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Navigating through uncertainty

National budget bulletin

June 2020

In this bulletin...

Tax and Other Legislative Changes

1

Direct tax

Income tax - Business

Donations made to the AIDS Trust Fund and towards the fight against COVID-19 pandemic

Contribution by entities to the AIDS Trust Fund and towards the Government's fight against the COVID-19 pandemic to qualify for full deduction for corporate income tax purposes. The relief for the COVID-19 pandemic to remain valid until the Government announces the end of the pandemic. This is intended to promote contributions to these causes.

Increase in the maximum income exemption threshold for Primary Cooperative Societies

The turnover for primary cooperative societies eligible for exemption from income tax is now restricted to TZS 100m (previously TZS 50m.)

Special economic zones operators - exclusion from exemption

Income tax exemption to no longer apply to special economic zone operators who produce for 100% local supply.

Ministerial powers to exempt certain strategic projects

The Minister responsible for Finance to be given the power to grant tax exemptions on income tax on strategic projects with an income tax liability restricted to TZS 1bn. This move, which will allow the Minister to grant the exemption without Cabinet's approval, is aimed at fast tracking the execution of strategic projects.

Imposition of CGT on net gains from realisation of licence or concessional right on a reserved land

Capital gains tax to be imposed on the net gains from the realisation of licence or concessional right on a reserved land.

Introduction of new definitions

Definitions to be introduced for the terms "beneficial owner", "representative assesses" and "business connection" in order to fulfil the requirements to join The Global Forum on Transparency and Exchange of Information for Tax Purposes to enable to exchange information between tax authorities to combat tax avoidance and evasion as well as to address transfer pricing issues between affiliated companies. Whilst details provided in the speech are very limited, we expect the Finance Bill and/(or) Finance Act to provide further clarity.

Extending the application of 10% WHT on commission paid to Banks and digital payment agents

Withholding tax at a rate of 10% to apply on the payment of commission to banks and digital payment agents. This is aimed at creating a level playing field to all bank operators, electronic and money transfer service operators. Currently, this is only applicable to commission payments to mobile money agents.

Direct tax

Income tax - individuals

Revision of income bands for taxation of employment income

Tax free monthly threshold for employees will be increased from TZS 170,000 to TZS 270,000. The tax bands will also be widened with the top tax rate of 30% now applying on income exceeding TZS 1,000,000 per month (previously TZS 720,000).

The new monthly tax table will be as follows:

Monthly income, TZS	Tax
Up to 270,000	Nil
270,001 to 520,000	9% on excess over TZS 270,000
520,001 to 760,000	TZS 22,500 + 20% on excess over TZS 520,000
760,001 to 1,000,000	TZS 70,500 + 25% on excess over TZS 760,000
Over 1,000,000	TZS 130,500 + 30% on excess over TZS 1,000,000

The effect of these changes is to reduce tax in the current bands as shown in the table below with the maximum cumulative tax savings of TZS 51,600.

New Band	Old Band	Reduction	Change in rate	Reduction in tax
TZS	TZS	TZS	%	TZS
270,000	170,000	100,000	9	9,000
520,000	360,000	160,000	11	17,600
760,000	540,000	220,000	5	11,000
1,000,000	720,000	280,000	5	14,000
				51,600

Skills and Development Levy (SDL)

The SDL rate is to be reduced from 4.5% to 4% with the intention of providing relief to employers on cost of employment. This follows the 0.5% decease in July 2016. Whilst a reduction on SDL is welcome, taxes on employment remain very high and significantly higher than the rest of the region. Such taxes work against the objective of encouraging employment and also adversely affect the country’s competitiveness.

Administrative and other changes

Tax Administration Act

Introduction of time limit for both taxpayers and TRA on tax disputes resolution

Amendment of various sections of the Tax Administration Act, 2015 (TAA 2015) to set a time limit of six months for the Commissioner to determine the objection. In particular, the Minister has proposed changes to the following sections:

S27 - Right of taxpayer to representation
S44 - Notice to obtain information
S50 - Tax decisions
S51 - Objection to tax decisions
S52 - Decision on objection

The expectation is that the Finance Bill and Finance Act will provide further clarity on the proposed changes.

These changes are intended to expedite the tax dispute resolution process.

Mining Act

Applicants for new and renewal of mining licence will be required to have the taxpayer identification number and obtain a tax clearance certificate from TRA. The change is intended to promote tax compliance.

Motor Vehicle (Tax Registration and Transfer) Act

Introduction of a fee of TZS 500,000 for registration of special numbers for Motor Vehicles. This will apply to preferred registration numbers that exist in a current format.e.g T 777 DDD.

The Treasury Register Act (TRA)

Proposal to amend the TRA to include all Government parastatals, institutions and Agencies (regardless of whether financed by the Government Budget or not) with surplus revenue to contribute 70% of the surplus to Treasury. The measure is intended to enhance control in public fund management.

Public Finance Act (PFA)

Proposal to amend PFA to include the following organisations in the list of Agencies / institutions with an obligation to contribute dividends or 15% of their gross turnover to consolidated Fund:.

- Tanzania Investment Centre (TIC)
- Tanzania Fertilizer Regulatory Authority (TFRA)
- Government Procurement Services Agency (GPSA) and
- National Identification Authority (NIDA)

Electronic and Postal Communication Act (EPOCA)

The following have been excluded from mandatory listing:

- Telecommunication Companies owned by Government by at least 25%. The intention is to prevent dilution to the Government interest in the telecom companies.
- Telecommunication tower leasing companies

Administrative and other changes

The Land Act

Mandatory requirement to any person with a surveyed land and a plan approved by Ministry responsible for Land, to apply to the Commissioner for Lands for a right of occupancy within 90 days from the date of approval. Though no penalty is stated for non compliance, the measure is intended to discourage land occupancy without Certificate of Occupancy.

National Park Act, CAP 282, and Wildlife Conservation Act

Tanzania Revenue Authority to collect non tax revenues which are currently collected by Tanzania National Park Authority (TANAPA), Ngorongoro Conservation Area Authority (NCAA), and Tanzania Wildlife Management Authority (TAWA).

Other changes

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

As a move to 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 environment, taking into consideration processes as well as the impact of COVID-19 Pandemic. This includes reducing and/or abolishing various fees and levies.

See details in **Appendix 1**

Others

- ❑ Increase in fees and levies charged on various services provided by National Museums of Tanzania
- ❑ Minister also proposed to make minor amendments to various tax laws and other laws through the Finance Bill 2020.

Indirect taxes

Value Added Tax (VAT)

The Minister has proposed the following two amendments to the VAT Act 2014.

Removal of input tax restrictions on exports of raw products

The VAT Act is to be amended to remove the restriction on claiming of input VAT by exporters of raw products. The purpose of the proposal is to make such products cheaper and enhance their competitiveness in the international markets,

VAT exemption on Agricultural crop insurance

Introducing a new VAT exemption on Agricultural Crop Insurance. This measure is intended to reduce costs on agricultural crop insurance and enable farmers to insure their agricultural crops from unforeseen tragedies such as droughts and floods

Excise duty

Due to various factors (including low inflation rate, government's objective of building an industrial economy, and the impact of COVID 19 Pandemic), the Minister has proposed not to make any adjustments for inflation on non petroleum excisable products.

However, the Minister proposed to add the following two items to the excise duty net:

- Imported powdered beer (HS code 2106.90.90) at TZS 844 per kg; and
- Imported powder juice (HS code 2106.90.90) at TZS 232 per kg.

The above proposed changes are aimed at widening the tax base and protecting domestic industry.

Service levy

The Minister is proposing to make a change in the collection process of the service levy of 0.3% of gross revenue payable by the telecommunication industry to the Local Government Authorities (LGA).Such collections will now be done by the Ministry for LGA and distributed to the respective LGAs within 14 days from the date of collection.

The Minister for LGA will issue Regulations to guide the manner of collection and distribution of the levy by using a formula based on the proportions collected from telecommunication companies in each Authority.

This change is meant to resolve disputes between telecommunication companies and LGAs and ensure that every council fairly benefits from the collected levy.

Indirect taxes

Changes to the Common External Tariff (CET) rates and the East African Community Customs Management Act, 2004

Customs Duty

- The Pre-Budget Consultations of the Ministers and Cabinet Secretary of Finance of the EAC Partner States which was held on 13th May, 2020 through Video Conference facility proposed to effect changes in the Common External Tariff (CET) rates and the East African Community Customs Management Act (EAC-CMA), 2004 for year 2020/21.

- The proposed changes are aimed at *“Stimulating the economy to safeguard livelihoods, jobs, businesses and industrial recovery.”*

- The EAC Council of Ministers proposed to effect new changes in the Common External Tariff (CET) for year 2020/21 as well as agreed to continue with the implementation of some measures that were effected during the financial year 2019/20.

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

The Economy

2

The Economy

National GDP - Tanzania

In 2019, the national GDP growth rate was 7.0% same as in 2018. The growth was driven by investment in infrastructure including construction of railways, roads and airports, the availability of reliable electricity, improvements in transportation services, increase in mineral extractions particularly gold and coal and increase in the production of agricultural produce.

During that period, the economic activities with the highest growth rates included mining and quarrying (17.7%), construction (14.8%) arts and entertainment (11.2%), and transport and storage (8.7%).

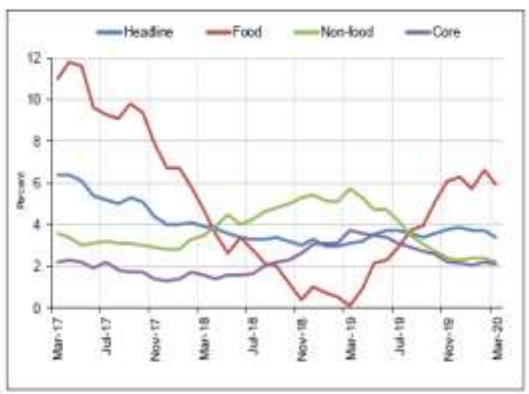
In 2020, the national GDP growth is expected to slightly decline from the previous estimates of 6.9% to 5.5%. The decrease is due to heavy rainfall which destroyed transport infrastructure and impact of COVID-19 pandemic.

Inflation - Tanzania

In 2019, the rate of inflation has remained low (single digit) averaging 3.4% compared to 3.5% in 2018.

The inflation rate in May 2020 was recorded at 3.2% compared to 3.5% same time last year. The decrease was attributed to improvement in food supply in the country as well as low global oil prices.

Chart 1.1: Annual Inflation Developments



Source: National Bureau of Statistics

Interest Rates – Tanzania

The government through the Bank of Tanzania (BOT) continued to implement accommodative monetary policy helping to reduce interest rates in financial markets including the lending and deposits rates.

Between July 2019 and April 2020, lending rates decrease to 16.85% compared to the average of 17.16% in 2018/19. During the same period, one-year lending rates decreased to an average of 16.24% from 17.79%

Furthermore, the overall deposit rates was 7.02% during the period from July 2019 to April 2020 compared to an average of 7.62% in the same period in 2018/19. On the other hand, one-year deposit rates increased to an average of 8.77% between July 2019 and April 2020 compared to 8.21% in 2018/19.

The Economy

Money Supply and Circulation

Money supply continued to grow at a pace consistent with the demand of various activities. Between July 2019 and April 2020, extended broad money supply increased by 9.9%, reaching 28.8 trillion shillings from 25.6 trillion shillings in April 2019 – an increase of 3.2 trillion or 11%.

Credit to Private sector

During the period between July 2019 to April 2020, credit to private sector grew by 8.7% compared to 6.5% in 2018/19. Credit to private sector increased to 19.7 trillion shillings compared to 18.6 trillion shillings reported in April 2019. The increase was attributed to the effective management of monetary policy.

Regional Economic Performance

Real GDP - EAC

The economies of nations within the East African Community (EAC) continued to stabilise with Rwanda recording the highest growth of 9.4%, followed by Tanzania at 7.0%, Kenya at 5.4% and Uganda at 4.9%.

These economies are expected to experience challenges due to COVID-19 but expected to recover in 2021. The recovery is pegged on the fiscal and monetary measures undertaken by the member countries and the implementation of large infrastructure projects in transportation, water, energy, education and health sector.

External Trade

During the period ending April 2020, the balance of payments recorded a surplus of USD 897.1 million compared to a deficit of USD 1.1 billion during 2019. This was driven by decrease in deficit in the goods, services, primary and secondary income account due to increase in exports of goods.

Export

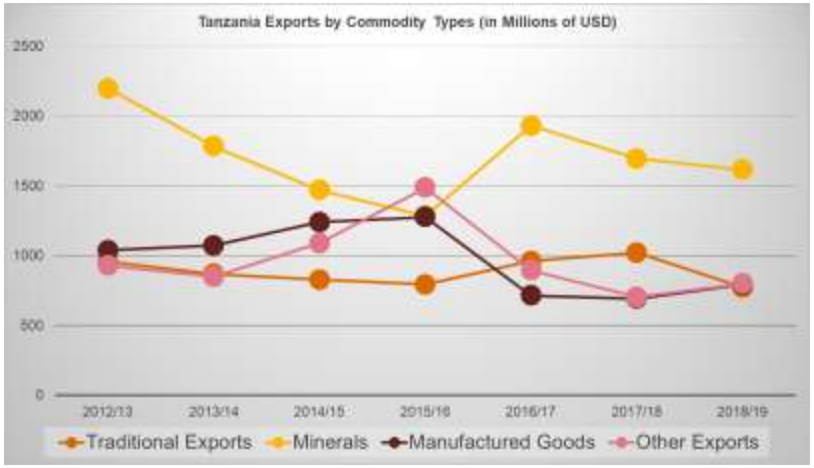
The value of goods and services exported up to April 2020 increased to USD 8.6 billion up from USD 7.3 billion in April 2019. Value of non-traditional exports also increase to USD 3.7 billion in April 2020 compared to USD 3.0 billion in April 2019.

Import

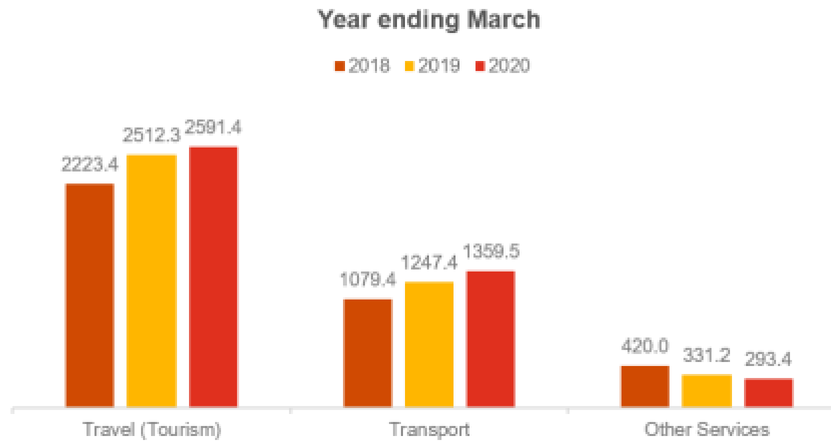
The value of goods and services imported up to April 2020 was USD 8.6 billion compared to 8.7 billion recorded in March 2019. This was mainly due to importation of petroleum products and capital goods, including machinery and equipment for implementation of infrastructural projects.

The Economy

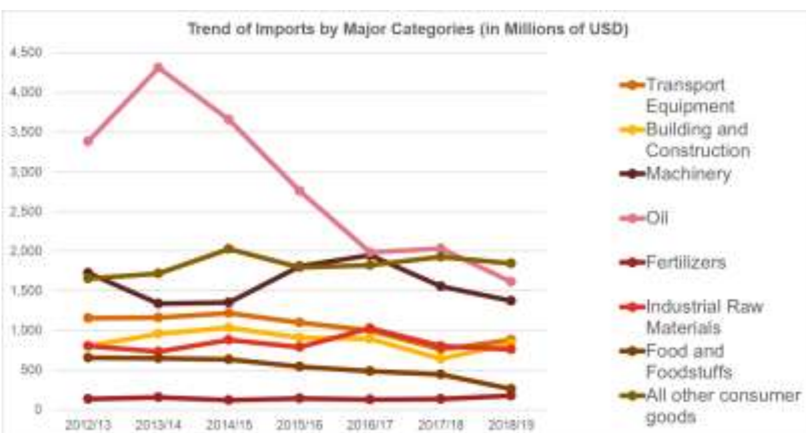
Trend of Exports by Major Categories (in Millions of USD)



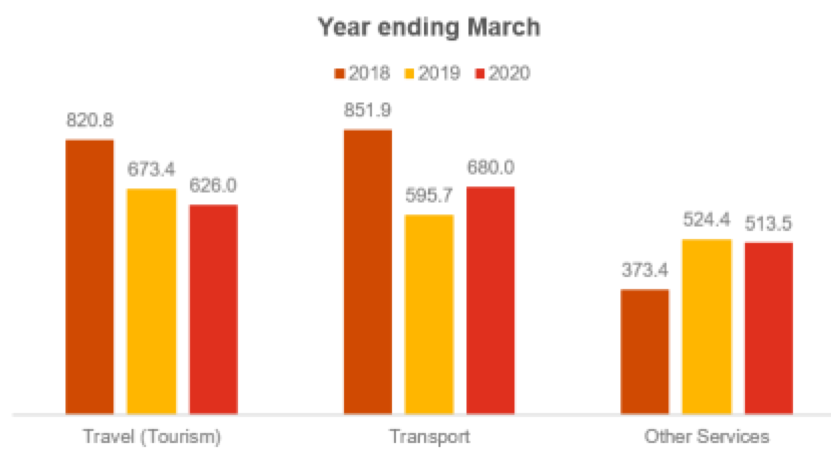
Service Receipts



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



Service Payments



Past Performance 2019/2020

Revenue/Collections

Total resources mobilised during the ten month period from July 2019 to April 2020 amounted to TZS 26.13 trillion equivalent to 92.4% of the annual target of 33.11 trillion. These were mobilised from the following sources:

- Tax Revenue amounted to TZS 14.63 trillion, which is equivalent to 93.4 percent of the target;
- Non-tax revenue amounted to TZS 2.25 trillion, which is equivalent to 80.0 percent of the target;
- LGAs own source amounted to TZS 571.12 billion, equivalent to 89.7 percent of the target;
- Grants and concessional loans disbursed amounted to TZS 2.41 trillion, equivalent to 94.5 percent of the target;
- Loans from domestic sources, including rollover of matured Treasury bills and bonds, amounted to TZS 4.45 trillion, equivalent to 103.8 percent of the target; and
- External non-concessional loans amounted to TZS 1.82 trillion, equivalent to 78.7 percent of the target.

During July 2019 to April 2020, revenue collections as percentage of GDP was at 13.6 percent which is the same level as last year. The growth in revenue (in absolute number) as compared to last year was driven by the following:

- Strengthening enforcement of tax laws and proper management of Electronic Fiscal Devices (EFDs);
- Provision of taxpayers' education and taxpayer services; and
- Strengthening mineral control.

Expenditure

During the period ending April 2020, the Government had released TZS 24.85 trillion to Ministries, Departments, Regional Secretariats and Local Government Authorities equivalent to 75.1% of the annual target of TZS 33.11 trillion.

Out of the above released amount, TZS 17.22 trillion was for recurrent expenditure (equivalent to 82.6% of the annual target of TZS 20.86 trillion) while TZS 7.63 trillion was for development expenditure (equivalent to 62.3% of the annual target of TZS 12.25 trillion).

The amount released for development projects includes TZS 6.65 trillion shillings local funds and TZS 976.90 billion foreign funds. However, the amount of foreign funds do not include TZS 1.28 trillion, which was directly disbursed to projects by development partners.

Past Performance 2019/2020

Development Expenditure

Some of the strategic areas accorded priority in the release of development funds during the fiscal period, included strategic sectors such as energy, infrastructure, education, transportation and health.

In order to catapult economic growth, the government continued to fund various infrastructure projects, including construction of roads, rails and airports. In addition, the education sector was strengthened with the enhancement of vocational training colleges and skills development for youth, coupled with the provision of loans for higher education students.

In 2019/20, the government continued to implement the Standard Gauge Railway Line (SGR) from Dar es Salaam to Morogoro section (300km) and Morogoro to Makutupora section (422km).

In the health sector, regional hospitals and healthcare facilities have been built or rehabilitated with the aim of increasing accessibility to quality healthcare services.

Area	Strategic Areas	TZS ' bn
Energy	Construction of Hydroelectric Power Project at Rufiji River	357
	Rural Electrification Project Phase III under the Rural Electrification Agency (REA)	281
Infrastructure	Construction of road and airport infrastructure projects	34
	Standard Gauge Railway Line (SGR)	2100
	Implementation of urban and rural water projects	346
Education	Provision of loans for higher education students, strengthening vocational training colleges and skills development for youth	467
	Provision of fee free basic education (primary to form IV secondary education)	211
	Construction of 364 primary school teacher homes in vulnerable areas	9
Transportation	Procurement of three new aircrafts, strengthening of Air Tanzania Company Limited and final payment for two aircrafts (Boeing 787-8 Dreamliner and Havilland Dash 8-400)	315
	Ongoing construction and rehabilitation of new ships for the great lakes regions	53
Health	Construction and rehabilitation of regional hospitals and healthcare facilities	36

The 2020/2021 budget objectives and targets

Macroeconomic Policy

Given this is the final year of the implementation of the National Five-Year Development Plan 2016/17 – 2020/21, the main objective for 2020/21 is to ensure there is an enabling environment for investment and business. This comprises of: (i) improvement in economic infrastructure; (ii) friendly tax and financial policies; (iii) better regulatory framework; (iv) availability of land, work permits and skilled labour force; and (v) emphasising the importance of agriculture in an industrial led economy.

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

- **Flagship Projects:** construction of central railway line to the standard gauge; construction of Julius Nyerere Hydropower Project; strengthening Air Tanzania; facilitate construction of Crude Oil Pipeline Project from Hoima (Uganda) to Tanga (Tanzania); construction and rehabilitation of railways, roads, bridges, airports, ports, ships in major lakes and ferries;
- **Flagship Projects *(continued):*** strengthening of electricity and gas production, transmission and distribution infrastructure including expediting rural electrification; strengthening Special Economic Zones; and mass training of professionals in the field with specialised skills.
- **Social Services*:*** enhancing accessibility of services in health, education and skills, clean water and sanitation; provision of fee free basic education; improvement of teaching facilities and learning environment in primary and secondary schools, teachers and vocational colleges and universities; strengthening the vocational education and training; and provision of loans to students of higher learning institutions.
- **Health services*:*** procurement and distribution of medicine, medical equipment and reagents; construction of regional and zonal referral hospitals, district hospitals, health centres and dispensaries; improving access to health services through universal health coverage; and employing various health professionals.
- **Water and Sanitation*:*** strengthening the Rural Water Fund; continue construction and rehabilitation of water distribution infrastructure; developing water resources in the country; improving quality of water laboratory services; and strengthening sanitation services and environmental management so as to minimise the effects of climate change.
- **Agriculture and Industry*:*** building of a Natural Gas Processing Factory; establishment and development of Special Economic Zones and industrial clusters; processing industries in agriculture, livestock and fisheries; minerals beneficiation, strengthening mining markets; sustainable management of forest resources; improving irrigation and market infrastructures and access to agricultural inputs and extension services; strengthening market competition; promoting the use of ICT for agricultural services such as markets, farm inputs and extension; and strengthening farmers' cooperative unions including cooperative payment systems

The 2020/2021 budget objectives and targets

Revenue Policies for 2020/21

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

- Continue improving business and investment environment including rationalising and reducing tax rates, fees and levies;
- Widening the tax base and creating a friendly environment for taxpayers;
- Strengthening the Office of Treasury Registrar to collect more dividends and contributions from public institutions to the Consolidated Fund Services;
- Strengthening and capacitate Tax Revenue Appeals Tribunal (TRAT) and Tax Revenue Appeals Board (TRAB), to fast-track tax objections and appeals;
- Strengthening enforcement of tax laws in order to address tax evasion challenges and minimise revenue leakages; and
- Emphasising the use of ICT systems so as to strengthen domestic revenue collection including Local Government Authorities' own source.

Strengthen Cooperation with Development Partners

Grants and concessional loans have declined from an average of 26.3% in 2010/11 to 6.4% in 2018/2019.

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 2020/21

In 2020/21, the Government will continue to allocate funds in priority areas to ensure effective implementation of the 2020/2021 Annual Development Plan. In implementing this initiative, the Government will carry out the following:

- Maintaining discipline and increase efficiency in the use of public funds;
- Ensuring fiscal deficit does not exceed 3% of the GDP in line with East African Community macroeconomic convergence criteria;
- Allocating funds to priority areas which stimulate economic growth;
- Ensuring ongoing projects are given priority prior to committing to new ones;
- Controlling accumulation of arrears; and
- Enhancing the use of ICT in transactions and in the Government operations.

Summary of Targeted Revenue Collection for 2019/20 and 2020/21

		2020/2021 12 month Budget TZS' bn	2019/2020 12 month Budget TZS' bn	2020/21 v 2019/20 Increase
Domestic Revenue:				
	Tax Revenue - TRA	20,326	19,101	6.4%
	Non Tax Revenue	2,925	3,179	-8.0%
		23,251	**22,280**	4.4%
Local Government Authorities (LGA) own source		815	765	6.5%
Domestic Revenue + LGA		**24,066**	**23,045**	4.4%
General budget support		138	273	-49.5%
Foreign loans and grants (incl. MCA (T))		2,736	2,511	9.0%
Domestic borrowings		4,904	4,960	-1.1%
Non-concessional borrowings		3,036	2,316	31.1%
Total revenue		**34,880**	**33,105**	**5.4%**
Expenditure				
	Recurrent	22,101	20,857	6.0%
	Development	12,779	12,249	4.3%
	Total	**34,880**	**33,106**	**5.4%**
Recurrent expenditure				
	National Debt Service*	10,477	9,721	7.8%
	Wages and Salaries	7,763	7,559	2.7%
	Other Charges	3,861	3,577	7.9%
		22,101	**20,857**	**6.0%**
Development expenditure				
	Domestic Financing	10,043	9,738	3.1%
	Foreign Financing	2,736	2,511	9.0%
		12,779	**12,249**	**4.3%**

Industry Analysis

3

Government and Public Sector

Balancing Economic Transformation and Human Development Amid Covid-19

Tanzania's vision of becoming a semi-industrialised middle-income country by 2025, as promulgated in Tanzania Vision 2025, conceives industrialisation and infrastructure development as the main catalyst to transform the economy, generate sustainable growth and reduce poverty. The Government of Tanzania (GoT) seeks to realise Vision 2025 through the implementation of a series of Five-Year Development Plans (FYDPs). GoT is currently implementing the second FYDP which aims at nurturing industrialisation for economic transformation and human development

Government and Public Sector

Economic Transformation

Consistent with the objectives of FYDP II, the GoT has signalled continuity of its development path as part of the 2020/21 budget plan and with this in mind, a significant proportion of the development budget for FY 20/21 will be channelled towards the following priority and ongoing projects, many of which were initiated in 2017/2018:

- **Stiegler's Gorge Hydroelectric Power Station (also known as the Nyerere Hydropower Project)** - Currently under construction along the Rufiji River, the estimated cost of this 2,115 megawatts project is currently US$ 3.6 billion, a US$ 0.7 billion increase from the previous estimate of US$ 2.9 billion
- **Standard Gauge Railway (SGR)** – With the Dar es Salaam to Morogoro section substantially complete, the next focus is on completion of the construction of the 422 km stretch between Morogoro and Makutopora in Dodoma. In February 2020 the GoT signed a facility agreement with Standard Chartered Bank for a US$ 1.46 billion term loan financing[1] to fund completion of the construction of the SGR up to Makutupora. Parliament has approved and directed TZS 2.1 trillion ($950 million) to be spent on completion of the first phase of the SGR project, equivalent to 48% of the Ministry of Work's total development budget for FY 20/21. Completion of this stage to Makutupora will be followed by construction of the 676 km for Makutopora – Tobara – Isaka – Mwanza stretch.
- **Air Tanzania Company Limited** – Further expected developments include the finalisation of payment for two Airbus A220-300 and one Bombardier 8Q-400; and the purchase of the following new aircraft: one Boeing 787-8 Dreamliner, two Airbus A220-300 and one Bombardier 8Q-400. Part of the plan also includes building the required infrastructure for the additional aircrafts and improvement of ground handling services.
- **Msalato International Airport** – Construction of the new airport, which is being built in the district of Msalato (12 kilometres from the capital Dodoma), involves high-capacity airport infrastructure to meet the expected growth in air transport from the city's new role as the administrative capital of Tanzania. Work will be carried out over four years and will include a passenger terminal, a runway, air navigation equipment among other facilities. The African Development Bank has approved a USD275 million loan to the GoT for the construction of the new airport.

The Bank of Tanzania's Economic Bulletin for the quarter ending March 2020, has indicated that growth in Tanzania's construction sector, which contributed 21.7% to GDP growth, was 11% in the third quarter of 2019, reflecting the growing public investments in the sector[2]. The construction industry is however extremely volatile to external shocks such as the current global pandemic.

[1] https://www.sc.com/en/media/press-release/weve-arranged-us-1-46-billion-of-financing-for-tanzanian-rail-project/

Government and Public Sector

The interconnectedness, complexity and global nature of the construction industry's supply chains and workforce affect the cost and schedule of infrastructure projects during global crises. Any slowdowns across infrastructure investments due to, for example, uncertainty of demand or access to financing could have an impact on project start dates, completion dates or stall construction progress, with potential longer-term economic and fiscal repercussions for the country.

Human Development

The GoT's vision, overarching policy and strategic objectives for the education sector are set out in the Education Sector Development Plan (ESDP), built on the Government priorities as set out in the Tanzania Development Vision 2025, the FYDP II and the Education and Training Policy of 2014.Two key policy initiatives in the current five-year ESDP (2016-2021) include: (i) Tanzania's commitment to providing twelve years of free and compulsory basic education to the entire population, leaving no one behind; and (ii) the progressive expansion of technical and vocational education and training to provide Tanzania with the pool of skilled human resources needed to advance to becoming a semi-industrialized middle-income country by 2025.

Within the health sector, GoT aims to reduce child mortality, decrease prevalence of a number of communicable diseases and increase life expectancy. It also strives to develop a health system geared towards combatting the increasing prevalence of non-communicable diseases. The Health Sector Strategic Plan provides guidance for the implementation of the desired health activities as well as a framework to monitor achievements and improvements in the health sector performance. As Tanzania strives to reach the middle-income status by 2025, GoT's priorities in the short to medium term include: maternal health; human resources for health; health infrastructure; health care financing; continuum of care; and health governance.

The Coronavirus (Covid-19)

The Coronavirus (Covid-19) outbreak, which has been declared a public health emergency of international concern by the World Health Organisation, has put a new spotlight on governments as citizens and businesses turn to their representatives for assistance, guidance and information both in terms of public health but also economic response. To take effective measures to minimise the economic impacts of the Covid-19 pandemic, a deep dive economic impact analysis is critical so as to determine where support is most needed.

The Government's choice to continue with planned infrastructure spending as a means to stimulate the economy and/or expansion of fiscal space through increase spending on other priorities such as public healthcare, welfare, pandemic-proofing of public services, communications and social services will be an interesting phenomenon to watch.

[2] https://www.bot.go.tz/publications/QuarterlyEconomicBulletins/Approved_QEB_March%202020.pdf

Government and Public Sector

Responding to the Pandemic – Economic Transformation

Whilst the GoT implements some of the emergency measures to allay the effects of Covid-19 in the short term, in tandem it must also protect the significant infrastructure development projects that it has invested in. Considering the risks posed by the Covid-19 pandemic, some of the steps that should be thought through to ensure minimum disruption in managing infrastructure investments include:

- **Identify critical suppliers:** It is important to have visibility over the project's third-party supply chain and access to that party's data to properly assess the likelihood of supply delays. Focusing on the most critical materials, equipment, products suppliers etc should help GoT prioritise and expose key vulnerabilities;
- **Consider legal and financial implications***:* Is the potential disruption likely to qualify as a force majeure event or be seen as something that should have been planned for? Will there be legal implications if a contractor is not able to deliver against a contract? What will be the impact of supply chain disruption on commitments, loan repayments and terms? Scenario planning should be conducted to understand the financial implications.
- **Communicate***:* Disruption brings the risk of reputational damage. A clear strategy for transparent communication with all stakeholders along the supply chain, will be critical. Effective communication can boost reputation, morale and trust among all stakeholders.
- **Conduct scenario analysis***:* An epidemic such as Covid-19 brings specific challenges. Some are obvious, such as how restrictions on the movement of people will impact productivity. But there are wider implications and, perhaps, less obvious concerns. Scenario planning for a range of issues is critical. Consider how alternative delivery methods or other steps may allow projects to be completed on time and on budget, even if they are delayed at some stages.
- **Create a contingency plan***:* Review project controls, risk management and governance processes to ensure they are robust enough to provide early warnings of any cost, time or contractual issues arising from the possible scenarios.

Responding to the Pandemic – Human Development

As responses around the world to the pandemic are emerging, one publication of interest is a recent Blue Paper on the "Pandemic Management Framework" for Governments in fighting the Novel Coronavirus (Covid-19) prepared by PwC China[3]. The Blue Paper illustrates that a pandemic Response Management Framework (RMF) serves as a useful point of reference in the assessment and analysis of pandemic preparedness and response capabilities.

According to the RMF, the dimensions and elements, listed in the table below, are most closely related to the national economy and livelihood of people and are likely to have a direct impact on the effectiveness of disease prevention and control.

[3] https://www.pwccn.com/en/issues-based/covid-19/blue-paper.pdf

Government and Public Sector

Dimension	Elements
Medical system, disease control and prevention	• Professional disease control and prevention institutions • Medical institutions and personnel • Diagnosis and treatment standards, detection/testing means and methods • Stockpiling, supply and reprioritisation of disease prevention and control supplies and medical supplies • R&D, medicines and vaccines
Fiscal support	• Emergency funding and special budgets • Medical insurance and coverage • Fiscal policies involving reallocation of expenditure to public health system
Public support and public management	• Pandemic information disclosure systems and methods • Public health education and knowledge dissemination, and public communications regarding • disease control and prevention strategies and practices • Management of traditional and social media channels • Security of food, water and everyday supplies • Existing legal systems for emergency management and the medical sector
Politics and law	• Emergency-triggered authority delegation for government agencies and the formulation of temporary laws • Political institutions and systems, and domestic and foreign political influence

Agriculture

The agriculture sector saw growth of 4.4% in 2019 (2018: 5.3%).

Achievements highlighted in the Budget speech included expansion of the following:

- Irrigation area to 694,715 hectares in 2019 (from 461,326 hectares in 2015)
- Food crops storage capacity to 621,000 tonnes in 2020 (from 371,000 tonnes in 2015)
- Cash crop production to 1,144,631 tonnes in 2018/19 (from 796,502 tonnes in 2015/16)
- Exports of horticulture products to USD 779 million in 2018/19 (from USD 412 million in 2015)
- Major cash aquaculture and increase of fish farmers

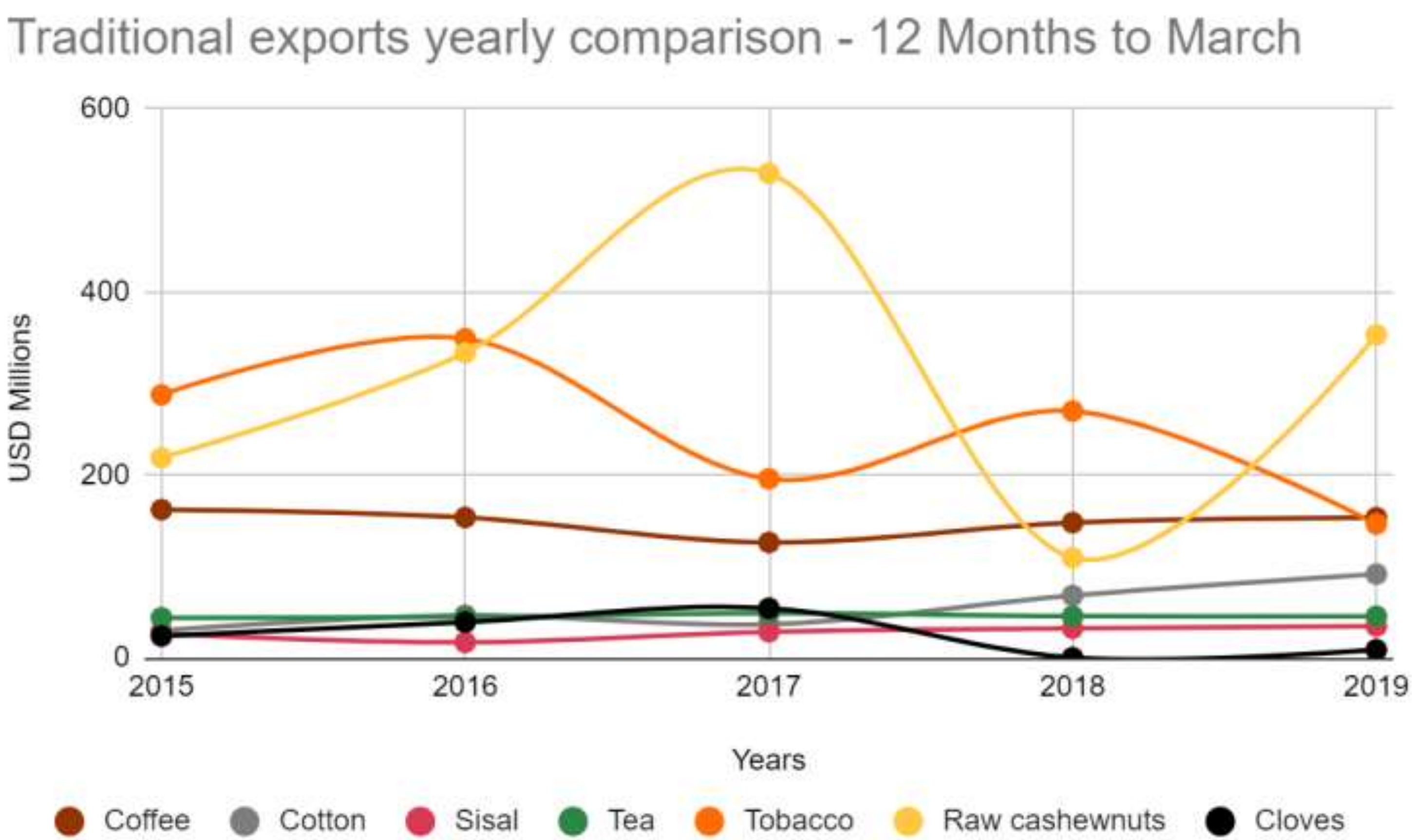
Other points noted in the Budget speech included:

- In 2019/20 food crops production continued to flourish such that food self-sufficiency reached 118%.
- Covid-19 impact in reducing demand for certain traditional exports (cotton, cashew, coffee, tea) and consequent downward impact on world market price
- .Need for emphasis on the importance of agriculture in an industrial led economy
- Government to continue with implementation of Agricultural Sector Development Program Phase II (ASDP II)
- Sector specific strategies:
  - Promoting the use of ICT for agricultural services
  - Strengthening farmers' co-operative unions
  - Introducing safeguards to protect domestic agricultural producers against imported agricultural products (such as wheat, barley, distilled grape juice)

In 2019 earnings from traditional crops increased by 5% to USD 829.9 million (2018: USD 793.4 million). Increased earnings were seen for cashew, coffee and cotton. For cashew, the increase was on account of higher volume that outweighed the impact of the world market price decline. For coffee and cotton the improvement was due to increased volumes following good weather during the crop season. On the other hand, lower earnings were generated for tobacco (due to both low export volumes and prices) and cloves (due to lower prices).

Agriculture

Set out below is the trend in earnings from traditional crops in recent years in the twelve month periods to March up to March 2019:



Manufacturing

Industrialisation

The Government of Tanzania conceives industrialization as the main catalyst to transform the economy, generate sustainable growth and reduce poverty. Its Sustainable Industrial Development Policy (SIDP) targets the country becoming semi-industrialized by 2025, with manufacturing's contribution reaching a minimum of 40% of GDP. Foreign Direct Investment (FDIs) is expected to provide the capital for the desired industrial development.

Taxation

Taxes on consumption are a significant component of the budget - for example, for FY20 budgeted consumption taxes were TZS 4,864 bn representing 26% of budgeted total domestic revenue (TZS 18,955 bn).

The manufacturing sector (together with telecommunications) account for a significant proportion of taxes on consumption - including alcohol, soft drinks, tobacco (all of which are subject not only to VAT but also to excise duties) as well as cement.

The Budget is of significant interest to many of these entities as most excise duties are fixed TZS amounts rather than ad valorem and so changes are normally made at Budget time to these duties. However, the ability to absorb increases is very much dependent on the position of the wider economy and with that the purchasing power of consumers. An emerging concern in more recent years has been the delay in processing of tax refunds including excise duty on industrial sugar.

2019 - selected highlights from listed entities

Press releases / published annual reports for listed manufacturing entities provide some indication of how the sector is faring. Overall the picture is one of muted top line and bottom line growth.

	Year to 31 December 2019 v prior year			
	Revenue	**Operating profit**	**Profit after tax**	**Comment**
Tanzania Breweries Plc	-5%	5%	13%	Decline in revenue reflected a scaling down of traditional beer operations (Darbrew).
Tanzania Cigarette Plc	5%		7%	Increase in revenue was primarily driven by pricing in the domestic market and robust volume growth in exports to Democratic Republic of Congo.
Tanzania Portland Cement Plc	5%	9%	5%	Improved results were achieved despite existing overcapacity in the market and consequent pricing pressure.

Financial Services

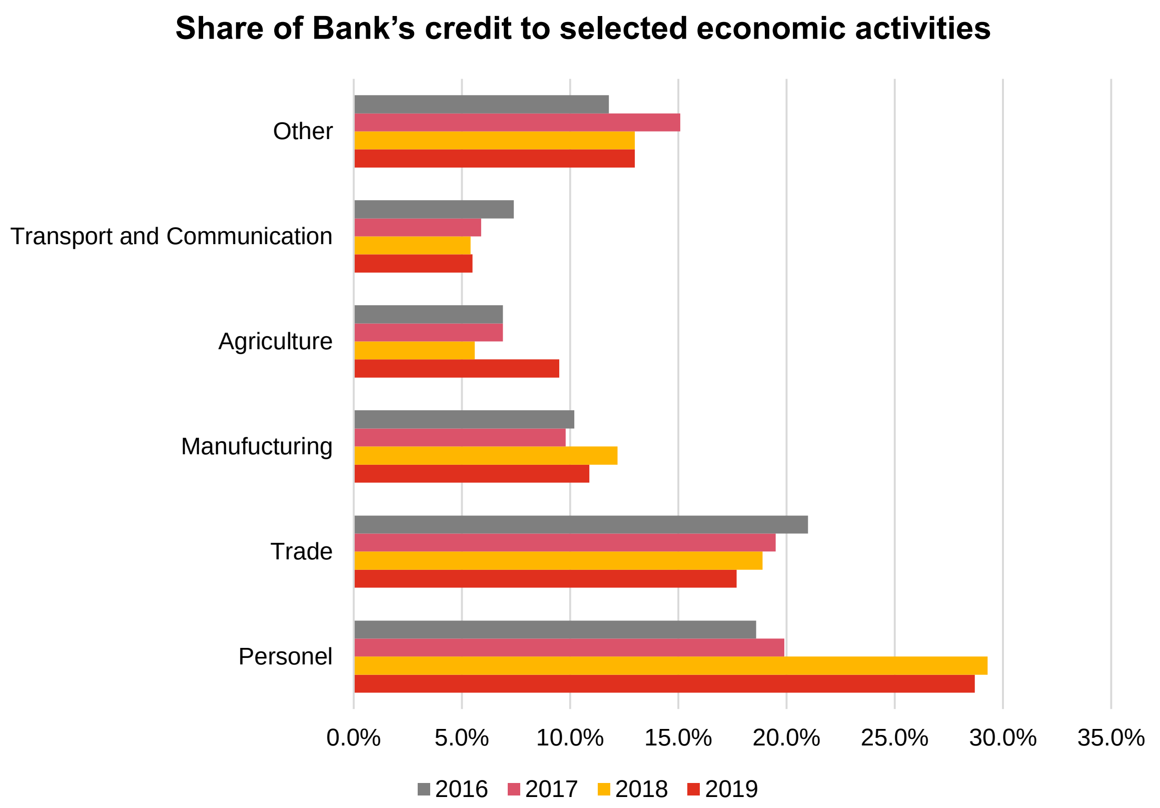
Financial services update

The banking sector registered a strong performance over the 15 months to March 2020 with consistent quarterly growth of credit to private sector, adequate liquidity in the market and a strong capital position, helped by a sustained accommodative monetary policy.

Where is the money?

Consistent with prior years, loans to individuals and trade related activities accounted for more than 45% of the credit to private sector as at 31 December 2019. Agriculture and building and construction sectors recorded significant year on year growth at 90% and 72% respectively, with agriculture accounting for 9.5% of the total credit (up from 5.6% a year earlier).

Table 1 – Share of Bank's credit to selected economic activities[1]



[1]Bank of Tanzania Economic Bulletin for the Quarter Ending Dec 2019 and Dec 2017

Financial Services

How do deposit and lending rates compare?

Overall interest rates offered on deposits decreased slightly to 7.0% from 8.2% signalling adequacy of liquidity in the banking sector in line with monetary policies pursued by Bank of Tanzania. Similarly, overall lending rates decreased to an average of 16.82% from 17.06%.

Table 2 – Selected banks interest rates[2]

Item	Mar-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Savings deposit rate	2.80%	2.58%	2.45%	2.43%	2.33%	2.29%
Overall time deposits rate	8.99%	7.41%	7.28%	7.27%	7.02%	6.86%
12 months deposits rate	10.26%	8.73%	8.58%	8.87%	9.04%	8.65%
Negotiated deposit rate	10.50%	8.94%	8.88%	8.83%	9.02%	9.47%
Overall lending rate	17.76%	17.05%	17.11%	16.88%	16.82%	16.81%
Short-term (up to 1 year)	18.40%	17.00%	16.81%	16.34%	16.63%	15.72%
Negotiated lending rate	16.18%	14.80%	14.76%	14.26%	14.02%	13.26%
Margin between one year lending and deposit rates	8.14%	8.27%	8.24%	7.47%	7.59%	7.07%

[2]Bank of Tanzania Economic Bulletin for the Quarter Ending March 2020 VOL. LII NO. 1

Financial Services

How is the industry performing?

TZS Billions

	Total Industry		Top 2 (NMB & CRDB)		Proportion of Top 2	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
P&L						
Net interest income	2,211	2,128	1,025	924	46%	43%
Provision for bad debt	(387)	(590)	(198)	(258)	51%	44%
Non-interest income	951	911	451	407	47%	45%
Operating expenses	(2,223)	(2,165)	(899)	(832)	40%	38%
Other items	38	29	7	4		
Profit before tax	**590**	**313**	**386**	**245**	**65%**	**78%**
Balance sheet						
Net loans	17,862	16,196	6,921	6,313	39%	39%
Investment in debt securities	5,165	4,965	2,047	1,925	40%	39%
Other assets	10,138	9,222	4,013	3,371	40%	37%
Total assets	***33,165***	***30,383***	***12,981***	***11,609***	***39%***	***38%***
Customer deposits	21,736	20,487	9,867	8,810	49%	43%
Other liabilities	6,430	5,244	1,287	1,174	20%	22%
Total capital	4,999	4,652	1,827	1,625	37%	35%
Total capital and liabilities	***33,165***	***30,383***	***12,981***	***11,609***	***39%***	***38%***

Financial Services

The banking sector continued to be dominated by the two largest banks in the country (NMB Bank Plc and CRDB Bank Plc) with 65% of the industry profit for the year ended 31 December 2019 and 39% of the total assets as at year end. Customer deposits and total assets of the two banks grew by 12% year during the year; by contrast, the industry as a whole reported an increase of 6% on customer deposits (TZS 21.7 trillion, approximately USD 9.5 billion) and an increase of 9% on total assets (TZS 33.1 trillion, approximately USD 14.4 billion). By way of regional comparison, as at the end of 2019 the total assets of the banking industry in Kenya were KShs 4.8 trillion, approximately USD 47.5 billion, and for Uganda stood at UShs 32.9 trillion, approximately USD 8.7 billion. The 9% growth in total assets of the whole industry reflected growth in assets such as net loans and advance to customers as well as investment in debt securities, which grew at 10% and 4% respectively. This growth of earning assets resulted in a 4% increase of industry net interest income.

Overall profitability increased by 88% compared to prior year largely driven by a 34% decrease in bad debt provisions.

The main factors resulting in the significant reduced provisioning include:

- Reduced IFRS 9 impact as this was the second year of implementation, whereas in the year of implementation (2018) many banks recorded higher impairment numbers.
- A new regulation on write offs became effective in 2018, which required banks to write off loans in arrears earlier than previous regulation, and which resulted in material write offs in 2018 (as compared to 2019).
- The implementation of various strict measures on credit management introduced by the circular issued at the beginning of 2018 by Bank of Tanzania.

A consolidated balance sheet and income statement for the Banking sector for seven years, 2013 to 2019 has been included in **Appendix 3.**

What regulatory change has there been?

In 2019 the Bank of Tanzania issued a number of regulations and circulars including the following:

- **Financial consumer protection regulations –** These regulations require financial service institutions to issue policies and adopt practices which seek to safeguard consumer rights, enable consumers to make informed decisions and ensure fairness in the provision of products and services.
- **Circular on location of primary and secondary data centre –** This circular reinforced earlier circulars which required banks and financial institutions to establish primary and secondary data centres in the country. Hefty fines were introduced for non-compliance.
- **Amendment to anti-money laundering regulations –** Changes introduced by the amendment include: Increase in the list of reporting persons:
    - Clarification on situations and conditions which require the use of enhanced due diligence process or simplified ones; and

Financial Services

- A stricter reporting guideline and mandatory reporting format for electronic funds transfer and cash transactions.

- **Bancassurance guidelines for banks and financial institutions** – The objective of these guidelines is to increase insurance penetration by allowing banks to distribute insurance products through their branch networks and customer base. The regulations provide the framework for regulation and supervision of Bancassurance business.

Compliance with the regulations on financial consumer protection and anti-money laundering will require banks to re-engineer processes and controls in place so as to embed the required measures. For the international banks, many of which had operated without in-country data centres, the new rules on data centres will mean a significant additional cost. On the other hand, Bancassurance guidelines provides another source of revenue especially for banks with wide branch networks.

2019 also saw changes introduced to assist improve banks' core capital and capital adequacy ratios and so create more capacity to lend. These changes included:

- A reduction of the statutory minimum reserve ("SMR") from 8% to 7% (aiming at improving liquidity in the market);
- The exclusion of intangible assets in the core capital computation; and
- The removal of the general reserve which represented 1% of the performing book.

In early June 2020, the Treasury Registrar announced a merger of two banks wholly owned by the Government namely, Tanzania Postal Bank and TIB Corporate Bank. From published reports, the new formed bank will hold assets in excess of TZS 1 trillion and will be among top biggest bank in the country. The merger is a continuation of the Government efforts to support creation of bigger and adequately capitalised banks.

COVID -19: What is the anticipated impact and how should industry respond?

Whilst the industry profit before tax in the first quarter of 2020 (TZS 158 billion) represents an annualised increase of 8%, the expected economic impact of the Covid-19 global pandemic has brought a huge shift in expectations for the year.

The primary concern relates to banks' customers operating in sectors directly hit hard by the pandemic, and who might as a consequence struggle to meet their loan obligations. More generally, any reduction in overall economic activities may result in an increase in non-performing loans. Key points for the industry to consider include:

- Estimates and assumptions applied in the measurements of Expected Credit Loss per IFRS 9 will change considerably and may result in higher impairment numbers; and
- In order to support customers some banks may need to consider relief programmes for customers. These types of initiatives are likely to result into restructuring of loans and consequent modification of key terms.
- The need for banks' boards and management teams to be proactive and plan early for the anticipated pandemic aftermath, including the institution of robust processes around any relief programmes in order to minimise adverse financial impact.

Financial Services

COVID -19: What has been the regulatory response?

In early May 2020, Bank of Tanzania's Monetary Policy Committee (MPC) issued a statement which covered a number of measures to cushion the economy from adverse effects of the pandemic with the main focus on safeguarding financial sector stability. Measures to deal with potential liquidity challenges include a further reduction of the SMR and the discount rate to 6% and 5% respectively, as well as a reduction of the haircut on government securities to 5%. In addition, some more regulatory flexibility was given to banks in relation to restructured loans issued to customers adversely affected by Covid-19; however, this is conditional on any restructuring being done in a transparent and impartial manner and consideration in this regard will be done on a case by case basis.

Telecommunication

40.4%

Turnover taxes represent a staggering 40.4% of turnover

The National ICT Policy 2016[1], formulated within the context of national vision statements guided by the Tanzania Development Vision 2025, recognizes ICT as central to a competitive social and economic transformation by stating: "These technologies are a major driving force for the realization of the Vision. They should be harnessed persistently in all sectors of the economy"

Taxation

Historically, taxes on consumption have been dominated by taxes in the form of VAT and excise duty on excisable goods. However more recent years have also seen increased taxes on services, including the extension of excise duty to telecommunications which has been taking an increasing share of the consumer wallet. Indeed, the telecommunications sector now probably generates more in consumption taxes than the alcohol sector.

The steady progression of excise duty on telecommunications has meant that turnover taxes (including excise duty, VAT, service levy, and regulatory levies) represent a staggering 40.4% of turnover.

	Note		2019/20	2019/20
Charge before tax			100.0	
Excise Duty	1	17.00%	17.0	17.0
			117.0	
VAT		18.00%	21.1	21.1
			138.1	38.1
Local tax - service levy		0.30%		0.3
TCRA	2	1.00%		1.0
UCAF	2	1.00%		1.0
Total tax and levies				40.4
Note:				
1) Excise duty increases: to 12% (Jul 2012, previously 10%), then 14.5% (Jul 2013), then 17% (Jul 2014)				
2) Levies to TCRA and UCAF originally totalled 1.1% (0.8% + 0.3%), but from Jul 2019 increased to 2 % (1% + 1%)				

[1]Previous document was the 2003 National ICT Policy

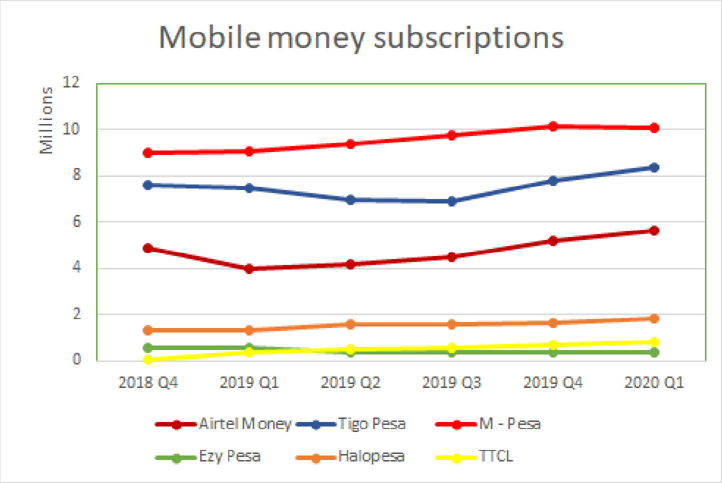
Telecommunication

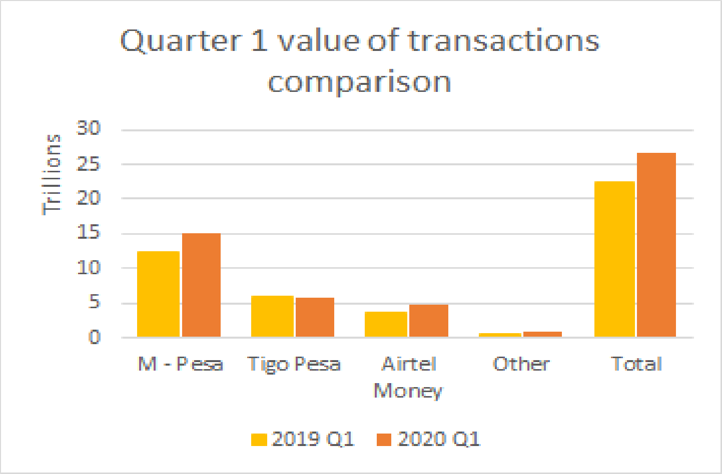
This high level of taxation has given rise to the concern that ultimately it acts to restrict accessibility to telecommunications services, and with that works against the overarching “human development” agenda set out in Vision 2025. However the Budget speech proposed no change to taxes on telecommunications services.

2019 - General

In terms of market share[2] Vodacom Tanzania Plc continued to lead on voice and mobile money.

Voice subscriptions	31-Dec-18	31-Dec-19	31-Mar-20	31 Dec 19 v 31 Dec 18	31 Mar 20 v 31 Dec 19
	million	**million**	**million**	**increase**	**increase**
Vodacom	14.14	15.67	15.59	11%	-1%
Airtel	10.95	12.72	13.39	16%	5%
Tigo	12.58	12.57	12.64	0%	1%
Halotel	3.94	4.64	5.2	18%	12%
TTCL	0.71	0.98	1.19	38%	21%
Zantel	1.15	1.17	0.93	1%	-21%
TOTAL	43.62	47.76	48.94	9%	2%





[2]From quarterly statistics of Tanzania Communication Regulatory Authority (www.tcra.go.tz)

Telecommunication

2019 - impact of IFRS 16

The introduction of IFRS 16[3] has had a significant impact on the results of a number of businesses - but particularly the telecommunications sector. Previously lease contracts were classified as either operating or finance leases, whereas under IFRS 16 a lessee will now recognise a “right-of-use asset”, representing the right to use the leased item, and a liability for the future lease payments over the “reasonably certain” period of the lease. Lease costs are recognised in the form of depreciation of the right-of-use asset and interest on the lease liability. Interest charges will typically be higher in the early stages of a lease and so the practical impact of IFRS 16 will normally be an earlier recognition of costs in respect of leases previously recognised as operating leases.

[3]replacing IAS 17

Telecommunication

2019 - highlights from listed entities

Press releases / published annual reports for listed entities provide some indication of how the sector is faring.

Vodacom Tanzania Plc's preliminary consolidated financial results[4] show:

- Overall service revenue up 0.9% (with M-Pesa revenue and mobile data revenue up 7.4% and 9.8% respectively, but mobile voice revenue declining by 3.2%).
- Profit after tax down 25.8% if compared on a "like for like" IAS 17 basis, but down 49.6% using 2019 reported numbers (on IFRS 16 basis); overall, the adoption of IFRS 16 led to a TZS30.7 billion net reduction in profit before tax.
- Adverse financial impact of new customer registration guidelines with consequent slowdown in service revenue as well as increased compliance costs.

The Millicom 2019 annual report[5] provides highlights on its subsidiaries in Tanzania (operating under the Tigo and Zantel brands) including the following:

- 4% revenue decline in USD terms (to USD 382m (from USD 399min 2018) and with only marginal depreciation in the average exchange rate (1.3%)).
- December 2019 filing of draft prospectus with the Tanzania Capital Market and Securities Authority with a view to initiating a listing process in 2020.
- MIC Tanzania acquired all the shares of Zantel, which was partially held by the Government of Zanzibar (15%) and who in exchange received 1.5% of newly issued shares in MIC Tanzania.

The Bharti Airtel 2018/2019 annual report[6] mentions the resolution in January 2019 of a dispute between the GoT and the group, as a result of which amongst other things the GoT withdrew certain tax claims and regulatory fines, increased the GoT's shareholding in Airtel Tanzania Limited ("ATL") to 49% (from 40%) with a commitment to exemption from listing obligations or otherwise ensuring that the group's beneficial ownership of ATL will not decrease below 51% at any time.

Mandatory listing changes

The exclusion from mandatory listing of telecommunication companies owned by Government by at least 25% and of telecommunication tower leasing companies is a significant development.

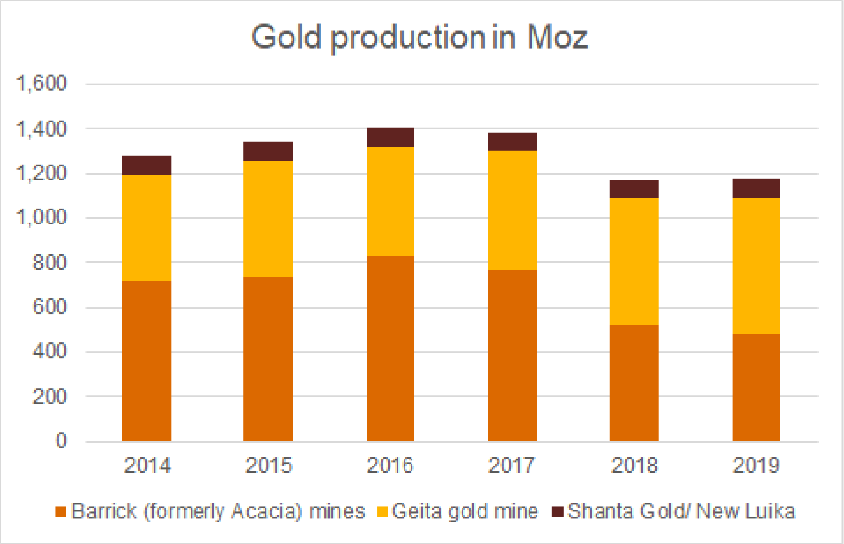
[4] https://www.dse.co.tz/sites/default/files/Preliminary%20results%20-%2031%20March%202020.pdf
[5] https://whttps://www.millicom.com/AnnualReport2019Millicom/PDF/2019-annual-report.pdf
[6] https://assets.airtel.in/static-assets/cms/Bharti-Airtel-Limited-Integrated-Report-Annual-Financial-Statements-2018-19.pdf

Mining

2019 Highlights

2019 was a bumper year for the mining sector, with gold exports increasing to USD 2,217 million (31% up on 2018) representing 40% of total goods exports, and 23% of total exports. These good revenues will have fed through to equally buoyant revenue collections (including royalties and corporate income tax).

Gold production was dominated by international gold companies, and in particular production from Geita mine, part of the AnglogoldAshanti group[1], and North Mara mine, part of the Barrick Gold group[2].



[1]https://www.anglogoldashanti.com/investors/annual-reports/
[2]https://www.barrick.com/English/investors/default.aspx

Geita - highest production for 14 years

The largest production was from Geita mine, whose production (604,000oz) was the highest level in 14 years, representing 39% of AnglogoldAshanti's Africa region (excludes South Africa) production. The operation is successfully transitioning to predominantly underground operations (with open pit mining at Nyankanga expected to reach the end of its economic life during 2020), and has achieved a 10% increase in recovered grades. Record quarterly production (of 208,000oz) was achieved in the last quarter of the year.

The Launch of Twiga Minerals - a new partnership between the Government and Barrick

A Barrick press release dated 20 October 2019 confirmed that the Government of Tanzania ("GoT") and Barrick Gold Corporation ("Barrick") had reached an agreement to settle all disputes between the GoT and the mining companies formerly operated by Acacia but now managed by Barrick. Amongst the terms that it stated as included in the agreement were:

- Payment of $300 million to settle all outstanding tax and other disputes;
- Lifting of the concentrate export ban;

Mining

- Formation of Twiga Minerals Corporation (“Twiga”), a new operating company to manage the Bulyanhulu, North Mara and Buzwagi mines.
- Sharing of future economic benefits from the mines on a 50/50 basis; the GoT to acquire a free carried shareholding of 16% in each of the mines and to receive its half of the economic benefits from taxes, royalties, clearing fees and participation in all cash distributions made by the mines and Twiga. An annual true-up mechanism will ensure the maintenance of the 50/50 split.
- Establishment of a unique, Africa-focused international dispute resolution framework.

2020 and Looking forward

To date 2020 has seen a significant increase in the gold price which has reflected in strong quarterly production revenues for gold - USD 454.4 million for the quarter to March 2020 (as compared to USD 432.2 million for the quarter to December 2019).

On a less positive note, in the middle of April Petra Diamonds placed the Williamson diamond mine’s operations on care and maintenance reflecting the unprecedented depressed market environment for diamonds.

Mining - 10% of GDP by 2025?

Amongst the targets set out in Tanzania’s Development Vision 2025 is that 10% of GDP should be contributed by the mining sector. An observation not lost on industry stakeholders is that the two gold mines delivering the bulk of production both commenced operations approximately twenty years ago (Geita in 2000, and North Mara in 2002), being investments that took place following the mining reforms in 1997 and 1998. The challenge now is to catalyse further investment in the mining sector, and there do appear to be grounds for cautious optimism on this front.

VAT - a resolution of the input tax impasse?

The Budget speech included reference to an amendment to the VAT Act to enable exporters of raw products to recover input tax. This change was stated to be made in order to enhance the competitiveness of products in the international markets as well as to abide by the VAT destination principle (international best practice). Whilst the detail of the legislation is yet to be seen, this change will ensure that no further dispute continues as to the technical basis for VAT input tax recovery for mineral exporters. This will be good news for the mining sector .

Mining

"*Barrick back in business in Tanzania*"

"Barrick back in business in Tanzania" was the title of the 24 January 2020 press release issued on the day of a signing ceremony to formalise the establishment of a joint venture between Barrick and the government, and which referred to a budgeted $50 million for brown and greenfields exploration in 2020 alone. Subsequently a 25 May 2020 press release ("Barrick partnership with Tanzanian government delivers first major outcomes") confirmed the payment of the first instalment (USD 100 million) of the settlement payment to the Government, and the resumption in April of the shipping of containers of concentrate.

"*Tanzania clears road for USD 200m investment in two mines*"

"Tanzania clears road for USD 200m investment in two mines" was a newspaper headline in January 2020 which indicated optimism from the Minister of Minerals as to the prospects for the issue of special mining licences to (i) Orecorp Limited for its Nyanzaga gold project (described in an investor presentation as "a rare project in grade and scale")[3], and (ii) Peak Resources[4] for its Ngualla rare earth project in Songwe region (described in a company presentation as "one of the world's largest NdPr deposits").

Australia - an emerging source of investment into Tanzania?

Australia is the base for many of the new potential mining investments, with most of the relevant investors listed on the Australian Securities Exchange ("ASX"). These include not only Orecorp and Peak Resources, but also graphite (including Blackrock Mining, Graphex, Magnis Resources, Kibaran Resources), niobium (Cradle Resources) as existing investors in coal (Intra Energy).

"*Working together to maximise the potential*"

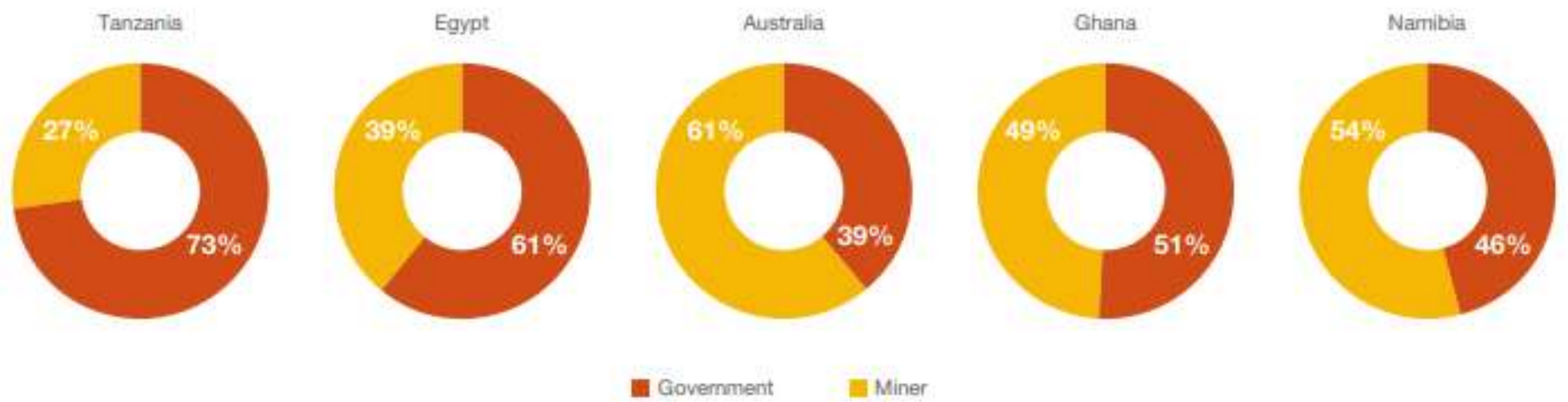
"Working together to maximise the potential"[5] is the title of the most recent edition of PwC Australia's report on mining taxation in Africa, issued in August 2019 and which includes comparisons of the fiscal take in four African jurisdictions (including Tanzania) and Australia on a model gold mine project. For Tanzania it does indicate a comparatively higher Government take as compared to other jurisdictions. (A similar conclusion was reached in a January 2019 report by the Natural Resource Governance Institute[6]).

[3] https://orecorp.com.au/investor-relations/presentations
[4] https://www.peakresources.com.au/
[5] https://www.pwc.com.au/industry/energy-utilities-mining/investing-in-africa-working-together-to-maximise-the-potential.pdf
[6] https://resourcegovernance.org/blog/magufuli-seeks-right-balance-tanzania-mining-fiscal

[1] A similar conclusion is reached in a 2019 report by the Natural Resources Governance Institute

Mining

2018 Revenue split between the government and the miner



Source: PwC analysis

The report's findings show that the key ingredients for Africa to secure its share of global capital are:

1. The certainty of fiscal regimes – in particular, the ability of African countries to develop a stable tax regime that provides certainty to miners through the entire life cycle (i.e. from entry right through to exit, including repatriation of profits along the way).
2. A stable and consistent legal system, with an ability to agree on mining conventions which assist the government and the private sector to work together collaboratively.
3. Infrastructure and socioeconomic stability – including the level of adherence to domestic laws.

Appendices

4

Appendix 1 - Fees and levies abolished/ reduced on implementation of the Blueprint

Fees and levies charged by Ministries Departments, Agencies and Regulatory Authorities.

Fair competition commission

- Reduction of severity of penalties payable by multinational companies whereby the penalty is to be imposed on revenue obtained in Tanzania instead of global gross revenue.

Sugar Board of Tanzania (SBT)

- Reduction of import levy on industrial sugar from 2% of CIF value or USD 460/ metric ton (whichever is higher) to USD 7.5/ metric ton.

Occupational Safety and Health Authority (OSHA)

The following fees have been abolished/reduced:

- Occupational Safety and Public Health Training fees of TZS 250,000 for each participant;
- Inspection fees which is charged 80% of administration fee; and
- Reduce Accident Investigation fees from TZS 500,000 on each expert who conducts investigations to TZS 120,000 on each expert (however, the gross amount should not exceed TZS 1,000,000)

Appendix 1 - Fees and levies abolished/ reduced on implementation of the Blueprint (cont'd)

Fire and Rescue Force

The following fees have been reduced

- Certificate of competence fees on dealers of Fire and Rescue equipment from TZS 500,000 to TZS 200,000;
- Fire and rescue inspection fees on mining areas with an area of less or equal to 2,000 square metre from TZS 6,000,000 to TZS 100,000;
- Fire and rescue inspection fees on Gas cylinder shops with less than or equal to 100 square metre from TZS 100,000 to TZS 40,000;
- Fire and rescue inspection fees on mini- super market, retail and wholesale shops from TZS 40,000 o TZS 20,000; and
- Fire and rescue inspection fees on Mini Hydro with less than 10 Megawatt from TZS 6,000,000 to TZS 200,000.

The following fire and rescue inspection fees have been introduced:

- TZS 2,000,000 on owners of gas deposit between 11 to 20 tons;
- between TZS 40,000 and TZS 50,000 on Micro lending institution which were previously termed as financial institution respective of area coverage

Appendix 1 - Fees and levies abolished/ reduced on implementation of the Blueprint (cont'd)

Livestock and Fisheries

Fisheries

The following fees charged by the fisheries sector have been changed:

- Abolish royalty of USD 0.4 per kilogram of targeted fish catches from Deep Sea fishing
- Reduce export License fee on Fish and their associated products from Fresh water
- Reduce import License fees on Fish and fishery products from Marine water
- Reduce export Loyalty on fish and fishery products
- Increase export License fee on Shark fins/jaws from USD 2,700 to USD 5,000 in order to protect the species;
- Charge export License fee on Fish Maws and Shell cover
- Charge a fee of TZS 30,000/= Health Certificate (QA/APP/02) for export fish and fishery products in order to maintain international market standard;
- Charge export permit fee on fish and fishery products

Appendix 1 - Fees and levies abolished/ reduced on implementation of the Blueprint (cont'd)

Livestock

The following changes to fees and levies charged to the livestock sector:

- Abolish movement Permit fee of TZS 5,000 on for skin within and outside the district; and
- Reduce export and import permit fees on livestock and products as indicated in the following tables:

Export Permit fee for Livestock and their Associated Products (TZS)

Livestock/Product	Unit	Current Fee	Proposed Fee
Cattle	Each	30,000	25,000
Beef	1 Kg	150	100
Animal feed	1 Ton	20,000	10,000
Table Eggs	1 Trey (30 eggs)	1,000	100

Appendix 1 - Fees and levies abolished/ reduced on implementation of the Blueprint (cont'd)

Livestock (cont'd)

Import Permit fee for Livestock and their Associated Products (TZS):

Livestock/Product	Unit	Current Fee	Proposed Fee
Mule/Donkey	Each	10,000	5,000
Camel	Each	10,000	5,000
Beef	1 Kg	5,000	4,000
Animal feed	1 Ton	20,000	10,000

Appendix 1 - Fees and levies abolished/ reduced on implementation of the Blueprint (cont'd)

Livestock (cont'd)

Increase export and import permit fees for Livestock, wild animals and their associated products as shown in Table below

Livestock/Product	Unit	Current Fee	Proposed Fee
Horse	Each	30,000	50,000
Dog/Cat	Each	20,000	50,000
Camel	Each	30,000	50,000
Wild animal	Each	30,000	50,000
Semen	Per Straw	1,000	2,000

Appendix 1 - Fees and levies abolished/ reduced on implementation of the Blueprint (cont'd)

Livestock (cont'd)

- Increase Compoundment /Quarantine fees from TZS 200 to 500 per Goat or Sheep;
- Impose New export and import permit fees for Livestock and their associated products
- Charge movement permit fee of TZS 20,000 on horns, hooves and bones from cattle, goat and sheep within and outside the district,
- Charge movement permit fee of TZS 5,000 on animal feeds within and outside the district;
- Charge movement permit fee for on-transit Livestock and their associated products

Other fees

- Advertisement fees - reducing outdoor Advertising fee from TZS 10,000 to TZS 4,000 on Motor Vehicles promoting own products used for distribution.

Appendix 2 - Customs Duty

Decrease of customs duty rates

1. Grant Duty Remission at a duty rate of 0 percent for one year on raw materials used by domestic manufacturers of items used specifically for diagnosis, prevention, treatment and management of the COVID- 19 pandemic including Mask, sanitizer, ventilators, Personal Protective Equipment (PPE). This measure aimed at promoting domestic production of these items and supporting the efforts of managing the pandemic.

2. Grant Duty Remission at a duty rate of 0 percent instead of 25 percent for one year on packaging materials falling under HS Code 4819.50.00 used by domestic manufacturers of UHT milk. The measure is intended to reduce production costs to local manufacturers of UHT milk and affordable to consumers.

3. Grant Duty Remission at a duty rate of 0 percent instead of 10 percent for one year on corks falling under HS Code 4503.10.00 used by local manufacturers of wines domestically. The measure is intended to reduce production costs to manufacturers of local wine, create more employment and promote grapes farming.

4. Grant Duty Remission at a duty rate of 0 percent instead of 25 percent for one year on packaging materials falling under HS Codes 7310.21.00; 6305.10.00; 3923.50.10; 3923.50.90; 3920.30.90 and 48.19 used by local processors of coffee. This measure is intended to promote value addition on coffee product, reduce processing costs and promote employment in coffee farming.

Appendix 2 - Customs duty (cont'd)

Decrease of customs duty rates (Cont.)

5. Grant Duty Remission at a duty rate of 0 percent instead of 25 percent for one year on sacks and bags of polymers of ethylene falling under HS Code 3923.21.00 used by domestic cashew nuts processor. This measure is intended to promote value addition on cashew nuts products, reduce processing costs of cashew nuts and promote employment in cashew nuts farming.

6. Grant Duty Remission at a duty rate of 0 percent instead of 25 percent for one year on Packaging materials falling under HS Codes 3920.30.90; 6305.39.00 and 7217.90.00 used by domestic processors of cotton link. The measure aims at attracting investment in cotton link processing to add value on locally grown cotton.

7. Stay application of the EAC-CET rate of 10 percent and apply a duty rate of 0 percent for one year on Cash Registers, Electronic Fiscal Devices (EFD's) and Point of Sale (POS) machines for use of Government revenue collection falling under HS Codes 8470.50.00 and 8470.90.00.

Increase of customs duty rates

1. Stay application of the EAC CET rate of 25 percent and apply a duty rate of 35 percent for one year on importation of Ceramic tiles falling under HS Codes 6907.21.00; 6907.22.00 and 6907.23.00 in order to protect local manufacturers of these products and create more employment.

2. Stay application of the EAC CET rate of 25 percent and apply a duty rate of 35 percent for one year on importation of tea, whether or not flavoured under HS Code 09.02. This measure is aimed at protecting local tea processors and promote growth of an employment in agricultural sector.

Appendix 2 - Customs duty (cont'd)

Increase of customs duty rates (Cont.)

3. Stay application of the EAC CET rate of 25 percent and apply a duty rate of 35 percent for one year on Sacks and bags (of jute or other textile bast fibres of a tariff heading 53.03) falling under HS Code 6305.10.00. The intention is to protect local manufacturers of sisal bags, promote employment in sisal farming and increase Government revenue.

4. Stay application of the EAC CET rate of 0 percent and apply a duty rate of 10 percent for one year on importation of cocoa powder falling under HS Code 1805.00.00 in order to promote cocoa farming, create more employment and increase Government revenue.

2019/20 measures that continue to be implemented in 2020/21

1. Grant Duty Remission and apply a duty rate of 0 percent instead of 25 percent on raw materials used to manufacture Baby Diapers under HS code 3506.91.00 Hot Melt Adhesive; PE film HS Code 3920.10.90, Empty bag for Baby Diapers HS Code 6305.33.00, Plastic cask HS Code 3926.90.90; and apply 0 percent instead of 10 percent on Super Absorbent Polymer HS Code 3906.90.00, Wet strength paper HS Code 4803.00.00, Non-woven HS Code 5603.11.00, Polyethylene laminated Nonwovens HS Code 5903.90.00, Spandex HS Code 5402.44.00 and Dust free paper HS Code 4803.00.00.

   The beneficiaries of the duty remission are manufacturers of the products. The measure is intended to reduce production costs, make available at affordable price to consumers, create more employment and increase Government revenue.

2. Grant a Duty Remission and apply a duty rate of 0 percent instead of 25 percent for one year on the equipment and appurtenant used for polishing and heat treatment of Gemstones 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.

Appendix 2 - Customs duty (cont'd)

2019/20 measures that continue to be implemented in 2020/21 (Cont.)

This measure is intended to create value addition on gemstones, employment creation and increasing Government revenue.

3. Grant Duty Remission and apply a duty rate of 0 percent instead of 10 percent on papers under HS Codes 4805.11.00 and 4805.19.00 and a duty rate of 10 percent instead of 25 percent on papers under HS Code 4805.24.00 and 4805.25.00 for one year used as raw materials or manufacturing of packaging materials for export of horticulture products. These paper products are not manufactured locally by Mufindi Paper Mills. The measure will reduce production costs to relieve horticultural farmers from importation of these packaging materials at high cost.

4. Grant Duty Remission on agricultural seeds packaging materials at duty rate of 0 percent instead of 25 percent falling under 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 to local producers of agricultural seeds for one year. These are essential requirements for preserving the quality of agricultural products. The measure will reduce the costs of seed producing entities in the country and hence seeds will be available at an affordable price.

5. Stay application of the EAC CET rate of 25 percent and apply a duty rate of 35 percent for one year on roasted coffee for one year (HS Code 09.01). This measure is aimed at protecting local industries, and create more employment in agricultural sector.

6. Stay application of EAC CET rate of 10 percent and apply a duty rate of 10 percent or USD 125/MT whichever is higher for one year on flat-rolled products of iron or non-alloy steel and Flat-rolled products of other alloy steel of width of 600mm or more. 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. The intention is to protect local industries against unfair competition from imported subsidized products, employment creation and addressing the challenge of under-invoicing and undervaluation.

Appendix 2 - Customs duty (cont'd)

2019/20 measures that continue to be implemented in 2020/21 (Cont.)

7. To impose an import duty of 25 percent or USD 250 per metric ton whichever is higher instead of 25 percent or USD 200 per metric ton for one year on Flat-rolled products under 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 region.

8. Stay application of EAC CET rate of 10 percent and apply a duty rate of 10 percent or USD 250/MT whichever is higher for one year falling under HS Code 7212.60.00. so as to protect domestic industries and employment while addressing issues of under-invoicing and under-valuation.

9. Stay application of EAC CET rate of 25 percent or USD 200/MT and apply a duty rate of 25 percent or USD 250/MT whichever is higher for one year on Flat-rolled products of iron or non-alloy steels falling under HS Code 7212.30.00; 7212.40.00; and 7212.50.00. The measure is intended to protect local industries, and employment. As well as address issues of under-invoicing and under–valuation.

10. Stay application of EAC CET rate of 25 percent or USD 200/MT whichever is higher and apply a duty rate of 25 percent or USD 250/MT whichever is higher for one year on reinforcement bars and hollow profiles. The measure is targeted on products under 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. The objective of this measure is to protect local manufacturers of reinforcement bars in the region and enhancing competitiveness of domestically produced iron and steel products.

Appendix 2 - Customs duty (cont'd)

2019/20 measures that continue to be implemented in 2020/21 (Cont.)

11. Stay application of EAC CET rate of 25 percent and apply a duty rate of 35 percent for one year on Horticultural products 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 intended to protect local farmers and promote employment in horticultural products.

12. Stay application of the EAC-CET rate of 0 percent and apply a duty rate of 10 percent on Monofilaments of PVC Profiles under HS Codes 3916.10.00; 3916.20.00 and 3916.90.00) for one year. In order to increase Government revenue.

13. Stay of application of the EAC-CET rate of 10 percent and apply a duty rate of 25 percent for one year on papers under HS Code 4804.11.00; 4804.21.00;4804.29.00; 4804.31.00 and 4804.41.00. These are papers produced by Mufindi Paper Mills. Which needs protection in order to enhance competitiveness of locally produced papers and paper products.

14. Grant Duty Remission and apply an import duty of 10 percent instead of 35 percent on Wheat Grain falling under HS Code 1001.99.10 and 1001.99.90 for one year. This measure takes in account that the level of production is not sufficient in the EAC region to satisfy the demand in order sustain industries and ensure food security.

15. Grant Duty Remission and apply a duty rate of 0 percent instead of 25 percent for one year on printed Aluminium Barrier Laminates under HS Code 3920.10.90. in order to reduce production costs and promote competitiveness of domestic industries producing toothpaste.

Appendix 2 - Customs duty (cont'd)

2019/20 measures that continue to be implemented in 2020/21 (Cont.)

16. Grant Duty Remission and apply a duty rate of 0 percent instead of 10 percent for one year on RBD Palm Stearin falling under HS Code 1511.90.40. in order to ensure availability of RBD Palm Stearin for stand-alone soap industries.

17. Grant Stay of application of the EAC-CET rate and apply a duty rate of 25 percent or USD 1.35 per kilogram of safety matches under HS Code 3605.00.00 whichever is higher for one year. There is sufficient capacity to produce this product in the EAC region, hence there is a need to protect the Local industries by addressing the issue of under invoicing or under valuation.

18. Stay application of EAC CET rate of 25 percent and apply a duty rate of 25 percent or USD 350/MT whichever is higher for one year on nails, tacks, drawing pins, corrugated nails, staples other than those of heading 83.05 falling under HS Code 7317.00.00. The objective of this measure is to protect local producers of these products against imported cheap or under invoiced products.

19. Stay application of the EAC-CET rate of 25 percent and instead apply a duty rate of 35 percent for one year on sausages and similar products under HS Code 1601.00.00. in order to protect domestic industries which produce similar products in the region.

20. Stay of application of EAC-CET rate of 25 percent and apply a duty rate of 35 percent for one year on chewing gum under HS Code 1704.10.00. as there is sufficient production in the EAC region.

21. Stay of application of import duty rate of 25 percent and apply a duty rate of 35 percent on other sugar confectionery /sweets under HS Code 1704.90.00 for one year. With the intention to protect local industries in the region and promote employment as there is sufficient capacity to produce such products.

22. Stay of application of the import duty rate of 25 percent instead apply a duty rate of 35 percent on chocolates under HS Code 18.06 for one year. So as to protect local production as there is sufficient capacity to produce in the region.

Appendix 2 - Customs duty (cont'd)

2019/20 measures that continue to be implemented in 2020/21 (Cont.)

23. Stay of application of the duty rate of 25 percent instead apply a duty rate of 35 percent for one year on Biscuits under HS Code 19.05 to protect local production and promote employment in the region.

24. Stay of application of the EAC-CET rate of 25 percent instead apply a duty rate of 35 percent for one year on tomato sauce HS Code 2103.20.00 as there is sufficient production to meet the demand in the country.

25. Stay of application of the import duty rate of 25 percent instead apply a duty rate of 60 for one year on mineral water falling under HS Code HS Code 2201.10.00. as there is sufficient capacity to produce this product in the country.

26. Stay of application of the duty rate of 25 percent instead apply a duty rate of 35 percent for one year on meat and edible offal under chapter 2. with the view to protect and promote domestic processing and value addition.

27. Continue with an import duty of 25 percent on crude edible oil (including sunflower oil, palm oil, groundnuts oil, olive oil, maize corn oil etc.) for one year 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 promoting production of edible oils by using locally produced seeds, create both employment and increase income to the farmers.

28. Stay of application of the EAC-CET rate of 25 percent and instead apply a duty rate of 35 percent for one year on semi refined, refined/ double refined edible oils (for example sunflower oil, palm oil, ground nuts 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; 1515.29.00; 1515.50.00; and 1515.90.00. This measure is aimed at and promoting domestic processing of edible oil in the country using locally grown seeds and save foreign exchange used in the importation of edible oil.

Appendix 2 - Customs duty (cont'd)

2019/20 measures that continue to be implemented in 2020/21 (Cont.)

29. Stay of application of the duty rate of 0 percent and instead apply a duty rate of 10 percent for one year on Gypsum Powder under HS Code 2520.00.00. So as to protect local producers and promote production of gypsum powder by using the locally available gypsum.

30. Continue with import duty rate of 35 percent instead of 100 percent on sugar for domestic consumption. Which will be imported under special permits to cover the sugar gap in the domestic market.

31. Stay application of the duty rate of 35 percent or USD 0.40 per kilogram whichever is higher and instead apply a duty rate of 35 percent for one year on worn clothes to protect local manufacturers of finished textile products and make them competitive; and

32. 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.

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

The Ministers responsible for Finance and the Cabinet Secretary also agreed to make amendments in the EAC-Customs Management Act, 2004 as follows:

- To amend item 20 to Part B of Fifth Schedule of the East African Community Customs Management Act 2004 to include exemption of customs duties on supplies for diagnosis, prevention, treatment, and management of epidemics, pandemics and health hazards as recommended by the competent authority in the Ministry responsible for Health.

Appendix 2 - Customs duty (cont'd)

This measure is intended to make it cheaper and reduce the costs exemption to facilitate the diagnosis, prevention, treatment, and management of such pandemics whenever they arise;

- To amend Item 15 (a) to Part B of the Fifth Schedule to include imported implements by person or entity engaged in Horticulture, Aquaculture, Agriculture or Floriculture in order to promote growth of Horticulture, Aquaculture, Agriculture or Floriculture sectors in the country; and

- To amend Item 15 (b), Part B of the Fifth Schedule to include fertilized eggs for incubation imported by person or entities engaged in poultry farming this economic activity.

Other matters

- The Minister has also proposed to increase the valuation of imported Kitenge from the current Valuation of USD 0.40 per meter to USD 1 per meter. The aim of this measure is to discourage under invoicing and under declaration done by some of the unfaithful importers to Revenue Authority.

Appendix 3 - Financial Services Sector

Consolidated Balance Sheet of the Banking sector (2013 – 2019)

Figures in TZS billions							
Particulars	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Loans, advance and overdraft(net)	9,918	11,915	14,866	15,432	15,160	16,196	17,862
Investments in debt securities	3,629	3,874	3,721	4,030	5,549	4,965	5,165
Balance with Bank of Tanzania	1,960	2,457	3,300	3,000	3,147	2,789	2,600
Balance with other banks and financial institutions	1,437	1,446	1,830	1,463	1,702	2,035	1,839
Cash	738	783	961	910	1,184	1,214	1,379
All other assets (including PPE)	1,832	2,031	2,540	3,082	3,063	3,184	4,320
Total assets	**19,514**	**22,506**	**27,218**	**27,917**	**29,805**	**30,383**	**33,165**
Deposit liabilities other than banks	14,461	16,600	19,621	18,878	20,038	20,487	21,736
Borrowings	773	1,012	1,602	2,274	2,575	2,147	2,438
Special deposit account	251	196	291	313	323	644	1,107
Deposit from Banks and Financial Institution	657	727	649	962	922	1,096	964
Other liabilities	813	984	1,253	1,205	1,296	1,357	1,921
Total liabilities	**16,955**	**19,519**	**23,416**	**23,632**	**25,154**	**25,731**	**28,166**
Paid up-share capital	1,002	1,138	1,486	1,625	1,920	2,098	2,172
Other capital accounts	1,557	1,849	2,316	2,575	2,731	2,554	2,827
Total capital	**2,559**	**2,987**	**3,802**	**4,285**	**4,651**	**4,652**	**4,999**
Total Liabilities and Capital	**19,514**	**22,506**	**27,218**	**27,917**	**29,805**	**30,383**	**33,165**

Appendix 3 - Financial Services Sector

Consolidated Income statement of the Banking sector (2013 – 2019)

Figures in TZS Billions

Particulars	2013	2014	2015	2016	2017	2018	2019
Interest income	1,785	2,085	2,465	2,932	3,001	2,897	2,937
Interest expenses	(495)	(589)	(706)	(901)	(942)	-768	(726)
Net interest income	**1,290**	**1,496**	**1,759**	**2,031**	**2,059**	**2,129**	**2,211**
Bad debts written off	(16)	(34)	(28)	(30)	(66)	-58	(42)
Provision for bad and doubtful debts	(162)	(164)	(152)	(363)	(529)	-532	(345)
Non-interest income	615	702	869	909	917	911	951
Non-interest expenses	(1,290)	(1,491)	(1,792)	(1,999)	(2,085)	(2,165	(2,223)
Operating income	**437**	**509**	**656**	**548**	**296**	**284**	**551**
Non-core credits/charges	14	19	20	25	35	29	39
Extraordinary credits and charges	-	-		(2)	-	-	-
Net income/ (loss) before income tax	**451**	**528**	**676**	**571**	**331**	**313**	**590**
Income tax provision	(150)	(180)	(225)	(214)	-122	(179)	(245)
Net income / (loss) after income tax	**301**	**348**	**451**	**357**	**209**	**134**	**345**

Contact us

Assurance

Patrick Kiambi	Partner – Assurance Leader
Nelson Msuya	Partner – Public Sector Group
Zainab Msimbe	Partner
Cletus Kiyuga	Partner
Delvina Libent	Associate Director – Public Sector Group
Neemayani Kaduma	Associate Director- Risk Assurance

Tax

Rishit Shah	Partner – Tax Leader
David Tarimo	Country Senior Partner
Joseph Lyimo	Partner
Mirumbe Mseti	Partner
Ali Asger Dawoodbhai	Associate Director

Advisory

Mpho Malaka	Partner

DAR ES SALAAM

3rd Floor, Pemba House | 369 Toure Drive, Oysterbay |
P O Box 45 Dar es Salaam, Tanzania
Tel: 255 22 219 2000 | Fax: 255 22 219 2200

ARUSHA

Fourth Floor, PPF Plaza | Corridor Street (off Old Moshi Road) |
P O Box 3070 Arusha, Tanzania
Tel: 255 27 254 8881 | Fax: 255 27 250 8166

CONTACT US

info@pwc.co.tz

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@pwc_tz

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