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Nurturing investment growth; embedding economic resilience

National Budget Bulletin

June 2021

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1 Commentary

Commentary

What a difference a year makes? Last year with an election round the corner, but the impact of the global pandemic just beginning to be felt, the budget theme could have been described as "elections, infections, and collections".

This year the tone is much more medium and long term, with this budget being the first annual plan in the implementation of the new five year development plan 2021/22-2-25/26 (FYDP III), with the theme "Realising Competitiveness and Industrialisation for Human Development". The big backdrop though was the background of a full year of the impact of the pandemic on the economy and with that on collections.

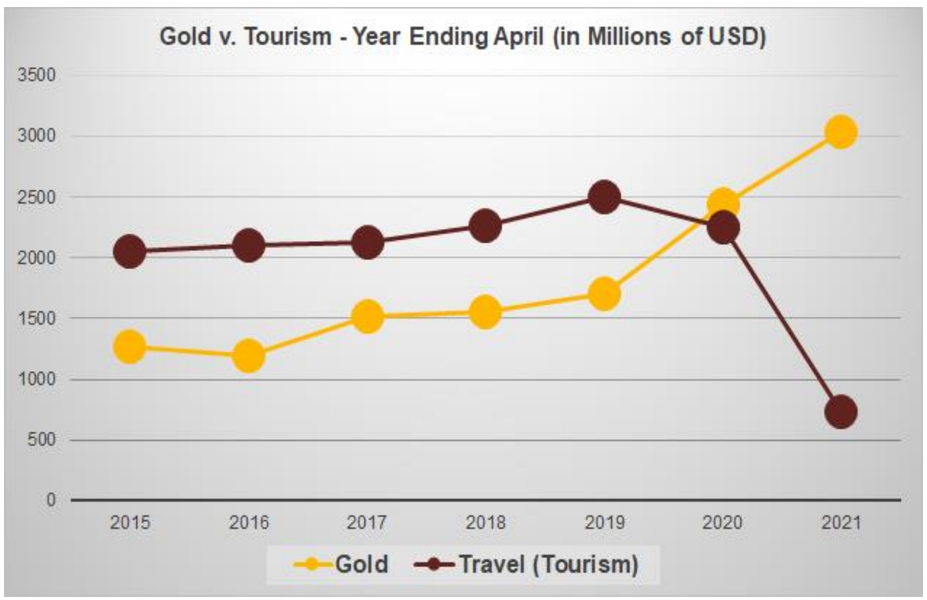
Tanzania's growth in 2020 of 4.8% (2019: 7.0%) though clearly impacted by the global pandemic nevertheless was much more robust than the negative average rates for sub-Saharan Africa (-1.9%, 2019:3.2%) and global (-3.3%, 2019: 2.8%). According to the December 2020 Quarterly Economic Bulletin of the Bank of Tanzania ("BoT") in the nine months to September 2020 the fastest growing sectors were construction (13.0%), mining and quarrying (9.5%), information and communication (9.0%) and transport and storage (8.9%); agriculture and manufacturing also showed reasonable growth (4.8% and 4.6% respectively); on the other hand, accommodation and restaurants showed a decline (-13.8%).

The downturn in the hospitality sector is made stark in the BoT's May 2021 Monthly Economic Review which showed a collapse in tourism earnings to USD 0.7bn in the year to April 2021 (as compared to USD 2.2bn and USD 2.5bn in the years ending April 2020 and 2019 respectively). Traditional exports also declined significantly (to USD 0.6bn as compared to USD 1.0bn in the prior year).

The knock on impact on local consumer demand is clear from recent reported results of entities listed locally or of subsidiaries of groups listed overseas - with a turnover decline in 2020 for the two largest manufacturers as well as the two largest mobile phone operators, and this after a challenging (pre-pandemic) 2019.

Commentary

And yet, the currency has remained stable. How? Well, riding to the rescue has been the mining sector. Exports of USD 3.0bn in the year to April 2021 (as compared to USD 2.4bn, and USD 1.7bn in the years to April 2020 and 2019) have helped balance the current account. Also of assistance on the current account side has been a reduction of outbound travel (with service payments for travel reducing to USD 0.1bn from USD 0.6bn).



Source: BOT Monthly Economic Review

The mining sector - and in particular, the two largest gold mines (Geita and North Mara) - has also played a role in stabilizing Government revenues. Top line revenue increase, apart from adjusting the base for royalties, will also have gone straight to the bottom line and resulted in windfall payments in terms of corporate tax (applied at 30%). For example, Anglogold Ashanti Plc's 2020 ESG and Sustainability Data Workbook discloses total tax payments borne and generated by Geita of USD 326m (up from USD 190m in the prior year).

Despite the boost from mining, BoT reports (Monthly Economic Review) indicate that tax revenue collections in the ten months to April 2021 were 1% below prior year, with taxes on imports slightly up, consumption taxes (local supplies) flat, and income taxes down. Given the results reported by the major consumer goods and services companies, these numbers are not a surprise.

Interestingly, the speech made reference to Government's intention to finalise the sovereign credit rating process so as to facilitate the issuance of sovereign bonds or Eurobonds on international financial markets.

Commentary

Amongst the measures announced was the removal of taxes on smartphones so as to reduce the cost of access to digital services. Although a tax reduction, ultimately it will help increase the usage of services, and with that the tax on such services.

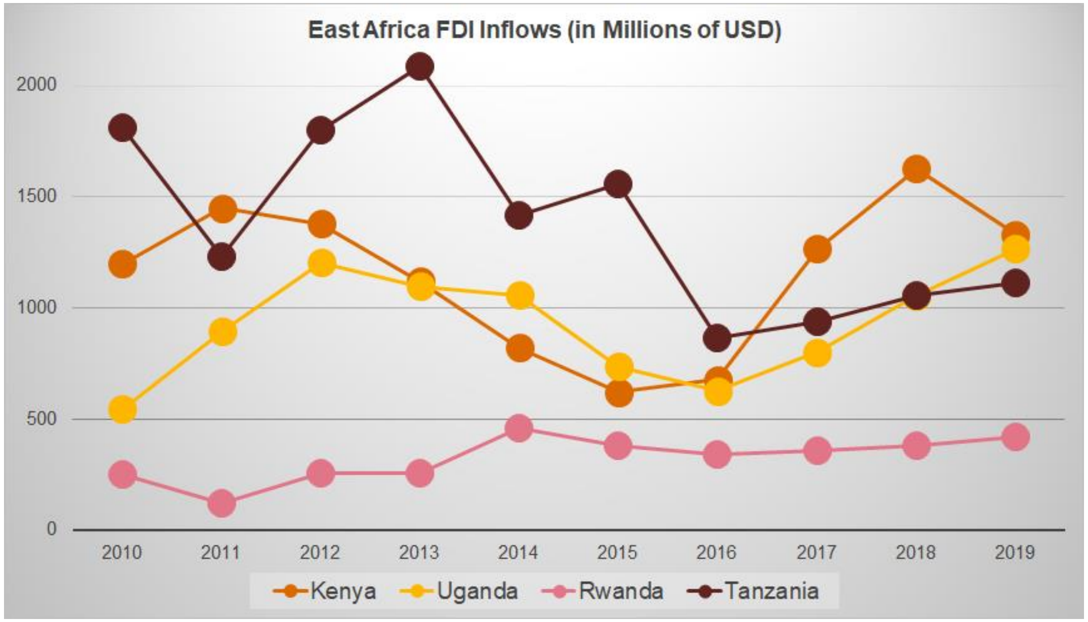
In the run up to the budget the telecoms sector had made the case for the reduction of taxes on communication services, which are higher than almost all other African countries. Instead new taxes are introduced in the form of a mobile money transaction levy and a new daily SIM card levy.

Other measures introduced include: an increase in fuel taxes (for the first time since 2017); significantly increased excise duty on spirits; and property tax collection using the Luku system.

However, the Budget targets look ambitious - in particular, a tax revenue budget 9.1% higher than the 2020/21 budget, and 20.4% than the 2020/21 forecast.

Ultimately, tax increases will need to be driven by "growing the pie" - and indeed the real GDP growth rate is projected to increase to 5.6% in 2021. Initiatives taken by the Government to modernise agriculture (a large part of the economy) and to drive further digitisation of the economy will be key. Equally important is the need for new private sector investment.

Various reports have highlighted the challenges in terms of investment trajectory - including a recent Controller and Auditor General report (summarising the decline in Tanzania Investment Centre (TIC) /Export Processing Zone (EPZ) registrations), UNCTAD's World Investment Report (showing reduced foreign direct investment in more recent years, as compared to a decade or so ago), and the latest World Bank Tanzania Economic Update (issued in February 2021).



Source: UNCTAD World Investment Report

Commentary

The recent past has seen very significant engagement by the Government with investors to seek to understand practical hurdles to inbound investment, and identify potential solutions. Some of the issues are administrative, but others are more deeply structural matters related to fiscal and regulatory regimes. Speak to investors in a number of sectors - including mining, oil and gas, telecoms, tourism - and you will hear a consistent refrain that the fiscal structure is not competitive.

Generally this is not about asking for favours or exemptions, but rather ensuring a scenario that effectively balances the take between Government and the investor and gives the investor an adequate return for the investment risk taken. If not, and the envelope is pushed too far, then the law of diminishing returns is likely to kick in. However, given the very real and meaningful ongoing engagement between the public and private sector there is every reason to be optimistic that all parties are committed to a “win win” scenario. Indeed, a number of changes in this budget are indicative of receptiveness to certain investor concerns. Certainly the mood of the moment is one of optimism as regards future prospects.

2

Tax and other legislative changes

Tax Administration Act

Broader scope of requesting for remission of interest and penalties

Proposed removal of powers granted to the Minister to issue Regulations on the procedure to access remission of interest and penalties.

By way of background, the Finance Act 2018 introduced powers to the Minister for Finance to publish Regulations to prescribe eligibility, duration and procedure for remission of interest and penalties. These Regulations were issued in May 2020 and the scope was very narrow in its applicability.

Therefore, with the removal of section 70(2), the assumption is that the May 2020 Regulations become ineffective and the power to remit any interest and penalties reverts back to the discretion of the Commissioner General.

Removal of the 100% penalty for a transfer pricing adjustment

Comment: The removal of this penalty is a positive step as the penalty was disproportionate albeit rarely enforced. In particular:

- This penalty was levied on the amount of the adjustment rather than the tax impact of the adjustment
- Transfer pricing is not an "exact" science.
- Transfer pricing adjustments are one component of corporate income tax adjustments and therefore already subject to the normal penalty provisions as for any other corporate income tax matter.

Court of law to collect fines and penalties relating to tax offences

Proposal to give power to the Courts to collect the fines and penalties arising from tax offences instead of the Tanzania Revenue Authority.

Direct Taxes

Income Tax Act

Widen the scope of exemption from income tax on interest derived from Government bonds to cover all bonds

Comment: The aim of this measure it to (i) clear a grey area and (ii) promote investment in treasury bonds to finance Government projects.

Currently, the exemption only strictly applied to Government bonds of the fiscal year 2002/03 with a maturity of more than 3 years although there was always a grey area whether the interest was subject to income tax as it was in practice exempted based on the Bank of Tanzania guidelines for treasury bonds.

Widen the scope of application of a 2% non-final withholding tax to cover suppliers of agro-products, livestock and fisheries

Proposed introduction of a 2% withholding tax on agro-products, livestock and fisheries when supplied to processing industries, millers and Government agencies with an exception of (i) small farmers and (ii) sales to Agriculture Marketing Cooperatives Societies (AMCOS).

Proposed depreciation rate of 5% for assets under the East African Crude Oil Pipeline (EACOP)

Comment: The Minister mentioned that the change was being made to harmonise the depreciation allowance with the expected lifetime of the pipeline and in accordance with the agreement signed between the two Governments.

Proposal to give sole powers to the Minister to grant income tax exemption on specific development projects funded by the Government i.e. without requirement of Cabinet approval

Comment: This exemption is subject to a provision for income tax exemption being included in the agreement between the Government of Tanzania and donor (for grants) or lender (for concessional loans) and a Government Notice issued to that effect. This will reduce the bureaucracy of the approval process and help fast track the completion of such projects.

Direct Taxes

Employment Taxes

Reduction of PAYE rate to 8% (from 9%) for the lowest taxable band

Comment: The Minister mentioned that this was part of the measures by the Government to reduce the tax burden on employees (effectively going from 11% in 2015 to 8% now). This will result in a maximum tax saving of TZS 2,500 per month. The current income tax rates and the proposed rates are shown in below.

	Band TZS	Old rate	New rate	Reduction in tax TZS
First	270,000	0	0	0
Next	250,000	9	8	2,500
Next	240,000	20	20	0
Next	240,000	25	25	0
Over	1,000,000	30	30	0
Total				**2,500**

Increase in the employee threshold for SDL to apply

The Minister has proposed to increase the minimum number of employees required to account for SDL to 10 (from 4). This change is in accordance with the Government's agenda of promoting business startups and encouraging employment but mostly relevant to small scale businesses.

Exemption of SDL for religious health institutions

This proposed change intends to increase the role of non-government institutions in the provision of health services to remote areas by reducing the operational costs of such institutions. The Finance Bill may provide further clarity as to what is covered under "religious health" institutions.

Reduction of rate for Workers Compensation Fund

The Minister has proposed to decrease the contribution rate to the Workers Compensation Fund from 1% to 0.6% for the private sector.

The aim of this change is to provide relief to the private sector employers by reducing the burden of their contributions to the Fund. Hence, improving the business environment in the country for existing and upcoming investors.

Direct Taxes

Small scale mining

There a number of proposals with respect to taxation of small scale mining operations applicable to individuals whose turnover does not exceed TZS 100m per annum. The proposed changes ensure that small scale miners pay taxes depending on the cashflow.

Introduction of a 3% income tax rate on the sale value of minerals

The time of payment of tax is at the time of sale of minerals and not regular instalment payments.

Obligations of the individual employers

As drafted, the following is applicable to individual employers:

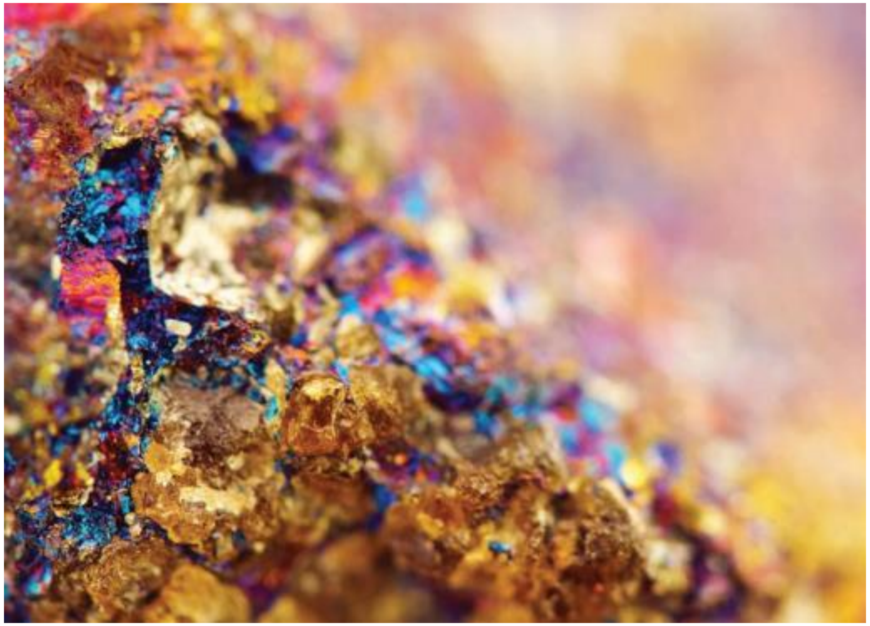
(i) Payment of royalty as established by the Mining Commission.

(ii) Payment of deemed PAYE (on behalf of the employees) at 0.6% of the sale value of minerals payable at the time of sale of minerals. Although this is stated as PAYE, it is an additional tax suffered by the employer.

Introduction of a 0.4% levy to employers

The time of payment of tax should be the time of sale of minerals.

The effect of all these changes is payment of an upfront tax paid by the employers of small scale mining at the rate of 4% on their turnover.



Direct Taxes

Gaming Tax

The following changes have been made on gaming taxes in order to increase Government revenues and promote fairness within the gaming industry:

- Introduction of 10% gaming tax on gross gaming revenue (GGR) from: (i) virtual games; and (ii) gaming products licenced under pilot study
- Reduction of winning tax from all sports betting from 20% to 15%

Increase of gaming tax on sports betting from 25% of GGR to 30%. Additional 5% to be allocated to the sports development fund

Indirect Taxes

Value Added Tax (VAT)

New Exemptions

The Minister has proposed the following new exemptions to the VAT Act 2014

- **Imports and local purchases to East African Crude Oil Pipeline (EACOP)** - to reduce operational costs on the Uganda through Tanzania pipeline project.
- **Crude oil** of HS Code 2709.00.00 - to relieve costs to final consumers and operational costs to EACOP.
- **Specified data devices including smartphones** (HS Code 8517.12.00), **tablets** (HS Code 8471.30.00 or 8517.12.00) and **modems** (8517.62.00 or 8517.69.00) in order to increase data penetration from 46% currently to 80% by 2025
- **Imported precious metals and raw materials**- to boost imports for refining and smelting by local industries hence increasing employment and revenue.
- **Insurance of livestock farming**. - to afford livestock farming insurance same treatment as crop insurance and also promote livestock farming.
- **Specified cold rooms** (HS Code 9406.10.10 and 9406.90.10) - aimed at reducing production costs and promote modern horticulture farming.
- **Specified importations by NIDA of contactless smart cards** (HS Code 3921.11.90) **and card consumables** (HS Code 3921.11.90) - aimed at reducing the cost of production of the NIDA cards.
- **Artificial"football pitch" grass** (HS Code 5703.30.00 and 5703.20.00) Exemption of grass used for football pitches in city councils subject to approval by the Tanzania Football Federation (TFF) with the aim of promoting sport in the country.
- **Broader exemption on milk cans.** The proposal is to abolish VAT exemption on cans intended for preserving milk with HS Code 7310.29.20 and broaden exemption to both aluminium and stainless-steel milk cans with HS Code 7310.29.90, 7310.10.00 and 7612.90.90. The intention is to reduce production costs and promote modern dairy milk industry.

Indirect Taxes

Value Added Tax (VAT)

Return of VAT Exemption to NGOs

This was removed in 2017 and has been proposed to return and to apply on imports and local purchases solely used for implementation of projects where there is an agreement with the Government which provides for VAT exemption. This should relieve NGOs of an otherwise unrecoverable cost burden since they are usually not VAT registered.

Change of VAT exemption process on government and donor funded projects

Exemption requests to be submitted directly to TRA Commissioner General instead of the current requirement of going through Government Notice issued by Minister for Finance. This measure is aimed to simplify and enhance efficiency.

Zero-rating: transport of EACOP crude oil

The Minister proposed to apply VAT at zero -rate on the EACOP crude oil transportation and related services- this will apply to the crude oil transported through EACOP pipeline to comply with the international best practice on transit.

Removal of VAT exemption: solar lights

The Minister has proposed to remove/abolish VAT exemption on the specified solar lights (HS Code 85.13 and 94.05). This is aimed to align to EACCMA exemption which is limited to generation of energy and not extended to transmission and distribution.

VAT deferment to be limited to specific capital goods

Proposal is to limit VAT deferment to capital goods under chapters 84, 85 and 90 of the EAC CET. This is intended to curb abuse of incentives due to lack of clarity.

Reciprocity of VAT refunds for transferred goods purchased in Tanzania Mainland or Zanzibar

The proposal is to scrap the current zero-rating treatment of locally manufactured goods transferred to Zanzibar from Tanzania Mainland. Instead, to allow for reciprocal refunds of VAT incurred by Zanzibar registrants in Mainland and Mainland registrants in Zanzibar. This will be supported by an interface of VAT records between the two jurisdictions to allow for an efficient refund mechanism.

Indirect Taxes

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 except for spirits and local beer manufactured using locally grown malt barley as follows:

- **Beer made from locally grown and malted barley:** reduction in excise duty rate to TZS 620/ltr (from TZS 765/ltr). The aim is to promote the use of locally grown barley in manufacturing of beer;

- **Spirits:** 30% increase in excise duty on spirits (in order to balance the tax rates between spirits and beer i.e. correlation of tax with alcohol content).

In addition to the above, the Minister proposed to introduce excise duty at 10% on the following:

- Imported and locally produced synthetic (plastic) fibres (Heading 55.11and 56.07) except fishing twine (HS Code 5607.50.00); and
- Imported used motorcycles aged more than 3 years (HS Code 8711).

The above proposed changes are aimed at (i) promoting local manufacturing of sisal products and protect the environment; and (ii) discouraging importation of used Motorcycle and controlling anti-dumping.

The Local Government Finance Act

The Minister has provided clarity that corporate entities liable for service levy may not be liable to pay produce cess along the value chain of a products.

The Minister has also proposed reduction of outdoor advertising fee in order to lower the advertisement cost and hence promote competitiveness in various businesses. See a summary of the changes under **Appendix 1**

Stamp Duty

The Minister is proposing to amend the Stamp Duty Act by updating the stamp duty rate inline with the current economy. The proposed amendments are summarised under **Appendix 2**

Indirect Taxes

Taxes on Fuel

Roads and Fuel Toll

Increase road and fuel toll by 100 shillings per litre (of petrol and diesel).

This incremental revenue will be used for road maintenance in rural areas through Tanzania Rural and Urban Roads Agency (TARURA).

Given the above changes, total taxes on petrol and diesel will increase as shown in the table on **Appendix 3**

Fuel levy

Increase of fuel levy to TZS 250/ltr (from TZS 150/ltr) . This is also aimed to mitigate adulterations of fuels due to increase of road and fuel tolls on petrol and diesel.

Telecommunications

Mobile money transaction levy

Proposed imposition of levy on mobile money transactions upon sending or withdrawing money. The amount of levy will vary depending on value of transaction.

Simcard levy

Imposition of a levy of between 10 shillings to 200 shillings per day per SIM card depending on the ability of the user to recharge the balance. It is unclear how this levy will be determined and its potential effect on digital access.

Commentary: The above two changes could have an unintended detrimental effect on financial inclusion. It is also not certain on how prepared the Telcos are in terms of having robust systems for implementing the proposed taxes/levies.

Indirect Taxes

Property tax

For efficiency and effective collection of property tax, the Minister has proposed that the property rate is embedded in the electricity bill or prepaid meter.

Rates proposed are as follows:

- TZS 1,000/month on ordinary building with one meter;
- TZS 5,000/month for every storey building/apartment with one meter.

Government will make Regulations to clarify on properties with a shared meter or single properties with more than one meter.

Other changes

Amendments of Various Fees and Levies imposed by Ministries, Agencies, Regulatory Authorities, Regions and Independent Departments

The Minister has proposed to amend rates of fees and levies charged by Ministries, Agencies, Regulatory Authorities, Regions and Independent Departments in order to review the rates to reflect the current values taking into account the inflation and value for money.

See a summary at **Appendix 4A.**

Personal Number Plates

Reduction of personalised Plate Number Registration fee from TZS 10,000,000 to TZS 5,000,000 for every three years (by amendments of the Motor Vehicle (Tax Registration and Transfer) Act, CAP 124).

Streamlining 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 with in order to improve the business environment by abolishing nuisance ones, reduce rates or integrated payments charged by more than one organisation.

Among others, it is the introduction of one electronic single window which will provide access to investors to process all the permits and licences required for their businesses electronically.

See more details in **Appendix 5**

The Road Traffic Act

Reduction of the road fines for offences to motorcycles and three-wheelers motorcycles (bajaji) from TZS 30,000/= to TZS 10,000/= for each offence committed.

Indirect Taxes

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

Removal of the requirement of 15% refundable additional import duty on sugar for industrial use

There are numerous changes proposed to the Common External Tariff (CET) rates after a consultative meeting of the East Africa Council of Ministers.

A notable change is the proposed by the Minister to remove the requirement of 15% refundable additional import duty deposit on sugar for industrial use.

This long awaited change change is intended to promote competitiveness and increase liquidity of domestic industries the same comes with a caveat of voluntary compliance by these industries to avoid punitive measures.

Other proposed changes to the CET rates are analysed in Appendix 6(a)

Valuation of imported printed fabrics (Vitenge)

Valuation of imported printed fabrics (Vitenge) to be re-vested in the Commissioner General.

De minimis value for Customs duties

The EAC Ministers agreed to adopt USD 50 as de minimis value where customs duties shall not be collected.

Administrative and other changes

Penalties for non-filing of monthly returns for Non-Citizens

Proposed amendments under the Non Citizen (Employment Regulation) Act, 2015 include:

- Imposition of a penalty of TZS 500,000 per month for failure to submit monthly returns to the Labour Commissioner
- **I**mposition of 12 months imprisonment or a fine of TZS 10,000,000 as a sanction for failure to submit monthly return

Currently the law requires submission of the returns at the interval of six months (semi- annual return). The returns only disclose number of citizens vs non citizens and their particulars. The returns referred in the proposed amendments include details of the salaries of non citizens employees.This suggests that further amendments on Non Citizen (Employment Regulation) Regulations, 2016 are anticipated.

Immigration Department

Proposed changes include:

- Visa fees to be retained by the union party (Mainland Tanzania, or Zanzibar) which collected the fee (as opposed to the current practice where visa fees are collected by both parties).
- Abolition of student visa/pass fee for higher learning institutions students in Tanzania-Mozambique exchange Programme (TAMOSE).

Initially only students coming from EAC countries were exempted from paying the student visa/pass fee.

The Land Rent Act, CAP 113

In order to encourage land occupancy, The Minister has proposed the following revised premium rates;

- Reduce premium rate from 2.5% to 0.5% for new land occupancy
- Reduce premium rates from 1% to 0.5% on regularizing land

The Societies Act, CAP 337

Proposed amendment to several fees paid to the Registrar of Societies and includes;

- Introduction of fees for application of new certificate of registration of societies when damaged,application for change of physical address etc
.
- Increase of several existing fees such as application for registration of the Society, change of the constitution of the society and change of the name of the Society

  In most cases the fees has increased by 100% and above. See summary under **Appendix 4B**

3 The Economy

The Economy

National GDP - Tanzania

In 2020, the global COVID-19 pandemic did have an impact with the national GDP growth rate reducing to 4.8% compared to 7.0% in 2019.

Economic activities with the highest growth rates included Construction (9.1%), Information and Communication (8.4%),Transportation and Storage (8.4%), Administrative related services (7.8%), Professional, Science and Technical Services (7.3%), Mining and Quarrying (6.7%), Health and Social Work Activities Services (6.5%).

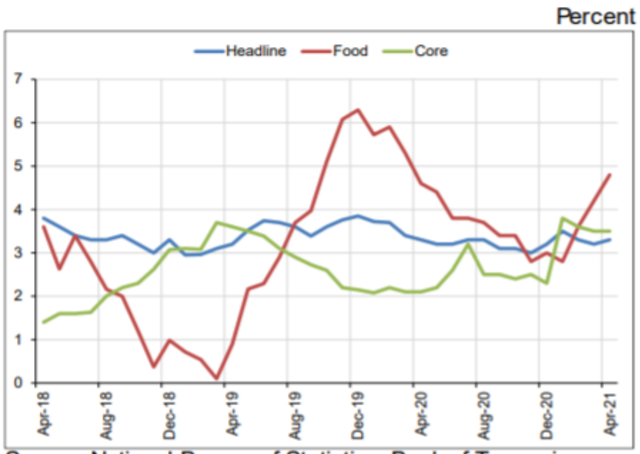
In 2021, the GDP growth is expected to slightly increase to 5.6%.

Inflation - Tanzania

In 2020, the average rate of inflation has remained in the single digits at 3.3 percent (2019: 3.4 per cent).

The inflation rate in April 2021 was recorded at 3.3% the same as reported in April 2020.The inflation stability is attributed to the steady supply of food, falling oil prices in the international world market, stability of the Tanzanian shilling against the US dollar and other major convertible currencies as well as effective implementation of monetary and fiscal policies.

Chart 1.1a: Annual CPI Inflation



Source: National Bureau of Statistics, Bank of Tanzania Computations
Note: Data from January 2020 are rebased with base year 2020.

Interest Rates – Tanzania

The Bank of Tanzania (BOT) continued to implement an accommodative monetary policy which helped to reduce interest rates in financial markets and in particular the lending and deposit rates.

Between July 2020 and April 2021, overall lending rates marginal decrease to 16.58% (2019/20: 16.91%). During the same period, one-year lending rates decreased to an average of 16.05% (from 16.37%).

Furthermore, the overall deposit rates was 6.95% during the period from July 2020 to April 2021 (compared to an average of 6.69% in the same period in 2020). On the other hand, one-year deposit rates increased to an average of 8.77% between July 2020 and April 2021 (compared to 8.01% in the same period in 2020).

The Economy

Money Supply and Circulation

Money supply continued to grow at a pace consistent with the demand of various economic activities. Between July 2020 and April 2021, extended broad money supply increased by 7.8%, reaching TZS 31 trillion from TZS 28.76 trillion in April 2020 - an increase of TZS 2.24 trillion or 7.8%.

Credit to Private sector

During the year ending April 2021, credit to private sector fell to 4.8% compared to 5.8% in 2019/2020. Inadequate credit to private sector was due to adverse effects of COVID – 19. A large portion of the credit to the private sector was directed to personal activities which accounted for 35.8% followed by business activities 15.7%, manufacturing 10.1% and agriculture activities 8%.

Regional Economic Performance

Real GDP - EAC

The economies of countries within the East African Community (EAC), with the exception of Uganda, showed a decrease in economic growth in 2020 compared to 2019. Tanzania recorded the highest growth of 4.8% in 2020 from 7.0% in 2019, followed by Kenya at 3.8% in 2020 from 5.4% in 2019, and Uganda at 3.3% in 2020 from 3.0% in 2019.

The slowdown in economic growth was due to the economic fallout from COVID-19.

External Trade

In the ten-month period ending April 2021, the balance of payments recorded a deficit of USD 1,117.2 million compared to a deficit of USD 1,443.6 million during 2020. This was driven by the increase of value of exports of gold, horticultural products as well as a decrease in imports of oil and transport equipment.

Export

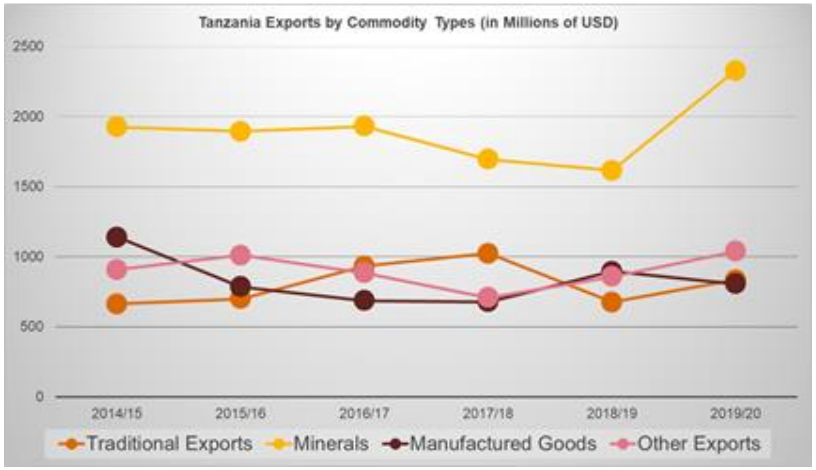
The value of goods and services exported in the ten-month period ending April 2021 decreased to USD 8.5 billion down from USD 9.6 billion in April 2020. The decrease was attributed to the decline of revenue from tourism related activities due to COVID – 19.

Import

The value of goods and services imported in the ten-month period ending April 2021 was USD 9.3 billion compared to USD 10.5 billion recorded in April 2020. This was caused by a decrease in imports of some goods due to improved production in domestic industries including construction materials.

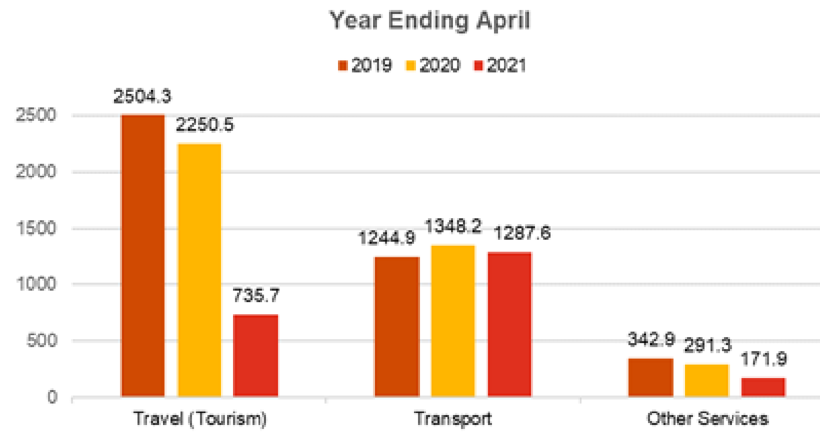
The Economy

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



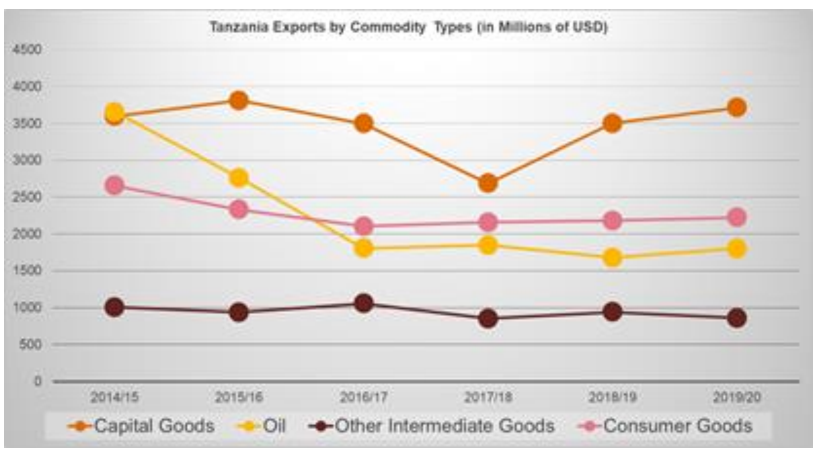
Source: BOT Annual Reports

Service Receipts



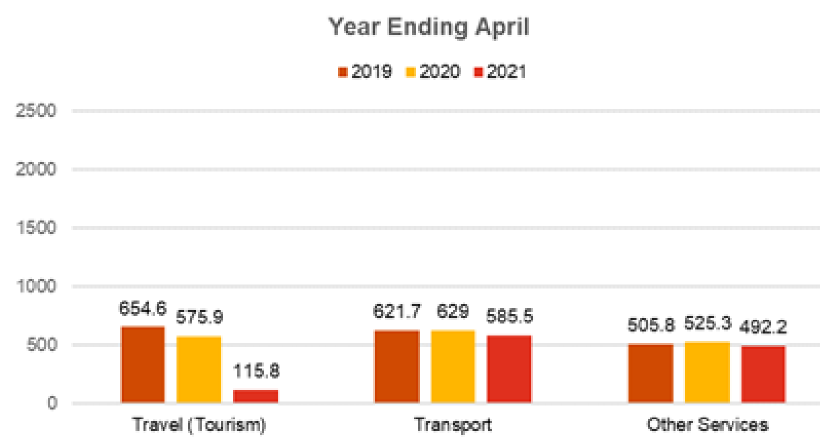
Source: BOT Monthly Economic Review

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



Source: BOT Annual Reports

Service Payments



Source: BOT Monthly Economic Review

Past Performance 2020/2021

Revenue / Collections

Total resources mobilised during the ten month period from July 2020 to April 2021 amounted to TZS 24.53 trillion equivalent to 86.1% of the annual target. These were mobilised from the following sources:

- Tax Revenue amounted to TZS 14.54 trillion, which is equivalent to 86.9 percent of the target;
- Non-tax revenue amounted to TZS 1.80 trillion, which is equivalent to 78.5 percent of the target;
- LGAs own source amounted to TZS 607.4 billion, equivalent to 88.5 percent of the target;
- Grants and concessional loans disbursed amounted to TZS 1.89 trillion, equivalent to 70.4 percent of the target;
- Loans from domestic sources, including rollover of government securities, amounted to TZS 3.99 trillion, equivalent to 95.7 percent of the target; and
- External non-concessional loans amounted to TZS 1.68 trillion, equivalent to 88.1 percent of the target.

Expenditure

During the period ending April 2021, the Government had released TZS 24.74 trillion equivalent to 86.8% of the TZS 34.88 trillion planned for the period.

Out of the above released amount, TZS 17.42 trillion was for recurrent expenditure (equivalent to 93.5% of the estimates) while TZS 7.32 trillion was for development expenditure (equivalent to 74.1% of the estimates).

The amount released for development projects includes TZS 6.24 trillion local funds and TZS 1.08 trillion foreign funds.

Past Performance 2020/2021

Development Expenditure

Some of the strategic areas accorded priority in the release of development funds during the fiscal period, included 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 2020/21, the government continued to implement the Standard Gauge Railway Line (SGR) from Dar es Salaam to Morogoro section (300 km) and Morogoro to Makutupora section (422 km).

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
Infrastructure	Standard Gauge Railway Line (SGR)	1,190
	Implementation of urban and rural water projects	208
	Construction and rehabilitation of railways	30
Transportation	Construction of roads, bridges and airport projects	1,150
Energy	Power generation, transmission and distribution projects including the Julius Nyerere Hydro Power Project and Rural Electrification Projects	1,020
Education	Higher education students’ loans, fee free basic education, strengthening of VETA operations; youth skills development and construction of schools’ infrastructure	406
Health	Construction and rehabilitation of regional hospitals and healthcare facilities, procurement of drugs, medical equipment and reagents	266

The 2021/2022 Budget Objectives and Targets

Macroeconomic Policy

Given this is the first year of the implementation of the third Five-Year National Development Plan 2021/22 – 2025/26 with the overall theme of *"realising competitiveness and industrialisation for human development"*, the main objective for 2021/22 is to: (i) have an inclusive and competitive economy; (ii) deepen industrialisation and service provision for value-addition of agricultural products; (iii) enhance investment and trade performance; (iv) enhance human development; and (v) enhance skills development.

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

- **Flagship Projects:** construction of central railway line to the standard gauge; strengthening Air Tanzania; facilitate construction of Crude Oil Pipeline Project from Hoima (Uganda) to Tanga (Tanzania); development of Special Economic and Export Processing Zones; Construction of: Liquefied Natural Gas plant; hydropower projects and nickel mining projects; construction of sugar processing plant;
- **Flagship Projects (continued):** petroleum exploration and soda ash projects; construction of bridges and flyovers; procurement of deep-sea fishing vessels and construction of fishing port; mass training of professionals in the field with specialised skills for skills for industrialization and human development.
- **Social Services:** enhancing education and training, health and social wellbeing, as well as social protection including the implementation of Productive Social Safety Nets Program through Tanzania Social Action Fund (TASAF); land planning, surveying and issuing title deeds in urban and rural areas; and continued implementation of environmental protection and climate change adoption programmes
- **Health services:** construction of more than 1500 health centers with a target of completing 67 health buildings; modern facilities still require additions to existing buildings, namely OPD, mother and child ward, IPD, operating rooms, staff houses, building services (laboratory and radiology) and mortuary; and improving access to health services through universal health coverage.
- **Livestock and fisheries:** construction and rehabilitation of irrigation and crop storage infrastructure; strengthening research centres and extension services; value addition to crops, livestock, fish and fisheries products for local and international markets; improve livestock artificial insemination services; and construction of modern abattoirs and livestock markets.
- **Skills development:** finance programmes that develop knowledge and skills at all levels of education, including enabling environment for self-employment among the youth; improve the vocational trainings and impart rare skills to increase productivity and competitiveness to foster social-economic development.
- **Investment and trade promotion:** strengthen domestic markets and exploit regional and international markets including those which will provide opportunities for domestic produced goods, including crops, livestock, forestry and fishery products.
- **Infrastructure improvement through concessional loans:** Dar Es Salaam Metropolitan Development Project Phase II; and upgrading of roads to promote social and economic opportunities.

The 2021/2022 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 harmonising, abolishing and reducing tax rates, levies and nuisance fees;
- Widening the tax base and creating a friendly environment for taxpayers including nurturing small and medium businesses;
- Emphasising the use of ICT systems so as to strengthen domestic revenue collection including Local Government Authorities' own source;
- Continue improving the Government's electronic Payment Gateway (GePG) system and maximise its usage by all Government institutions;
- Strengthening monitoring systems in public institutions for timely submission of dividends and contributions;
- Strengthening enforcement of tax laws in order to address tax evasion challenges and minimise revenue leakages;
- Transferring the role for verification of quality of imported fuel from private contractors to the Tanzania Bureau of Standards (TBS) in order to control tax evasion due to fuel adulteration; and
- Prioritisation of implementation of strategies and projects to increase revenue generation.

Strengthen Cooperation with Development Partners

Grants and concessional loans have declined from an average of 26.3% in 2010/11 to 12.3% in 2019/2020.

The Government will continue to engage Development Partners through various dialogues to ensure that the principles as outlined in the Development Cooperation Framework (DCF) 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 2021/22, the Government will continue to allocate funds in priority areas to ensure effective implementation of the 2021/2022 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 to increase efficiency and enhance local capacity on systems security.

Summary of Targeted Revenue Collection for 2020/21 and 2021/22

	2021/2022 12 month Budget TZS' bn	2020/2021 12 month Likely TZS' bn	2020/2021 12 month Budget TZS' bn	2021/22 v 2020/21 Budget Increase	2021/22 v 2020/21 Likely Increase
Domestic Revenue:					
Tax Revenue - TRA	22,179	18,416	20,326	9.1%	20.4%
Non Tax Revenue	2,990	2,281	2,925	2.2%	31.1%
	25,169	**20,697**	**23,251**	**8.2%**	**21.6%**
Local Government Authorities (LGA) own source	864	745	815	6.0%	16.0%
Domestic Revenue + LGA	**26,033**	**21,442**	**24,066**	**8.2%**	**21.4%**
General budget support	-	258	138	-100.0%	-100.0%
Foreign loans and grants (incl. MCA (T))	2,956	1,892	2,736	8.0%	56.2%
Domestic borrowings	4,989	4,904	4,904	1.7%	1.7%
Non-concessional borrowings	2,352	2,277	3,036	-22.5%	3.3%
Total revenue	**36,330**	**30,060**	**34,880**	**4.2%**	**20.9%**
Expenditure					
Recurrent	23,003	21,114	22,101	4.1%	8.9%
Development	13,327	8,945	12,779	4.3%	49.0%
Total	**36,330**	**30,059**	**34,880**	**4.2%**	**20.9%**
Recurrent expenditure					
National Debt Service*	10,663	9,976	10,477	1.8%	6.9%
Wages and Salaries	8,151	7,710	7,763	5.0%	5.7%
Other Charges	4,189	3,427	3,861	8.5%	22.2%
	23,003	**21,113**	**22,101**	**4.1%**	**9.0%**
Development expenditure					
Domestic Financing	10,371	7,030	10,043	3.3%	47.5%
Foreign Financing	2,956	1,915	2,736	8.0%	54.4%
	13,327	**8,945**	**12,779**	**4.3%**	**49.0%**

4

Industry Analysis

Agriculture

Agriculture

Sector growth

According to the BoT Quarterly Economic Bulletin for December 2020, the agriculture sector saw growth of 4.8% in the nine months to September 2020. However, agriculture's proportionate significance to the economy meant that during the same period it was the second largest overall contributor to real GDP growth - representing 24.6% of such growth (with only construction more significant at 42.6%).

Traditional exports

In the year ending April 2021 the value of traditional exports decreased to USD 576.3 million from USD 1,009.0 million in the corresponding period in 2020 on account of low value of all exported crops except sisal and coffee. The increase in the value of coffee exports was mainly due to a rise in the work market price.

Commercialisation of Agricultural, Livestock and Fishery Products

The Budget speech refers to various initiatives to drive commercialisation of the agricultural sector including:

- Crops
  - Construction and rehabilitation of irrigation infrastructure
  - Facilitating establishment of large farms as hubs of quality technology for smallholder farmers
  - Use of technology and farming techniques that are resilient to climate change
- Livestock
  - Various initiatives under the Agricultural Sector Development Program Phase II (ASDP II) including extension and research.
- Fisheries
  - Various measures to promote this sector


Manufacturing

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

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 particular interest to this sector given:
That most excise duties are fixed TZS amounts rather than ad valorem and so changes are frequently made at Budget time to these duties.
Ongoing initiatives by the Government to incentivise local production / value addition

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. As set out below for a number of manufacturing entities, 2020 was a tough year with several of them having reduced year on year turnover.

Against this backdrop it was not surprising that excise duty increases were limited to spirits. On the other hand, an excise duty reduction was introduced for beer made from locally grown and malted barley so as to promote the use of local inputs. Another very positive change is the proposed removal of the requirement of 15% refundable additional import duty deposit on sugar for industrial use.

2020 - selected highlights from listed entities

Press releases / published annual reports for listed manufacturing entities give some indication of top line challenges.

Listed entity	Change on prior year Revenue 2020	Change on prior year Revenue 2019
Tanzania Breweries Plc	-6.2%	-5.0%
Tanzania Cigarette Plc	-9.8%	5.2%
Tanzania Portland Cement Plc	11.4%	7.7%
Tanga Cement Company Plc	-4.0%	2.7%
East African Breweries Limited (EABL Tanzania Ltd & Serengeti breweries ltd)	14.0%	16.0%


Telecommunication
3G, 4G, 5G

Telecommunication

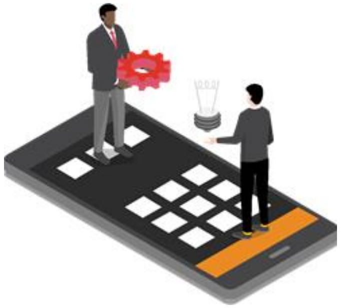
The National ICT Policy 2016 , formulated within the context of national vision statements guided by the Tanzania Development Vision 2025, recognizes ICT as central to a competitive social and economic transformation by stating: “These technologies are a major driving force for the realization of the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

However, taxation has increasingly been seen as a potential barrier to accessing communication services - risking creating a “digital divide”. The tax concerns essentially have been around taxes on devices, as well as taxes on services (data, airtime etc).

Indeed taxes on telecommunication services now probably generate more in consumption taxes than the alcohol sector. The steady progression of excise duty on telecommunications now means that turnover taxes (including excise duty, VAT, service levy, and regulatory levies) represent 40.4% of pre-tax turnover; or if taken as a proportion of the tax inclusive price, then 28.7% (i.e. 40.2 divided by 140.2).

In its March 2021 report (Tanzania: Driving social and economic value through mobile-sector tax reform) the GSMA commented that *“the tax contribution of the mobile sector in Tanzania is considerably higher than the average for Sub-Saharan Africa and also above other regional averages; this could limit the country’s transition to a digital economy”*, noting that the 17% excise duty rate on mobile services is the second highest in Sub-Saharan Africa. It noted that *“in Tanzania, consumer taxes represent a significant share (32%) of the total cost of mobile ownership (TCMO)”.*

As highlighted in the indirect taxation narrative, there have been positive changes in this year by way of VAT reduction on handsets. There is also reference in the budget speech to the proposed construction of a mobile phone assembly factory in a PPP arrangement with the Tanzania Communications Regulatory Authority (“TCRA”)



Telecommunication

2020 - 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 show:

- Overall 5.7% decline in service revenue (with declines in voice revenue (-16.5%) and M-pesa revenue (-0.4%), but growth in mobile data revenue (+3.3%)). This reflected subdued economic activities due to the pandemic as well as the impact of service due to barring of SIM cards. However, service revenue rebounded in quarter 4 (6.3% growth) supported by growth in M-Pesa and data revenues
- EBITDA down 13.3%, and a net loss after tax.

Highlights from the Millicom website include:

- 2020 annual report narrative on its subsidiaries in Tanzania (operating under the Tigo and Zantel brands) including the following: "Our operation in Tanzania was not immune to the impacts of the global crisis, with organic service revenue down 3.7% in 2020, as compared to a decline of 2.9% in 2019. Meanwhile, EBITDA grew 2.1% organically in 2020, improving from a decline of 19.9% in 2019."
- 19 April 2021 press release: In Tanzania, Millicom has agreed to sell its entire operations to a consortium led by Axian, a pan-African group that was part of the consortium that acquired Millicom's operations in Senegal in 2018.

Airtel Africa Plc

- 12 months to 31 March 2021: Revenues for Airtel Tanzania Plc up 16.6% on prior year
- 2 June 2021 press release: Sale of Airtel Tanzania Plc's tower portfolio to a third party

Telecommunication

	Note	2017/18 to date		
Gross charge before tax			**100**	
Excise Duty	**1**	17%	17	17
			117	
VAT		18%	21.1	21.1
Gross charge / sub-total			**138.1**	**38.1**
Local tax - service levy		0.30%		0.3
TCRA; UCAF	**2**	2.00%		2
Total tax and levies on gross income				**40.4**

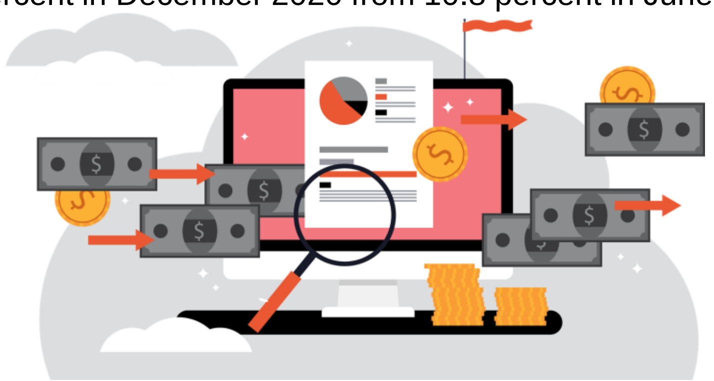
Note	
1	Excise duty increases: to 12% (July 2012, previously 10%, then 14.5% (Jul 2013), then 17% (Jul 2014)
2	Levies to TCRA and UCAF originally totalled 1.1% (0.8% + 0.3%), but from Jul 2019 increased to 2% (1% + 1%)


Financial Services

Financial Services

The Tanzania banking sector remains highly concentrated with two former state banks CRDB and NMB, holding around 35% of total banking assets and a combined 40% of the deposits. The top 5 largest banks have over 50% of the total banking assets. The sector continued to maintain steady growth, with total assets reaching TZS 37.7 billion at the end of December 2020, from TZS 36.3 billion recorded at the end of December 2019.

As the coronavirus pandemic continues to send shock waves across the world economy, the Tanzania financial sector remains sound and resilient, with a satisfactory level of liquidity. According to the Monetary Policy statements released in February 2021 by the Bank of Tanzania (BoT), the quality of assets of banks improved, as the ratio of non-performing loans (NPLs) to gross loans declined to 9.3 percent in December 2020 from 10.8 percent in June 2020.



In 2019, the Bank of Tanzania implemented measures to reduce NPLs close to the desired level of 5 percent, which included enforcement of risk based prudential requirements and requiring banks to improve credit underwriting standards using credit information reports from Credit Reference Bureaus in loan applications. In addition, the Bank of Tanzania has instituted mechanisms of monitoring banks in the implementation of strategies to reduce non-performing loans.

Furthermore, the Tanzania banking sector is stable as banks had enough capital reserves to withstand financial hurdles. The recorded ratio of core capital to total risk weighted assets and off-balance sheet exposure as at December 2020 was 17.2% whereas the minimum regulatory benchmark is 10%

In the Monetary Policy of February 2021 it was also reported that the Bank of Tanzania continued to implement accommodative monetary policy, amidst low inflationary environment, to cushion the economy from the adverse impact of COVID-19 and facilitate provision of private sector credit. Consequently, the level of liquidity remained adequate, reflected by low and stable money market interest rates, decline in yields on Treasury bonds, and slight fall in lending rates.

Financial Services

Overall lending interest rate was an average of 16.63 percent in the quarter ending March 2021 from 16.81 percent in the quarter ending March 2020, while the one-year lending rate remained almost unchanged at an average of 15.87 percent compared with 15.72 percent in the same period.

Interest rates offered on deposits remained broadly unchanged, with the overall and one-year time deposit interest rates averaging 6.83 percent and 8.57 percent compared to 6.86 percent and 8.65 percent, respectively.

Merger and acquisitions:

The banking sector in Tanzania has continued to witness a number of mergers and acquisitions over the recent months involving both local and foreign banks. In July 2020, BoT licensed Mwanga Hakika Microfinance Bank (MHB) following the merger between Mwanga Community Bank (MCBL), Hakika Microfinance Bank (HK MFB), and EFC Microfinance Bank. During the same month, BoT placed China Commercial Bank Limited (CCB) under statutory administration, and in March 2021, it transferred all its assets and liabilities to NMB Bank.

Finally, in March 2021 the National Bank of Malawi plc (NBM) completed the acquisition of a 51% controlling stake in Akiba Commercial Bank. The acquisition is part of the banks' strategic regional expansion.

As per the BoT monthly economic review of April 2021, credit extended to the private sector in the country comprises loans extended by banks and microfinance institutions. In March 2021, credit extended to the private sector by banks rose by TZS 465.0 billion to TZS 20,477.8 billion, equivalent to an annual growth of 2.3 percent compared with 8.6 percent in March 2020. The subdued growth rate of credit to the private sector is mainly attributable to the adverse effects of COVID-19 to some businesses, particularly those directly exposed to external shocks. These comprises exports, such as tourism and traditional cash crops.

Financial Services

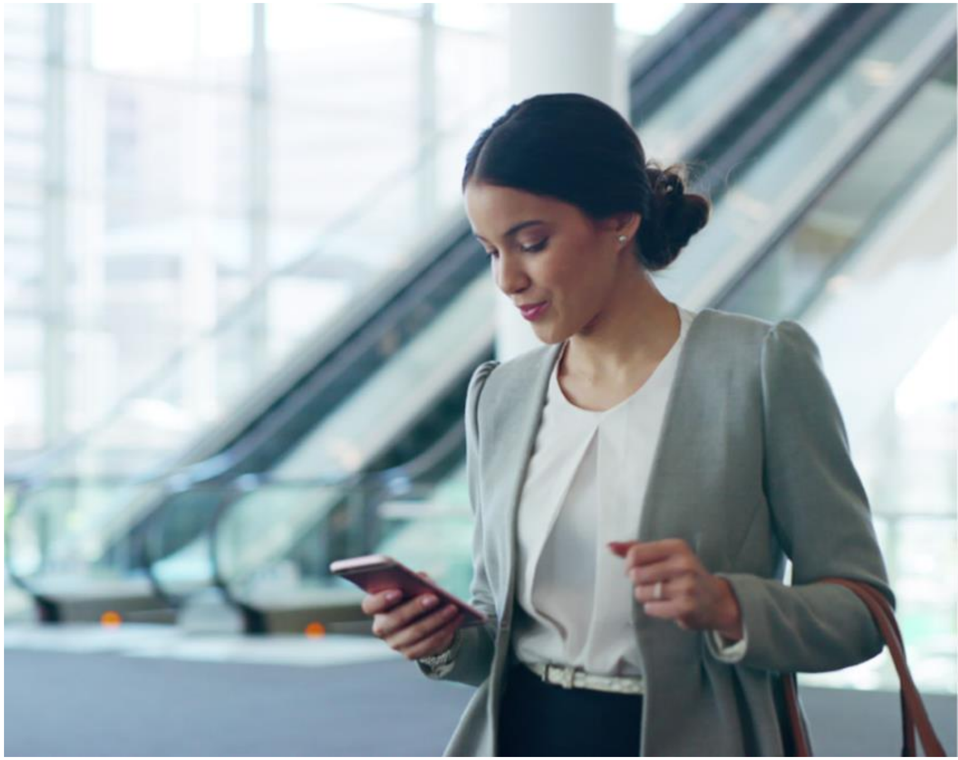
Credit to the Private Sector by Banks

Economic activities that exhibited strong growth of credit from banks were personal activities (largely representing lending to micro, small and medium enterprises), and hotels and restaurant:

Composition of Banks’ Outstanding Credit by Major Economic Activities

Insurance sector:
In 2019 the Tanzania National Insurance Regulatory Authority (TIRA) introduced a regulation allowing banks to practice bancassurance. Such a distribution channel was introduced by the regulatory authority in order to make insurance products accessible to a large number of Tanzanians.

In 2021 TIRA established the TIRA-Mis to automate the management information system. Furthermore, in April this 2021 the authority launched a sticker-less motor vehicle insurance product for online monitoring by the police. The move aimed to eradicate fake insurance certificates in the country.



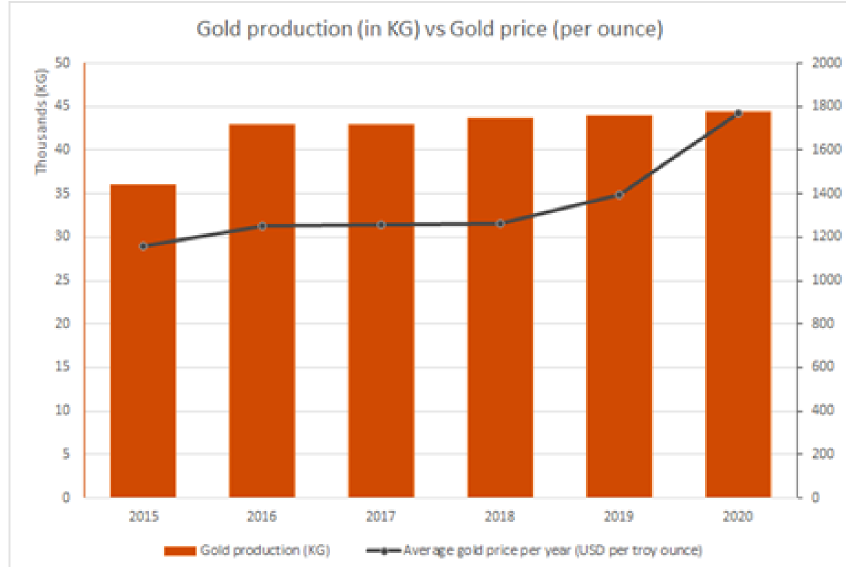

Mining

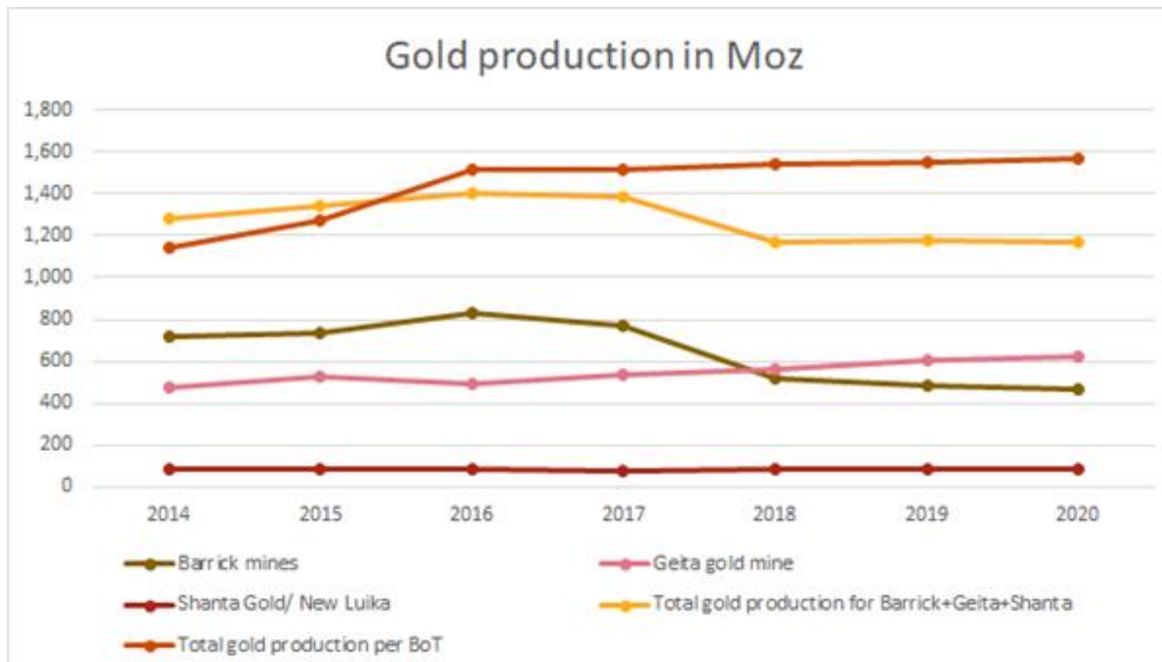
Mining

2020 Highlights

In the year to 31 December 2020 gold exports increased to USD 2,957.5 million (2019: USD 2,215.1m; 2018: USD 1,524.1m). The primary driver for this increase has been the world market price for gold.

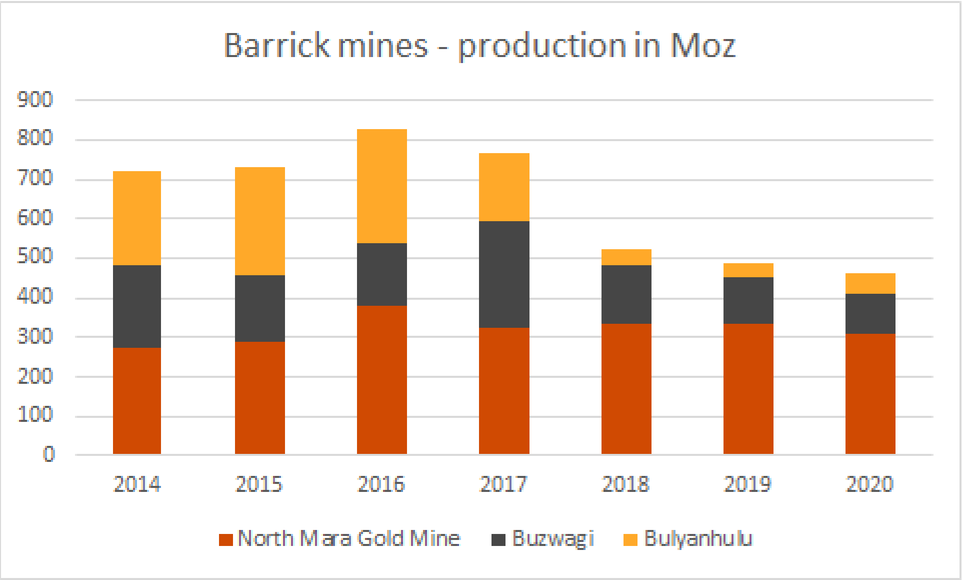
Gold production continues to be dominated by international gold companies, and in particular production from Geita mine, part of the Anglogold Ashanti group , and North Mara mine, part of the Barrick Gold group . However increased production is being reported by small scale miners.





Source: Company websites (by mine); BOT Quarterly Economic Review (total)

Mining



Barrick Tanzania entities updates

Highlights from a Mine Africa 2021 presentation include reference to:

- North Mara transitioning to underground mining during the year and significant improvements made to improve costs and operational effectiveness
- Bulyanhulu commenced processing in Q4 as planned and expected to be in full operation by end H1 2021 after ramp-up
- The mines, managed through the Twiga joint venture with the Government of Tanzania, paid a maiden dividend of $250 million in October 2020. During 2020, Barrick invested $800 million in the Tanzanian economy in the form of taxes, permits, infrastructure development, salaries and payments to local suppliers.

Source: Company website

Mining

2020 Highlights

Geita

Highlights from the Anglogold Ashanti Plc website material in relation to Geita include:

- Statement that for the group *“the performance for the year was underpinned by Geita's highest annual production level in 15 years”* noting that *“Geita’s production of 623,000oz was the highest annual production level achieved in the last 15 years and 3% higher than the preceding year’s 604,000oz.”*
- 2020 ESG and sustainability workbook showing total taxes paid and generated in 2020 of USD 326.1m (2019: 190.0m)
- Commenced development of a third underground mine

Shanta Gold Mining Limited new developments

- 2020 gold production from New Luika of 82,978 ounces, and US$26 million to the Government of Tanzania in the form of taxes and royalties.
- Construction is underway at Singida which is being funded from free cash flow generation at New Luika. Once in production the project is expected to produce an average of 32,000 oz of gold annually over an initial seven-year mine life.

VAT refunds

A common theme in the annual accounts of the listed holding entities for the above groups is the question of significant pending VAT refunds in Tanzania for their subsidiaries.

Mining

2021 and Looking forward - Nickel

- A Framework Agreement that defines the relationship between Kabanga Nickel and the Government of Tanzania was concluded between the parties on 19 January 2021. The Kabanga project is owned by Tembo Mining Limited ("Tembo") of which Kabanga Nickel owns 84% and the Government of Tanzania the remaining 16%, in accordance with current mineral legislation.

- The Agreement confirms the conditions of a Special Mining License to be issued to Tembo, a Refining License and the commercial terms applicable to Tembo. Fundamental to the Framework Agreement is a partnership model that incorporates an equitable sharing of economic benefits arising from the project.

- A key part of the Kabanga project strategy and business model involves in-country beneficiation (via a hydromet base metal refinery) to process a high-grade base metal concentrate and produce refined Class 1 nickel, copper and cobalt end products.

- *"Kabanga is the largest development-ready nickel sulphide deposit in the world, unmatched in scale and grade, with at least 30 years life of mine and further exploration upside. An extensive amount of exploration and resource definition has been completed to date, setting the Kabanga nickel project on a well-defined path to production."* Kabanga Nickel - project website

- Target End Customers - Electric Vehicle & Energy Storage Markets: As the electric vehicle (EV) market grows to replace the use of fossil fuels, the requirement for battery minerals is expected to increase significantly to meet this additional demand. Kabanga Nickel will produce two of the key elements in lithium-ion batteries – nickel and cobalt – along with copper which is also expected to see demand grow in line with greater electrification.

Mining

2021 and Looking forward - Gold

OreCorp Limited

- 3 June 2021 press release advising of Cabinet approval of Special Mining Licence for the Nyanzaga project.
- May 2021 investor presentation highlighted Nyanzaga as a significant development project of scale and grade, with pre-production capital requirement of US$287 million.

Tangold Limited / Buck Reef

- 3 May 2021 press release: Announcement of new discovery (Buckreef West Gold Zone)
- 14 April 2021 press release - 2021 Q1 release
  - USD $24.4 million capital raised
  - Strong additions to senior management team
  - Working with Stamico (Government of Tanzania) to advance the Buckreef Project and modernizing the joint venture agreement
  - Positive operating results on oxide test plant, as well as positive metallurgical test results, and positive exploration results

2021 and Looking forward - Other

A number of other potential mining projects are in the pipeline including for rare earths (Peak Resources), graphite, niobium, uranium and others.

PwC's "Mine 2021" publication - Great Expectations, Seizing Tomorrow

The latest edition of PwC's annual Mine publication includes interesting food for thought including:

- **Financial metrics:** A mining sector with excellent financial metrics - not least strong balance sheets, reflecting a significant increase in cash on hand (up 40%), and therefore better placed to look at new investments.
- **Tax transparency:** Noting that mining companies are concerned about tax policy uncertainty but few are doing much about it. With increasing pressure to disclose, and a significant upside to be gained from doing so, miners should embrace tax transparency as an integral part of their ESG strategy.
- **ESG:** highlighting how companies with higher ESG ratings had a higher than average total shareholder return.

5 Appendices

Appendix 1 & 2

Advertisement fee		Appendix 1
Advertisement item	**Current fee (TZS)**	**Proposed fee (TZS)**
Illuminated	18,000	13,000
Non Illuminated	15,000	10,000
Wall Sign	15,000	10,000
Electronic Sign	20,000	15,000
Vehicular	15,000	10,000
Short term (per day)	55,000	50,000
Poster promotion (bunch of 100 posters)	100,000	50,000

Stamp Duty		Appendix 2
Item	**Current fee (TZS)**	**Proposed fee (TZS)**
Nominal stamp duty	500	2,000
Memorandum & Articles of Association	5,000	10,000
Partnership instruments	2,000	5,000
Partnership with capital more than TZS 100,000	5,000	10,000
Instruments of dissolution of partnerships	1,000	10,000

Appendix 3 - Fuel Taxes

	01/07/07 to 30/06/11	01/07/11 to 30/06/13	01/07/13 to 30/06/15	01/07/15 to 30/06/16	01/07/17 to 30/06/20	01/07/21
	TZS / litre	**TZS / litre**	**TZS / litre**	**TZS / litre**	**TZS / litre**	**TZS / litre**
Excise - diesel	314	215	215	215	255	255
Excise - petrol	339	339	339	339	379	379
Road Toll	200	200	263	313	313	413
Petroleum Levy	0	0	50	100	100	100
Total taxes - diesel	**514**	**415**	**528**	**628**	**668**	**768**
Total taxes - petrol	**539**	**539**	**652**	**752**	**792**	**892**
Exchange rate (at start)	1275	1582	1601	1970	2230	2299
Total taxes - diesel US$	0.40	0.26	0.33	0.32	0.30	0.33
Total taxes - petrol US$	0.42	0.34	0.41	0.38	0.36	0.39

Appendix 4A - Various changes

Details	Imposed changes
Ministry of Agriculture	
- Registration fee for irrigation communities	TZS 60,000
- Irrigation service fee	5% of seasonal harvest
Tanzania Bureau of Standards (TBS)	
- Introduction of new fees on food products	Fees shown in the Standard (Fees and Charges) Regulation, 2021
Implementation of BLUEPRINT for Regulatory reforms	
- Application window for permits and licenses to investors	Introduced one electronic single window

Appendix 4B - Various changes

Details	Change from	Change to
Ministry of Home Affairs		
- Application fee for registration of a society	TZS 10,000	TZS 50,000
- Annual fee for religious society	TZS 20,000	TZS 100,000
- Annual fee for non-religious society	TZS 40,000	TZS 50,000
- Annual fee for foreign religious society	USD 30	USD 60
- Annual fee for foreign non-religious society	USD 30	USD 60
- Application fee for change of name of society	TZS 50,000	TZS 100,000
- Application fee for change of constitution of a society	TZS 50,000	TZS 100,000
- Application fee for certified true copy of the original from records by society	TZS 20,000	TZS 50,000
- Application fee for new certificate of society - loss	TZS 50,000	TZS 100,000
- Application fee for new certificate of society - loss second time	TZS 50,000	TZS 200,000
- Search fee by society	TZS 50,000	TZS 100,000
- Search fee by member of public	TZS 50,000	TZS 200,000
- Application fee for new certificate of registration of society-damaged	TZS 100,000	
- Application fee for correction of misrepresentation caused by applicant	TZS 50,000	
- Application fee for change of physical address of postal address of society	TZS 50,000	

Appendix 5 - Implementation of BLUEPRINT for Regulatory reforms

Details	Change from	Change to
Implementation of BLUEPRINT for Regulatory reforms		
- Tanzania Tourism Business License (TALA) License for travel agents	USD 2,000	USD 500
- Inspection fee (regardless of nature of meat)	TZS 100/kg of beef and TZS 50 per kg of mutton/chevon	TZS 40,000 per certificate
- WCF rate for private sector institutions (of the total gross monthly salary of employees)	1%	0.60%
- Radioactive analysis fee	0.2% of FoB for food crops	removed
- Student VISA/PASS fee for higher learning institution students in Tanzania-Mozambique students exchange programme		removed
- Fire levy - horticultural farms		removed
- Fire inspection fee - farms and plantations including farm house(s)	TZS 100,000 to TZS 1,000,000	removed
- Maximum area for trade fair events not subject to fire and rescue levy	2,000m	10,000m
- Number of boarders in educational boarding schools	100	200
- Fee for destroying expired medicines	TZS 1,000,000	TZS 100,000
- Annual environmental fee	TZS 200,000	TZS 100,000
- Clearance fee for Meat Board of Tanzania	1% of FOB	TZS 70,000 per consignment
- Electrical inspection, electrical insulation test and general inspection fee	TZS 590,000	TZS 150,000
- Licenses for insurance companies	Annual license	3 years license
- Application window for permits and licenses to investors	Introduced one electronic single window	

Appendix 6 - Customs Duty

Removal of the requirement of 15% refundable additional import duty on sugar for industrial use

- It has been proposed to remove the requirement of 15% refundable additional import duty deposit on sugar for industrial use.
- This measure is intended to promote competitiveness and increase liquidity of domestic industries.
- In addition, the introduction of ETS will be used as a mechanism to track company's production and verify the use of industrial sugar.
- However, non-compliant traders will be subjected to the "previous measure" on top of other existing legal measures.

De minimis value for Customs duties

- In the East African Community pre-budget consultative meeting, the Ministers for Finance agreed to amend the East African Community Customs Management Act, 2004 by adopting USD 50 as de minimis value where customs duties shall not be collected.

Valuation of imported printed fabrics (Vitenge)

- Valuation of imported printed fabrics (Vitenge) to be re-vested in the Commissioner General so that the Valuation principles stipulated in the East African Community Customs Management Act, 2004 are adhered to.
- Along with this measure, it was proposed that the valuation for those who can not "justify" their declared values to range between USD 0.55 to 1 for a meter of Polyester Kitenge and USD 0.60 to 1 for a meter of Cotton Kitenge in line with the Valuation principles.
- The Import Duty measures altogether are expected to increase Government revenue by shillings 32,626.38 million.

Appendix 6(a) - Customs Duty

The proposed changes in the Common External Tariff ("CET")	Item	HS Code	Old rate	New rate	Intention/Objective
Stay of application (Decrease) for one year	Buses for transportation of more than 25 persons imported for rapid transport (BRT) project for one year.	8702.10.99 and 8702.20.99	25%	10%	To de-congest the city and ease the transportation system within the country.
	Wires of other alloy steel	7229.20.00 and 7229.90.00	10%	0%	To reduce the cost of these inputs used by local manufacturers
	Milk cans	7310.10.00 and 7310.29.90	25%	0%	To provide relief for the dairy sector in the country.
Remission (Decrease) for one year	Organic surface-active agents (Anionic) used by manufacturers of detergents and liquid soaps.	3402.11.00	10%	0%	To reduce the cost of inputs for detergents and liquid soaps manufacturers in the country
	Raw material used in leather processing	3208.20.00 and 3210.00.10	25% or 10%	0%	To promote growth of local leather industries.
	Raw materials used to manufacture different types of fertilizers for fertilizer manufacturers	2710.99.00; 2528.00.00; 3505.20.00	25% or 10%	0%	To promote growth of local manufacturers of fertilizers
	Packaging materials for processed tobacco	5310.10.00	25%	0%	To promote growth of local manufacturers of tobacco
	Packaging materials for processed tea for local manufacturers of tea (blenders)	4819.20.90; 5407.44.00; 3923.29.00	25%	0%	To promote growth of local manufacturers of tea in the country

Appendix 6(a) - Customs Duty

The proposed changes in the Common External Tariff ("CET")	Item	HS Code	Old rate	New rate	Intention/Objective
Remission (Decrease) for one year	Aluminium alloy circles to manufacture cooking pots	7606.92.00	25%	10%	To reduce cost of production for local manufacturers of aluminium cooking pots;
	CKD for Three-Wheel Motorcycle excluding Chassis and its components	8704.21.90	25%	10%	To reduce cost of production for local manufacturers of Three-Wheel Motorcycles used for cargo transportation.
	Inputs used to manufacture Glass Reinforced Plastic pipes. (Polyester Film 50mm & 200mm; Tissue Mat 30gr; Chopped Strand Mat/Knitted glass Mat; Mesh cloth liner; Sand holding cloth (Polyester Mesh); Direct Roving (2400 TEX); Direct Roving (600 TEX); Chop Roving; Surface Liner; Rubber O-ring Rubber Gasket; and Resin Cystitis	3920.61.10; 7019.39.00; 7019.31.00; 6006.90.00; 6006.90.00; 7019.12.00; 7019.12.00; 7019.12.00; 3920.10.10; 4016.93.00; 4016.93.00; and 3907.91.00	25% or 10%	0%	To promote local manufacturers of glass reinforced plastic pipes and create more jobs in the country;
	Flat-rolled products of other alloy steel, of a width of 600 mm or more	7225.30.00	10%	0%	To reduce the cost of this input used by local manufacturers

Appendix 6(a) - Customs Duty

The proposed changes in the Common External Tariff ("CET")	Item	HS Code	Old rate	New rate	Intention/Objective
Stay of application (Increase) for one year	Cotton yarns	52.05; 52.06; and 52.07	10%	25%	There is a great potential of producing cotton yarns in the country by increasing value addition of cotton and enhance cotton to cloth (C2C) strategy
	New pneumatic tyres of rubber, of a kind used on motorcycles	4011.40.00	10%	25%	To protect local manufacturers of pneumatic tyres;
	Peanut Butter	2008.11.00	25%	35%	To promote the growth of small and medium enterprises engaged in peanut processing.
Remissions effected during 2020/21 which continue to be implemented in 2021/22	Inputs for the manufacture of essential medical products and supplies for fighting COVID-19 including masks, sanitizers, coveralls, face shields and ventilators for one year. The objective is to promote domestic production of items for fighting COVID-19 health pandemic;		25% or 10%	0%	

Appendix 6(a) - Customs Duty

The proposed changes in the Common External Tariff ("CET")	Item	HS Code	Old rate	New rate	Intention/Objective
Remissions effected during 2020/21 which continue to be implemented in 2021/22	Other packing containers, including record sleeves as inputs used by domestic manufacturers of UHT milk	4819.50.00	25%	0%	To promote growth of domestic Milk processing industry;
	Corks and stoppers used as inputs by domestic manufacturers of local wines	4503.10.00	10%	0%	To promote the growth of grapes farming and wine industries in the country;
	Packaging materials for processed coffee	7310.21.00; 6305.10.00; 3923.50.10; 3923.50.90 and 3920.30.90	25%	0%	To promote domestic coffee processors in the country.
	Sacks and bags of polymers of ethylene as inputs used by domestic processors of cashew nuts	3923.21.00	25%	0%	To promote growth of domestic cashew nuts processing industry in the country.
	Inputs used by domestic processors of cotton lint	3920.30.90; 6305.39.00;7217.90.00;	25%	0%	To promote cotton processing in the country
	Packaging materials for seeds used by local producers of agricultural seeds	3923.29.00; 6305.10.00; 4819.40.00; 7310.29.90; 6305.33.00; 6305.20.00; 6304.91.90 and 7607.19.90.	25%	0%	To reduce the cost of packaging materials for domestic producers of agricultural seeds.

Appendix 6(a) - Customs Duty

The proposed changes in the Common External Tariff ("CET")	Item	HS Code	Old rate	New rate	Intention/Objective
Remissions effected during 2020/21 which continue to be implemented in 2021/22	Raw materials used to manufacture baby diapers ❑ Super Absorbent Polymer/Powder; ❑ Polyethylene Laminated Nonwovens; ❑ Spandex; ❑ PE Film/Packing Film; ❑ PE Film/Packing Film; ❑ Non-Woven; ❑ Hot Melt Adhesive; ❑ Molded Hook; ❑ Wet Strength.	3906.90.00; 5903.90.00; 5402.44.00; 3920.10.90; 3920.10.10; 5603.11.00; 3506.91.00; 5806.10.00; 4803.00.00;	25%	0%	To reduce the cost of production for manufacturers of baby diapers in the country.
	Inputs used by domestic minerals processors	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; 9002.19.00	25% or 10%	0%	To create value addition of gemstones and employment creation.
	Paper products as raw materials used for manufacturing of packaging materials (corrugated boxes).	4805.24.00 and 4805.25.00	25%	10%	To encourage domestic investment in production of corrugated boxes and reduce the cost of packaging materials.

Appendix 6(a) - Customs Duty

The proposed changes in the Common External Tariff ("CET")	Item	HS Code	Old rate	New rate	Intention/Objective
Remissions effected during 2020/21 which continue to be implemented in 2021/22	Imported wheat grain	1001.99.10 and 1001.99.90.	35%	10%	To reduce the cost of production for manufacturers of wheat flour in the country.
	Printed Aluminum Barrier Laminates (ABL)	3920.10.90	25%	0%	To promote competitiveness of domestic industries of toothpaste.
	Refined Bleached Deodorized (RBD) Palm Stearin	1511.90.40	10%	0%	To promote the domestic manufacturers of soaps.
Stay of application effected during 2020/21 which continue to be implemented in 2021/22	Cash registers and Other Electronic Fiscal Device (EFD) Machines and Point of Sale (POS)	8470.50.00 and 8470.90.00	10%	0%	To encourage the use of electronic devices for accounting of Government revenues;
	Ceramic tiles	6907.21.00, 6907.22.00 and 6907.23.00.	25%	35%	To protect local manufacturers of ceramic tiles in the country;
	Tea, whether or not flavored	9.02	25%	35%	To protect local processors of tea in the country;

Appendix 6(a) - Customs Duty

The proposed changes in the Common External Tariff ("CET")	Item	HS Code	Old rate	New rate	Intention/Objective
Stay of application effected during 2020/21 which continue to be implemented in 2021/22	Sacks and bags, of Jute or other textile bast fibres of heading 53.03	6305.10.00	25%	35%	To encourage growth of the sisal products industries in the country.
	Cocoa powder, not containing added sugar or other sweetening matter.	1805.00.00	0%	10%	To promote domestic cocoa seeds production and enhance value addition in the country.
	Coffee whether or roasted or decaffeinated, coffee husks and skins coffee substitutes containing coffee in any proportion.	09.01	25%	35%	To protect coffee processors in the country.
	Iron and steel products	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; 7226.92.00; and 7225.50.00	10%	Higher of 10% or USD 125/MT	To protect iron and steel manufacturers in the country.
	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more plated or coated with zinc	7210.41.00; 7210.49.00; 7210.61.00; 7210.69.00; 7210.70.00; 7210.90.00.	Higher of 25% or USD 200/MT	Higher of 25% or USD 250/MT	To protect iron and steel manufacturers in the country

Appendix 6(a) - Customs Duty

The proposed changes in the Common External Tariff ("CET")	Item	HS Code	Old rate	New rate	Intention/Objective
Stay of application effected during 2020/21 which continue to be implemented in 2021/22	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, clad.	7212.60.00	10%	Higher of 10% or USD 250/MT	To protect iron and steel manufacturers in the country.
	Flat-rolled products of iron or nonalloy steel, of a width of less than 600 mm, clad, plated or coated	7212.30.00; 7212.40.00; and 7212.50.00.	Higher of 25% or USD 200/MT	Higher of 25% or USD 250/MT	To protect iron and steel manufacturers in the country.
	Iron and steel reinforcement bars and hollow profiles HS Code	7213.10.00; 7213.20.00; 7213.99.00; 7214.10.00; 7214.20.00; 7214.30.00; 7214.91.00; 7214.99.00; 7215.10.00; 7215.50.00; 7215.90.00; 7225.91.00; 7225.92.00; 7225.99.00; 7306.30.00; 7306.50.00; 7306.61.00; 7306.69.00; 7306.90.00.	Higher of 25% or USD 200/MT	Higher of 25% or USD 250/MT	To protect iron and steel manufacturers in the country.

Appendix 6(a) - Customs Duty

The proposed changes in the Common External Tariff ("CET")	Item	HS Code	Old rate	New rate	Intention/Objective
Stay of application effected during 2020/21 which continue to be implemented in 2021/22	Horticultural products	0603.11.00; 0603.12.00; 0603.13.00; 0603.14.00; 0603.15.00; 0603.19.00; 0604.20.00; 0604.90.00; 0701.90.00; 0702.00.00; 0703.10.00; 0703.20.00; 0703.90.00; 0706.10.00; 0706.90.00; 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; 0808.30.00; 0910.11.00; 0910.12.00.	25%	35%	To protect iron and steel manufacturers in the country;

Appendix 6(a) - Customs Duty

The proposed changes in the Common External Tariff ("CET")	Item	HS Code	Old rate	New rate	Intention/Objective
Stay of application effected during 2020/21 which continue to be implemented in 2021/22	Monofilament of which any cross sectional dimension exceeds 1mm, rods, sticks and profile shapes whether or not surface worked but not otherwise worked of plastics	3916.10.00, 3916.20.00, 3916.90.00.	0%	10%	These are intermediate products and are used to perform similar function as of aluminum profiles (substitute) falling under Heading 76.04.
	Paper and paper products and apply a duty rate	4804.11.00; 4804.21.00; 4804.29.00; 4804.31.00 and 4804.41.00.	10%	25%	To protect domestic industry and enhancing competitiveness of domestically produced paper and paper products.
	Safety matches	305.00.00.	25%	Higher of 25% or USD 1.35/kg	To protect the domestic manufacturers of safety matches.
	Nails, tacks, drawing pins, corrugated nails staples HS Code and similar articles of iron or steel, whether or not with heads of other materials.	7317.00.00 other than those of heading 83.05	Higher of 25% or USD 350 per metric ton	25%	To protect local producers of these products against imported cheap products.
	Sausages and similar products	1601.00.00.	25%	35%	To protect local producers of sausages and similar products.
	Chewing gum, Biscuits Heading and Other sugar confectionery (sweets)	1704.10.00; 19.05; and 1704.90.00	25%	35%	To protect domestic producers of these products;

Appendix 6(a) - Customs Duty

The proposed changes in the Common External Tariff ("CET")	Item	HS Code	Old rate	New rate	Intention/Objective
Stay of application effected during 2020/21 which continue to be implemented in 2021/22	Chocolate and other food preparations containing cocoa	18.06	25%	35%	To protect domestic producers of chocolates.
	Tomato sauce	2103.20.00	25%	35%	To protect domestic producers of tomato sauce.
	Mineral water	2201.10.00	25%	60%	To protect domestic producers of mineral water.
	Meat and edible meat offal in order to promote domestic processing and value addition of meat.	Chapter 2	25%	35%	
	Crude vegetable oils	1507.10.00, 1580.10.00, 1511.10.00, 1512.11.00, 1513.11.00, 1514.11.00, 1514.91.00, 1515.11.00, 1515.21.00 and 1515.30.00.	10%	25%	To promote domestic production of vegetable oils.

Appendix 6(a) - Customs Duty

The proposed changes in the Common External Tariff ("CET")	Item	HS Code	Old rate	New rate	Intention/Objective
Stay of application effected during 2020/21 which continue to be implemented in 2021/22	Semi-refined and refined vegetable oils.	1507.90.00, 1508.90.00, 1509.90.00, 1510.00.00, 1511.90.10, 1511.90.30, 1511.90.90, 1512.19.00, 1512.29.00, 1513.19.00, 1513.29.00, 1514.19.00, 1514.99.00, 1515.19.00, 1515.20.00, 1515.50.00 and 1515.90.00.	10% or 25%	35%	To protect and promote the processing of vegetable oils in the country using locally grown seeds and save foreign exchange used in the importation of edible oil.
	Gypsum Powder.	2520.20.00	0%	10%	To protect the gypsum powder producers in the country.
	Cane Sugar (Gap Sugar) imported under a permit issued by the Tanzania Sugar Board.	1701.14.90	35%	Higher of 100% or 460 USD/MT	To cover the gap during scarcity of sugar production in the country.
	Worn items of clothing, footwear and articles.	6309.00.10; 6309.00.20 and 6309.00.90	35% or USD 0.40/Kg	35%	To protect the consumer welfare.
	Tanzania together with other EAC partner States to continue grant duty remission on raw materials and industrial inputs used to manufacture textiles and footwear.				To promote textiles and footwear manufacturers in the country.
	Continue to grant duty remission at 0% on inputs used to manufacture leaf springs for one year.	7228.20.00		0%	To promote domestic production of motor vehicles leaf springs.

Our Contacts

Assurance	
Patrick Kiambi	Partner – Assurance Leader
Nelson Msuya	Partner
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	
Alex Nyaga	Associate Director

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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