



ROOK CONSULTANTS LIMITED

“Providers of tax, accounting & business advisory services”

Summary of tax changes introduced by Finance Act 2015

The Finance Act 2015 contained the final tax amendments to be made to various tax and other fiscal legislations arising from changes proposed by the Minister for Finance during his Budget Speech. The following is a summary of the key changes introduced by Finance Act 2015/16 on various taxes in Tanzania.

1. Income Tax Act

I. Payroll taxes(PAYE & SDL)

Minimum tax rate chargeable on income of resident individuals was reduced from 12% to 11%. See the resident individuals’ tax rates below

TOTAL INCOME	RATE PAYABLE
Where total income does not exceed TShs. 2,040,000/=	NIL
Where total income exceeds TShs. 2,040,000/= but does not exceed TShs. 4,320,000/=	11% of the amount in excess of TShs. 2,040,000/=
Where total income exceeds TShs. 4,320,000/= but does not exceed TShs. 6,480,000/=	TShs. 250,800/= plus 20% of the amount in excess of TShs. 4,320,000/=
Where total income exceeds TShs. 6,480,000/= but does not exceed TShs. 8,640,000/=	TShs. 682,800/= plus 25% of the amount in excess of TShs. 6,480,000/=
Where total income exceeds TShs. 8,640,000/=	TShs. 1,222,800/= plus 30% of the amount in excess of TShs. 8,640,000/=

Furthermore, the Finance act introduced amendments in the Vocational Education and Training Act (VETA) by extending the exemption of the Skills and Development Levy (SDL) to the farm employers whose employees are directly and solely engaged in farming and shall not include employees who engage in management of the farm or processing of the farming products.

I. Presumptive taxes

The finance Act reduced the turnover tax rates for small businesses to much lower rates as appearing here in below:

TURNOVER	TAX PAYABLE WHERE SECTION 80 OF THE INCOME TAX ACT IS NOT COMPLIED WITH	TAX PAYABLE WHERE SECTION 80 OF THE INCOME TAX ACT IS COMPLIED WITH
Where turnover does not exceed TShs. 4,000,000/=	NIL	NIL
Where turnover exceeds 4,000,000/= but does not exceed TShs. 7,500,000/=	TShs. 150,000/=	3% of the turnover in excess of TShs. 4,000,000/=
Where turnover exceeds TShs. 7,500,000/= but does not exceed TShs. 11,500,000/=	TShs.318,000/=	TShs.135,000/= plus 3.8% of the turnover in excess of TShs. 7,500,000 /=
Where turnover exceeds TShs. 11,500,000 but does not exceed TShs. 16,000,000/=	TShs.546,000 /=	TShs. 285,000/= plus 4.5% of the turnover in excess of TShs. 11,500,000/=
Where turnover exceeds TShs. 16,000,000 but does not exceed TShs. 20,000,000/=	Tshs.862,500/=	TShs. 487,000/= plus 5.3% of the turnover in excess of TShs. 16,000,000/=

I. Exemptions

The Finance Act extended tax exemption in Second Schedule of the Income Tax Act to, amount of interest derived from bonds issued by the East African Development Bank on the Dar es Salaam Stock Exchange.

II. Change in control

The Finance Act reduces the reference period over which the change in underlying ownership of an entity is tested to trigger tax consequences, from three year to two years. An entity is treated as realizing assets owned and liability owed, where the ownership changes by more than 50% as compared with the ownership at any time during the previous two years.

2. Tanzania Investment Act

Special Strategic Investment

The Finance Act provided for amendment of Section 20 of the Tanzania Investment Act with a view to identify and grant special strategic investment status and the manner of conferring additional special fiscal incentives.

A new special strategic investment category was created, whereby the investment must meet the following criteria:

- A. The initial total capital should not be less than USD 300,000,000 in terms of working capital and fixed assets
- B. The operating capital should be channeled through local financial institutions including local insurance services.
- C. To be able to create direct employment of at least 1500 Tanzanians employees out of which a satisfactory number of employees should be at a senior position.
- D. To be able to generate foreign exchange earnings or produce import substitution goods or supply important facilities necessary for development in the social, economic and financial sector.

Once a special strategic investment is granted, the Minister shall propose additional fiscal incentives to the National Investment Steering Committee. The government may identify projects and grant special strategic investment status.

Deemed capital goods

The Finance Act abolished tax exemption of imported trailers and removing PVC and HDPE pipes with HS Code 3917.31 in the list of deemed capital goods.

3. The Gaming Act

Finance Act introduced gaming tax which is imposed on the winning amount or the value of the winnings in connection with the operation of the gaming activities at the rate of 18%. However the amount of the winnings shall not be liable to income tax.

4. Railway Act

Introduction of a new charge known as Railway Development Levy which is charged at rate of 1.5% of customs value on imported goods entered for home consumption in Tanzania Mainland and shall not be applied to exempted goods under EACCM Act 2004.

5. Road and Fuel Toll Act, CAP.220

Finance act introduced new rates for fuel of shillings 313 per liter of both diesel and petrol.

6. Export Tax Act. CAP. 196

The Finance act has introduced export tax on Wet Blue Leather at rate of 10% of value of commodity(FOB). Also there is a new tax rate set on raw hides and skin at 80% of value of a commodity (FOB) or 0.52 USD per kilogram, whichever is greater.

For tax and business consultancy enquiries please contact:

James Kirimi
Managing Director
james.kirimi@rookconsultants.co.tz
+255 754 769 256 304

Jiduma Luhende
Director
jiduma.luhende@rookconsultants.co.tz
+255 754 099 533

Rook Consultants Ltd
Plot 1481, Rufiji Street, Masaki
P.O. Box 80024
Dar es Salaam, Tanzania

Phone : +255 22 2601215
info@rookconsultants.co.tz
www.rookconsultants.co.tz

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