



Budget brief

Accelerating economic recovery
and enhancing productive
sectors for improved livelihood



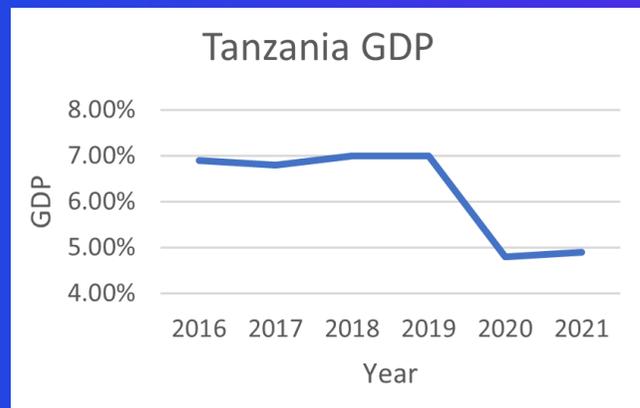
Tanzania | June 2022



Economic Overview

- Following recovery from the economic impact of the COVID-19 outbreak in Tanzania and the world at large, the nation economy has registered a positive economic growth of 4.9% in 2021. This was a 0.1% increase in the growth in comparison to the 4.8% achieved in 2020.

The growth trend over the years is as presented below;



Source: National Bureau of Statistics

- Growth has been highly attributed by the Government's diverse efforts including decision to implement the Tanzania Covid Socio-Economic Response Plan and strategic investments in various sectors especially energy, water, health, education, roads, railway and airports infrastructure.

- During 2021, the global economy grew by an average rate of 6.1% compared to a decrease in growth of 3.1% in 2020. In alignment to Tanzania's economic growth, the global growth is attributed to recovery measures by various countries to revive the economies from negative impacts of COVID-19 pandemic.
- In Tanzania, activities that recorded high growth in 2021 include arts and entertainment (19.4%), electricity supply (10.0%), mining and quarrying (9.6%) and information and communication (9.1%).
- GDP at current prices was TZS 161.5 trillion in 2021 compared to TZS 151.2 trillion in 2020. The population in 2021 was projected to reach 57.7 million people compared to 55.9 million in 2020. Therefore, making the average per capita GDP reaching TZS 2,798,224.23 (USD 1,211.77) in 2021 compared to TZS 2,701,039.25 (USD 1,171.51) in 2020 being an increase of 3.44% in GDP per capita.
- Inflation has remained relatively stable by maintaining a single digit range between 3% and 5%. In 2021 the inflation rate was recorded at 3.7% compared to 3.3% in 2020. The projected inflation rate for 2022/23 is between 3% and 7%.
- The rise in the rate of inflation is largely attributed to the consequences of the Russia – Ukraine war which has disrupted production and distribution supply chains in the world market.

In Tanzania, activities that recorded high growth in 2021 include arts and entertainment (19.4%), electricity supply (10.0%), mining and quarrying (9.6%) and information and communication (9.1%).



Budget Overview

The main theme of the 2022/23 budget as agreed by East African Community Partner States is,

“Accelerating economy recovery and enhancing productive sectors for improved livelihood”

The above stated theme aims at focusing Government’s efforts on improving livelihoods by prioritizing productive sectors including agriculture, livestock, fisheries, energy, investment and trade.

Also, the government is propelled to continue implementing development projects, and enhancing partnerships with the private sector in their implementation of development projects as well as stimulating industrial investment, especially using human resources and raw materials that are widely available in the country.

With a budget allocation of TZS 41.48 trillion for recurrent and development expenditure, the budget has prioritized the following strategic areas:

1. Promoting a competitive and inclusive economy

Projects such as rehabilitation of railway routes, construction of roads that open economic potential and those connecting Tanzania with neighbouring countries shall be implemented in an effort to improve the investment environment and macroeconomic stability.

2. Solidification of industrial productive capacity and service provision

The Government will continue to strengthen the agricultural sector through allocation of sufficient funds to irrigation projects, seeds, and warehouses.

The Government will target at enabling the agriculture sector’s growth to 10% and for the irrigation sector to increase its contribution to agriculture activities to 50% by 2030.

Some of the strategies that will be used by Government include the construction of irrigation schemes, establishment of a price stabilization fund and commodity strengthening fund, construction of warehouses in rural areas to resolve the problems of post-harvest losses, increasing the use of technology in production, strengthening market availability for agriculture products, and strengthening credit systems for easier availability of loans to stakeholders in the agriculture sector. Projects in the industrial and mineral services sectors will also be implemented.

3. Investment and Trade

Priority will be given to implementing the Action Plan of the Blueprint for Regulatory Reforms to continue improving the business environment, which includes strengthening the policy and legal environment for investment, as well as strengthening management and coordination systems for national investments and avoiding double taxation in order to protect business and private sector investment.

4. Human development

To improve human development, focus will be placed on implementation of projects relating to education, health, land, safe water, and sanitation.

Under education, the Government will increase access to and quality of education by implementing projects such as fee free basic education for all, increasing access to higher education student loans and improving the curriculum to meet market needs.

The Government will promote human development in the health sector through projects such as the construction of regional and regional referral hospitals, dispensaries, health centers and district hospitals and strengthen access to vaccines, drugs, equipment, and medical equipment.

Land sector projects for human development will include planning, surveying, and titling of land programmes, strengthening international boundaries, strengthening surveying and mapping infrastructure, and land use plans to avoid conflicts.

The Government will also engage in construction, rehabilitation, and expansion of water projects in regional capitals, districts, small towns, and national projects.

5. Human Capital Development

In prioritizing human capital development, the Government will implement skills development programmes and youth projects by providing skills training through its National Skills Development Programme for employment creation, a youth development fund, construction, and rehabilitation of vocational training centers for people with disabilities and implementation of the country’s Decent Work Program.

The achievement of the above discussed priority areas for the Development Plan 2022/23 are with the assumption that there will be;

- Increasing private sector participation in development activities,
- Sustainability of the impact of natural and man-made calamities such as drought, war, and pandemics,
- Continued food self-sufficiency, and
- Existence of peace, security, unity, and tranquility within the country and in neighboring countries.

A. Income Tax changes

Amendments to presumptive tax bands

The Minister has proposed to introduce tax at a rate of 3.5% for taxpayers with a turnover between TZS 11 million and TZS 100 million. This move will include taxpayers with a turnover between TZS 11 million and TZS 14 million who previously paid tax at a lower rate compared to those that earn above TZS 14 million, but below TZS 100 million, hence resulting in widening the tax base for the Government.

Total income	Previous Rate payable		Proposed Rate payable
	Where taxpayers don't maintain the records	Where taxpayers maintain the records	
Where turnover exceeds TZS 11,000,000, but does not exceed TZS 14,000,000	TZS 450,000	TZS 230,000 plus 3% of turnover in excess of TZS 11,000,000	3.5% of turnover exceeding TZS 11,000,000, but does not exceed TZS 100,000,000
Where turnover exceeds TZS 14,000,000, but does not exceed TZS 100,000,000	Not applicable	TZS 450,000 plus 3.5% of turnover in excess of TZS 14,000,000	

Related to this move, the Minister also has proposed to enable payment of taxes through mobile wallets. This will encourage voluntary compliance among taxpayers.

Recognition of alternative forms of financing

The Minister has proposed to recognise alternative forms of financing approved by the Bank of Tanzania to be the same as conventional borrowings to increase access to finance. The aim of this proposal is to promote growth in providing alternative financial products.

We expect that the Finance Bill, 2022 will provide more clarity on the implementation of this proposal and what financial products will be included.

Attractive playfield for Strategic investors

The Minister has proposed changes to be made in the Income Tax Act, 2004 on exemption granted to strategic investors in connection to exemptions provided by the National Investment Steering Committee (NISC) under the Investment Act 1997.

The proposed changes intended to attract investment in the country and align the provisions of the Income Tax Act, 2004 and Investment Acts 1997 for better implementation of business activities.

Widening Withholding Tax base

The Minister has proposed to abolish exemption to withhold tax on individuals on rent paid for residential houses, apartments, and commercial premises. This change aims at holding accountable tenants to collect and remit withholding tax to the Government.

To administer this change, the Minister has proposed that the Commissioner General enters an Agency Memorandum of Understanding with President's Office Region Administration and Local Government (PO-RALG).





The Minister has proposed to introduce advance income tax of TZS 20/litre for retailers of petroleum products.



Easy transfer of rights to the Government

The Minister has proposed to exempt Capital Gains Tax on any transactions arising from agreements involving the transfer or surrender by a Joint Venture Company of any project or the authorisation, issue, distribution or transfer to the Government of the Free Carried Interest shares.

Furthermore, the Minister has proposed to exempt shares that have been freely surrendered to the government through Treasury Registrar.

This measure is intended to ensure timely transfer of mineral rights and information to the Joint Venture Company, transfer of Free Carried Interest and shares to the Government.

A motive to invest with corporate and municipal bonds

The Minister has proposed an exemption for withholding tax on the coupon for corporate and municipal bonds, aiming at increasing alternative financing for implementation of development projects.

Promotion of film industry

The Minister has proposed to reduce withholding tax on services procured from a non-resident in relation to the film industry from 15% to 10%. This change aims at supporting the growth of the film industry, enhancing knowledge transfer, employment creation and improved livelihood.

Government eye on digital services

The Minister has proposed to subject digital services withholding tax at a rate of 2% on revenues of non-resident service providers. This measure is intended to expand the tax base and uphold equity principles of taxation with local businesses.

We foresee that this change will make it more expensive to acquire digital services as the prices of these services are likely to increase.

A pinch to small scale miners

The Minister has proposed to subject final Withholding Tax at a rate of 2% on payments made to Small Scale Miners. This measure intends to introduce special regime of taxation to small scale miners due to challenges encountered in collecting tax from this sector. A similar proposal was included in the previous year's Finance Bill 2021 however was not included in the Finance Act 2021.

The proposal aims to expand the tax base and enhance compliance by ensuring that the income earned by small scale miners are taxed accordingly.

New Tax regime for trucks and passenger buses business!

The Minister has proposed to introduce income tax of TZS 3,500,000 on each truck and passenger buses per year. The government intends to enhance transparency in tax assessment relating to this industry.

The proposal is not clear on whether any other taxes would be applicable in addition to the fixed tax amount.

Advance income tax on petroleum product by retailers

The Minister has proposed to introduce advance income tax of TZS 20/litre for retailers of petroleum products. The tax will be collected at the time the products are purchased from the importers and paid to the Government. It is expected that the Finance Bill 2022 will provide clarity on its applicability.

B. Value Added Tax (VAT)

Digital Services – We see you!

Amend The VAT Act CAP, 148 to accommodate taxation of the Digital Services who have no presence in Tanzania without imposing obligation under the Income Tax Act, CAP 332.

More Greener Pastures to the Agricultural Sector

- Exempt VAT on equipment used for soil testing such as sensor arrays and chameleon sensor reader with HS Code 9026.10.00, Wetting Front detectors HS Code 9031.80.00, electronic conductivity meter with HS Code 9027.80.00, and Nitrate test strips with HS Code 9027.90.00.
- To exempt VAT on Agro-net with HS Code 56.08 with the aim of reducing cost of Agro-net.

More Exemptions on Agriculture

- On moisture meter with HS Code 9003.18.00, rain gauge for weather stations with HS Code 9023.00.90, pH meter with HS Code 38220090, tissue culture equipment with HS Code 8419.89.60 and tensiometers with HS Code 9031.80.00.
- On refrigerated trucks with HS Code 8704.21.90, 8704.22.90, 8704.23.90, 8704.31.90, 8704.32.90, 8704.90.90 and Cold rooms for perishable agricultural products under HS Code 9406.10.10 and 9406.9010.
- On raw materials under HS Code 2528.00.00, 2710.99.00 and 3505.20.00 and machineries under Chapter 84 and 85 of the East African Community Common External Tariff solely and directly used in the manufacturing of fertilisers by an approved manufacturer. Upon approval of the Minister responsible for Agriculture.
- On Pasture Seeds (pasture grass seeds) under HS Code 1209.25.00, pasture legumes seeds under HS Code 1209.21.00, pasture multiple tree seeds and pasture cuttings, and rhizomes and stolons 1209.29.00

- On unprocessed green vanilla pods with HS Code 0905.10.00 to align with other unprocessed agricultural products that are exempted from VAT.

- On locally manufactured sisal twine.

Drink more milk!

- To exempt VAT on Ultra High Temperature (UHT) milk and yoghurt.
- To exempt VAT on dairy packaging materials with HS Code 3923.30.00, 4819.10.00, 4819.20.00, 4819.20.90 on boxes, bottles and plastic packaging satchels.



Exemptions on Livestock and Fisheries

- Exemption of VAT on Automatic Turning Table for the Lessor Machines (Ear tag supporting table) with HS Code 8207.30.00, Ear tag with HS Code 3926.90.90 (Male and Female), Ear tag Applicators with HS Code 8456.90.00 and Lessor beam Machines with HS Code 9402.90.90.
- On stunning box under HS Code 8438.50.00 and Skinning and dehidng pulling machines under HS Code 8453.10.00. Exemption will be granted upon approval of the Minister responsible for Livestock and Fisheries.
- On fishing net under HS Code 3926.09.10, fishing hooks under HS Code 9507.20.00 and fishing lines under HS Code 9507.90.00 and 9507.30.00.

Other exemptions under VAT Act

- To exempt VAT on meteorological equipment and instruments imported by Tanzania Meteorological Agency (TMA).
- To exempt VAT on standing trees.
- To exempt VAT on inputs for the local manufacture of gas cylinder with HS Code 7229.90.00, 3810.90.00, 3401.19.00, 7904.00.00, 4016.93.00, 8481.10.00, and 8309.90.90.

Zero rated Supplies in 2022

- Double refined edible oil manufactured locally is now zero rated for one year.
- Locally manufactured fertilizers are also zero rated for one year. The rate will be applicable at ex-factory sales by manufacturers.

Other amendments

- To amend the VAT Act so as to recognise equivalent financing arrangement similar to conventional borrowing in order to enhance financial inclusion and accessibility of financial services.

- Amend Section 11 (10) of the VAT Act to accommodate capital goods falling under HS Code 87.16 and HS Code 8701.20.90 in the list of capital goods that qualify for deferment.
- To amend Item 18 Part I to the VAT Exemption Schedule to incorporate exemption on machines and tools solely and directly used by the military and armed forces. The exemption will be granted upon approval of the goods by the Minister responsible for defence and security.
- To grant the Minister responsible for Finance powers to exempt VAT on strategic investors after approval by NISC as indicated in section 20 (8) of the Investment Act CAP 38 and subsequently the Cabinet.
- To abolish VAT exemption on smart phones with HS Code 8517.12.00, Tablets with HS Code 8471.30.00 or 8517.12.00 and Modems with HS Code 8517.62.00 or 8517.69.00 as the exemption didn't lead to reduction of prices to final consumers rather benefited traders.

Introduce VAT on chartered services

To abolish VAT exemption on supply of air charter services.



C. The Tax Administration Act, CAP 438

Reinstating of power to the Minister responsible for Finance and Planning to remit Interest or Penalty

The Minister has proposed reinstatement of his power to remit interest or penalty after being advised by the Commissioner General.

The Minister responsible for Finance and Planning to issue procedures of accessing the remission.

D. The Local Government Finance Act, CAP 290

Revenue distribution for entrepreneur's infrastructure

In its distribution of 10% revenue collected by Local Governments to women, people with disabilities and youth loans, Local Governments are to now distribute half of this to the improvement of entrepreneur infrastructures.

No cess on seeds; less cess on forest produce

The Minister has proposed to exempt crop cess on seeds.

This change is expected to provide relief to farmers and boost productivity in the agricultural sector.

Forest produce cess is also proposed to be reduced from 5% to 3%.

The reduction in the levy is expected to provide relief to forestry traders and support the growth of the forestry sector.

More levy to be paid to municipals on service levy and produce cess

The proposed amendment clarifies that on top of service levy paid by corporate entities, they are also supposed to pay produce cess.

Prior to the change, the rates imposed in relation

to service levy was payable in lieu of the industrial cess and the corporate entities paying service levy was not liable to pay the produce cess.

This provides clarity in the event that a corporate entity that is located in a council different from the council in which it carries out its production or agricultural activities so that every council can benefit from the economic activities taking place in their area of jurisdiction.

Reduction of hotel levy

The Minister has proposed to reduce hotel levy from 10% to 5%.

E. The Workers Compensation Fund Act, CAP 263

Relief to Employers within the Private Sector

The Minister has proposed to reduce the rate of the Private Sector Institutions from 0.6% to 0.5% of the total gross monthly salary of employees. This will now align with the rate for Public Sector and provide equity to employers.

F. The Mining Act, CAP 123

Reduced Royalty on coal and gold has gone down for Mining Companies

The Minister has proposed to reduce the rate of royalty on coal used as energy raw materials in factories and gold minerals to be sold to refinery centres.

Type of Mineral	Current rate	Proposed rate
Coal	3%	1%
Gold	6%	4%

G. The Export Levy Act, CAP 196

Introduction of export levy on copper waste and scrap metals

The Minister has proposed to introduce an export levy of 30% or USD 150 per metric tonne (whichever is higher) on copper waste and scrap metals.

This change is intended to protect local manufacturers and ensure sufficient availability of raw materials to respective industries.

H. The National Payment System Act, CAP 437

Cheaper Mobile transaction costs?

The Minister has proposed to reduce the mobile money transaction levy on sending and withdrawing monies from a maximum of TZS 7000 to TZS 4000 – a 43% reduction.

However, the proposal is also to include ALL electronic transactions which is a broader taxation base than the previous base on only electronic mobile money.

I. The Insurance Act, CAP 394

Scope for mandatory insurance expanded

The Minister has proposed expand the scope for mandatory insurance to include public markets,

Commercial buildings, imported goods, marine vessels, ferries and pontoons.

This measure is intended to enhance financial inclusion and increase insurance uptake.

While this proposal is foreseen to increase security for those involved, it is likely to add costs to end users.

The Minister has proposed that Government's owned insurance business to compete in a free market as in other businesses.

J. The Foreign Vehicle Transit Charges Act, CAP 84

Reduction of transit charges for foreign vehicles

The Minister has proposed to reduce transit charges for vehicles exceeding 3 axles from USD 16/100 km to USD 10 or its equivalent in convertible currency for every 100 kilometres to align with COMESA charges.

K. The Bank of Tanzania Act, CAP 197

Increase in Government borrowing limit

The Minister has proposed to set a limit on Government borrowing of 18% of the current year domestic revenue. The limit is currently one-eighth (12.5%) of the domestic revenue collected in the preceding fiscal year.

This will enable the Government to borrow more in line with other East African Community countries and support budget execution.

Implementation of Blueprint for Regulatory Reforms to improve the business environment by amending various fees and levies

– Ministry of Livestock and Fisheries

Among the proposed amended fees, the Minister has proposed to eliminate import fees on cattle, sheep, goats, pigs and poultry in the livestock sector. Refer to [Annexure 1](#).

The Minister has also proposed changes in fees in the fisheries sector. Refer to [Annexure 2](#).

– Ministry of Agriculture

The Minister has proposed to abolish impoundment fee of TZS 200 per square meter of surface area for water stored in irrigation dams.

The Minister has also proposed to amend the Fertilizer Regulations 2017 by increasing export permit application fee for manufactured fertilizer from 0.2 to 0.5 USD per ton.

The Minister has also proposed to amend the Fertilizer Regulations **2017** by increasing export permit application fee for manufactured fertilizer from **0.2 to 0.5 USD per ton**.



The Minister has proposed to introduce a levy of 1.5% on equipment used to produce, distribute, duplicate and preserve works of art, writing and other creative works such as music, films, books, photography and other forms of creative work.

– Ministry of Information, Communication and Information Technology

The Minister has proposed to introduce a fee on television decoder subscription. The proposed fee is between TZS 1,000 and TZS 3,000.

– Ministry of Culture, Arts and Sports

The Minister has proposed to introduce a levy of 1.5% on equipment used to produce, distribute, duplicate and preserve works of art, writing and other creative works such as music, films, books, photography and other forms of creative work.

The proposed equipment are radio/TV set enabling recording; analogue audio recorders; analogue video recorders; CD/DVD copier; digital jukebox and MP3 Player.

– Tanzania Bureau of Standards

The Minister has proposed a reduction of batch certification.

fee on imported sugar from TZS 6 per kilogram to TZS 2.5 per kilogram.

– Occupational Safety and Health Authority (OSHA)

The Minister has proposed to abolish the peak expiry of TZS 10,000 and flow test fee of TZS 25,000.

The Minister has also proposed amendments to urge OSHA to issue a license within 7 days after the applicant meets the criteria.

– Tanzania Atomic Energy Commissions

Among the changes the Minister has proposed is a reduction of radiation test fee from 0.2% of FOB to 0.1% of FOB on exports of Food Chain Materials including fertilizers, tobacco and tobacco products, and imported relief food. Refer to [Annexure 3](#).

– Fire and Rescue Forces

The Minister has proposed to reduce various fees and charges to reduce the cost of doing business. Refer to [Annexure 4](#).

– Gaming Board of Tanzania

The Minister has proposed to reduce various fees and charges to reduce the cost of doing business. Refer to [Annexure 5](#).

– Immigration Department

The Minister has proposed to abolish student residence permit for higher learning institution students from Mozambique.

L. Excise duties

No adjustments to the Specific Excise Duty rates for all non-petroleum products

The Minister has proposed to maintain the current excise duty rates for all non-petroleum products to consider the inflationary trend in the country and the Government's intention to build an industrial economy, thereby encouraging manufacturing sector, protecting domestic industries and ultimately enhancing employment and increase the sector's contribution to GDP.

License fees for manufacturers and importers of excisable goods has been reduced

The license fee has been reduced from TZS 500,000 to TZS 300,000 with the aim of reducing costs to the manufacturers of excisable goods, to support economic growth and recovery of the manufacturing sector.

Plastic packaging materials used for export of horticultural products have been exempted from excise duties

The following packaging materials have been exempted from excise duty.

HS code	Item
3923.29.00	Plastic sleeves Puneet, plastic cryovac bags, Modified Atmosphere Packaging (MAP), plastic sleeves, perforated bags and poly packaging bags
3921.12.90	Cling film
3902.90.00	Plastic liners

This measure is intended to provide relief to farmers and promote export of horticultural products.



Sugar confectioneries becomes expensive

The Minister has proposed to impose excise duty at the rate of TZS 500 per kg on locally manufactured sugar confectionery and TZS 700 per kg on imported sugar confectionery including chocolates (HS Codes 1806.31, 1806.31 and 1806.31), biscuits (HS

Code 1905.31) and chewing gum (HS Code 1704).

This seems to be a new revenue source for the Government.

5% excise duty introduced on Lead-acid of a kind used for starting piston engines HS 8507.10

This measure is intended to discourage usage of lead acid batteries with the ultimate purpose of conserving the environment.

M. Custom duties

The Minister has proposed various changes in the Common External Tariff (CET) rates with the aim of accelerating economic recovery and enhancing productive sectors for improved livelihood.

Below are some of the key changes (the comprehensive list is attached as [Annexure 6](#)).

The description of the HS Codes 7310.29.20 and 7612.90.10 have been amended to read “Cans and ends for beverages and food”

The purpose of this change is to provide a room for cans and ends for packaging food to enjoy import duty relief (0%) as it has been applied to cans and ends for packaging beverages only while these two products complement each other and serve the same purpose.

A new HS Codes of 8543.40.00 containing Electronic Cigarettes has been introduced and assigned a duty rate of 35%

The objective of this measure is to create a level playing ground for local manufacturer of tobacco against importers of electronic cigarettes

Imported ceramic tiles become expensive

The Minister has proposed stay of application of the EAC CET rate of 25% and apply a duty rate of 35% or USD 1.5 per square meter, whichever is higher for one year on ceramic tiles under HS Codes 6907.21.00; 6907.22.00, and 6907.23.00.

This measure is intended to protect local manufacturers of ceramic tiles against cheap, substandard and undervalued imports.

Measures against hikes in prices of oil

The Minister has proposed to revert to EAC CET rate of 0% instead of 25% on Crude Palm Oil (CPO) under HS Code 1511.10.00.

This measure is intended to protect consumer welfare against skyrocketing price, enhance economic growth, employment creation and value addition.

Measures to promote domestic production of vegetable oils

The Minister has proposed stay of application of EAC CET of 0% and apply a duty rate of 10% for one year on crude vegetable oils of soyabeans, groundnuts, coconuts, mustard and linseed under HS Codes 1507.10.00; 1508.10.00; 1513.11.00; 1514.91.00; and 1515.11.00.

The objective of this measure is to align with sunflower, cotton and other crude oils which attract 10% to promote domestic production of vegetable oils.

Aluminium windows more likely to become expensive

The Minister has proposed to increase import duty from 25% to 35% on windows and doors made of aluminium, iron and steel with HS Codes 7610.10.00 and 7308.30.00.

This measure is for protection and promotion of growth of small and medium enterprises engaged in making windows and doors, employment creation and increase Government revenue.

Imported baby diapers becomes expensive

The Minister has proposed stay of application of EAC CET rate of 25% and apply a duty rate of 35% for one year on baby diapers under HS Code 9619.00.90.

This measure is intended to protect local manufacturer of baby diapers as they have production capacity to meet the demand in the country, employment creation and increase Government revenue.

Sugar will likely become cheaper!

The Minister has proposed stay of application of the EAC CET rate of 100% or 460/MT, whichever is higher and apply a duty rate of 25% for one year on cane sugar under HS Code 1701.14.90 imported under a permit issued by the Tanzania Sugar Board.

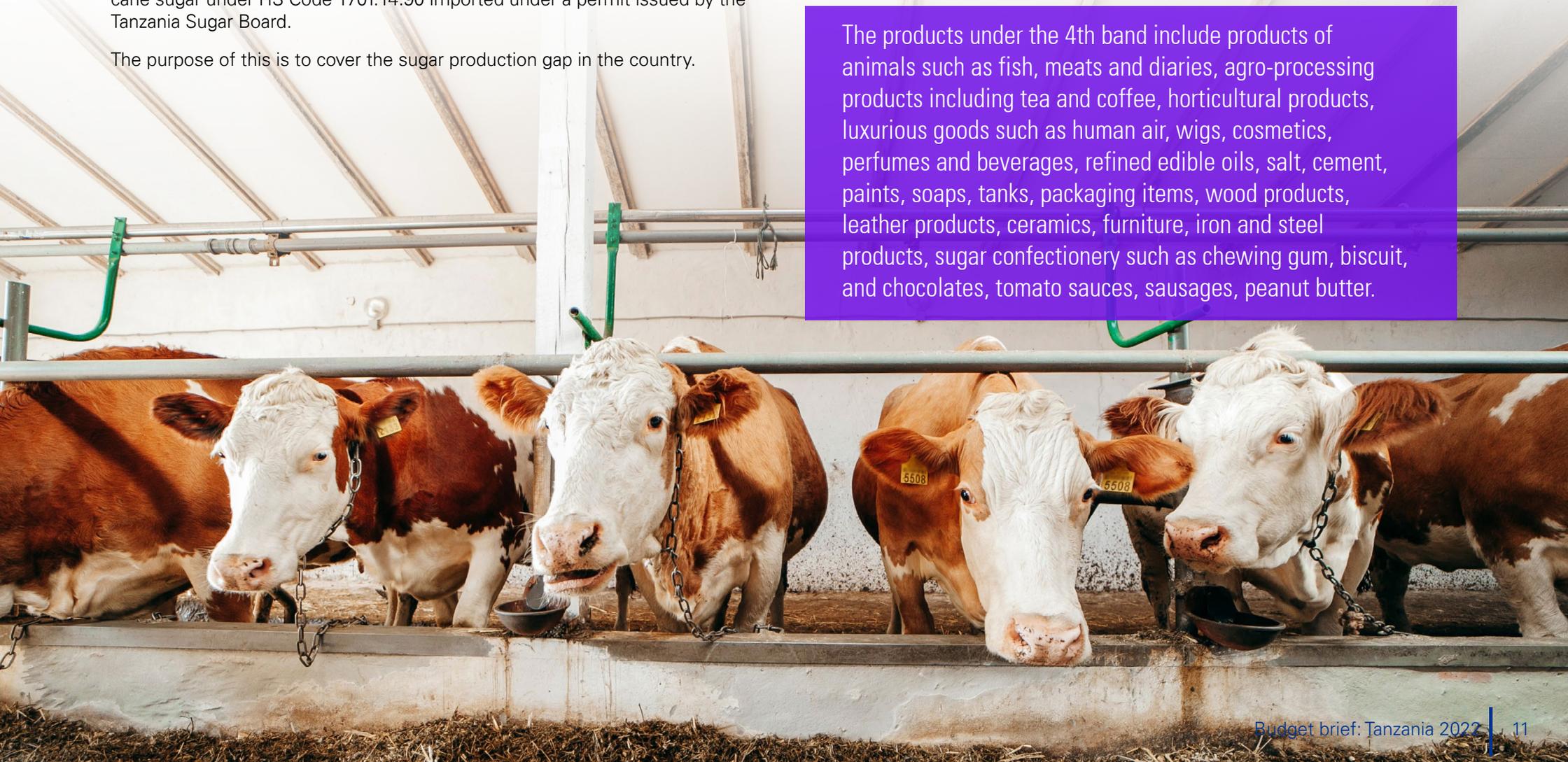
The purpose of this is to cover the sugar production gap in the country.

A maximum rate of 35% for products classified under the 4th band of the revised Common External Tariff

The products under the 4th band include products of animals such as fish, meats and diaries, agro-processing products including tea and coffee, horticultural products, luxurious goods such as human air, wigs, cosmetics, perfumes and beverages, refined edible oils, salt, cement, paints, soaps, tanks, packaging items, wood products, leather products, ceramics, furniture, iron and steel products, sugar confectionery such as chewing gum, biscuit, and chocolates, tomato sauces, sausages, peanut butter.

The effective date of implementation of the revised EAC CET is expected to be 1 July 2022.

The products under the 4th band include products of animals such as fish, meats and diaries, agro-processing products including tea and coffee, horticultural products, luxurious goods such as human air, wigs, cosmetics, perfumes and beverages, refined edible oils, salt, cement, paints, soaps, tanks, packaging items, wood products, leather products, ceramics, furniture, iron and steel products, sugar confectionery such as chewing gum, biscuit, and chocolates, tomato sauces, sausages, peanut butter.



Annexure 1 - 5

Reforms on tax, fee and charges and other revenue measures



Annexure 6

Tax changes proposed in the East African Community Customs Management Act, 2004

Dutiable item	HS code	Current rate	Proposed rate	Purposes of the changes
Ceramic tiles	6907.21.00 6907.22.00 6907.23.00	25%	35% or USD 1.5 per square meter, whichever is higher (for one year)	To protect local manufacturers against undervalued imports
Flat-rolled products	7212.20.00 7226.99.00	10%	10% or USD 125/MT, whichever is higher (for one year)	To protect local manufacturers against undervalued imports
Crude Palm Oil (CPO)	1511.10.00	25%	0%	To Protect consumer welfare against skyrocketing price, enhance economic growth and employment creation
Crude vegetable oils of soyabeans, groundnuts, coconuts, mustard and linseed	1507.10.00 1508.10.00 1513.11.00 1514.91.00 1515.11.00	0%	10% (for one year)	To align with sunflower, cotton, and other crude oils, which attract 10% duty and to promote domestic production of vegetable oils
Semi-refined and refined vegetable oils	1507.90.00, 1508.90.00, 1509.10.00, 1510.10.00, 1510.90.00, 1511.90.10, 1511.90.30, 1511.90.90, 1512.19.00, 1512.29.00, 1513.19.00, 1513.29.00, 1514.19.00, 1514.99.00, 1515.19.00, 1515.29.00, 1515.50.00, and 1515.90.00	35%	25% or USD 500/MT, whichever is higher (for one year)	To protect and promote the processing of vegetable oils in the country using locally grown seeds and imported crude palm oil, as well as employment creation
Baby diapers	9619.00.90	25%	35% (for one year)	To protect local manufacturers
Cotton yarn	52.05 52.06 52.07 but excluding subheading 5205.23.00	10%	25% (for one year)	To protect and promote the production of cotton yarns in the country by increasing value addition of locally grown cotton and enhancing cotton to cloth strategy

Dutiable item	HS code	Current rate	Proposed rate	Purposes of the changes
Windows and doors made of aluminium, iron, and steel	7610.10.00 7308.30.00	25%	35%	To protect and promote the growth of small and medium enterprises engaged in making windows and doors
Raw materials used to manufacture food flavors	1901.90.10 3302.10.00 3505.10.00	10%	0% (for one year)	Promoting the growth of local manufacturers of food flavor
Inputs used to manufacture corrugated boxes	4804.19.90, 4805.24.00, 4804.39.00, 4805.25.00, 4804.42.00, 4805.93.00, 4804.51.00, 4810.13.00, 4804.52.00, 4810.19.00, 4805.11.00, 4810.31.00, 4805.19.00, 4810.32.00	10% or 25%	0% (for one year)	To encourage domestic investment in the production of corrugated boxes and reduce the cost of packaging materials
Inputs used to manufacture toughened glass	7005.10.00 7005.29.00 7005.21.00 7005.30.00	10%	0% (for one year)	To reduce the costs of these inputs used by local manufacturers of toughened glass
Inputs used to manufacture electrical cables	7312.10.00, 7217.20.00, 7408.19.00, 7409.11.00, 7605.21.00, 2710.19.56, 3815.90.00, 5402.19.00, 5903.90.00, 7217.20.00, 7907.00.00, 7312.10.00, 2712.10.00	10%	0% (for one year)	To reduce the cost of these inputs used by local manufacturers to promote the establishment of import substitution industries of electrical cables
Inputs used to manufacture soap	3401.20.10	25%	10% (for one year)	Intended to reduce the cost of these inputs to promote growth of local manufacturers of soap

Dutiable item	HS code	Current rate	Proposed rate	Purposes of the changes
Cane sugar (consumption sugar)	1701.14.90	100% or USD 460/MT, whichever is higher	25% (for one year)	To cover the sugar production gap in the country
Prefabricated building	9406.20.90	25%	0% (for one year)	To promote livestock sector, attract investment, employment creation, and increase government revenue through the multiplier effect from the investment
Wigs, false beards, eyebrows and eyelashes, switches of human or animal hair or of textile materials	6704	25%	35%	To protect local manufacturers of these products, employment creation and increase government revenue
Other petroleum oil products partly refined	2710.19.10	25%	10%	To protect consumer welfare

The following are the measures that were taken into effect in the financial year 2021/22 which continue to be implemented in 2022/23

HS code	Item	Current rate/ description	Proposed rate/ description	Purposes
	Inputs used to manufacture essential medical products and supplies for fighting COVID-19 including masks, sanitizers, coveralls, face shields and ventilators	25% or 10%	0% (for one year)	To continue promoting domestic production of items for fighting the COVID-19 pandemic
8470.50.00	Cash registers and other Electronic Fiscal Devices (EFD)	10%	0% (for one year)	To encourage the use of electronic devices for accounting of government revenues at reduced costs of the machines
8470.90.00	Machines and Point of Sale (POS)			
4819.50.00	Packing containers, including record sleeves used as inputs by domestic manufacturers of UHT milk	25%	0% (for one year)	To promote growth of domestic milk processing industry;
4503.10.00	Corks and stoppers used as inputs by domestic manufacturers of local wines	10%	0% (for one year)	To promote the growth of grapes farming and wine industries in the country
1805.00.00	Cocoa powder, not containing added sugar or other sweetening matter	0%	10% (for one year)	To promote domestic cocoa seeds processing and enhance value addition in the country
7310.21.00 6305.10.00 3923.50.10 3923.50.90 3920.30.90	Packaging materials used for packaging coffee	25%	0% (for one year)	This measure aims at reducing packaging material costs for coffee processors in the country
3923.21.00	Sacks and bags of polymers of ethylene used as inputs by the domestic processor of cashew nuts	25%	0% (for one year)	To reduce cost of sacks and bags for the domestic cashew nuts processing industry in the country
3920.30.90 6305.39.00 7217.90.00	Inputs used by domestic processors of cotton lint	25%	0% (for one year)	To promote cotton processing industry in the country

HS code	Item	Current rate/ description	Proposed rate/ description	Purposes
3506.91.00 3920.10.90 6305.33.00 3926.90.90 3906.90.00 4803.00.00 5603.11.00 5903.90.00 5402.44.00 4803.00.00	Raw materials used to manufacture baby diapers	25% or 10%	0% (for one year)	To reduce the cost of production for manufacturers of baby diapers in the country
6804.10.00 7018.90.00 7020.00.99 3606.90.00 6813.20.00 8202.20.00 8202.99.00 8203.20.00 8205.10.00 8423.89.90 8513.10.90 9002.19.00	Inputs used by domestic minerals processors	25% or 10%	0% (for one year)	To create value addition of gemstones and employment creation
3923.29.00 6305.10.00 4819.40.00 7310.29.90 6305.33.00 6305.20.00 6304.91.90 7607.19.90	Packaging materials for Seeds used by local producers of agricultural seeds	25%	0% (for one year)	To reduce the cost of packaging materials for domestic producers of agricultural seeds

HS code	Item	Current rate/ description	Proposed rate/ description	Purposes
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 7225.50.00	Iron and steel products	10%	10% or USD 125 per metric ton whichever is higher (for one year)	To protect manufacturers of iron and steel products in the country
7210.49.00 7210.61.00 7210.69.00 7210.70.00 7210.90.00	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more plated or coated with zinc	25% or USD 200 per metric ton whichever is higher	25% or USD 250 per metric ton whichever is higher (for one year)	To protect local manufacturers against importation of the same products in the country
7212.60.00	Flat-rolled products of iron or nonalloy steel, of a width of less than 600 mm clad	10%	10% or USD 250 per metric ton whichever is higher (for one year)	To protect local manufacturers and discourage under valuation during importation
7212.30.00	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, clad, plated or coated	25% or USD 200 per ton whichever is higher	25% or USD 250 per ton whichever is higher (for one year)	To protect iron and steel manufacturers in the country
7213.10.00 7213.20.00 7213.99.00 7306.30.00 7306.50.00 7306.61.00 7306.69.00 7306.90.00	Iron and steel reinforcement bars and hollow profiles	25% or USD 200 per ton whichever is higher	25% or USD 250 per ton whichever is higher (for one year)	To protect iron and steel manufacturers in the country
7225.91.00 7225.92.00 7225.99.00	Flat-rolled products of other alloy steel, of a width of 600 mm or more	10%	25% or USD 250 per ton whichever is higher (for one year)	To protect manufacturers of iron and steel products in the country, employment creation and increase government revenue.

HS code	Item	Current rate/ description	Proposed rate/ description	Purposes
3916.10.00 3916.20.00 3916.90.00	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	0%	10% (for one year)	To increase government revenue
4804.29.00	Paper and paper products	10%	25%	To protect domestic industry and enhancing the competitiveness of domestically produced paper and paper products
1001.99.10 1001.99.90	Imported wheat	35%	10%	To reduce the cost of production for manufacturers of wheat flour in the country and relieve citizens from high prices of wheat products
3920.10.90	Printed Aluminium Barrier Laminates (ABL)	25%	0%	To promote the competitiveness of domestic industries of toothpaste
1511.90.40	Refined Bleached Deodorized (RBD) Palm Stearin	10%	0%	To promote the domestic manufacturers of soaps and address price increase of soap
3605.00.00	Safety matches	25%	25% or USD 1.35/kg whichever is higher (for one year)	To protect the domestic manufacturers of safety matches
7317.00.00	Nails, tacks, drawing pins, corrugated nails staples (other than those of heading 83.05) and similar articles of iron or steel, whether or not with heads of other materials	25%	25% or USD 350 per metric ton whichever is higher	To protect local producers of these products against imported cheap or undervalued products
2201.10.00	Mineral water	25%	60% (for one year)	To protect domestic producers of mineral water as there is enough capacity in the region
2520.20.00	Gypsum powder	0%	10% (for one year)	To protect the gypsum powder producers against imports in the country
6309.00.10 6309.00.20 6309.00.90	Worn items of clothing, footwear and articles	35% or USD 0.40/Kg whichever is higher	35% (for one year)	Protect the consumer welfare;
	Raw materials and industrial inputs used to manufacture textiles and footwear	0%	0%	This aims at promoting textiles and footwear manufacturers in the country
8702.10.99 8702.20.99	Buses for transportation of more than 25 persons	25%	0% (for one year)	This measure is intended to de-congest the city and ease the transportation system within the country;
4011.40.00	New pneumatic tyres of rubber, of a kind used on motorcycles	10%	25% (for one year)	Encourage domestic investment in production of pneumatic tyres in the country

HS code	Item	Current rate/ description	Proposed rate/ description	Purposes
7229.20.00 7229.90.00	Wires of other alloy steel	10%	0% (for one year)	Reduce the costs of these inputs used by local manufacturers
7310.10.00 7310.29.90	Milk Cans	25%	0% (for one year)	Provide relief to the dairy sector in the country
3402.11.00	Organic surface-active agents (Anionic), used by manufacturers of detergents and liquid soaps	10%	0% (for one year)	Reduce the cost of inputs for detergents and liquid soaps manufacturers in the country
3208.20.00 3210.00.10	Raw material used in leather processing	25% or 10%	0% (for one year)	Promote growth of local leather industries
2710.99.00 2528.00.00 3505.20.00	Raw materials used to manufacture different types of fertilizers	25% or 10%	0% (for one year)	Promoting growth of local manufacturers of fertilizers
5310.10.00	Packaging materials for processed tobacco	25%	0% (for one year)	Packaging materials for processed tobacco
4819.20.90 5407.44.00 3923.29.00	Packaging materials of tea blenders	25%	0% (for one year)	Packaging materials for processed tea blenders
8704.21.90	CKD for three-wheel motorcycle excluding chassis and its components	25%	10% (for one year)	Reduce cost of production for local manufacturers of three-wheel motorcycles used for cargo transportation
3920.61.10 7019.39.00 7019.31.00 6006.90.00 7019.12.00 3920.10.10 4016.93.00 3907.91.00	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)	25% or 10%	0%	Promote local manufacturers of glass reinforced plastic pipes and create more employment in the country
1701.99.10.	Application of the EAC CET on refined white sugar (sugar for industrial use)	100 % or \$ 460/MT whichever is higher	10% (for one year)	Reduce the cost of this input used by local manufacturers



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