

Tax News Alert

New e-filing system

September 2020

In brief

- **New Electronic Filing (“e-filing”) system for Income Tax (“IT”), Pay As You Earn (“PAYE”) and Skills and Development Levy (“SDL”) returns;**
- **A taxpayer with a filing obligation is required to register (as an e-filer) and use the new e-filing system for filing the prescribed tax returns. E-filing of IT returns for extractive sector entities awaits finalisation of an industry specific final tax return;**
- **An entity must appoint (i) a declarant(s) and (ii) an audit firm to certify the return of income;**
- **A request for extension of time to file a return is through the e-filing system;**
- **Employee Tax Identification Number (“TIN”) disclosure in the PAYE return;**
- **New tax return forms (automated excel templates; more extensive disclosures)**

Where an employee does not have a TIN then for a grace period (until December 2020), an employer may use a dummy TIN of 999-999-999 as an alternative

Background

In August 2020 the Tanzania Revenue Authority (“TRA”) announced the introduction of an e-filing system to be used by taxpayers for the submission of IT, PAYE and SDL returns, and shared with relevant stakeholders extensive information on the new system including various seminars and an [online user guide](#).

The new system aims, among other benefits, to ease the process of filing tax returns, enhance record keeping and encourage taxpayers’ voluntary compliance and disclosure.

The power to establish an e-filing system is set out in the Tax Administration Act (“TAA”) 2015¹, which:

- Grants the power to the Commissioner General to “*establish and operate an*

electronic system for filing and furnishing of documents and servicing of documents”;

- States that “*an electronic document is considered to be filed by a person and received by the Commissioner General under a tax law when a document registration number is created by using the person’s authentication code*”.

Registration

- Taxpayers with a filing obligation are required to register as e-filers on the TRA website (<https://efiling.tra.go.tz/>).
- Entity registration requires the TIN of (i) the entity and (ii) a director / representative of the entity.
- Individual registration requires the TIN of the individual. Where an individual does

¹Section 34 TAA 2015 - “Electronic document system”



not have a TIN, registration can be carried out using the individual's National Identification Authority ("NIDA") number. An individual with neither a TIN nor a NIDA number is required to visit the nearest TRA office for the registration.

- Although there is no filing requirement for an individual whose sole income is employment income which has been taxed at source by the employer, the PAYE return filed by the employer does require the inclusion of a TIN for each employee. Where an employee does not have a TIN then for a grace period (until December 2020) an employer may use a dummy TIN of 999-999-999 as an alternative.

Filing of returns

The "returns" link in the main menu of the e-filing system home page shows returns already filed and those outstanding.

Templates for the various tax returns are available under the "download forms" link. As part of the filing process, taxpayers will have to download and complete the return templates and upload the same.

Extension of time

Taxpayers can apply for an extension of time to file a return. Once the extension has been approved, the filing deadline for the respective return will be automatically updated for the purposes of penalty calculation.

Access to tax assessments

Taxpayers can access, view and download assessments for various filed returns.

Tax returns - Entities

Appointments by an entity

An income tax return filed by an entity requires signature by a "manager of the entity" and "certified public accountant who is in public practice" declaring that the return is complete and accurate². Accordingly, the e-filing system requires an entity to appoint "a declarant" and an "audit firm":

- **A declarant** - The appointed declarant is responsible for signing and submitting the tax return. An entity can appoint more than one declarant (and can also remove a declarant at any time). A declarant has access to the e-filing system dashboard and is able to view all previous records.
- **An Audit Firm** - The appointed auditor must be registered by the National Board of Accountants and Auditors ("NBAA").

Returns of income - revised templates

The filing portal currently contains revised templates for:

- Original and Revised Statement of Estimated Tax Payable ("SETP").
- Return of income ("final return").

Although these templates are similar to the existing forms there are significant

changes in relation to format, disclosure and embedded formulas to automate calculations.

Changes include the following:

- **Industry specific tax returns:**
 - Separate form for specific industries (banking, insurance, extractive), with a general form for other sectors
 - Forms for the banking and insurance sectors are already uploaded on the system
 - The form for the extractive sector (mining and petroleum) is pending finalisation
- **Additional disclosures:**
 - Interest in, and income of, Controlled Foreign Corporations or Controlled Foreign Trusts
 - Analysis of related party transactions by individual related party, including name of the party, country of residence, tax identification / registration number, nature of relationship, nature and value of transaction, transfer pricing method used
- **Automated calculations including:**
 - Tax depreciation calculations
 - Repatriated income calculation (applicable to branches (permanent establishment of non-resident company))

The updated templates also mirror some of the additional disclosure items included in the most recent manual final return form including:

²Section 37(2)(a) Tax Administration Act 2015

- Income subject to withholding (both final withholding payments and non-final withholding payments)
- Foreign source business income and investment income and foreign tax credits
- Disclosure in relation to directors including name, TIN, remuneration

Tax returns - Payroll Taxes (PAYE & SDL)

Employers are required to e-file the following returns/statements on a monthly basis:

- Statement and Payment of Tax Withheld (PAYE); and
- SDL monthly return.

The above returns require details of:

- Basic salary and other allowances (including benefits, in case of PAYE)
- Taxes payable and paid.
- For the PAYE return, the details of TIN and social security number of each employee, as well as their residence status

Where an employee does not have a TIN then for a grace period (until December 2020), an employer may use a dummy TIN of 999-999-999 as an alternative.

Currently the filing requirements prescribed by law are monthly for SDL³ and six monthly for PAYE⁴. In principle, therefore, the monthly PAYE statement filing is not mandatory, however the system is configured such that employers will only be able to remit payment of the PAYE tax due after filing the monthly PAYE statement as this is a prerequisite for generation of a tax debit number in the e-filing system.

It is understood that a legislative amendment is anticipated in the near future (that will amend the PAYE filing requirement to a monthly one) so as to resolve this inconsistency between the e-filing system and the legislative requirement.

Tax returns - Individuals

The filing portal currently contains revised templates for income tax forms (SETP and final return) for individuals.

Additional disclosures required in the final return for an individual include:

- TIN details of:
 - Employer (if employment income included in the return)
 - Entity in which hold an interest (eg company shares)

- Related party (where related party transactions)
- Interest in, and income of, Controlled Foreign Corporations or Controlled Foreign Trusts
- Related party transactions detail (as for entities)

The way forward

- **Registration, appointment and familiarisation:** The most immediate initial actions for taxpayers include the following:
 - Registration
 - Appointment of declarant(s) and audit firm
 - Familiarisation with the new system.
- **Consultation with TRA (where necessary):** For example, the system automatically assumes an SDL filing requirement; however, entities who do not qualify for the payment of SDL (i.e. dormant entities or with less than 4 employees), or have exemptions, should consult the TRA to update the system appropriately.
- **Employee TINs:** Entities must ensure that by 31 December 2020 all employees have registered and obtained TIN for purposes of PAYE payments and filings. Obtaining TIN numbers from new employees should now be incorporated as part of the induction program.
- **Review disclosure requirements in final tax return templates:** The objective here should be to ensure that there is clarity in relation to the information required so that accounting systems are configured to ensure that it can be efficiently generated.



³Section 16(1) Vocational Training Education Act, 1994

⁴Section 84(2) ITA 2004

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