



The United Republic of Tanzania

TAX STATISTICS REPORT 2015/16

TANZANIA MAINLAND



National Bureau of Statistics
Ministry of Finance and Planning
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The United Republic of Tanzania

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Abbreviations and Acronyms

ACV	-	Agreement on Customs Valuation
BOS	-	Bureau of Statistics
CIT	-	Company Income Tax
CRMS	-	Computerized Risk Management System
DSI	-	Destination Inspection Scheme
EPZ	-	Export Processing Zone
GFS	-	Government Finance Statistics
IMF	-	International Monetary Fund
LGAs	-	Local Government Authorities
MDAs	-	Ministries, Departments and Agencies
MoFP	-	Ministry of Finance and Planning
NBS	-	National Bureau of Statistics
NSS	-	National Statistical System
NSGRP	-	National Strategy for Growth and Reduction of Poverty
PAYE	-	Pay As You Earn
PIT	-	Personal Income Tax
SDL	-	Skills Development Levy
SS	-	Statistics Section
TRA	-	Tanzania Revenue Authority
TSMP	-	Tanzania Statistical Master Plan
TZS	-	Tanzanian Shilling
VAT	-	Value Added Tax
OGL	-	Other Government Loans
NBC	-	National Bank of Commerce
NSOs	-	National Statistical Offices
UNSD	-	United Nations Statistics Division
WB	-	World Bank
OECD	-	Organization for Economic Cooperation and Development

Foreword

This is the fourth edition of the Tax Statistics Report for Tanzania Mainland. The first three editions were compiled by National Bureau of Statistics (NBS) in collaboration with Tanzania Revenue Authority (TRA) and the Ministry of Finance and Planning (MoFP). Generation and compilation of tax statistics published in this report are a result of collaborative effort of institutions including MoFP, TRA, President's office – Regional Administration and Local Government (PO-RALG) and the Bank of Tanzania (BOT). While the Ministry of Finance and Planning and Bank of Tanzania provided general government revenue and other fiscal data, data on tax revenues were largely collected from TRA. On the other hand, revenue statistics collected by local government authorities were centrally obtained from PO-RALG before being aggregated into regional and national figures for reporting purposes. Although each institution has mandate to produce statistics in its area of jurisdiction, the custodianship of all official statistics in the country is entrusted to NBS vide the Statistics Act No.9 of 2015.

For the first time, statistics on revenue collected by local government authorities are reported in a nutshell in this report. Additional tax items such as tax rate by type, individual and company income tax and ratios of tax items to GDP are also compiled to meet the current demand by researchers and the community in general. Internationally recommended guidelines for producing official tax and revenue statistics are published by the IMF and OECD including the Government Finance Statistics Manual 2014, the SNA 1993 and SNA 2008.

In this report, NBS and TRA provided indicators that can be used to sharpening policy debates and enhance fact-based decision-making. NBS and TRA trust that users will continue to engage with them so as to improve future editions of the Tax Statistics Report.

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Contents

	Page
Abbreviations and Acronyms	iv
Foreword	v
List of Tables	viii
List of Figures	ix
About this Publication	x
Introduction	xi
Methodology	xi
In Brief	xii
Chapter One	1
Government Revenue Collection	1
1.1 Introduction	1
1.2 Sources of Government Revenue	1
1.2.1 Internal Revenue	2
Chapter Two	6
Tax Revenues	6
2.1 Direct and Indirect Taxes	6
a). Direct Taxes	7
b). Indirect Taxes	10
Consumption Taxes	11
Chapter Three	16
VAT and Other Domestic Taxes and Charges	16
3.1 VAT Revenue Collection	16
3.2 Other Domestic Taxes and Charges	22
3.3 Taxpayers and VAT Vendors Registration	23
Chapter Four	25
International Trade Taxes, Tax Rates and Tax Revenues – to-GDP Ratios	25
4.1 International Trade Taxes	25
4.2 Tax Rates	29
4.3 Tax Revenue -to-GDP Ratios	30
Chapter Five	32
Revenue for Local Government Authorities	32
Categories of revenue collected by Local Authority	32

Annex	34
Concepts and Definitions	34
Tax	34
Direct Taxes	34
Indirect Taxes	37
Other Taxes	37
Custom Modernization Programme	38
Tax Incentives.....	39
Taxes, Fees and Levies Collected by Local Government Authorities.....	39

List of Tables

Table 1. 1: Government Revenue (TZS Billion) by Source, Tanzania Mainland, 2004/05 – 2015/16.....	1
Table 1. 2: Internal Government Revenue (TZS Billion) by Type, Tanzania Mainland, 2004/05 – 2015/16.....	3
Table 1. 3: Distribution of Government Finance from External Revenue (TZS Billion) by Type.	5
Table 2. 1: Collection Direct and Indirect Taxes (TZS Billion), Tanzania Mainland, 2004/05 – 2015/16.....	6
Table 2. 2: Direct Taxes (TZS Billion) by Type, Tanzania Mainland, 2004/05 – 2015/16.....	9
Table 2. 3: Indirect Taxes (TZS Billion) by Broad Categories, Tanzania Mainland, 2004/05 – 2015/16.....	11
Table 2. 4: Consumption Taxes (TZS Billion) by Type of Tax, Tanzania Mainland, 2004/05 – 2015/16.....	12
Table 2. 5: Domestic Excise Taxes (TZS Billion) by Type of Product, Tanzania Mainland, 2004/05 – 2015/16.....	14
Table 3. 1: Domestic VAT revenue in TZS billion collection by type of products and services, 2004/5 – 2015/16, Tanzania Mainland.....	17
Table 3. 2: VAT from Products (TZS Billion) by Type of Product, Tanzania Mainland, 2004/05 – 2015/16.....	19
Table 3. 3: VAT from Domestic Services (TZS Billion) by Type of Service, Tanzania Mainland, 2004/05 – 2015/16.....	21
Table 3. 4: Other Domestic Taxes and Charges (TZS Billion) by Type of Tax or Charge, Tanzania Mainland, 2004/05 – 2015/16.....	23
Table 3. 5: Number of taxpayers registered in Tanzania Mainland, 2006/07 - 2015/16.....	24
Table 3. 6: Number of registered VAT vendors, in Tanzania Mainland, 2006/07 - 2015/16 ...	24
Table 4. 1: International Trade Taxes (TZS Billion) by Type of Tax, Tanzania Mainland, 2004/05 – 2015/16.....	25
Table 4. 2: Excise Duties (TZS Billion) by Type of Duty, Tanzania Mainland, 2004/05 – 2015/16.....	28
Table 4. 3: Tax Rates by type 2008/09 – 2015/16 Tanzania Mainland.....	30
Table 4. 4: Tax Revenue to GDP Ratios 2004/05 – 2015/16, Tanzania Mainland.....	30
Table 5. 1: Local Government Revenue from Own Source (TZS Million), Tanzania Mainland, 2010/11 – 2015/16.....	32

List of Figures

Figure 1. 1:Percentage contribution to Total Government Finance by Internal and External Revenue, Tanzania Mainland, 2104/15 – 2015/16.....	2
Figure 1. 2:Trend of Government Finance from Internal Revenue (TZS Billion), Tanzania Mainland, 2003/04 – 2014/15.....	4
Figure 2. 1:Contribution of Direct and Indirect Taxes to Total Domestic Tax Revenue, Tanzania Mainland, 2004/05 – 2015/16.	7
Figure 2. 2:Contributions to Total Direct Taxes 2014/15 – 2015/16, Tanzania Mainland.....	8
Figure 2. 3:Contribution of Various Taxes to Total Direct Taxes for 2004/05 - 2015/16, Tanzania Mainland,	10
Figure 2. 4:Collected Consumption Tax Revenue (TZS. Billion) , Tanzania Mainland, 2004/05 – 2015/16.....	13
Figure 2. 5:Total Domestic Excise Taxes (TZS Billion), Tanzania Mainland, 2004/05 – 2015/16.....	15
Figure 3.1: Total VAT (TZS Billion) from Domestic Products, Tanzania Mainland, 2004/05 - 2015/16.....	20
Figure 3. 2:Other Domestic Taxes and Charges (TZS Billion), Tanzania Mainland, 2004/05 – 2015/16.....	22
Figure 4. 1:International Trade Taxes (TZS Billion) by Type of Tax, Tanzania Mainland, 2004/05 – 2015/16.....	26
Figure 4. 2:Revenue collected from import duties, 2004/05 – 2015/16, Tanzania Mainland ...	27
Figure 4. 3:Contribution of petroleum and non petroleum products to excise duty on imports Tanzania mainland, 2004/05 – 2015/16.	28
Figure 4. 4:VAT on imports values and growth, Tanzania mainland, 2004/05 – 2015/16.	29
Figure 5. 1:Local Government Revenue (TZS Million) from Own Source by Type, Tanzania Mainland, 2010/11 – 2015/16	33
Figure 5. 2:Growth (in percentage) by type of Revenue, Tanzania Mainland, 2015/16	33

About this Publication

The Tax Statistics Report 2015/16 builds and expands on the previous three editions. The first edition which presented information for the 2000/01 to 2011/12 period was released in 2014. The second edition presented information for the period of 2001/02 to 2012/13 was released in 2015 and the third edition which covered the period of 2003/04 to 2014/15 was released in 2016. This publication provides an overview of tax revenue collections and information for the fiscal years 2004/05 to 2015/16. The objective of this publication is to present comprehensive information on tax revenue in order to inform decision making processes. In addition, the report will help the contextualization of economic and demographic information provided by other publications. Feedback from a variety of sources indicates that tax statistics also provide valuable insights into socio-economic trends.

The Tax Statistics Report 2015/16 is the fourth edition in the series of NBS tax statistics reports. Since 2001/02 NBS has been producing the tax and Government finance statistics which covered selected tax lines from TRA and some general government revenues as extracted from the Annual Economic Survey publication. Revenue is defined by the IMF as being an increase in net worth resulting from a transaction. Taxation is a form of revenue, but excludes grants (e.g. foreign aid), returns on government market investments, rents on the extraction of resources from public lands, sales of government-produced goods and services, and the collection of fines and forfeits. Through collaboration, four institutions agreed to make some improvements to the Tax and Government Finance Statistics report including changing its title to “Tax Statistics Report for Tanzania Mainland” since tax statistics are part of the Government Finance Statistics – GFS.

The term ‘taxes’ is confined to compulsory, unrequited payments to general government. The OECD/IMF methodology classifies a tax according to its base as follows: income, profits and capital gains (under heading 111 in the Government Finance Statistics Manual of OECD/IMF); payroll (112); property (113); goods and services (114); and other taxes (116). Compulsory social security contributions paid to the general government are also treated as taxes (IMF). Non-tax revenue includes all general government revenue that does not meet the OECD/IMF definition of taxation. It includes certain compulsory transfers such as fines, penalties, and most social security contributions; grants; property income; sales of goods and services and miscellaneous other revenues. This report examines changes in the level and composition of taxation plus the attribution of tax revenues by level of government from 2004/05 to 2015/16. The difference between this edition and the last three is that in this edition, indicators have been expanded throughout to cover other tax items and ratios including tax to GDP ratios, tax rates, tax payer’s registration by tax year and the elaborated revenue statistics from LGAs as shown in their main aggregates.

Data used to compile the 2015/16 Tax Statistics Report were obtained from Tanzania Revenue Authority (TRA), The Ministry of Finance and Planning (MoFP), The Presidents’ Office – Regional Administration and Local Government (PO-RALG) and the National Bureau of Statistics (NBS). Some of the data used are provisional and may be updated. Beside 2015/16, the report gives information of earlier years from 2004/05 onwards

Introduction

Tax revenue grew by an average annual growth of 25.6 percent from 2005/06 to 2008/09. The effect of the 2008 Global Financial Crisis caused relatively low growth of 9.8 percent in 2009/10 fiscal year. However, tax revenues recovered quickly and the annual growth rate of tax revenue was 19.5 percent in 2010/11. It remained high up to 2013/14 before it fell to 7.9 percent in 2014/15 which was below the magnitude observed during the global crisis. A long term average of tax-to-Gross Domestic Product (GDP) ratio from 2004/05 to 2015/16 was 11.6 percent.

Methodology

In this report, trends of various tax items over the 2005/06 to 2015/16 period are discussed. This report is for Tanzania Mainland and all figures are reported into Tanzania shillings. All data are reported on fiscal year basis up to a preceding year of the reporting period. Tax statistics are produced according to international guidelines for comparison purposes. National Statistics Offices (NSOs) and other producers of official statistics try to follow guidelines normally provided by UN agencies such as the United Nations Statistics Division (UNSD), the International Monetary Fund (IMF) and the World Bank (WB) when compiling these statistics.

These agencies prepare guidelines and manuals for production of official statistics. These statistics must meet the criteria of fundamental principles of official statistics that were endorsed by United Nations' General Assembly in 2014. Tax statistics classifications follow the Government Finance Statistics Manual 2014 as prepared by the IMF whereby tax items fall under revenue classification. Tax are broadly classified as Tax on income, profits and capital gains (111), Taxes on payroll and workforce (112), Taxes on property (113), Taxes on goods and services (114), Taxes on international trade and transactions (115) and Other taxes (116).

The role of Tanzania Revenue Authority is to assess, collect and account for Government revenue through administering effectively and efficiently all revenue laws of the Central Government among others. The role of NBS is to coordinate production of official statistics within the National Statistics System to ensure that quality official statistics are produced. In this view, NBS collaborates with tax statistics stakeholders to make sure that fundamental principles of producing official statistics are followed and that tax information are disseminated.

In Brief

- All statistics are based on the income, expenses, deductions and items as reported by taxpayers and traders in tax returns and assessment documents.
- Nominal data are reported in fiscal year throughout this publication.
- Some figures have been rounded so discrepancies may occur between the numbers of the component items and the totals in the tables.
- Total revenue collected by central government (which excludes revenue by LGAs) grew by 14.3 percent from TZS 13,826.8 billion in 2014/15 to TZS 15,802.0 billion in 2015/16.
- Tax revenue contributed 91.9 percent of total internal revenue in 2015/16.
- In the 2015/16 fiscal year: Tax revenue collected amounted to TZS.13, 246.1 billion and grew by TZS.2, 581.0 billion (24.0 percent) from TZS. 10,665.1 billion reported in 2014/15.
- Compared to external sources of government revenue, internal sources dominated the share for about a decade and contributed 86.2 percent in 2015/16.
- The tax-to-GDP ratio increased from 12.5 percent in 2014/15 to 13.6 percent in 2015/16 exceeding the long-term average of 11.6 percent. This however remains below the peak of 13.1 percent achieved in 2013/14.
- About 79 percent of total government revenue from external sources in 2015/16 were in terms of grants, project loans and concessional loans.
- Magnitude of revenue collected by Local Government Authorities shows an annual increasing trend from TZS 158,279 million in 2010/11 to TZS 432,878 million in 2015/16.

CHAPTER ONE

Government Revenue Collection

1.1 Introduction

This chapter presents overall government revenue collections in line with Government Finance Statistics (GFS) methodology prepared by the International Monetary Fund (IMF). The GFS was designed to provide statistics that would enable policymakers and analysts to study developments in the financial operations, fiscal position, and liquidity situation of the general government sector or the public sector in a consistent and systematic manner.

1.2 Sources of Government Revenue

In this report, sources of government revenue are divided into two broad categories namely internal sources and external sources. Internal sources refer to revenue collected through domestic and international taxes together with borrowing from domestic institutions such as banks, social security institutions, among others, while external sources cover all grants, loans and assistance provided by development partners.

Table 1.1 shows that government revenue increased from TZS 3,297.4 billion in 2004/05 to TZS 6,414.3 billion in 2008/09 and reached TZS 15,802.0 billion in 2015/16. The largest change was observed in 2007/08 when an increase of 34.2 percent was recorded, followed by 27.4 percent in 2011/12. There was a decrease of 0.6 percent in government revenue in 2014/15. The revenue collection increased by 14.3 percent from TZS 13,826.8 billion in 2014/15 to TZS 15,802.0 billion in 2015/16.

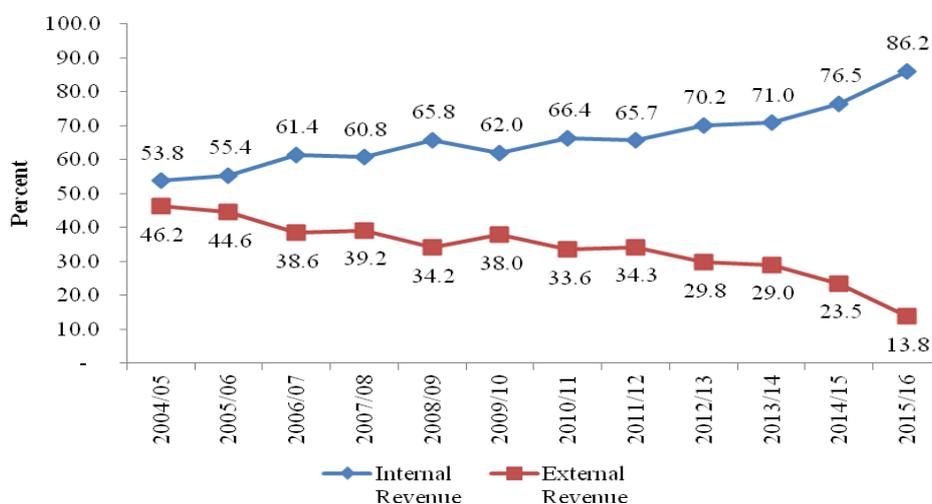
Table 1.1: Government Revenue (TZS Billion) by Source, Tanzania Mainland, 2004/05 – 2015/16

Year	Internal Revenue (excluding LGAs)		External Revenue		Total Government Revenue	Change in Government Revenue between Years	
	Amount	Percent	Amount	Percent		Amount	Percent
2004/05	1,773.7	53.8	1,523.7	46.2	3,297.4		
2005/06	2,124.8	55.4	1,712.4	44.6	3,837.2	539.8	16.4
2006/07	2,739.0	61.4	1,719.1	38.6	4,458.1	620.9	16.2
2007/08	3,634.6	60.8	2,348.2	39.2	5,982.8	1,524.7	34.2
2008/09	4,185.3	65.2	2,229.0	34.8	6,414.3	431.5	7.2
2009/10	4,661.5	62.0	2,853.0	38.0	7,514.5	1,100.2	17.2
2010/11	5,578.0	66.4	2,819.2	33.6	8,397.2	882.7	11.7
2011/12	7,025.9	65.7	3,670.9	34.3	10,696.8	2,299.6	27.4
2012/13	8,292.3	70.2	3,528.4	29.8	11,820.7	1,123.9	10.5
2013/14	9,867.3	71.0	4,040.0	29.0	13,907.3	2,086.6	17.7
2014/15	10,569.3	76.4	3,257.5	23.6	13,826.8	-80.5	-0.6
2015/16	13,622.1	86.2	2,179.9	13.8	15,802.0	1,975.2	14.3
Total	74,073.8	69.9	31,881.3	30.1	105,955.1		

Source: Ministry of Finance and Planning, 2017

Generally, more than half of total government revenue is contributed by internal sources. The share of internal revenue in total government revenue has been increasing while that of external revenue has been decreasing. Figure 1.1 presents the shares of internal and external revenues to total government revenue.

Figure 1.1: Percentage Contribution of Internal and External Revenues to Total Government Finance, Tanzania Mainland, 2004/05 – 2015/16



1.2.1 Internal Revenue

Internal Government revenue consists of tax and non-tax revenues collected by the central government. Revenue collected by local government authorities supplements the central government revenue. Statistics on revenue collected by LGAs are analyzed in Chapter Four.

Table 1.2 shows government revenue collected from internal sources from year 2004/05 to 2015/16 in Tanzania Mainland. The table shows that internal revenue increased from TZS 10,597.7 billion in 2014/15 to TZS 13,622.2 billion in 2015/16. Out of the total internal revenue collected in 2015/16, TZS 12,525.4 billion (91.9 percent) was tax revenue, TZS 1,096.8 billion (8.1 percent) was non- tax revenue

From 2004/05 to 2015/16, the share of tax revenue to total internal government revenue was largest in 2014/15 with 95.3 percent.

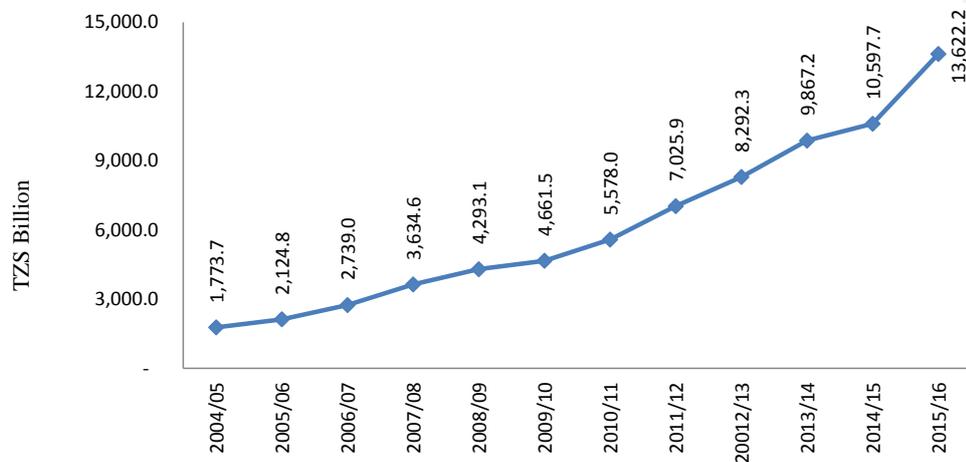
Table 1. 2: Internal Government Revenue (TZS Billion) by Type of Revenue, Tanzania Mainland, 2004/05 – 2015/16

Year	Tax Revenue		Non-Tax Revenue (excluding revenue for LGAs)		Total Government Finance from Internal Revenue	Change in Internal Government Finance between Years	
	Amount	Percent	Amount	Percent		Amount	Percent
2004/05	1,615.2	91.1	158.5	8.9	1,773.7		
2005/06	1,946.4	91.6	178.4	8.4	2,124.8	351.1	19.8
2006/07	2,529.4	92.3	209.6	7.7	2,739.0	614.2	28.9
2007/08	3,359.3	92.4	275.3	7.6	3,634.6	895.6	32.7
2008/09	4,043.7	94.2	249.4	5.8	4,293.1	658.5	18.1
2009/10	4,427.8	95.0	233.7	5.0	4,661.5	368.4	8.6
2010/11	5,293.3	94.9	284.7	5.1	5,578.0	916.5	19.7
2011/12	6,480.5	92.2	545.4	7.8	7,025.9	1,447.9	26.0
2012/13	7,730.0	93.2	562.3	6.8	8,292.3	1,266.4	18.0
2013/14	9,294.4	94.2	572.8	5.8	9,867.2	1,575.0	19.0
2014/15	10,097.9	95.3	499.8	4.7	10,597.7	730.5	7.4
2015/16	12,525.4	91.9	1,096.8	8.1	13,622.2	3,024.5	28.5
Total	69,343.3	93.4	4,866.7	6.6	74,209.9		

Source: Ministry of Finance and Planning, 2017

Tax collection done by the TRA has improved government finances (Table 1.2). Government revenue increased by TZS 351.1 billion in 2005/06 and TZS 895.6 billion in 2007/08. However, the change decreased to TZS 658.5 billion in 2008/09 and decreased further to TZS 368.4 billion in 2009/10 before it started to increase in the following year reaching the highest level of TZS 1,575.0 billion in 2013/14. The improvement in Government finances enables the government to cover its expenditures and repay its loans. There has been an increasing trend in Government finances over the 2004/05 to 2015/16 period (figure 1.2).

Figure 1.2: Trend of Government Finance from Internal Revenue (TZS Billion), Tanzania Mainland, 2004/05 – 2015/16.



1.2.2 External Revenue

In Tanzania, Government revenue from external sources consists of grants, loans and other supports. During the period 2004/05 to 2015/16 the Government continued to receive assistance from development partners and international financial institutions which could also help in securing grants and concessional loans. The purpose of these loans and grants is to complement Government financing efforts in the implementation of economic growth and poverty reduction initiatives through various strategies and development plans, which include MKUKUTA, the Millennium Development Goals and the National Development Vision 2025 among others.

Table 1. 3: External Government Revenue in (TZS Billion) by Type of Revenue Tanzania Mainland, 2004/05 – 2015/16.

Year	Grants		Basket Support		Import Support		Project Loans		Concessional Loans		Total External Revenue	Changes in Revenue between Years	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent		Amount	Percent
2004/05	993.0	65.2	156.7	10.3	65.4	4.3	308.6	20.3	0.0	0.0	1,523.7		
2005/06	1,043.4	60.9	82.3	4.8	257.7	15.0	329.0	19.2	0.0	0.0	1,712.4	188.7	12.4
2006/07	971.6	56.5	47.3	2.8	267.0	15.5	433.2	25.2	0.0	0.0	1,719.1	6.7	0.4
2007/08	1,573.2	67.0	200.6	8.5	365.0	15.5	209.4	8.9	0.0	0.0	2,348.2	629.1	36.6
2008/09	1,257.3	56.4	151.4	6.8	331.5	14.9	488.8	21.9	0.0	0.0	2,229.0	-119.2	-5.1
2009/10	1,405.2	49.3	194.0	6.8	558.3	19.6	695.5	24.4	0.0	0.0	2,853.0	624.0	28.0
2010/11	1,627.4	57.7	220.7	7.8	173.8	6.2	643.4	22.8	153.9	5.5	2,819.2	-33.7	-1.2
2011/12	1,855.1	50.5	172.2	4.7	246.8	6.7	595.4	16.2	801.3	21.8	3,670.8	851.6	30.2
2012/13	1,521.5	43.1	211.0	6.0	358.8	10.2	374.1	10.6	1,063.0	30.1	3,528.4	-142.5	-3.9
2013/14	1,587.6	39.3	207.7	5.1	526.2	13.0	524.0	13.0	1,194.5	29.6	4,040.0	511.6	14.5
2014/15	1,024.1	31.4	163.2	5.0	374.7	11.5	640.7	19.7	1,054.8	32.4	3,257.5	-782.5	-19.4
2015/16	495.4	22.7	161.8	7.4	291.4	13.4	777.8	35.7	453.5	20.8	2,179.9	-1,077.6	-33.1
Total	15,354.8	48.2	1,968.9	6.2	3,816.6	12.0	6,019.9	18.9	4,721.0	14.8	31,881.2		

CHAPTER TWO

Tax Revenues

2.1 Direct and Indirect Taxes

Direct and Indirect taxes form a general taxation system in Tanzania. Direct taxes include taxes on payroll and workforce (PAYE), Basic Skills and Development Levy, Taxes on profits (corporate tax), Taxes on income (Individual or Personal income Tax), Withholding Taxes (IRMD), Rental Tax, Gaming tax and other income taxes. Indirect taxes in Tanzania are paid as consumption taxes, international trade taxes and other domestic taxes and charges when they are broadly categorized.

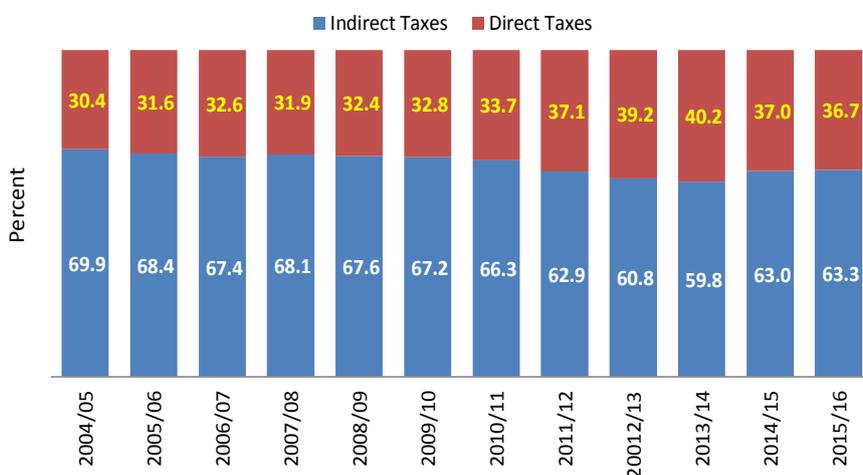
Table 2.1: Collection of Direct and Indirect Taxes (TZS Billion), Tanzania Mainland, 2004/05 – 2015/16

Year	Direct Taxes		Indirect Taxes		Total	Changes in Taxes between Years	
	Amount	Percent	Amount	Percent		Amount	Percent
2004/05	510.9	30.4	1,169.1	69.6	1,680.0		
2005/06	637.8	31.6	1,380.1	68.4	2,017.9	337.9	20.1
2006/07	853.5	32.6	1,764.4	67.4	2,617.9	600.0	29.7
2007/08	1,105.7	31.9	2,357.9	68.1	3,463.6	845.7	32.3
2008/09	1,349.8	32.4	2,811.8	67.6	4,161.6	698.0	20.2
2009/10	1,498.0	32.8	3,072.5	67.2	4,570.5	408.9	9.8
2010/11	1,839.9	33.7	3,620.2	66.3	5,460.1	889.6	19.5
2011/12	2,471.5	37.1	4,197.1	62.9	6,668.6	1,208.5	22.1
2012/13	3,149.4	39.2	4,881.7	60.8	8,031.1	1,362.5	20.4
2013/14	3,968.3	40.2	5,911.8	59.8	9,880.1	1,849.0	23.0
2014/15	3,940.8	37.0	6,724.3	63.0	10,665.1	785.0	7.9
2015/16	4,865.1	36.7	8,381.0	63.3	13,246.1	2,581.0	24.2
Total	26,190.7	36.1	46,271.9	63.9	72,462.6		

Source: Tanzania Revenue Authority, 2015

Table 2.1 shows collections of direct and indirect taxes in Tanzania Mainland. From 2004/05 to 2009/10, the amount of indirect taxes collected was about twice the amount of direct taxes. Table 2.1 also reveals that there was an increase in revenue collection from 2004/05 to 2015/16. Revenue collection increased from TZS 1,680.0 billion in 2004/05 to TZS 4,570.5 billion in 2009/10 and reached TZS 13,246.1 billion in 2015/16. The tax revenue increased by 24.2 percent in 2015/16 compared to 7.9 percent in 2014/15. The highest percentage increase (32.3 percent) in revenue collection was attained in 2007/08 when tax collection increased by TZS 845.7 billion between 2006/07 and 2007/08. The worst growth was 7.9 percent in 2014/15.

Figure 2.1: Contribution of Direct and Indirect Taxes to Total Domestic Tax Revenue, Tanzania Mainland, 2004/05 – 2015/16.



The gap between shares of direct and indirect taxes is narrower after 2009/10 than before. This is an indication of improved collection of direct taxes in the recent years. Furthermore, observation of Figure 2.1 shows that indirect taxes were increasing at a decreasing rate of marginal return while the trend in direct taxes was increasing gradually.

a). Direct Taxes

This is a major source of government revenue collected in the form of tax on gains and profits from business, employment and investment of individuals, corporate and other entities. It is charged as direct tax on individual income, corporate profit, employee’s income, provisional and final withholding tax and capital gains tax. All these are part of a coherent income tax system.

Direct taxes include taxes on payroll and workforce (PAYE), Basic Skills and Development Levy, Taxes on profits (Corporate tax), Taxes on income (Individual or Personal income Tax), Withholding Taxes (IRMD), Rental Tax, Gaming tax and other income taxes.

Table 2.2 shows different types of items of direct taxes collected. Revenue collected as direct taxes increased by 23.5 percent in 2015/16 compared to a decrease in growth of 0.7 percent in 2014/15. The highest growth was 34.3 percent in 2011/12 which was above the average growth of 23.1 percent in the period of 2004/05 to 2015/16.

Figure 2. 2: Contributions of Individual Taxes to Total Direct Taxes, Tanzania Mainland, 2014/15 – 2015/16

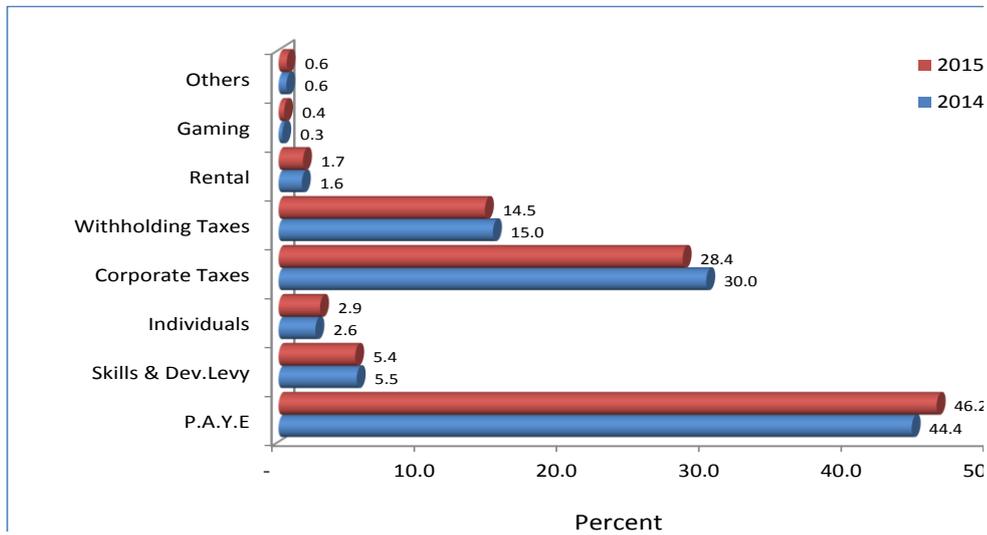


Figure 2.2 shows that PAYE taxes dominated the share of all direct taxes and has improved from a share of 44.4 percent in 2014/15 to a share of 46.2 percent in 2015/16. Gaming and other direct taxes all together contributed only 1.0 percent of total direct taxes in 2015/16.

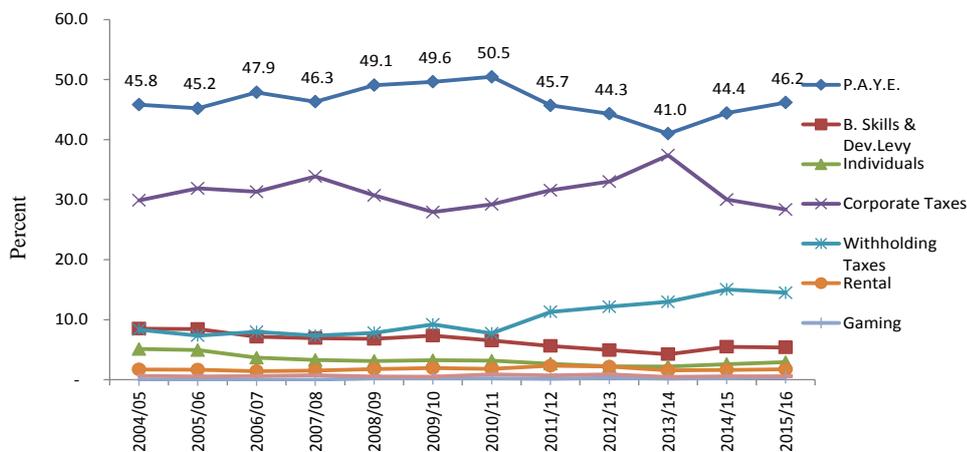
Table 2. 2: Amount of Direct Taxes (TZS Billion) Collected by Type Taxes, Tanzania Mainland, 2004/05 – 2015/16

Year	Type of Tax								Total Direct Taxes	Change in Collection between Years	
	P.A.Y.E	B. Skills & Dev.Levy	Individuals	Corporate Taxes	Withholding Taxes	Rental	Gaming	Others		Amount	Percent
2004/05	234.1	43.5	26.1	152.7	42.6	8.7	n.a	3.2	510.9		
2005/06	288.3	53.8	31.4	203.3	46.9	10.6	n.a	3.4	637.7	126.8	24.8
2006/07	408.6	61.1	31.2	267.2	68.0	12.1	n.a	5.3	853.5	215.8	33.8
2007/08	512.2	76.5	36.3	374.6	81.1	16.9	n.a	8.2	1,105.8	252.3	29.6
2008/09	662.3	91.7	42.1	414.7	105.3	23.9	2.7	7.2	1,349.9	244.1	22.1
2009/10	743.4	110.2	48.6	418.3	137.7	29.0	3.2	7.5	1,497.9	148.0	11.0
2010/11	928.5	120.0	58.4	537.6	142.1	33.0	4.1	16.3	1,840.0	342.1	22.8
2011/12	1,129.5	138.9	65.8	779.9	279.4	57.4	3.3	17.4	2,471.6	631.6	34.3
2012/13	1,395.6	155.3	69.9	1,039.7	382.9	68.9	8.9	28.2	3,149.4	677.8	27.4
2013/14	1,626.5	168.7	87.4	1,483.9	514.6	61.4	7.2	18.5	3,968.2	818.8	26.0
2014/15	1,750.8	216.1	101.9	1,182.7	592.9	64.4	10.2	21.7	3,940.7	-27.5	-0.7
2015/16	2,246.8	261.7	141.8	1,379.7	704.6	83.6	19.0	27.9	4,865.1	924.4	23.5

Source: Tanzania Revenue Authority, 2015

Figure 2.3 shows the shares of various direct taxes from 2004/05 to 2015/16. PAYE and corporate taxes have been contributing more than three quarter of total direct taxes. An average of 47.3 share of PAYE was recorded from 2004/5 to 2009/10 which was below the highest 50.5 percent share recorded in 2010/11. However, the average share dropped to 44.3 percent for the past five years after the highest peak observed in 2010/11.

Figure 2. 3: Contribution of Various Taxes to Total Direct Taxes, Tanzania Mainland, 2004/05 - 2015/16.



b). Indirect Taxes

Broadly, indirect taxes in Tanzania consist of consumption taxes, international trade taxes and other domestic taxes and charges.

Table 2.3 shows different types of indirect taxes collected. Indirect taxes increased by 24.6 percent from TZS. 6,724.4 billion in 2014/15 to TZS 8,381.0 billion in 2015/2016. The highest growth rate was 33.6 percent recorded in 2007/8. International trade taxes made the largest contribution to total indirect taxes during the period of 2005/2006 to 2015/2016. Its share increased to 64.1 percent in 2015/16 from 61.5 percent in 2014/2015.

Table 2.3: Indirect Taxes (TZS Billion) Collected by Broad Category, Tanzania Mainland, 2004/05 – 2015/16.

Year	Consumption Taxes		Other Domestic Taxes and Charges		International Trade Taxes		Total Indirect Taxes	Change in Collection between Years	
	Amount	Percent	Amount	Percent	Amount	Percent		Amount	Percent
2004/05	394.1	33.7	25.8	2.2	749.3	64.1	1,169.2		
2005/06	466.5	33.8	30.0	2.2	883.6	64.0	1,380.1	210.9	18.0
2006/07	595.6	33.8	36.3	2.1	1,132.5	64.2	1,764.4	384.3	27.8
2007/08	768.5	32.6	74.0	3.1	1,515.4	64.3	2,357.9	593.5	33.6
2008/09	979.3	34.8	83.8	3.0	1,748.7	62.2	2,811.8	453.9	19.3
2009/10	1,031.6	33.6	97.4	3.2	1,943.4	63.3	3,072.4	260.6	9.3
2010/11	1,152.1	31.8	131.7	3.6	2,336.4	64.5	3,620.2	547.8	17.8
2011/12	1,429.0	34.0	151.8	3.6	2,616.3	62.3	4,197.1	576.9	15.9
2012/13	1,715.8	35.1	194.1	4.0	2,971.8	60.9	4,881.7	684.6	16.3
2013/14	2,064.3	34.9	220.2	3.7	3,627.3	61.4	5,911.8	1,030.1	21.1
2014/15	2,337.7	34.8	248.2	3.7	4,138.5	61.5	6,724.4	812.6	13.7
2015/16	2,709.3	32.3	295.5	3.5	5,376.2	64.1	8,381.0	1,656.6	24.6
Total	15,643.8	33.8	1,588.8	3.4	29,039.4	62.8	46,272.0		

Consumption Taxes

Consumption taxes are comprised of, domestic excise and VAT on domestic products and services. Table 3.4 shows that revenue collected increased by 15.9 percent from TZS. 2,337.7 billion in 2014/15 to TZS. 2,709.3 billion in 2015/16 with VAT on domestic services contributing most of the increase.

Table 2. 4: Consumption Taxes (TZS Billion) by Type of Tax, Tanzania Mainland, 2004/05 – 2015/16.

Year	Domestic Excise Taxes		Aggregate VAT						Total Consumption Taxes	Changes in Collection between Years	
	Amount	Percent	VAT on Domestic Products		VAT on Domestic Services		Total			Amount	Percent
			Amount	Percent	Amount	Percent	Amount	Percent			
2004/05	110.3	28.0	127.3	32.3	156.4	39.7	283.7	72.0	394.0		
2005/06	135.1	29.0	122.6	26.3	208.9	44.8	331.5	71.0	466.6	72.6	18.4
2006/07	176.0	29.6	191.4	32.1	228.2	38.3	419.6	70.4	595.6	129.0	27.6
2007/08	220.6	28.7	199.7	26.0	348.2	45.3	547.9	71.3	768.5	172.9	29.0
2008/09	286.7	29.3	243.7	24.9	448.9	45.8	692.6	70.7	979.3	210.8	27.4
2009/10	303.8	29.4	252.4	24.5	475.4	46.1	727.8	70.6	1,031.6	52.3	5.3
2010/11	326.3	28.3	304.9	26.5	520.9	45.2	825.8	71.7	1,152.1	120.5	11.7
2011/12	450.0	31.5	383.8	26.9	595.3	41.7	979.1	68.5	1,429.1	277.0	24.0
2012/13	560.5	32.7	302.3	17.6	853.0	49.7	1,155.3	67.3	1,715.8	286.7	20.1
2013/14	747.1	36.2	343.2	16.6	974.0	47.2	1,317.2	63.8	2,064.3	348.5	20.3
2014/15	825.8	35.3	405.2	17.3	1,106.7	47.3	1,511.9	64.7	2,337.7	273.4	13.2
2015/16	868.6	32.1	460.7	17.0	1,380.0	50.9	1,840.7	67.9	2,709.3	371.6	15.9
Total	5,010.8	32.0	3,337.2	21.3	7,295.9	46.6	10,633.1	68.0	15,643.9		

From 2005/06 to 2015/16, the average annual growth of consumption taxes was 19.6 percent. The largest annual growth was 29.0 percent in 2007/08. The share of aggregate VAT increased from 64.7 percent in 2014/15 to 67.9 percent in 2015/16 with most of the share coming from VAT on domestic services whose share increased from 47.3 percent in 2014/15 to 50.9 percent in 2015/16.

Figure 2. 4: Collected Consumption Tax Revenue (TZS Billion) by Type of Revenue , Tanzania Mainland, 2004/05 – 2015/16

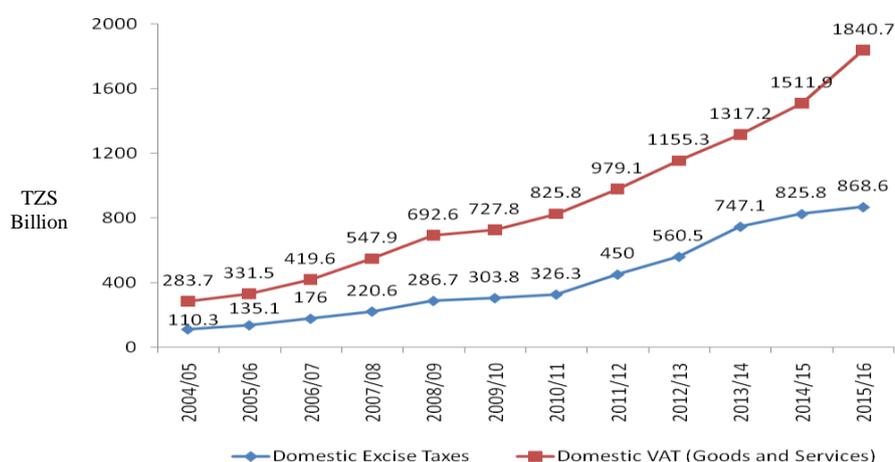


Table 2.5 shows revenue collected through different domestic excise taxes. Items concerned include beer, spirit, soft drinks, bottled water, mobile phones and cigarettes. Revenue from domestic excise tax grew by 5.2 percent in 2015/16 compared to a growth of 10.5 percent in 2014/15 with excise on beer and other domestic excise taxes being responsible for most of the increase. The largest annual growth was 38.0 percent in 2011/12. From 2005/06 to 2015/16, the average annual growth of revenue from domestic excise taxes was 21.2 percent.

In 2015/16, most revenue from domestic excise taxes came from mobile phones (28.4 percent) followed by beer (24.9 percent). Revenue from beer contributed the most 30.8 percent from 2004/05 to 2015/16.

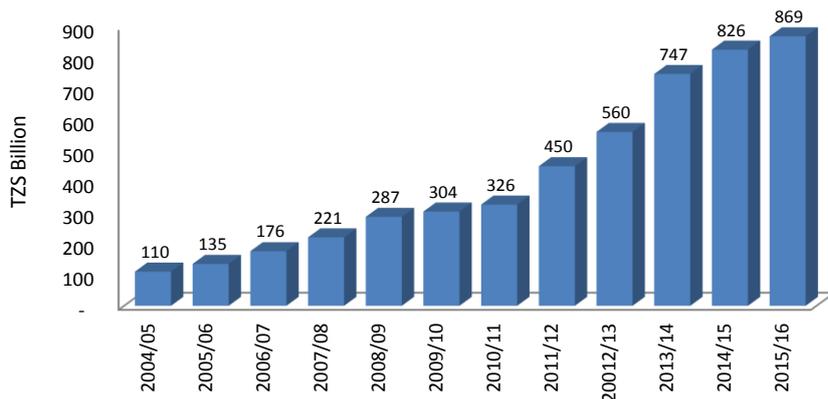
Table 2. 5: Domestic Excise Taxes (TZS Billion) by Type of Product, Tanzania Mainland, 2004/05 – 2015/16.

Year	Mobile Phone	Cigarettes	Beer	Spirits	Soft Drinks	Bottled Water	Other Domestic Excise Taxes	Total Domestic Excise Taxes	Changes in Collection between Years	
									Amount	Percent
2004/05	9.7	32.8	52.1	0.0	10.7	n.a	5.0	110.3		
2005/06	16.8	39.5	60.8	0.0	12.4	n.a	5.5	135.0	24.7	22.4
2006/07	32.3	43.3	73.6	9.1	15.0	n.a	2.6	175.9	40.9	30.3
2007/08	40.2	54.2	91.5	11.1	17.3	n.a	6.2	220.5	44.6	25.4
2008/09	67.7	58.5	106.7	17.5	21.4	n.a	14.9	286.7	66.2	30.0
2009/10	85.6	55.2	105.4	24.0	24.3	n.a	9.3	303.8	17.1	6.0
2010/11	90.2	62.1	115.6	29.4	26.7	n.a	2.2	326.2	22.4	7.4
2011/12	114.6	78.5	150.5	52.7	34.3	5.2	14.2	450.0	123.8	38.0
2012/13	150.0	87.3	179.7	69.9	43.1	0.8	29.6	560.4	110.4	24.5
2013/14	217.5	99.6	186.3	78.7	52.0	10.3	102.8	747.2	186.8	33.3
2014/15	250.9	133.9	202.5	118.1	37.3	14.8	68.2	825.7	78.5	10.5
2015/16	246.6	135.9	216.6	101.0	41.7	15.3	111.7	868.6	43.1	5.2
Total	1,322.2	880.9	1,541.2	511.6	336.3	46.3	372.2	5,010.8		
Percent	26.4	17.6	30.8	10.2	6.7	0.9	7.4	100.0		

Source: Tanzania Revenue Authority, 2015

Figure 2.4 depicts the upward trend in revenue collected through domestic excise taxes from 2004/05 to 2015/16. Revenue increased from TZS 110.3 billion to TZS 868.6 billion from 2004/05 to 2015/16. Notable increase in revenue collection was observed in the last three fiscal years.

Figure 2.5: Total Domestic Excise Taxes (TZS Billion), Tanzania Mainland, 2004/05 – 2015/16



CHAPTER THREE

VAT and Other Domestic Taxes and Charges

3.1 VAT Revenue Collection

VAT revenues are collected from products and services. Products and services that are charged in Tanzania include beer, cigarettes, cement, electricity and telephones. Table 3.6 shows Vat revenue collected from various products in the period from 2014/15 to 2015/16.

Table 3. 1: Domestic VAT Revenue (TZS Billion) Collected by Type of Products and Services, Tanzania Mainland, 2004/5 – 2015/16,

Type of VAT		2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
VAT on Products	Beer	33.0	36.0	47.6	56.3	66.9	66.2	80.5	90.1	105.6	118.6	136.3	141.8
	Cigarettes	15.3	13.1	20.8	23.5	33.0	29.1	33.9	39.1	45.7	37.6	46.1	48.7
	Soft Drinks	6.4	7.7	10.4	13.7	20.0	19.5	25.9	27.2	34.7	41.4	48.0	41.6
	Cement	-	-	-	19.8	24.0	20.6	34.2	31.0	32.0	23.7	23.2	22.3
	Sugar	10.9	13.3	-	13.9	24.9	24.9	24.9	38.2	24.0	23.9	36.5	44.9
	Other products	61.8	52.5	112.7	72.5	74.8	92.2	105.5	158.3	60.3	97.9	115.1	161.5
VAT on services	Electricity	13.4	13.9	20.8	31.2	42.5	56.0	31.5	27.3	78.5	97.1	137.6	106.9
	Telephones	45.7	60.2	63.3	105.6	128.8	123.1	139.4	190.4	224.0	168.8	219.0	203.6
	Retailers	10.8	10.5	10.3	13.4	14.8	16.1	19.9	39.5	42.1	39.7	18.6	23.9
	Wholesalers	7.1	10.5	9.2	10.9	13.5	14.5	17.3	17.2	26.3	24.6	25.4	33.3
	Transport	11.2	13.2	16.7	26.7	62.3	67.0	67.5	19.9	26.9	39.9	37.1	48.8
	Hotel Services	12.7	15.0	19.2	26.1	26.1	27.5	36.1	45.1	41.3	45.5	47.7	45.6
	Other services	55.5	85.5	88.7	134.4	161.0	171.4	209.1	255.8	413.9	558.4	621.3	917.9
Total VAT		283.8	331.4	419.7	548.0	692.6	728.1	825.7	979.1	1,155.3	1,317.1	1,511.9	1,840.8

Total VAT revenues collected increased by 21.7 percent from TZS 1,511.9 billion in 2014/15 to TZS 1,840.8 billion in 2015/16, which is more than the average annual growth of 18.7 percent recorded in the period of 2005/06 to 2015/16. The largest annual growth was 30.6 percent in 2007/08 before World economic recession.

The contribution of other services to total domestic VAT revenue increased from 41.1 percent in 2014/15 to 49.9 percent in 2015/16. However this category comprises about 51 items. When analyzed by single item, total domestic VAT revenue was mostly contributed by telephone service (11.1 percent), beer (7.7 percent) and electricity services (5.8 percent). All items show increased shares to total domestic VAT revenue between 2014/15 and 2015/16.

a) VAT on Domestic Products

Table 3.2 shows revenue collected through VAT on domestic products in the period of 2004/05 to 2015/16. The revenue increased by 13.7 percent from TZS 405.2 billion in 2014/15 to TZS 460.7 billion in 2015/16, with sugar making the largest contribution to the increase. The largest growth of 56.2 percent was realized in 2006/07 after a negative growth of 3.8 percent in 2005/06. The largest contribution to the growth came from beer followed by cigarettes. Out of the revenue from VAT on domestic products, beer had the largest shares of 33.6 percent in 2014/15 and 30.8 percent in 2015/16. In 2015/16 beer was followed by cigarettes (10.6 percent), sugar (9.7 percent), soft drinks (9.0 percent) and cement (4.8 percent).

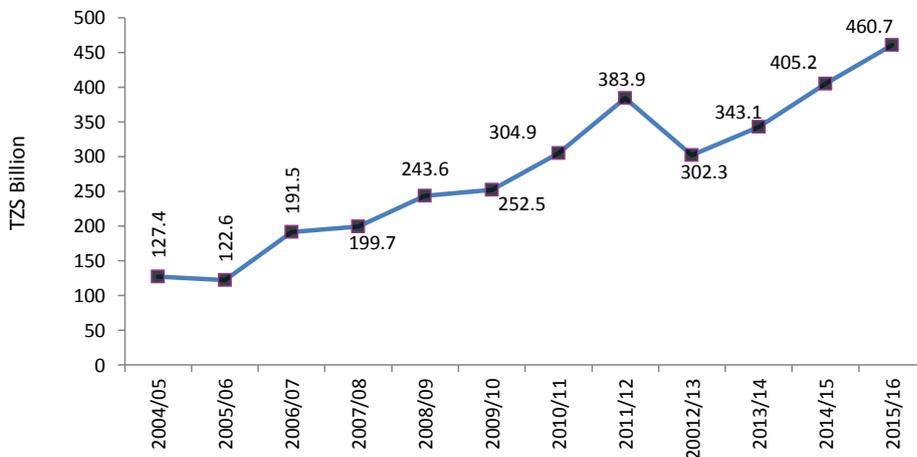
Table 3. 2: VAT from Products (TZS Billion) by Type of Product, Tanzania Mainland, 2004/05 – 2015/16

Year	Type of Product						Total VAT Domestic Products	Changes in Collection Between Years	
	Beer	Cigarettes	Soft Drinks	Cement	Sugar	Others		Amount	Percent
2004/05	33.0	15.3	6.4	0.0	10.9	61.8	127.4		
2005/06	36.0	13.1	7.7	0.0	13.3	52.5	122.6	-4.8	-3.8
2006/07	47.6	20.8	10.4	0.0	0.0	112.7	191.5	68.9	56.2
2007/08	56.3	23.5	13.7	19.8	13.9	72.5	199.7	8.2	4.3
2008/09	66.9	33.0	20.0	24.0	24.9	74.8	243.6	43.9	22.0
2009/10	66.2	29.1	19.5	20.6	24.9	92.2	252.5	8.9	3.7
2010/11	80.5	33.9	25.9	34.2	24.9	105.5	304.9	52.4	20.8
2011/12	90.1	39.1	27.2	31.0	38.2	158.3	383.9	79.0	25.9
2012/13	105.6	45.7	34.7	32.0	24.0	60.3	302.3	-81.6	-21.3
2013/14	118.6	37.6	41.4	23.7	23.9	97.9	343.1	40.8	13.5
2014/15	136.3	46.1	48.0	23.2	36.5	115.1	405.2	62.1	18.1
2015/16	141.8	48.7	41.6	22.3	44.9	161.5	460.7	55.5	13.7
Total	978.9	385.9	296.5	230.8	280.3	1,165.1	3,337.4		
Percent	29.3	11.6	8.9	6.9	8.4	34.9	100.0		

Source: Tanzania Revenue Authority, 2015

Figure 3.1 shows revenue collected through VAT on domestic products for the period of 2004/05 to 2015/16. Revenue collection increased at varying rates from TZS 127.4 Billion in 2004/05 up to a total of TZS 460.6 billion in 2015/16.

Figure 3. 1: Total VAT (TZS Billion) on Domestic Products, Tanzania Mainland, 2004/05 - 2015/16



b) VAT on Domestic Services

VAT on domestic services is charged on electricity, telephone, retail and wholesale businesses, transport, hotel and other services. Table 3.3 shows revenue collected through VAT on domestic Revenue increased by 24.7 percent from TZS 1,106.7 billion in 2014/15 to TZS 1,380.0 Billion in 2015/16. The largest contribution to 2015/16 growth was made by transport followed by both wholesalers and retailers. The largest growth 52.6 percent growth rate was recorded in 2007/8 as supported by revenue collected from telephones, electricity and transport services.

In 2015/16, the largest share of VAT on domestic services was 14.8 percent of telephone followed by 7.7 percent of electricity. From 2004/05 to 2015/16, the largest yearly share of VAT on services was VAT on telephone services.

Table 3.3: VAT from Domestic Services (TZS Billion) by Type of Service, Tanzania Mainland, 2004/05 – 2015/16

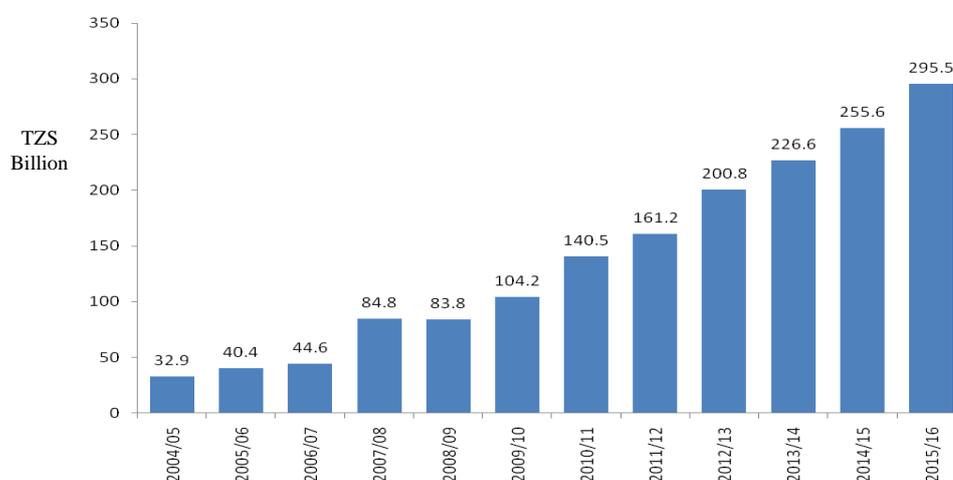
Year	Type of Service							Total VAT from Domestic Services	Changes in Collection between Years	
	Electricity	Telephone	Retailers	Wholesalers	Transport	Hotel Services	Others		Amount	Percent
2004/05	13.4	45.7	10.8	7.1	11.2	12.7	55.5	156.4		
2005/06	13.9	60.2	10.5	10.5	13.2	15.0	85.5	208.8	52.4	33.5
2006/07	20.8	63.3	10.3	9.2	16.7	19.2	88.7	228.2	19.4	9.3
2007/08	31.2	105.6	13.4	10.9	26.7	26.1	134.4	348.3	120.1	52.6
2008/09	42.5	128.8	14.8	13.5	62.3	26.1	161.0	449.0	100.7	28.9
2009/10	56.0	123.1	16.1	14.5	67.0	27.5	171.4	475.6	26.6	5.9
2010/11	31.5	139.4	19.9	17.3	67.5	36.1	209.1	520.8	45.2	9.5
2011/12	27.3	190.4	39.5	17.2	19.9	45.1	255.8	595.2	74.4	14.3
2012/13	78.5	224.0	42.1	26.3	26.9	41.3	413.9	853.0	257.8	43.3
2013/14	97.1	168.8	39.7	24.6	39.9	45.5	558.4	974.0	121.0	14.2
2014/15	137.6	219.0	18.6	25.4	37.1	47.7	621.3	1,106.7	132.7	13.6
2015/16	106.9	203.6	23.9	33.3	48.8	45.6	917.9	1,380.0	273.3	24.7
Shares										
2004/05	8.6	29.2	6.9	4.5	7.2	8.1	35.5	100.0		
2005/06	6.7	28.8	5.0	5.0	6.3	7.2	40.9	100.0		
2006/07	9.1	27.7	4.5	4.0	7.3	8.4	38.9	100.0		
2007/08	9.0	30.3	3.8	3.1	7.7	7.5	38.6	100.0		
2008/09	9.5	28.7	3.3	3.0	13.9	5.8	35.9	100.0		
2009/10	11.8	25.9	3.4	3.0	14.1	5.8	36.0	100.0		
2010/11	6.0	26.8	3.8	3.3	13.0	6.9	40.1	100.0		
2011/12	4.6	32.0	6.6	2.9	3.3	7.6	43.0	100.0		
2012/13	9.2	26.3	4.9	3.1	3.2	4.8	48.5	100.0		
2013/14	10.0	17.3	4.1	2.5	4.1	4.7	57.3	100.0		
2014/15	12.4	19.8	1.7	2.3	3.4	4.3	56.1	100.0		
2015/16	7.7	14.8	1.7	2.4	3.5	3.3	66.5	100.0		

Source: 2015 Tanzania Revenue Authority

3.2 Other Domestic Taxes and Charges

Tax revenues are also collected from other domestic sources and charges including business licensing and airport departure charges. Table 3.4 indicates the tax revenue collected through other domestic taxes and charges. The revenue collected through other domestic services and charges grew by 15.6 percent from TZS 255.6 billion in 2014/15 to TZS 295.5 billion in 2015/16. Generally, revenue collected from domestic taxes and charges has been improving from year to year as shown in Figure 3.2

Figure 3.2: Other Domestic Taxes and Charges (TZS Billion), Tanzania Mainland, 2004/05 – 2015/16



Among the different sources of other domestic taxes and charges shown in Table 3.4, motor vehicle tax registered the largest share of 72.5 percent in 2015/16, followed by departure charges and business license with 23.2 percent. In 2008/09 motor vehicle taxes recorded the largest yearly share of 74.4 percent in the period of 2004/05 to 2015/16.

Table 3. 4: Other Domestic Taxes and Charges (TZS Billion) by Type of Tax or Charge, Tanzania Mainland, 2004/05 – 2015/16

	Departure Charges and Business Licenses	Motor Vehicle Taxes	Stamp Duties	non tax revenue	Treasury Vouchers	Total	Change of Collection between Years		
							Amount	Percent	
2004/05	9.5	10.5	5.6	0.2	7.2	32.9			
2005/06	10.1	17.7	4.5	0.1	8.1	40.4	7.5	22.6	
2006/07	14.4	17.0	4.8	0.1	8.3	44.6	4.2	10.5	
2007/08	16.2	52.3	5.3	0.2	10.8	84.8	40.2	90.1	
2008/09	16.9	62.3	4.6	-	-	83.8	-1.0	-1.2	
2009/10	21.2	70.1	6.1	-	6.8	104.2	20.4	24.4	
2010/11	23.3	101.3	7.0	-	8.8	140.5	36.3	34.8	
2011/12	23.2	117.6	11.0	0.0	9.4	161.2	20.7	14.7	
2012/13	35.2	147.8	11.1	0.0	6.7	200.8	39.6	24.6	
2013/14	42.4	158.4	8.6	10.9	6.5	226.6	25.8	12.9	
2014/15	53.1	184.4	10.7	0.0	7.4	255.6	29.0	12.8	
2015/16	68.7	214.2	12.1	0.0	0.6	295.5	39.9	15.6	
Shares									
2004/05	28.8	31.9	16.9	0.6	21.8	100.0			
2005/06	25.0	43.7	11.0	0.2	20.1	100.0			
2006/07	32.4	38.2	10.7	0.2	18.6	100.0			
2007/08	19.1	61.7	6.2	0.2	12.8	100.0			
2008/09	20.1	74.4	5.4			100.0			
2009/10	20.3	67.3	5.9		6.5	100.0			
2010/11	16.6	72.1	5.0		6.2	100.0			
2011/12	14.4	73.0	6.8	0.0	5.8	100.0			
2012/13	17.5	73.6	5.5	0.0	3.3	100.0			
2013/14	18.7	69.9	3.8	4.8	2.9	100.0			
2014/15	20.8	72.2	4.2	0.0	2.9	100.0			
2015/16	23.2	72.5	4.1	0.0	0.2	100.0			

Source: Tanzania Revenue Authority, 2015

3.3 Taxpayers and VAT Vendors Registration

The number of registered taxpayers increased by 10.5 percent from 2.0 million in 2014/15 to 2.2 million in 2015/16. The largest growth of registered taxpayers was 55.6 percent in 2012/13 which surpassed the average growth of 23.2 percent in the period of 2006/07 to 2015/16. Table 3.5 shows the trend of taxpayers registration from 2006/07 to 2015/16.

Table 3. 5: The Number of Registered Taxpayers, Tanzania Mainland, 2006/07 - 2015/16

Year	2006/07'	2007/08'	2008/09'	2009/10'	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Taxpayers ('000')	335	398	488	618	846	1,036	1,612	1,784	1,990	2,200
Growth (percent)	16	18.9	22.6	26.6	36.9	22.4	55.6	10.7	11.6	10.5

Table 3. 6: The Number of Registered VAT Vendors, Tanzania Mainland, 2006/07 - 2015/16

Item	2006/07'	2007/08'	2008/09'	2009/10'	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Registered Vendors	7,723	9,036	10,844	13,253	16,848	17,860	21,362	24,346	25,908	27,235
Growth (percent)	25.5	17.0	20.0	22.2	27.1	6.0	19.6	14.0	6.4	5.1

CHAPTER FOUR

International Trade Taxes, Tax Rates and Tax Revenues – to-GDP Ratios

4.1: International Trade Taxes

International trade taxes are categorized into import duties, excise duties, VAT on imports and fuel levy. Revenue collected through international trade taxes grew by 29.3 percent from TZS 4,138.4 billion in 2014/15 to TZS 5,351.1 billion in 2015/16. The largest growth of 33.8 percent in revenue collected from international trade taxes was observed in 2007/08. In 2015/16, the largest contribution to revenue from international trade taxes was 32.3 percent from VAT on imports. It was followed by 25.1 percent from import duties. Table 4.1 shows the revenue collected through the international trade taxes in Tanzania Mainland from 2004/05 to 2015/16.

Comment [jm1]: Why non tax for international tax revenues?

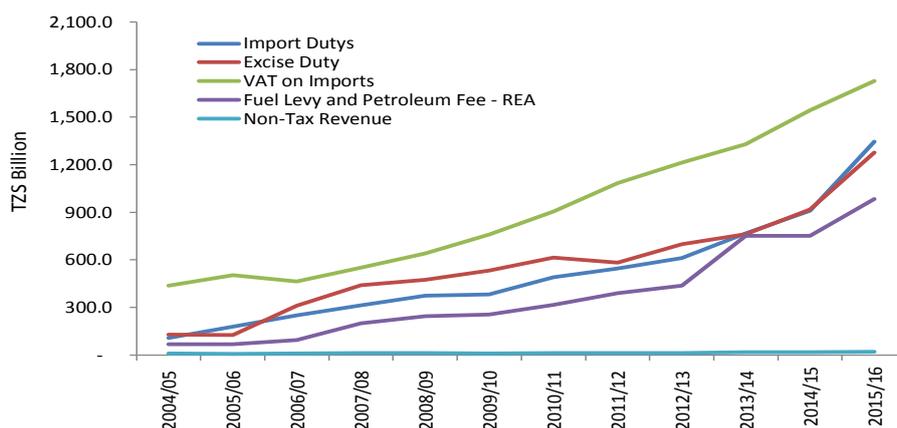
Table 4. 1: Revenue Collected Through International Trade Taxes (TZS Billion) by Type of Tax, Tanzania Mainland, 2004/05 – 2015/16

Year	Import Dutys	Excise Duty	VAT on Imports	Fuel Levy and Petroleum Fee - REA	Non-Tax Revenue	Total International Trade Taxes	Changes in Collection between Years	
							Amount	Percent
2004/05	106.9	127.6	437.7	67.8	9.3	749.3		
2005/06	177.8	126.5	502.4	69.4	7.5	883.6	134.3	17.9
2006/07	251.4	312.0	463.8	94.8	10.4	1,132.4	248.8	28.2
2007/08	313.0	440.3	550.1	200.4	11.5	1,515.3	382.9	33.8
2008/09	373.9	475.3	641.4	246.1	12.0	1,748.7	233.4	15.4
2009/10	383.3	533.8	759.4	256.0	10.9	1,943.4	194.7	11.1
2010/11	489.0	614.3	905.6	315.3	12.1	2,336.3	392.9	20.2
2011/12	546.3	583.6	1,082.9	390.5	12.9	2,616.2	279.9	12.0
2012/13	610.9	697.4	1,213.4	436.3	13.8	2,971.8	355.6	13.6
2013/14	766.7	761.9	1,329.7	750.3	18.7	3,627.3	655.5	22.1
2014/15	910.9	916.9	1,543.0	750.3	17.3	4,138.4	511.1	14.1
2015/16	1,344.3	1,275.8	1,727.2	983.4	20.4	5,351.1	1,212.7	29.3
Share								
2004/05	14.3	17.0	58.4	9.0	1.2	100.0		
2005/06	20.1	14.3	56.9	7.9	0.8	100.0		
2006/07	22.2	27.6	41.0	8.4	0.9	100.0		
2007/08	20.7	29.1	36.3	13.2	0.8	100.0		
2008/09	21.4	27.2	36.7	14.1	0.7	100.0		
2009/10	19.7	27.5	39.1	13.2	0.6	100.0		
2010/11	20.9	26.3	38.8	13.5	0.5	100.0		
2011/12	20.9	22.3	41.4	14.9	0.5	100.0		
2012/13	20.6	23.5	40.8	14.7	0.5	100.0		
2013/14	21.1	21.0	36.7	20.7	0.5	100.0		
2014/15	22.0	22.2	37.3	18.1	0.4	100.0		
2015/16	25.1	23.8	32.3	18.4	0.4	100.0		

Source: Tanzania Revenue Authority, 2015

The trend shows that all types of tax items under international trade taxes were increasing in similar pattern from year to year, VAT on imports dominating over the Period under review, see figure 3.7

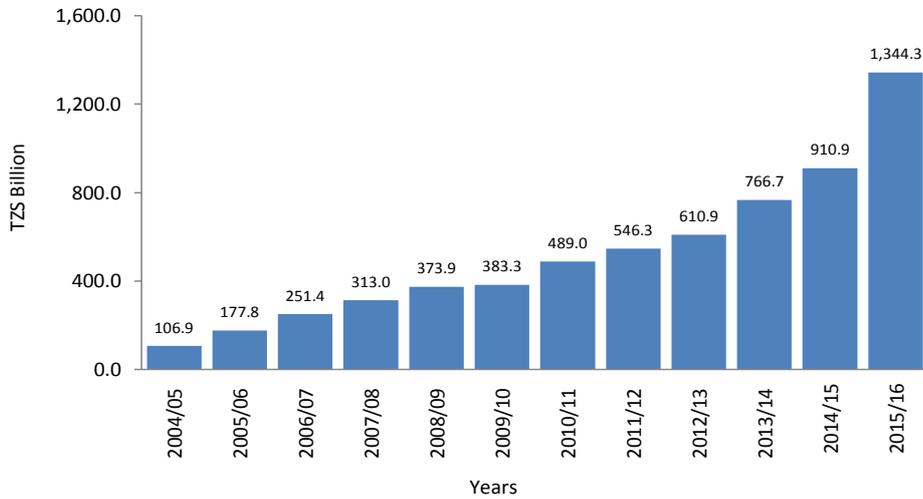
Figure 4. 1: International Trade Taxes (TZS Billion) by Type of Tax, Tanzania Mainland, 2004/05 – 2015/16



a) Import Duties

Import duties are mainly charged on non petroleum imports. Revenue collected through import duties grew 47.6 percent from TZS 910.9 billion in 2014/15 to TZS 1,344.3 billion in 2015/16. In the past eleven years from 2005/06 to 2015/16, the largest annual growth was of 66.3 percent in 2005/06. From 2005/06 to 2015/16 there was upward trend in revenue collected through import duty (figure 4.2).

Figure 4. 2: Revenue Collected Through Import Duty, Tanzania Mainland 2004/05 – 2015/16,



b) Excise Duties

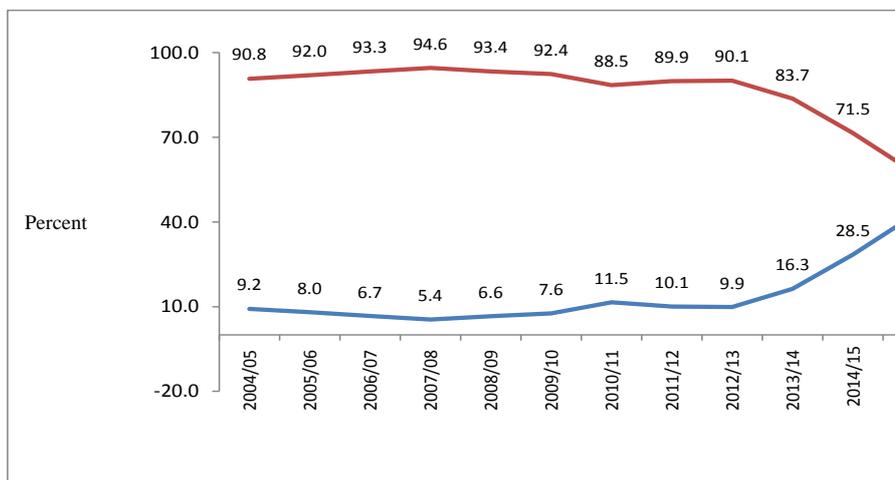
Excise duty on imports is mainly levied on petroleum and non-petroleum imports. Revenue collected from excise duty on imports grew by 39.1 percent from TZS 916,946 million in 2014/15 to TZS 1,275,775 million in 2015/16. From 2005/06 to 2015/16, the average annual growth of revenue from excise duty on imports was 27.8 percent. Most of it was accounted for by excise duty on petroleum products. Petroleum imports contributed about 18.9 percentage points to the average growth rate.

Table 4. 2: Revenue Collected (TZS Million) Through Excise Duty on Imports, by Type of Import , Tanzania Mainland, 2004/05 – 2015/16

Year	Excise Duty on Non-Petroleum Imports	Excise Duty on Petroleum Imports	Total Excise Duty	Changes in Collection between Years	
				Amount	Percent
2004/05	11,767	115,849	127,615		
2005/06	10,120	116,387	126,507	-1,108	-0.9
2006/07	20,785	291,200	311,985	185,477	146.6
2007/08	23,887	416,414	440,301	128,317	41.1
2008/09	31,546	443,708	475,254	34,953	7.9
2009/10	40,597	493,198	533,795	58,541	12.3
2010/11	70,806	543,487	614,293	80,498	15.1
2011/12	58,806	524,800	583,606	-30,687	-5.0
2012/13	68,978	628,415	697,393	113,787	19.5
2013/14	124,368	637,511	761,879	64,486	9.2
2014/15	260,947	655,999	916,946	155,067	20.4
2015/16	539,380	736,395	1,275,775	358,829	39.1

Source: Tanzania Revenue Authority, 2015

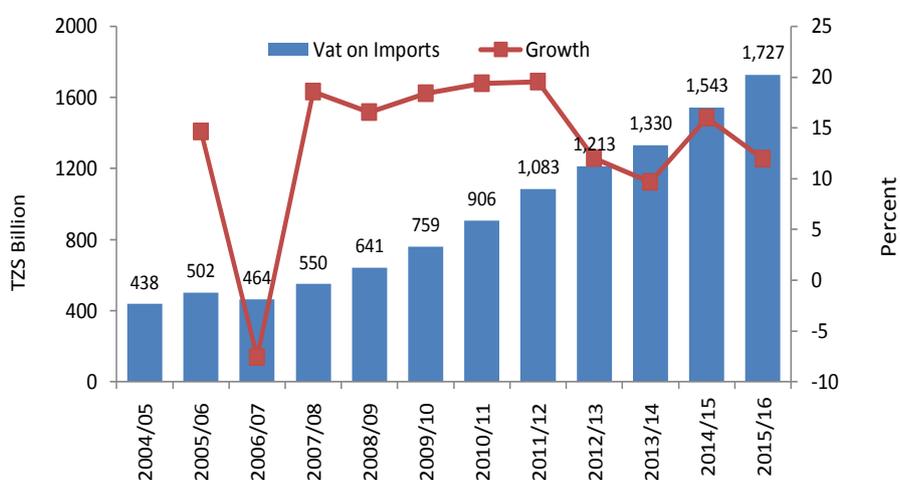
Figure 4. 3: Percentage Revenue Collected Through Excise Duty on Petroleum and Non Petroleum Import Tanzania Mainland, 2004/05 – 2015/16.



c) VAT on Imports

VAT on imports is only charged on non-petroleum products. Revenue collected through VAT on non-petroleum products grew by 11.9 percent from TZS 1,543.0 billion in 2014/15 to TZS 1,727.2 billion in 2015/16. In the eleven-year period from 2005/06 to 2015/16 the largest annual growth rate was 19.6 percent in 2011/12. In that period, the average annual growth rate was 13.6 percent (Figure 4.3).

Figure 4.4: Revenue (in TZS Billion) from VAT on Import and Growth, Tanzania Mainland, 2004/05 – 2015/16.



4.2 Tax Rates

Table 4.3 shows tax rates in Tanzania by tax item. The items adopted are individual, company, employees, and VAT. Generally for all items, tax rates have remained constant for a number of years in the period of 2008/09 to 2015/16. Significant variations are observed in tax rates for individual and employee (PAYE). Maximum marginal rates for individual tax changed from 3.3 percent to 3.5 percent before increasing to 5.3 percent. On the other hand, the corresponding bottom marginal rate changed from 1.1 percent to 2.0 percent and finally to 3.0 percent.

Unlike individual tax rate, the bottom tax marginal rates for PAYE has just declined gradually from 15 percent in 2008/09 to 11 percent in 2015/16.

Table 4. 3: Tax Rates (percent) by Type, Tanzania Mainland, 2008/09 – 2015/16

Year	Individual		Company	Employee (PAYE)		VAT
	Bottom	Maximum	Maximum	Bottom	Maximum	Maximum
2008/09	1.1	3.3	30.0	15.0	30.0	20.0
2009/10	1.1	3.3	30.0	15.0	30.0	18.0
2010/11	1.1	3.3	30.0	14.0	30.0	18.0
2011/12	2.0	3.5	30.0	14.0	30.0	18.0
2012/13	2.0	3.5	30.0	14.0	30.0	18.0
2013/14	2.0	3.5	30.0	13.0	30.0	18.0
2014/15	4.0	7.0	30.0	12.0	30.0	18.0
2015/16	3.0	5.3	30.0	11.0	30.0	18.0

4.3 Tax Revenue -to-GDP Ratios

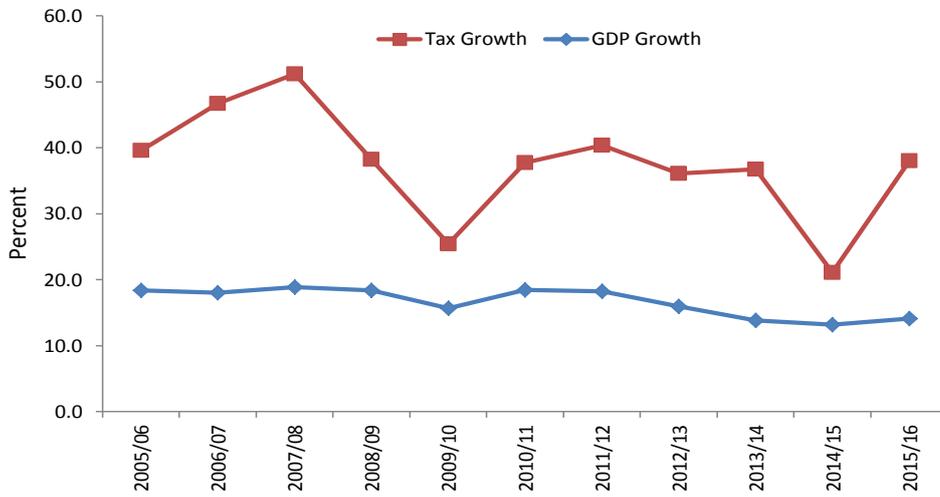
This is the proportion of taxes collected by the Government relative to the country's output or GDP. This is an important economic indicator which is used internationally by institutions such as the International Monetary Fund (IMF), the World Bank and the Organization for Economic Co-operation and Development (OECD) to analyze the tax systems and economic performance for comparative analysis between countries. Tax to GDP ratio increased from 9.5 percent in 2004/5 to 13.6 percent in 2015/16.

Table 4. 4: Tax Revenue to GDP Ratios, Tanzania Mainland, 2004/05 – 2015/16,

Year	Nominal GDP (TZS million)	Tax Revenue (TZS million)	Tax to GDP Ratio(percent)
2004/05	17,915,857	1,696,543	9.5
2005/06	21,205,632	2,056,257	9.7
2006/07	25,034,434	2,645,077	10.6
2007/08	29,767,686	3,499,540	11.8
2008/09	35,245,882	4,194,142	11.9
2009/10	40,781,421	4,601,452	11.3
2010/11	48,299,299	5,489,268	11.4
2011/12	57,098,397	6,705,229	11.7
2012/13	66,193,740	8,058,913	12.2
2013/14	75,335,841	9,904,752	13.1
2014/15	85,291,121	10,685,680	12.5
2015/16	97,304,216	13,246,116	13.6

Tax revenue has been increasing from year to in the same direction as the Gross Domestic Product. Growth on tax collection and the growth in the economy slowed down in 2009/10 as a result of Global Financial Crisis in 2008/09 .

Figure 4. 5: Growth in GDP and Tax Collection, Tanzania Mainland 2004/05 – 2015/16,



CHAPTER FIVE

Revenue for Local Government Authorities

Information on revenue collected by local government authorities is being published in a tax statistics report for the first time. This information has been obtained from the President's Office, Regional Administration and Local Government – PORALG. Local Government Authorities (LGAs) are mandated to collect revenue through local taxes, levies and fees depending on the availability of appropriate sources. Sources are broadly grouped into local taxes, licences and permit, fees and charges and other revenue sources.

Categories of revenue collected by Local Authority

There are various types of revenue collected by local authorities in Tanzania . Each council passes some financial by-laws with the aim of meeting the set amount of council revenues. Generally the following major categories:

- i) Local Taxes: include property tax, land rent, produce cess, service levy, guest house levy, and other levies on business activities;
- ii) Licenses and Permits: licenses and permits on business activities, permits on construction activities, license on extraction of forest products, and licenses/permits on vehicles and transport;
- iii) Fees and Charges: market fees and charges, sanitation fees and charges, and specific fees which include parking and central bus stand fees; and
- iv) Other Own Revenues: all fines and penalties, income from sales or rent, and any other own revenues are classified in this category.

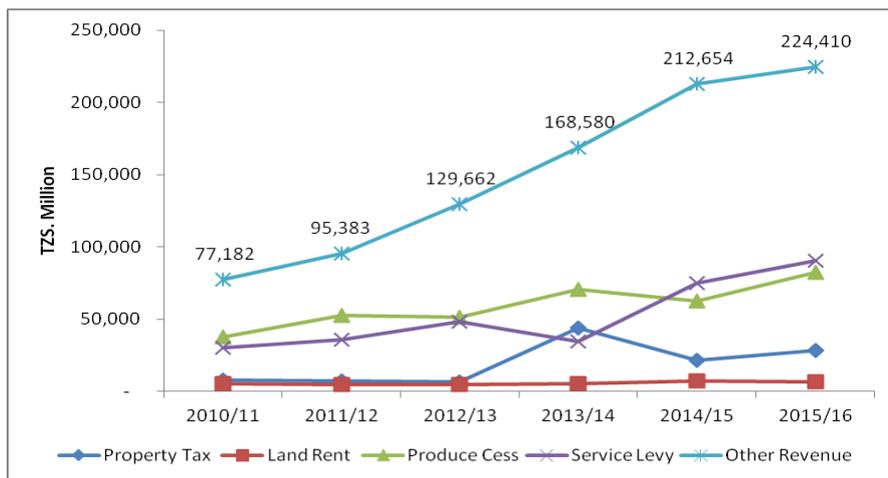
Table 5. 1: Local Government Revenue (TZS milion), from Own Sources by Type, Tanzania Mainland, 2010/11 – 2015/16

Type of Tax	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Property Tax	7,784	7,418	6,846	44,203	21,340	28,712
Land Rent	5,638	4,550	4,592	5,326	7,452	6,426
Produce Cess	37,444	52,360	51,378	70,602	62,753	82,551
Service Levy	30,232	35,821	48,431	34,567	74,924	90,780
Other Revenue	77,182	95,383	129,662	168,580	212,654	224,410
Total	158,279	195,532	240,909	323,278	379,124	432,878

Source: President's Office – Regional Administration and Local Government

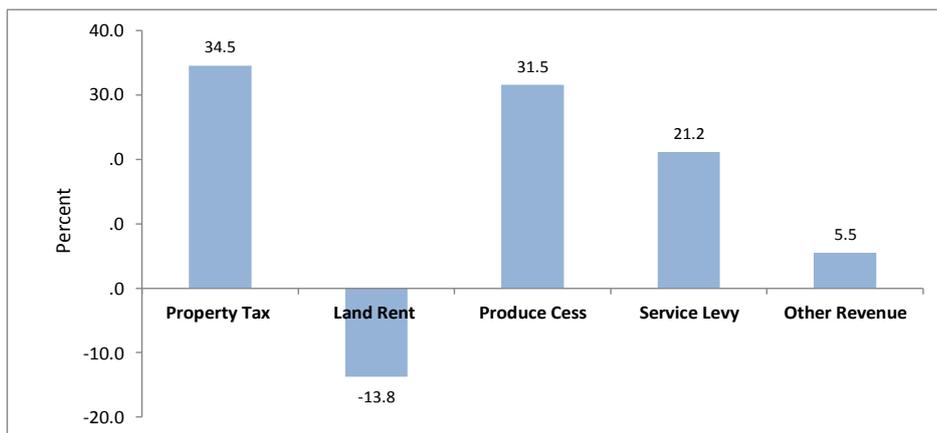
Apart from the other grouped sources of revenue from LGA's, revenue from produce Cess and service levy have been contributing largely to total revenue from LGA's for the entire period under review (table 5.1).

Figure 5.1: Local Government Revenue (TZS Million) from Own Source by Type, Tanzania Mainland, 2010/11 – 2015/16



An overall positive growth has been observed from all sources with the exception of revenue from land rent. The highest growth of 34.5 percent was recorded by property tax in 2015/16, followed by 31.5 percent by produce Cess.

Figure 5.2: Growth (in percentage) by type of Revenue, Tanzania Mainland, 2015/16



Concepts and Definitions

Tax

Tax is a compulsory levy or charge imposed by the state on her citizens or non-citizens that is usually payable in monetary terms. Taxes are compulsory financial contributions to state revenue made by a person or body of persons from workers' income and business profits or value added to the cost of some goods, services and transactions expenditure of a public authority. Basically, there are two types of taxes namely direct and indirect taxes. Each type is classified according to the legal and effective incidence to the final payer.

Direct Taxes

These are taxes levied directly on people's income from employment, business, ownership of property or investment. They include income tax, corporate tax, property tax, Pay as You Earn (PAYE), skills and development levy, individual tax, withholding tax, rental and gaming tax.

Imposition of Income Tax

It is charged and payable for each year of income by every person who:-

- Has total income, which is the sum of employment, business and investment income;
- Has a domestic permanent establishment that has repatriated income for the year of income; or
- Receives final withholding payments for the year of income.

Corporate Tax

It is levied on all the corporate taxable profits, accruing to all companies carrying on business in Tanzania. It is generally applied to a company's operating earnings, after expenses such as Cost of Goods sold (COGS), Selling General and Administrative expenses (SG&A) and depreciation have been deducted from a company revenues.

Individual Income Taxes

These refer to

- Tax charged to non-corporate payers who include sole traders (proprietors) taxed at progressive individual income tax rates; and
- Pay As You Earn (PAYE) is a tax whereby a certain amount of money from employee's gross emoluments is levied.

Taxation of Small Traders with and without Complete Records

It is levied income tax on all small traders who operate mostly in the informal sector with and without business records based on their annual business turnover.

Gains or Profits from Employment

This is an income that an employee earns from an employment in the form of salary, which is payable daily, weekly or monthly. It includes payments of wages, salary, payment in lieu of leave, fees, commissions, bonus and gratuities, payments of any personal allowance, payments providing any discharge or reimbursement of expenditure incurred by an individual or by an associate of an individual and payment for an individual's agreement to any conditions of the employment. Contributions made on behalf of the employee to retirement funds and retirement payments made directly to employees. It also includes redundancy and other payments for loss or termination of employment relating to the year of payment and any benefits in kind.

Qualification of Benefits in Kind

Benefits which an employer may decide to give to the employee. These include

- **motor vehicle benefit:** where an employee is provided with motor vehicle by an employer for personal use in return for employment rendered and the employer incurs all necessary expenses to maintain the vehicle then this is a taxable benefit to the employee quantified annually;
- **subsidized loans:** it is a loan to an employee provided by employer at no interest or at an interest rate that is below the statutory interest rate; and
- **Provision of housing:** it is the value of housing provided to an employee by the employer which is taxable benefit and is included in the employee's monthly pay. The value of housing is calculated as the market value of renting that housing or 15 percent of the rest of the employee's income from employment, whichever is less.

Gains or Profit from Business

It is a person's income from a business during a year. The following amounts derived from business are regarded as gains or profits and they are taxable

- i) service fees;
- ii) incomings from trading stock (sales of business stocks);
- iii) gains from sale of business assets or liabilities;
- iv) sale of depreciable assets;
- v) amounts derived as consideration for accepting a restriction on the capacity to conduct the business; and
- vi) gifts and other payments received by the person in respect of a business.

Gains from Investment

Taxable income from investment include

- any dividend, distribution of a trust, gains from life insurance, gains from an interest in an unapproved retirement fund, interest, natural resources payment, rent, or royalty;
- net gains from realization of investment assets (capital gains); and
- amounts derived as a consideration for accepting a restriction on the capacity to conduct the investment.

Losses from Business or Investments

The income tax law provides the treatment of unrelieved losses as follows

- i) when computing income from business or investments during any year of income and a loss is incurred which becomes unrelieved loss, the law allows it to be carried forward and offset against future business income as the case may be, until the whole unrelieved loss is exhausted;
- ii) a person is allowed to deduct a foreign loss from investment only in calculating the person's income from foreign source investment;
- iii) a person is allowed to deduct losses other than foreign losses from investments only in calculating the person's income from investments;
- iv) in case of foreign business, loss is allowed only in calculating the foreign business income; and
- v) in case of a loss incurred in agricultural business it is allowed only in calculating the person's income from agricultural business.

Payment of Tax by Installments

Single installment: is a payment of income tax by single installment required from any person who derives a gain in conducting investments from realization of interest in land or buildings situated in Tanzania.

A rate of 10 and 20 percent of the gain for a resident and nonresident person respectively, is required to pay income tax by single installment. Payment by single installment also applies in case of non-resident person who receives a payment in conducting a business of land, sea, or air transport or chartered (without having a domestic permanent establishment in Tanzania) which involves the carriage of passengers who embarked or cargo, mail or other moveable tangible assets that are embarked in Tanzania and which are not for transit, the payer is required to withhold 5 percent of the gross payments before the proper vessel, vehicle or aircraft is allowed to leave Tanzania.

Quarterly installment: it is a payment required from business or investments during the year of income at the end of each three-month period commencing at the beginning of the year of income and a final installment on the last day of the year of income.

Indirect Taxes

These are taxes based on consumption. Categorically they are divided into consumption taxes, other domestic taxes and international trade taxes. Examples of such taxes are Import Duty, Excise Duty and Value Added Tax (VAT). By definition, the legal incidence of the tax falls on the trader who act as a collecting agent of the Government while the effective incidence falls on the final consumer of goods or service who eventually pays the tax.

Value-Added Tax (VAT)

It is a consumption tax charged on all taxable goods and services at a standard rate of 18 percent. It is a multi-stage tax levied on the difference between a commodity's price before taxes and its production cost at each stage of production and distribution up to the retail stage. It is also levied on taxable imports made by a person whether or not registered for VAT.

Excise Duty (Local)

It is levied on certain locally manufactured goods and services such as soft drinks, beer, wines, spirit, mobile phone services, plastic shopping bags, satellite television services, cigarettes and petroleum products.

Value Added Tax on Imports

It is levied on all goods and services imported into the country unless such goods and services are specifically exempted under the VAT law. All importers must pay VAT regardless of whether or not they are registered for VAT. However, importers who are registered for VAT can claim the VAT paid on the imported goods as an input tax in their business. However, for VAT on imported services the input tax is treated as reverse charge hence added to the value of the service.

Other Taxes

Skills and Development Levy (SDL)

This tax is based on the total gross emoluments paid by an employer to employees (currently, at a rate of 6 percent). The gross emoluments include salary, wage, leave pay, payment in lieu of leave, subsistence allowance, etc.

Stamp Duty

Refers to the duty paid on certain legal instruments/transactions, affidavit, conveyance and lease agreements. The duty rate is 1 percent based on the consideration applicable to non business persons when issuing a receipt whenever they sell their privately owned assets/properties. Stamp duty on conveyance of agricultural land is TZS 500.

Airport Service Charge

Refers to charges levied on passengers who board an aircraft at any airport in Tanzania.

Port Service Charge

Refers to charges levied on passengers who board passenger shipping vessels at any port in Tanzania.

Motor Vehicle Registration and Transfer Tax

Refers to charges levied when a person is registering or transferring ownership of a motor vehicle or motor cycle.

Motor Vehicle Annual License Fee

It is charged on annual basis according to motor vehicle engine capacity. Note that tractors which are used solely for agriculture are exempted from the annual license fee.

Custom Modernization Programme

Refers to enhancement of efficiency and effectiveness in revenue collection, and at the same time facilitates the international trade. Some of the programs include Post Clearance Audit, Destination Inspection Scheme, Computerized Risk Management System, Agreement on Customs Valuation and Compliant Traders Scheme.

Post Clearance Audit

This is a trade facilitation tool where goods can be cleared prior to physical examination in Tanzania. The system verifies the accuracy of declaration through the examination of goods, records, business system and all relevant customs commercial data held by persons and companies directly or indirectly involved in international trade.

Destination Inspection Scheme (DSI)

Is the verification of the importers' declaration at the point of destination in Tanzania through certain procedures for the purposes of

- i) determining the quality and quantity of goods imported;
- ii) establishing the value of goods as compared to the declaration made by the importer;
- iii) establishing the country of origin and supplier;
- iv) determining the applicable customs tariff code under which the goods are to be classified and tax is computed;
- v) providing TRA with Computerized Risk Management Database, which assist in determining levels of intervention and valuation process; and
- vi) enhancing security and international trade facilitation.

Computerized Risk Management System (CRMS)

It identifies risks associated with each import transaction and determines the applicable level of intervention as follows:-

- **Low Risk:** goods covered by these transactions may be released without physical inspection;
- **Medium Risk:** consignments will be subjected to X-Ray scanning. In case no discrepancy is detected such goods will be released without physical inspection; and
- **High Risk:** transaction will be subjected to physical inspection by customs officers to determine compliance.

Agreement on Customs Valuation (ACV)

The system of goods valuation known as Agreement on Customs Valuation (ACV) provides for use of price actually paid or payable for the goods and forbids the use of arbitrary and fictitious values. It is part of Tanzania's obligation in implementing the World Trade Organization (WTO) agreement to which Tanzania is a signatory.

Compliant Traders Scheme

This scheme allows the audit exercise to be carried after the goods have been cleared. The scheme was introduced with a view of facilitating trade through quick clearance of imported goods.

Tax Incentives

Import Duty Relief

It is a relief on the payment of import duty tax for goods and services imported to Tanzania. It is based on the value of goods, the weight, dimensions, or other criteria of the item such as its size. Those exempted from import duty include all importers of raw materials, electronic cash registers, replacement parts, inputs for manufacturing agricultural equipment, inputs for horticulture and agriculture, hotel equipment, computer software, packing materials for manufactured medicaments and solar equipment and accessories.

Import Duty Drawback

It is a scheme, which allows exporters to claim refund of import duties paid on raw materials and other inputs used in the production of goods that are exported from Tanzania. This scheme is used as a measure of removing fiscal obstacles to export development. It includes inputs used in production process that do not form part of the qualified product e.g. catalysts and some other chemical agents.

Withholding Tax on Dividends and Interest

It refers to taxes paid by investors with incentive certificates.

Export Processing Zone (EPZ)

It is an area where goods processed or manufactured are exempted from import duty and other taxes.

Taxes, Fees and Levies Collected by Local Government Authorities

Tanzania has a two-tier system of Government that is the central government and the local government, which is at the district, town, and municipal or city level. Most of the local government authorities collect taxes, fees and levies in: property tax, service levy, hotel levy or guest house levy, slaughtering fees, billboards and sign fees, market fees, trading license fees, and liquor license fees.

Property Tax

It is charged to owners of properties and is an important source of revenue for urban councils in Tanzania. Some properties like museums, places of worship, aerodromes and land used for sporting purposes, properties of charitable and educational institutions are exempted from property tax. The

rate of the tax is fixed by the local authority (the councilors) through enacting by-laws depending on the value and location of the property.

Service Levy

This levy is charged on the value of goods manufactured by local industries. It is mainly for urban local authorities and it replaces the industrial cess. All corporate entities, which pay the service levy, are exempted from paying agricultural produce cess. Currently, the levy is charged at a rate of 0.3 percent of the turnover net of VAT for corporate entities

Other Taxes and Fees

Most of local authorities charge and collect fees from different sources such as local markets and stores, slaughtering activities, burial services, billboards and sign fees and liquor fees.

Subsidies

These are funds from central government allocated to support the budget for local governments recurrent and development expenditures.



National Bureau of Statistics

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*To become a one-stop centre for
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MISSION

*To produce official statistics and
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