

**2012/2013
TANZANIA TAX CARD**

INCOME TAX FOR CORPORATIONS:

| <u>Corporation rate</u> | % |
|--------------------------------------------------------------------|------------------|
| Resident corporation | 30 |
| Non-resident corporation | *30 |
| Newly listed companies – <i>reduced rate for 3 years</i> | **25 |
| Alternative minimum tax (on turnover) | *** 0.3 |
| <u>Capital deductions</u> | |
| Buildings (straight line) | |
| <i>Agriculture or livestock/fish farming</i> | 20 |
| <i>Other</i> | 5 |
| Plant and machinery (initial allowance) | |
| <i>Manufacturing or tourism</i> | 50 |
| <i>Agriculture</i> | 100 |
| Plant & machinery (reducing balance) | |
| <i>Class 1</i> | 37.5 |
| <i>Class 2</i> | 25 |
| <i>Class 3</i> | 12.5 |
| Intangible assets (straight line) | Over useful life |
| Agriculture - improvements/research and development | 100 |
| Mining exploration and development | 100 |
| Oil & Gas prospecting, exploration and development (straight line) | 20 |

*** A non-resident corporation with a permanent establishment also has to account for tax of 10% on "repatriated income"**

**** Provided at least 30% of shares are publicly issued**

***** Where tax losses for 3 consecutive years**

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INCOME TAX FOR INDIVIDUALS IN TANZANIA MAINLAND:

Individual Income Tax Rates:

| | <i>Bands of taxable income</i> | <i>Taxable income</i> | <i>Tax rate</i> | <i>Tax on band</i> | <i>Cumulative tax on income</i> |
|--------------|--------------------------------|-----------------------|-----------------|--------------------|---------------------------------|
| | Tshs | Tshs | % | Tshs | Tshs |
| First | 170,000 | 170,000 | 0 | 0 | 0 |
| Next | 190,000 | 360,000 | 14 | 26,600 | 26,600 |
| Next | 180,000 | 540,000 | 20 | 36,000 | 62,600 |
| Next | 180,000 | 720,000 | 25 | 45,000 | 107,600 |
| Over | 720,000 | | 30 | | |

Employment Benefits:

Housing:

Lower of

(a) Market value rental of the premises; and

(b) The higher of the following:

(i) 15% of employee's total annual income; and

(ii) the expenditure claimed as deduction by the employer in respect of the premises

Car:

Taxed according to engine size and vehicle age on following annual values:

| Engine size | up to 5 years old | > 5 years old |
|--------------------|--------------------------|-------------------------|
| | Tshs | Tshs |
| <= 1,000 cc: | 250,000 | 125,000 |
| 1,000 - 2,000 cc: | 500,000 | 250,000 |
| 2,000 - 3,000 cc: | 1,000,000 | 500,000 |
| > 3000 cc: | 1,500,000 | 750,000 |

Note: *not chargeable where employer does not claim deduction in respect of the ownership, maintenance, or operation of the vehicle.*

Loans:

Excess of "statutory rate" (see Penalty section) over actual interest rate paid

Donations:

An employee who makes donation as per Section 12 of the Tanzanian Education Fund Act, such donation is exempt from tax. But such exemption is upon approval by the Commissioner.

Presumptive Income Tax (for Businesses):

For individuals with business turnover not exceeding Tshs 20,000,000=00 (Tanzanian Shillings Twenty Millions) Per Annum specific presumptive income tax rates apply.

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Employment Taxes (Payroll Taxes):

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| PAYE (employee) | <u>%</u> see above |
| Social Security (NSSF, PPF) <i>(up to half (10%) can be deducted from employee)</i> | 20 |
| Skills and Development Levy (employer) <i>(Note: exemption in respect of employment in agricultural farming)</i> <i>This tax is payable where total number of employees exceed 4 (four) in any one organization.</i> <i>6% is to be applied on monthly gross emoluments. Gross emoluments include: wages, salary, leave pay, sick pay, payment in lieu of leave, fees, commissions, gratuity, bonuses, subsistence allowances, travelling allowances and entertainment allowances.</i> | 6 |

Withholding Tax Rates:

| | Resident % | Non-resident % |
|---------------------------------------------------------------|-----------------------|---------------------------|
| Dividend | | |
| - to company controlling 25% or more | 5 | 10 |
| - from DSE listed company | 5 | 5 |
| - otherwise | 10 | 10 |
| Interest | 10 | 10 |
| Rent | | |
| - land and buildings | 10 | 15 |
| - aircraft lease | 0 | 0 |
| - other assets | 0 | 15 |
| Royalty | 15 | 15 |
| Natural resource payment | 15 | 15 |
| Service fees | 0 | 15 |
| Technical services to mining companies | 5 | 15 |
| Insurance premium | 0 | 5 |
| Payments to resident persons without a TIN certificate | 2 | n/a |

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Disposal of Investments:

| | Tax rates | |
|------------------|-------------------|------------------|
| | Tanzanian asset % | Overseas asset % |
| Individual | | |
| - Resident | 10 | 30 |
| - Non - resident | 20 | n/a |
| Company | | |
| - Resident | 30 | 30 |
| - Non - resident | 30 | n/a |

Exemptions:

1. Private Residence - Gains of Tshs 15,000,000=00 or less
2. Agricultural land - Market value of less than Tshs 10,000,000=00
3. Units in an approved Collective Investment Scheme
4. DSE shares held by resident (less than 25% holding);

(Note: Shares held in a private entity, seller holding more than 25% of shares, are NOT exempt. Refer to the amendments in Tanzanian Income Tax Act vide Finance Act, 2012)

Single Instalment Tax:

| | % |
|---------------------------------------------------------------------------|-----|
| Sale of investment assets (land, buildings and shares) | |
| - by resident | 10* |
| - by non - resident | 20* |
| Non-resident transport operator/charterer without permanent establishment | 5** |

* applied to gain, credit against final tax liability

** applied to gross payment

INDIRECT TAXES:

Value Added Tax:

| Taxable Supplies | Rate* |
|------------------------------------|-------|
| | % |
| Supply of goods & services | 18 |
| Import of goods & services | 18 |
| Export of goods & certain services | 0 |

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Registration threshold (turnover) Where the taxable turnover of any taxable person exceeds or is likely to exceed:

- (a) Tanzanian Shillings Forty Million (Tshs. 40,000,000=00) in a period of 12 consecutive months; or
- (b) Tanzanian Shillings Ten Million (Tshs. 10,000,000=00) in a period of three consecutive months.

Payment Due date

Monthly VAT returns and any related payments are due on the last working day of the following month to which it relates.

VAT on the importation of goods is payable at the time customs becomes duty payable.

Refund claims

| | |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Standard | <i>Six months after the due date of the tax return on which the refund became due or the submission of the last VAT return for that six month period, whichever is the later.</i> |
| "Regular repayment" | <i>Businesses in a constant refund position may apply for authorisation to lodge claims on a monthly basis.</i> |

***Note: Entities entitled to special relief either pay VAT at 10% or benefit from full relief.**

Customs Duty:

| | % |
|-----------------------------------------------------------------------------------------------------------------------|---------|
| Capital goods, raw materials, agricultural inputs, pure-bred animals | 0 |
| Semi-finished goods | 10 |
| Finished final consumer goods | 25 |
| Equipment and supplies imported by mining operator / subcontractor - up to 1 year after commencement of production | 0 |
| - thereafter | 5 (max) |
| Equipment and supplies for petroleum and gas exploration | 0 |

Stamp Duty:

| | % |
|----------------------------------|---|
| Conveyance / transfer | 1 |
| Transfer of shares or debentures | 1 |
| Lease agreements | 1 |

Note: Stamp duty on conveyance of agricultural land is restricted to TZS 500

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Mineral Royalties:

| Rate % | Mining Act 1998 | Mining Act 2010 |
|--------------|-------------------------|----------------------------------------------------------------------------|
| 5 | Diamonds | Diamonds, Gemstones, Uranium |
| 4 | N/A | Metallic minerals (incl. copper, gold, silver and platinum group minerals) |
| 3 | General rate | General rate |
| 1 | N/A | Gems |
| 0 | Polished & Cut Stones | N/A |
| Base: | <i>"Net back value"</i> | <i>"Gross value"</i> |

TAX TREATIES IN FORCE:

Canada, Denmark, Finland, India, Italy, Norway, South Africa, Sweden, Zambia

DEADLINES, INTEREST AND PENALTIES:

| | Deadline/Obligation | Immediate penalty % | Monthly penalty % |
|-------------------------------------|-----------------------------------|------------------------|----------------------|
| <u>Income Tax:</u> | | | |
| <u>Instalment tax/return</u> | | | |
| Payment | instalment at end of each quarter | | Stat + 5 |
| Filing of return | end of 1st quarter | | 2.5* |
| Under-estimation | | | Stat |
| <u>Final tax/return</u> | | | |
| Payment | 6 months after accounting period | | Stat + 5 |
| Filing of return | 6 months after accounting period | | 2.5* |
| <u>Withholding tax:</u> | | | |
| Payment | 7 days after month of deduction | | Stat + 5 |
| Return | 30 days after each 6 month period | | Stat** |

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Deadline/Obligation

**Immediate
penalty
%**

**Monthly
penalty
%**

Payroll*:**

Payment

| | | | |
|---------------------------|---------------------------------|---|----------|
| PAYE | 7 days after month of deduction | | Stat + 5 |
| Skills & Development Levy | 7 days after month end | | Stat + 5 |
| NSSF | 1 month after month end | | 5 |
| PPF | 30 days after month end | 5 | 5 |

VAT:

| | | | |
|---------------------------------------------------------|-------------------------------------|---|---------|
| Filing / payment | last working day of following month | 1 | 2**** |
| Interest chargeable on late payment | | | CBL + 5 |
| Interest due to taxpayer on late payment of VAT refunds | | | CBL |

Excise Duty:

| | | | |
|---------|-----------------------------------------|--|----------|
| Payment | last working day of the following month | | Stat + 5 |
|---------|-----------------------------------------|--|----------|

Stamp Duty:

| | | | |
|--------------------|-----------------------------------------------|-----------|-----|
| Payment / Stamping | 30 days after execution / entry of instrument | 25 - 1000 | n/a |
|--------------------|-----------------------------------------------|-----------|-----|

Key

Stat = "Statutory Rate" (prevailing discount rate determined by Bank of Tanzania), compounded monthly

(Annual rate: 2012 12%; 2011 & 2010 7.58%; 2009 17.53%; 2008 15%; 2007 & 2006 20%; 2005 14.6%; 2004 12.8%)

(Monthly equivalent: 2012 1%; 2011 & 2010 0.63%; 2009 1.46%; 2008 1.25%; 2007 & 2006 1.67%; 2005 1.22%; 2004 1.07%)

CBL = Central Bank commercial bank lending rate

* = subject to a minimum of Tshs 10,000 (individuals) and Tshs 100,000 (corporates)

** = subject to a minimum of Tshs 100,000

*** = PAYE and SDL returns due 30 days after each 6-month period

**** = minimum penalty is Tshs 50,000 for first month and Tshs 100,000 per month thereafter

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DETAILS OF DEPRECIABLE ASSETS:

| Class | Depreciable Assets | Rates |
|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| 1* | Computers and data handling equipment together with peripheral devices, automobiles, buses and minibuses with a sitting capacity of less than 30 passengers, goods vehicles with a seating capacity of less than 7 tones, construction and earth moving equipment. | 37.5% |
| 2* | Buses with a seating capacity of 30 or more passengers, heavy general purpose or specialized trucks, trailers and trailer mounted containers, railroad cars, locomotives and equipment, vessels, barges, tugs and similar water transportation equipment, aircraft, other self propelling vehicles, plant and machinery (including wind mills, electric generators, and distribution equipment) used in manufacturing or mining operations, specialized public utility plant and equipment, and machinery or other irrigation installations and equipment. | 25% |
| 3* | Office furniture, fixtures and equipment, any asset not included in another class. | 12.5% |
| 4** | Natural resource exploration and production rights and assets in respect of natural resource prospecting, exploration and development expenditure. | 20% |
| 5** | Buildings, structures, dams, water reservoirs, fences, and similar works of a permanent nature used in agriculture, livestock farming or fishing farming. | 20% |
| 6** | Buildings, structures, and similar works of permanent nature other than those mentioned in Class 5. | 5% |
| 7** | Intangible assets other than those mentioned in Class 4. | Over useful life of the asset |
| 8** | Plant and machinery (including windmills, electric generators and distribution equipment) used in agriculture. | 100% |

** Pools of depreciable assets calculated basing on Diminishing Value Balance Method*

*** Pools of depreciable assets calculated basing on Straight Line Method*

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KEY AMENDMENTS VIA THE FINANCE ACT, 2012:

- ✦ A person who sells goods, renders services or receives payment in respect of goods sold or services rendered the value of which is not less than five thousand shillings (Tshs. 5,000=00), shall issue fiscal receipt or fiscal invoice by using electronic fiscal device. (*Amendment of Section 80A of ITA*)
- ✦ Notwithstanding the provisions of subsection (1), the Commissioner may, by regulations made under this Act, issue a list of persons or class of persons who are exempt from acquiring and using electronic fiscal device or issuing fiscal receipt or invoice. (*Amendment of Section 80A of ITA*)
- ✦ Taxation on share premiums upon issue of additional shares. (*Amendment of Section 90 of ITA*)
- ✦ Without prejudice to the provisions of subsection (1), any person who fails to acquire or use electronic fiscal device or issue fiscal receipt or fiscal invoice, commits an offense and on conviction shall be liable to a fine of not less than one million shillings (Tshs. 1,000,000=00) or to imprisonment for a term not exceeding three years. (*Amendment of Section 104 of ITA*)
- ✦ Introduction of alternate minimum tax for entities with tax losses for three continuous years.
- ✦ Apart from the above key amendments to Tanzanian Income Tax Act (ITA), the following Acts have also been amended:
 - Amendment of the Airport Service Charge Act;
 - Amendment of the East African Development Bank Act;
 - Amendment of the Excise (Management and Tariff) Act;
 - Amendment of the Export Tax Act;
 - Amendment of the Gaming Act;
 - Amendment of the Income Tax Act;
 - Amendment of the Local Government Finance Act;
 - Amendment of the Motor Vehicles (Tax on Registration and Transfer) Act;
 - Amendment of the Tanzania Investment Act; and
 - Amendment of the Value Added Tax Act.
- ✦ For a copy of the Finance Act, 2012 do not hesitate to contact us.

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CAVEAT

Although we have taken all reasonable care in compiling this publication, we do not accept responsibility for any errors or inaccuracies that it may contain. This datacard has been prepared for quick reference. It is not a substitute for professional advice and action should not be taken solely on the strength of the information contained herein.

If you would like any further information on this card or the services that Hanif Habib & Co. Certified Public Accountants can provide please contact:



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