

Finance Bill 2019 Update PwC insight and analysis

This newsletter is an update on our bulletin of 14 June 2019 on the Budget Speech. It summarises additional points arising from our review of the Finance Bill 2019 (“the Bill”).



Highlights

- **Fiscal receipt/ tax invoice:**
 - New definition of “fiscal receipt” includes receipt issued by Government Electronic Payment Gateway
 - Requirement for tax invoice (meeting prescribed criteria) to apply to any refund claim (i.e. including diplomats and international organisations)
- **Excise duty:**
 - Imported aircraft lubricants exemption not applicable to the National Air Force
 - Pipes – 10% excise duty apparently applicable to both locally manufactured and imported pipes
- **Airport or port service charges** - new requirement for an agent who collects and remits such charges to file a monthly return
- **No reference in the Bill to:**
 - Tax Amnesty and “Office of Tax Ombudsman” (but expectation is these will be covered in separate Regulations)
 - Increase in driver license and registration fees for motor vehicles (but expected to be in Finance Act)



Finance Bill 2019

“Fiscal receipt” to include receipt issued by Government Electronic Payment Gateway

A fiscal receipt is required to support an input tax credit claim. The terms “electronic fiscal device” and “fiscal receipt” are already defined under the Tax Administration (General) Regulations, 2016.

The Bill proposes amendments to the Tax Administration Act to include new definitions for “fiscal receipt” and “fiscal device” as follows:

Fiscal receipt means “a receipt or invoice issued by using a fiscal device, Government electronic payment gateway system or any other electronic system approved by the Commissioner General”

Fiscal device means “an electronic receipt issuing machine authorized by the Commissioner General to be used for business transactions”

The purpose of the amendment is to include a receipt issued by the Government Electronic Payment Gateway as a fiscal receipt. For example, an electronic receipt issued for payment of electricity (LUKU) can be used to claim an input tax credit.

Estimated income tax for new businesses

The Bill has clarified that the person who is relieved from submitting a statement of estimated tax payable and paying instalment taxes when registering for TIN shall account for the revenue earned during the relief period after the end of that period (i.e after 6 months).

VAT refund claim - tax invoice requirements

The Finance Bill has proposed amendments to Section 86 (2) of the VAT Act 2014 such that a tax invoice not meeting prescribed criteria can not be used to support an input tax credit and a refund claim.

Comment: This requirement already applies to input tax claims made by VAT registered businesses. The aim of the amendment appears to be to capture refund claims made by diplomats and international organisations (who currently use prescribed forms to apply for a refund claim).

Finance Bill 2019

Amendment to the Excise Duty Act

Exemption on importation of aircraft lubricant

The Budget speech proposed to exempt excise duty on importation of aircraft lubricants by domestic airline operators, the National Air Force and companies recognized in Bilateral Air Services Agreements. However the Finance Bill does not include the National Air Force within the exemption.

10% excise duty on pipes

The Budget speech proposed introduction of excise duty of 10% on imported pipes of HS code 3917 with the aim of promoting local industries.

However, as drafted the Finance Bill applies the duty to all pipes (i.e. also including locally manufactured pipes). This would seem to defeat the spirit of the amendment which was to promote local industries.

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Monthly return filing requirement for airport and port service charges

The Bill proposes to amend the Airport Service Charge Act, (CAP.365) and Port Service Charge Act, (CAP.264) so as to introduce a requirement for an agent who collects and remits airport or port service charges to the TRA to file a monthly return on the last working day of the month following the month to which the charges relate to. The requirement will apply as follows:

- Airport service charges - travel agents and airlines
- Port service charges - ship owners and shipping agents

The Commissioner will issue a prescribed form for the monthly return to be filed.

Implementation of the Blueprint for Regulatory Reform

In line with changes proposed in the budget speech, the Finance Bill has proposed various amendments to the Standards Act, (CAP. 130) as well as the Tanzania Food, Drugs and Cosmetics Act, (CAP.219). The proposed amendments reflect the reassignment of roles between TFDA and TBS such that management of food and cosmetics is moved from TFDA to TBS. TFDA will now manage drugs only. This will reduce duplication of roles between the two authorities. We expect that the reduction and/or abolition of various fees and levies will subsequently be reflected through amendment of Regulations under the respective Acts.



Finance Bill 2019

Matters not mentioned in the Bill

Tax Amnesty & Proposal to establish an "Office of Tax Ombudsman"

The Budget speech proposed the following:

- An extension of tax amnesty deadline up to December 2019 for existing amnesty applications;
- Establishment of an independent office that will deal with complaints against TRA officials regarding tax administration including corruption, arbitrary assessments and unlawful closure of businesses.

However, there is no reference to the above items in the Bill. We would expect that the Finance Act will include a provision to cover these. Alternatively, Regulations may be issued to cover these.

Amendment to the Road Traffic Act

The Budget speech proposed to increase (i) validity period of driver license, (ii) driver license fees and (iii) registration fees for motor vehicles.

The Bill does provide for the increase in validity period of a driver license (to five years (from three years)) but does not include the proposed revision of fees.

Comment: This may be an oversight and we assume that the increase in fees will be reflected in the Finance Act.

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