



Finance Act 2023 update

Highlights

July 2023

The excise duty rate on malt beer made from 100% locally grown barley remains the same...“Cheers!”

This newsletter is an update on our bulletins on the **Budget Speech** and the **Finance Bill 2023** (“the Bill”). It summarises additional points arising from our review of the **Finance Act 2023** (“the Act”), as released on 30 June 2023 (and made public on 1 July 2023). The amendments set out in the Act are effective from 1 July 2023 (unless specifically stated otherwise).

In brief

- No increase in tax rates on the following:
 - i. Excise duty on malt beer made from 100% locally grown barley
 - ii. Mobile money transaction levy on withdrawals
- Reversal of following proposals:
 - i. 14 day period for TRA to issue an admission notice
 - ii. Revised allocation basis for skills and development levy
- Penalty for EFD offence - further revision
- Gaming:
 - i. Reversal of proposed VAT exemption (gaming odds, gaming software)
 - ii. Local ownership requirement reduced to 5% (from the proposed 25%)



reflected in the Bill, this referred to the higher of (i) 20% of the value of tax evaded or (ii) TZS 3m. The amendment in the Act now refers to the higher of (i) 20% of the value of goods sold or service rendered or (ii) 100 currency points (currently TZS 1.5m).

Excise Duty

The excise duty rate on malt beer made from 100% locally grown barley remains the same (i.e. TZS 620), reversing the increase initially proposed both in the Budget speech and the Bill.

Mobile Money Transaction Levy

The Budget speech had proposed a 50% increase in the mobile money transaction levy applied on withdrawals¹. This increase was not reflected in the Finance Bill², and is also not reflected in the Finance Act.

Tax Administration

Admission of Objections - reversal of proposed 14 day deadline

The Bill had provided for the deemed admission of an objection where no admission decision communicated within 14 days from the receipt of the objection. The Act does not include this amendment.

EFD offences - change in penalties

The Act has further revised the penalty for “failure to use EFD or issue a fiscal receipt”. As announced in the Budget speech and

1. Charged under the National Payment System Act and The Electronic and Postal Communications Act
2. Our Finance Bill newsletter had not highlighted this, and so the inclusion in this newsletter

Value Added Tax

Exemptions

Further changes to exemptions are as follows:

- *Automobile accessories (environmental)*: New exemption on the supply of automobile accessories used in the conversion of motor vehicle fuel systems to natural gas or electricity systems to persons engaged in the conversion of such motor vehicles.
- *Edible Oil*: One year extension (up to 30 June 2024) of existing edible oil exemption (applicable to double refined edible oil from locally grown seeds by a local manufacturer).

Gaming: Reversal of proposed exemption for gaming odds and gaming software as part of a gaming supply.

Threshold

The change of VAT registration threshold is not a matter addressed by the Act as this threshold is set out in the Value Added Tax (General) Regulations 2015, and so any amendment to the regulation setting out the threshold will be made by way of issue of an appropriate regulation.

Skills and Development Levy (“SDL”)

Allocation of levy

Although the Bill had proposed a revised institutional allocation³ of the SDL levy, this is not reflected in the

Act and so the existing allocation basis⁴ remains.

Gaming

Local ownership requirement reduced to 5% (from the proposed 25%)

The local ownership requirement for a commercial gaming licence originally proposed by the Bill at 25% is reduced in the Act to 5%.

Tax rate on gross gaming revenue for forty machines site operations - remains at 25%

The proposed reduced tax rate of 18% (from 25%) on gross gaming revenue for forty machines site operations, which was in the Bill is not included in the Act.



3. Proposal had been an equal split between Ministry of Employment, Higher Education Students' Loans Board and Vocational Education and Training Authority

4. Higher Education Students' Loans Board (2/3) and Vocational Education and Training Authority (1/3)

Finance Act 2023

Recap of some key changes

- **SDL**

- i. Reduction to 3.5%
- ii. Removal of filing requirement if a nil return

- **Fixed tariff adjustments**

- i. Excise duty - 20% increase on beer and tobacco (but not on local malt beer (no increase) and “RTD” products (reduction)), 10% increase on most other non-petroleum products, and extension to cement (TZS 20/kg).
- ii. Fuel taxes - TZS100/litre increase in road and fuel toll⁵ (equivalent to increase of 13% and 11% of total fuel taxes applied on diesel and petrol respectively).

- **Transactions**

- i. Shares: amendment to change in control provision (section 56 ITA 2004)
- ii. Income tax on property disposal (“capital gains tax”) - option of 3% rate on gross disposal proceeds of property disposal by individual (instead of 10% on gain)

- **ICT sector**

- i. Removal of mobile money transaction levy on electronic money transfer
- ii. Removal of daily SIM card levy

- **Mining sector**

- i. 30 day reporting deadline for construction and extractive sector contracts.
- ii. Income tax (“capital gains tax”) exemption on internal corporate restructuring in accordance with a Framework Agreement
- iii. Inspection fee exemption for refinery centres

- **Transport sector**

- i. VAT exemption for sale and lease of aircraft, aircraft engine or parts by a local operator of air transportation
- ii. Alignment of transit charges with charges in the region (EAC, SADC, COMESA)
- iii. Income tax on truck and passenger vehicles now limited to individuals with gross sales of less than TZS 100m

- **VAT**

- i. VAT deferment scheme extended to domestically manufactured capital goods, and for importation to cease after 3 years. (i.e. by 1 July 2026).

- **Tax Administration**

- i. Amended definition of “primary data server” to include a virtual or any other server, and revised effective date (1 January 2024)
- ii. Deadline for application for tax refund claim - timeline of 3 years extended to overpayments resulting from a decision made
- iii. New definitions to clarify the scope of the storage facility reporting requirement
- iv. EFD offences - change in penalties

Tax rates - 2023/24

For an overview of the main taxes applicable in Tanzania including details on current tax rates and deadlines, refer to our [2023/24 tax data card](#).

Get in touch with us

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5. Excise duty, road toll and petroleum levy now total TZS868/litre and TZS992/litre for diesel and petrol (as compared to TZS768/litre and TZS 892/litre respectively before).