15,000 for small scale meat producers
- License fee of TZS 50,000 for Medium Scale Producers
- Registration fee of TZS 75,000 for Large Scale producers
- Registration fee of TZS 20,000 for Primary Markets Operator
- Registration fee of TZS 30,000 for Secondary and Border Markets operators
- Registration fee of TZS 50,000 for Secondary and Border Markets
- Registration fee of TZS 30,000 for Local and Primary market traders
- Registration fee of TZS 60,000 for secondary and border markets traders
- Registration fee of TZS 100,000 for meat exporter
- Movement permit fee of TZS 1,000 for transportation of day old chick per 100
- Movement permit fee of TZS 200 for transportation of Adult/Guinea fowl per each.

Appendix 3

Fees and levies abolished/reduced on implementation of the Blueprint (cont'd)

Ministry of Natural Resources and Tourism

The following fees relating to **professional hunting** have been abolished:

- Trophy handling fees; and
- TALA fees.

Ministry of Water

The following fees have been abolished:

- Fee on borehole which starts from TZS100,000 depending on the utilization of water; however the owners will be required to register their borehole to the Water Board.

Thank you

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