BUDGET NEWSLETTER 2015-2016

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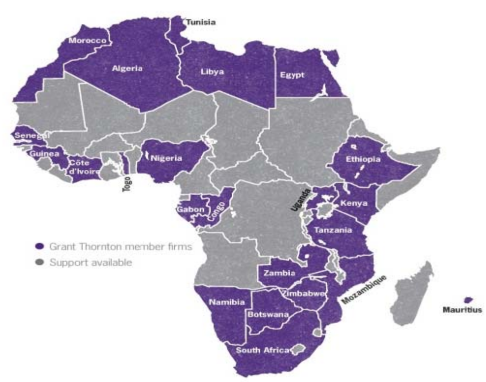

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❖ NEW VAT ACT TO BE INTRODUCED EFFECTIVE 1ST JULY 2015. SWEEPING CHANGES PROPOSED.

❖ Unlike previous years, levies / taxes for following items have not been increased –

Vehicle Road License	Excise duty on soft drinks
Excise duty on Beer	Excise duty on tobacco products
Excise duty on telecommunication services	

❖ GDP Growth – 7 % in 2014, GDP Per Capita USD 1,066 (2014).

❖ Inflation down to 5.3 % by April 2015 compared to 6.3 % by April 2014.

❖ PAYE Rate reduced from 12 % to 11 % for first slab.

❖ Petrol, Diesel, Kerosene to be costlier – road levy and fuel levy increased.

❖ Skills & Development Levy abolished for Agriculture sector.

❖ Additional License Fees introduced for Gaming Sector.

❖ Winning from gaming activities to be taxed at 18 %.

❖ Import duty rate changes in case of –

- Increase in rate / levy import duty – plastic packaging for toothpaste, steel products used in construction
- Special duty introduced on – sugar, rice – duty based on reference value
- Reduction in rate – Wheat, buses with capacity to carry > 25 passengers
- Zero Duty – raw material for manufacturing pasta, labsa, solvent, glucose syrup, fibres for fishing nets,
- Special system for payment of duty / seeking refund for sugar imported for manufacturing activities

❖ Railway Development Fund introduced, to be charged @ 1.5 % on CIF Value at the time of imports.

❖ Special Strategic Investors status to be granted to investors investing in excess of USD 300 million.

❖ Increase in export taxes on Hides and Skins.

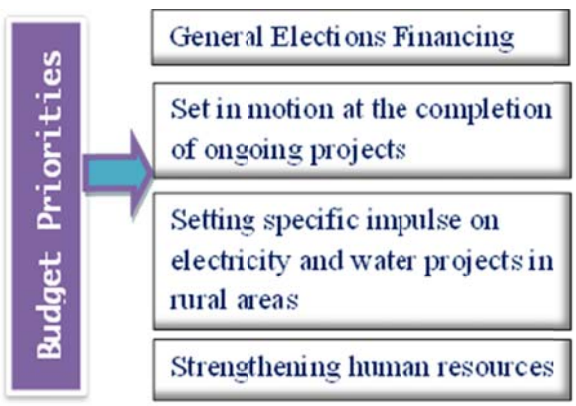
❖ New Law to regulate revenue from Gas Sector to be tabled in the parliament soon.

❖ Foreign currency reserves – USD 4,064.8 million as at March 2015 compared to USD 4,647.5 million as at March 2014, sufficient to cover 4 months of imports.

INTRODUCTION

- The Minister for Finance Hon. Saada Mkuya Salum introduced the estimates of Government revenue and expenditure for the financial year 2015/2016 in the National Assembly on 11th June 2015.

- Budget Priorities – 2015-16



New Perspective of Internal Revenue

- Waived taxes on products such as agricultural tools, fishing tools, medical devices as well as all of the capital goods for the general public at large to avail benefit rather than offering exemptions to selected entities. Reform Motto – "Reduce endorsement added products".

- New VAT Act to be introduced to this effect from 1st July 2015.

- Enhance efficiency, plug loopholes, reduce bias and corruption in issuance of exemptions.

Revenue Targets for 2015-16

- Budget deficit – 4.2 % of GDP in order to enable the Government to pay all arrears of claims raised by contractors, suppliers, civil servants and part of the debt with the PSPF in the financial year 2015-16.

- Budget outlook increased from TZS 19,853.3 billion in 2014-15 to TZS 22,495.5 billion in 2015-16.

- Greater emphasis will be placed on domestic revenue. All efforts aimed at reducing dependency on donor funds to meet budget requirements, reduction targeted from 24 % in 2004-05 to 17 % in 2010-11 and 6.4 % in 2015-16.

Efforts to increase tax revenue collections

- Performance contracts to be introduced for TRA officers to ensure that collection targets are reached.

- Centralized Valuation Price Based system used throughout Tanzania and in Zanzibar to avoid inconsistency in valuation for goods imported in Zanzibar and Mainland Tanzania.

- Introduce Government Ban on suppliers who do not pay taxes in full. Government, Government Agencies and Local Authorities will not trade with bidder who does not use EFD machine.

Efforts to increase non tax revenue collections

- First – use electronic media delivery receipts for charges, fines, fees and all other payments to the central government, local government authorities and all agencies of government.

- Second – monthly allocations to Ministries, Government Agencies and Local Authorities monthly allocation would be reduced to the extent that they fail to achieve targets.

- Third – Ministry of Finance to look into possibility of entering into performance contracts for collection of revenues.

- Fourth – Add momentum to make assessment of urban buildings to ensure that eligible charges are recovered.

- Fifth – Government will undergo renewal procedure using agents in revenue collection for local government.

- Sixth – Public organizations and government agencies will be covered more closely with the Treasury Registrar to ensure that Government receives eligible revenues, embezzlement is removed and additional funds are contributed to Consolidated Fund.

- Important step – review travel allowance rates in public institutions and organizations.

Strengthening management applications

- Government finalizing National Payment System Law 2015 to be implemented.

- Government to continue to implement Public Procurement Act.

- Government Debt payments will be made after verification by the Internal Auditor General.

Claims from Debt Funds Social Security and Suppliers

- Government determined to repay debt to PSPF by introducing Non Special Cash Bonds and continue to allocate funds in the government budget to pay debt due. Bonds provided will have different maturity dates.

- This process will help the Government to recognize these debts on National Debt and also enable Social Security Funds to receive monies due. Interest will be paid by the Government each year with a capacity to selling these bonds on secondary market, thus, strengthening financial position of the funds.

- As at 30th April 2015, total claims paid TZS 692.2 billion. Another TZS 200 billion claims to be paid before end of June 2015.

- Funds to be reserved in Financial Year 2015-16 for remaining claims.

Interest of Public Servants

- Increase in minimum wage – From TZS 65,000 in 2004-05 to TZS 265,000 in 2014-15. Increase of 307.7 %.

- PAYE reduced from 18.5 % in 2006-07 to 11 % in 2015-16 (discount of 35 %).

- Minimum monthly pension to retired government servant – from TZS 50,000 to TZS 85,000.

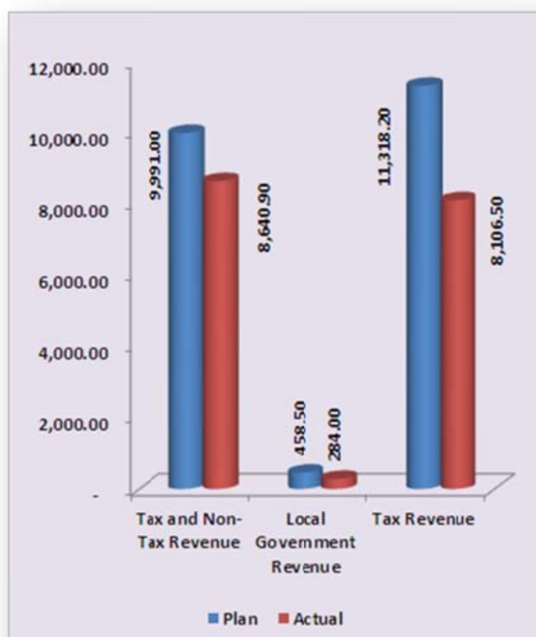
Benefits for Elderly

- Benefits for the Elderly – process of identifying all the elders begins – in 2015-16, government expects to begin preparation to facilitate making payments to Elders.

Review of implementation – Fiscal year 2014-15

- Budget based on –

- Revenue Figures – Table



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Reasons for not achieving targets –

- o Decline in collections from the activities of research and extraction of gas, oil and minerals, particularly withholding tax.
- o Weak collections from excise duty on soft drinks, cigarettes, beer and penalties for banking services.
- o Poor response from dealers on the use of EFD.
- o Reduced imports.

- **Local Government Revenues** – 78 % of annual target – TZS 357.63 billion.

  Reasons for not achieving targets

  - o Incomplete exercise of valuation of buildings thus affecting collection of property taxes.
  - o Unusable electronic system for tax collection.

- Tax Exemptions granted – TZS 1,301.20 billion equivalent to 1.4 % of GDP from July 2014 until April 2015. By June 2015 end, exemptions estimated to be granted – TZS 1,419.50 billion equivalent to 1.5 % of GDP, Compared to 2 % of GDP in 2014-15.

- Minister for Finance to declare all tax exemptions for the citizens to know who are benefitting from these exemptions and reasons for granting such exemptions.

<u>Foreign Grants & Concessional Loans</u>

- Loans Planned to be sourced – TZS 2,941.50 billion during 2014-15.

  Actual figures

  By April 2015,–

  - o Budgetary grants and loans received TZS 408 billion equivalent to 44 % of annual estimates TZS 922.2 billion.
  - o Money received from the pockets of the sector TZS 289.50 billion equivalent to 106 % of estimated TZS 274.1 billion.
  - o Loans and grants for development projects received was TZS 1,117 – 64 % of estimates – TZS 1,745.3 billion.

  Total Figures for foreign grants and concessional loans – by April 2015 – TZS 1,814.50 – 61.68 % .

By June 30, 2015 – 70 % of annual target – TZS 1,221.71 billion.

Domestic and Concessional Loans

- Plan for 2014-15 – TZS 2,955.2 billion from domestic market for financing development projects and pay deposits and government bonds rollover –

  Out of which

  TZS 686.4 billion were new loans for financing development projects.

  TZS 2,265.7 billion was loans to pay for government securities matured.

  By April 2015 TZS 1,767.9 billion loaned to pay for bonds and government bonds matured.

External Loans

Plan for 2014-15 – borrow USD 800 million equivalent to TZS 1,320.01 billion.

As at April 2015

USD 300 million equivalent to TZS 514.20 billion from China Development Bank.

Reasons for reduced borrowing

- o Lack of credit to the extent planned.
- o Time lines for accessing credit.
- o Commercial terms changing constantly in global financial market.
- o Longer process of negotiation.

Consumption Trends

- Until April 2015, Government has provided funding allocations with a total expenditure of TZS 14,121.40 billion on various portions for implementation of budget.

- TZS 11,543.30 billion recurrent expenditure including salaries of civil servants and institutions totaling to TZS 4,349.10 billion, TZS 4,467.90 billion – Consolidated Fund, TZS 2,726.30 billion for other expenditure.

  and

- TZS 2,578.1 billion for development expenditure.

- Interest on domestic and external debt – TZS 921.30 billion – as at April 2015 Out of which Payment of interest on domestic debt is TZS 629.70 billion.

Interest on foreign debt is TZS 291.6 billion.

In addition

Loan repayments – TZS 1,878 billion.

Of which TZS 110 billion is pertaining to foreign loans.

TZS 1,768 billion is pertaining to local loans.

- Payment of civil servant salaries were TZS 4,349 billion.

  Out of which

  TZS 1,822.90 billion was paid to Central Government Servants.

  TZS 106.30 billion issued to employees of RAS.

  TZS 2,419.80 billion for salaries of local government authorities

- In addition

  Government has paid salaries of public institutions and organizations amounting to TZS 530 billion.

- TZS 2,726.30 billion for expenses – significant portion being paid for preparation for general elections, purchase of food for national park, subsidies for agricultural inputs, examinations of primary and secondary schools, constituent assembly expenses.

Development Projects

- Up to April 2015, TZS 2,578.10 billion awarded for implementation of development projects.

  Out of which TZS 1,998.9 billion is in local currency and TZS 579.20 billion in foreign currency.

- In addition, TZS 649.50 billion infused into projects to implement **big results now initiative.**

  (TZS 544.80 billion introduced in local currency and TZS 104.7 billion in foreign currency).

  Funds were awarded in the following sectors –

Energy	-	302.5 billion
Education	-	129.0 billion
Transport	-	105.3 billion
Water	-	81.0 billion
Agriculture	-	30.0 billion
Other sectors	-	1.5 billion

Management and Control of Public Expenditure

- During 2013-14, Government submitted financial statements to CAG that were prepared based on IPSAS.

- Tanzania Interbank Settlement System usage extended, pensioners pension paid directly into their bank account.

Implementation of Strategy for Growth and Reduction of Poverty

- For the first time in 2014, Tanzania has developed and provided Human Development Report. This report presents detailed analysis of the development and prosperity of the people to measure and compare success for different periods and between regions.

- Some of the successful implementation aspects of MKUKUTA II include –

    - Economic growth of Tanzania.
    - Increase in Average per capita income.
    - Income poverty has fallen from 34.4 % in 2007 to 28.2 % in 2012.
    - In the areas of social services, there are gains as well as increase in the effective rate of admission in primary education from the original 89.7 % in 2013 to 90.2 % in 2014.

Financial Sector

- In 2014-15, government continued to implement the program of financial sector reform. By December 2014, credit extended to private sector amounted to TZS 12.4 trillion equivalent to 20.9 % of GDP. Large part of these loans were directed to the business activity that has been 21.7% of all loans, personal spending 15.8 %, industry spending 11.8 % and agriculture 8.9 %.

- Housing Micro Finance Fund to be introduced to provide small loans for the construction of homes of low income groups.

- During 2015-16, Government will undergo the procedure to insure its properties through National Insurance Corporation. This procedure to be implemented by the central government and its institutions as well as local government authorities.

Partnership between Public and Private Sector

- Projects identified and analyzed before either approved or advice given with the intent to improve -

    - Project of Bus Rapid Transit Dar es Salaam (DART) - Dart Project at

the stage of identifying suitable operator.
  - Road Construction project – Dar es Salaam to Chalinze.
  - Electric Project Kinyerezi Phase III.
  - Project to produce essential drugs.
  - Expansion of the port of Dar es Salaam.

National Debt

- Up to March 2015, national debt reached 19.5 billion US Dollars equivalent to 35 trillion shillings, as compared to 18.7 billion US Dollars (equivalent 30.6 trillion shillings) in March 2014.

- The increase in national debt is attributed to need for new loans to finance development projects, depreciation of shillings against US dollar and arrears of interest on foreign debt.

Successful implementation of budget for the year 2014-15

- In the year 2014-15 the Government utilized the available funds for the implementation of various activities including electricity and water supply in rural areas, transportation infrastructure (roads, railways, ports and airports), gas pipeline project and gas processing mills etc.

- The budgetary challenges faced included:-
  (i) tax evasion committed by dis honest traders.
  (ii) a long process of access to commercial loans from external and frequent changes in the foreign exchange market.
  (iii) Many Public organizations like TANESCO, ATCL, TRL, and TAZARA continue to rely on the government budget and thereby increasing the cost which should have been paid by the organizations itself.
  (iv) Significant financial requirements for improving infrastructure especially water, railways, ports, airports and roads to boost the economy and increase employment.
  (v) Global economic crisis has continued to affect various sectors of the economy especially in investment, tourism and access to credit in the financial markets.
  (vi) Climate Change which has led to various disasters being included damage to transport infrastructure, lack of food, lack of

electricity is generated by hydropower, and loss of employment opportunities.

(vii) Improvement of the US dollar against the various currencies, increased cost of imports of goods and services from outside ; and

(viii) Production costs and prices of various consumer goods have not increased substantially.

<u>Gains from the implementation of the budget for last five years</u>

- Implementation of First Five Years Plan for Development and Strategy for Growth and Reduction of Poverty – MKUKUTA.

- Completion of a gas pipeline from Mtwara to Dar es Salaam to produce electricity in Ubungo II.

- Increase of electricity supply in rural areas through Rural Energy Agency (REA) which has increased the number of citizens receiving electricity from 7% in 2011 to 36% in 2014.

- Improved the road infrastructure including the road from Tunduma to Sumbawanga, Dodoma to Manyoni, Calabash to Somanga and construction of a bridge across the river Malagarasi in Kigoma.

- Construction and developments of airports including the expansion of international airport of Mwalimu JK Nyerere, Songwe, Mpanda, Kigoma, Tabora, Mafia and Arusha.

- Renovation of railway infrastructure and purchase of rolling stock and train heads of central and TAZARA railway has been done.

- Agriculture has been continuously supported by the government through financing of various activities and providing subsidies.

- Improvement of health care sector by financing the construction, rehabilitation and expansion of health centers and regional referral hospitals including Regional Referral Hospital Mbeya, Referral Hospital Singida and Regional Cancer Hospital Ocean Road.

- Improvement of education sector by increase in loan to higher education students to reach 1,497.52 billion shillings to 211,180 students. Number of teachers in primary schools increased from 165,856 in 2010/11 to 190,957 in 2014/15.

Gas Sector Law

- A law under enactment to regulate the revenue from Gas sector and the bill is expected to be tabled in the Parliament soon.

Economic Management

- Economy grew by 6.4 percent in 2010 and is expected to grew by 7.3 percent in 2015.

- Inflation continue to decline from 5.6 percent in December 2010 to 5.3 percent in April 2015.

- GDP has grown to TZS 79.4 trillion and average per capita income has crossed TZS 1,724,416 in 2014. Tanzania to become a middle-income country by the end of this year if such growth continues.

- Foreign investments increased from 1.2 billion US dollars in 2011 to 2.13 billion US Dollars in 2013.

- Foreign currency reserves – USD 4,064.8 million as at March 2015 compared to USD 4,647.5 million as at March 2014, sufficient to cover 4 months of imports.

- Value of shillings which was relatively stable for nearly three years from 2012, decreased much faster from the last quarter of 2014. This decline has been driven largely by improvement in the US dollar against many other currencies around the world. In addition, other factors that contributed to the shaking of the value of the Tanzania Shilling include: -

(i) Our earnings from overseas sales too low compared to our requirement to purchase goods and services from abroad.

(ii) Decline in gold prices in the world market situation which has affected our revenues and gold exposure significantly.

(iii) Increased demand for dollars for the payment of dividends abroad by some private companies.

Objectives and Principles of 2015-16 Budget

(i) To accelerate the growth of real GDP to reach 7.2 percent in 2015.

(ii) Continue to control the pace of inflation and ensure that we remain on the scope of single digits.

(iii) To increase the collection of domestic revenue, including revenue of local government authorities to reach 14.8 percent of GDP.

(iv) To increase tax revenues to reach 13.1 percent of GDP.

(v) Government spending is projected to be 20.6 percent of GDP.

(vi) Have a budget deficit (including grants) of 4.2 percent of GDP.

(vii) Contain the increase of supply of broad money (M3) at the base of 16 percent for the year ending June 2016.

(viii) Have foreign exchange reserves to meet the requirements of the level of imports of goods and services from outside for a minimum of four months.

(ix) Complete contracts between the Government and the companies to evaluate Rating Agencies before the end of July, 2015.

(x) To continue to improve the investment environment for the purpose of attracting investment in general including the investment of the joint venture between the private sector and the public sector; and

(xi) To ensure the stability of the value of the Tanzania shilling.

<u>Aim of the 2015-16 Government Budget</u>

(i) Continue to exist in peace, security, stability and order in the country and neighboring countries.

(ii) The existence of economic stability domestically and abroad; and

(iii) The existence of favorable weather conditions in the country and in neighboring countries will allow a good production of food and cash crops.

The following acts have been amended –

A. Income Tax Act, Chapter 332.
B. Vocational Education and Training Act, Chapter 82.
C. Export Tax Act, Chapter 196.
D. Tanzania Investment Act, Chapter 38.

E. Customs Law of the East African Community, 2004.
F. Gaming Act, Chapter 41.
G. Petroleum (Exploration and Production) Act, Chapter 392.
H. Road and Fuel Tolls Act, Chapter 220.
I. Treasury Registrar (Powers and Functions) Act, Chapter 370.
J. Bank of Tanzania Act, Chapter 197.

A. Income Tax Act, Chapter 332;

- Tax exemption on government projects implemented due to agreements between the government and various institutions involving commercial loans (non concessional Loans) to be eliminated. However, agreement signed before 1st July 2015 continue to avail the exemptions as per agreed terms and conditions.

- Capital gains tax on sale in Capital Markets of bonds floated by The African Development Bank to finance development projects such as infrastructure development, be exempted.

- PAYE Slab Rate of 12 % (First slab) reduced to 11 %.

- Reduce rates of income tax on small businesses up to a level of 25 %.

These measures are expected to increase income tax revenue by TZS 47,212.2 million.

B. Vocational Education and Training Act, Chapter 82;

- Agricultural sector to be exempted from payment of skills and development levy in order to provide tax relief on agricultural activities that depend on farm labor significantly. This exemption was granted earlier and withdrawn, is now introduced in 2015-16 budget.

C. Export Tax Act, Chapter 196;

- Increase in Export tax on raw hides from existing 60 percent of the value of the skin (FOB) or TZS 600 per kilogram to new rate of 80 percent of the value of the skin (FOB) or 0.52 US dollars per kilogram.

- Introduction of Export tax of 10 percent of the value of the skin (FOB) intermediate on wet blue leather, in order to encourage value addition of these products and investment in the manufacturing of leather in the country.

These measures are expected to increase revenue in the amount of TZS 920.6 million.

D. Tanzania Investment Act, Chapter 38;

- PVC pipes and HDPE Pipes classified under HS Code 3917.31.00 to be removed from the list of deemed capital goods.
- Importation of items classified under deemed capital goods shall not qualify for incentives, if produced locally.
- Specific investment Status (Special Strategic Investors Status) to be provided to the investors who meet the following criteria –

  ✓ Total capitalization of at least 300 million US dollars or shillings equivalent to the amount of those dollars in cash along with equipment.

  ✓ The capital to be used must be routed through approved financial institutions including insurance service providers in the country.

  ✓ Create direct employment for at least 1,500 Tanzanians.

  ✓ Be able to generate foreign exchange or produce alternative products to those imported.

  The above measures will increase the revenue by TZS. 7,965.5 million.

E. Customs Law of the East African Community, 2004;

- Reduced Customs duty rate of 10 percent from existing rate of 35 percent on wheat classified under HS code 1001.99.10 and HS code 1001.99.90.
- Reduced Customs Duty rate of 10 percent instead of 25 percent on buses capable of carrying more than 25 passengers classified under HS code 8702.10.99 and HS code 8702.90.99 which shall fall on a project commissioned for the buses for the city of Dar es Salaam (Dar Rapid Transport - DRT) for one year.
- Levy customs duty at the rate of 0 percent instead of 25 percent on raw materials for making pasta and pasta (spaghetti) known as semolina, classified under HS Code 1103.11.00, for one year.

- Continue to levy import duty 0 percent instead of 10 percent on raw materials used in the manufacture of soap (LABSA) under HS code 3402.11.00, HS code 3402.12.00 and HS code 3402.19.00 for a further period of one year.

- Levy customs duty at the rate of 0 percent rather than 10 percent under the order of "duty remission" on solvent classified under HS code 4421.90.10 used in match sticks for the period of one year.

- Levy customs duty at the rate of 0 percent rather than 10 percent on glucose syrup classified under HS code 1702.30.00 identifiable products that are used to manufacture candy products.

- Reduction of import duty imposed on fibers used in making fishing nets classified under HS code 5402.61.00 from 10 percent to 0 percent.

- Increased tariffs on plastic packaging of putting toothpaste (Plastic tubes) classified under HS code 3923.90.20, from 10 percent to 25 percent.

- Impose tariffs of 25 percent on steel products used in construction (bars, rods, angles, Shapes, and sections) classified under in HS code 7213.10.00 and 7213.20.00.
- Add a special rate of import duty on sugar from US $ 200 per tonne or 100 percent of the value of such products to US $ 460 per tonne or 100 percent of the value of a product when imported depending on what level is reduced.

- Add a special rate of import duty on rice from US $ 200 per tonne or 75 percent of the value of a product to US $ 345 per tonne or 75 percent of the value of goods when imported, depending on what is the standard scale.

- To amend the Fifth Schedule of the Customs Act EAC providing exemption from import duty for the Armed Forces and Police Force Prisons to include in this exemption. This exemption covers goods imported for official use only.

- Continue to exempt armed forces restaurants from import duty for a period of one year. During this period it is emphasized the Government of Tanzania to look at options to provide relief to the cost of living for the defense forces.

- Introduce Railway Development Levy) to be imposed at a rate of 1.5 percent of the value of goods imported (CIF).

  Kenya, Rwanda and Uganda are already beginning to build infrastructure using revenue from such charges.

  This measure does not involve products that receive import duty exemption under the Customs of the East African Community.

- Special procedure for paying import duties on sugar used in industrial (Industrial sugar) to be introduced. Import duty on sugar that is used in manufacturing now is subject to import duty of 10 percent instead of the excise duty rate specified binding of 100 percent. In a special procedure proposed, importers will have to pay a tariff of 50 percent and immediately after producing the products manufactured and certified by TRA that sugar is used properly will be refunded 40 percent of the duty paid.

These measures together are expected to increase revenue by TZS 155,447.6 million.

Items	HS CODE	Existing	Proposed
plastic packaging for toothpaste	3923.90.20	10%	25%
steel products used in construction	7213.10/20.00	0%	25%
Wheat	1001.99.10/90	35%	10%
Buses (Dar Rapid Transport – DRT) with capacity to carry > 25 passengers	8702.10/90.99	25%	10%
Semolina	1103.11.00	25%	0%
LABSA	3402.11/12/19.00	10%	0%
Solvents used in Matchsticks	4421.90.10	10%	0%
Glucose syrup	1702.30.00	10%	0%
Fibres for fishing net	5402.61.00	10%	0%
Sugar		USD 200 per tonne	USD 460 per tonne
Rice		USD 200 per tonne	USD 345 per tonne

F. Gaming Act, Chapter 41;

- Introduce taxation of gaming in winning prizes at a rate of 18 percent of the prize offered to the winner.

- Impose a license fee (Principal License) of US $ 30,000 or equivalent TZS for sports betting and impose a license fee of US $ 10,000 or approximately the same for the operation of games Gambling Machinery (Slot Machines).
- Set the procedure for granting Certificate of Appropriateness (certificate of suitability). Certificate to be issued at a fee of TZS 1,000,000.
- Set procedure for registration of gaming facilities and charging registration fees as follows (TZS): -

Device Particulars	Casino	Slot Machine Operations	Sports Betting	40 machine site
Slot Machine	50,000	30,000	-	40,000
Live Tables	100,000	-	-	-
Electronic Tables – Seat	50,000	-	-	50,000
Sports Betting Terminals	-	-	30,000	

Inspection of the devices to be held annually in order to protect players and to detect machines that are not fulfilling the standards.

These measures together are expected to increase revenue by TZS 12,275.2 million.

G. Petroleum (Exploration and Production) Act, Chapter 392;

- Petroleum fee on petroleum products to be increased as quoted below –
  - ✓ Fee on diesel to be increased from TZS 50 per liter to TZS 100 per liter.
  - ✓ Fee on Petrol to be increased from TZS 50 to TZS 100 per liter.
  - ✓ Fee on Kerosene to be increased from TZS 50 per liter to TZS 150 per liter.

H. Road and Fuel Tolls Act, Chapter 220;

- Increase in fuel levy proposed as follows –
  - ✓ Fuel levy on diesel to be increased from TZS 263 per liter to TZS 313 per liter.
  - ✓ Fuel levy on Petrol to be increased from TZS 263

per liter to TZS 313 per liter.

Measures to increase the fuel levy are expected to increase revenue by TZS 136,370.2 million

I. **Treasury Registrar (Powers and Functions) Act, Chapter 370;**

- Setting a maximum limit to 60 percent of earnings used in operating expenditure.

- Corporations and other institutions that were contributing 10 percent of revenues should contribute 15 percent in the Consolidated Fund.

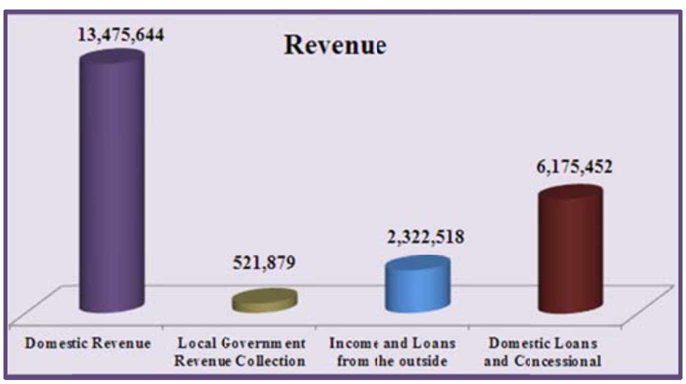
J. Bank of Tanzania Act, Chapter 197;

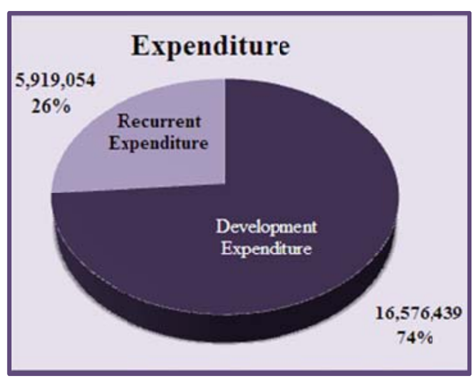
- Central Bank Act proposed to be amended to enable the government to borrow one-eighth of the revenue of previous year instead of using average earnings of the past three years.

The above proposed tax measures will come in to force from 1st July 2015 unless otherwise specified.

TANZANIA BUDGET FRAMEWORK 2015-16

	PARTICULARS	TZS MILLIONS	TZS MILLIONS
	REVENUE:		
A.	**Domestic Revenue**		**13,475,644**
	(i) Tax Revenue (TRA)	12,362,959	
	(ii) Non Tax Revenue *excluding sale proceeds of natural gas*	1,070,625	
	(iii) Non Tax Revenue *from sale proceeds of natural gas*	42,060	
B.	**Local Government Revenue Collection**		**521,879**
C.	**Income and Loans from the outside**		**2,322,518**
	(i) Concessional Loans	660,337	
	(ii) Projects, Grants and Loans	1,463,155	
	(iii) Grants and Loans sector	199,026	
D.	**Domestic Loans and Concessional**		**6,175,452**
	(i) Credit on Commercial Terms	2,142,469	
	(ii) Credit - 1.5 % of GDP	1,432,983	
	(iii) Loans - Rollover	2,600,000	
	TOTAL REVENUE		**22,495,493**
	EXPENDITURE		
E.	**Recurrent Expenditure**		**16,576,439**
	(i) Consolidated Fund *excl. mortgage finance payments*	3,897,103	
	(ii) Consolidated Fund *from mortgage finance payments*	2,499,499	
	(iii) Wages and Salaries	6,466,481	
	(iv) Ministry	3,146,320	
	(v) Regions	38,273	
	(vi) Local Government Authorities	528,763	
F.	**Development Expenditure**		**5,919,054**
	(i) Ministries and Institutions	5,179,703	
	(ii) Regions	50,906	
	(iii) Local Government Authorities	688,445	
	TOTAL EXPENDITURE		**22,495,493**





KENYA BUDGET HIGHLIGHTS FY 2015-16

HIGHLIGHTS OF KENYAN BUDGET FOR THE YEAR 2015 – 2016

- FY 2015/16 budget continues to focus on Vision 2030 and the Jubilee Government priorities under a five pillar transformation agenda.

- Common External Tariff (CET) on paper and paperboard products reduced to 10% from the existing 25%.

- Export duty rates on hides and skins harmonized at 80% of FOB value or 0.52 USD per kg, whichever is higher.

- Import duty on plastic tubes for packing toothpaste and cosmetics increased to 25% from existing 10%.

- Import duty on Semolina, the raw material for making pasta abolished from existing 25%.

- Import duty on aluminum milk cans increased to 25% from the existing 10%.

- Road Maintenance Levy increased by Ksh 3 per litre to be collected and paid into the Road Annuity Fund.

- Import duty on Gas cylinders levied at 25%.

- VAT on plastic bag biogas digesters exempted.

- Services to goods in transit proposed to be zero rated services.

- VAT exempted on Goods and Services for use in construction of infrastructure works in industrial and recreational parks of 100 acres or more.

- Inputs imported or purchased locally for the assembling of electronic devices to be exempted from VAT.

- Import Declaration Fee (IDF) lowered from rate of 2.25 percent to 2 percent as a demonstration of the Government's commitment towards harmonization of IDF in the EAC region.

- Landlords owning residential property to be taxed at 12 percent on the Gross rental income below Ksh 10 million per year.

- Simplifying Gaming tax, a direct charge on the gross gaming revenue to be re-introduced.

- Public lotteries to be taxed at 5 percent of the lottery turnover, and tax bookmakers to be taxed at 7.5 percent of the gross betting revenues.

- Excise duty on Non bio-degradable plastic enhanced to Ksh. 120 per kilogram.

- Claim for VAT refund to be made within 12 months from the date the tax became due and payable.

- Withholding tax on training services and contractual fees for Extractive industries harmonized at 12.5 percent and 5.6 percent.

- 5 percent tax on capital gains from sale of shares to be removed.

- 0.3 percent withholding tax on transaction value of the shares to be introduced.

- Investors allowed to carry forward losses upto 10 years against current practice of 5 years without obtaining Treasury's approval.

- Minimum core capital requirement to be increased to Ksh 5 billion from existing Ksh 1 billion by December 2018. Minimum capital requirement to Ksh 600 million for general insurance and Ksh 400 million for long term insurance business to be introduced by June 2018.

- Period for preparation of annual audited accounts for retirements benefits schemes from 6 months to 3 months to ensure expeditious accountability to members.

UGANDA BUDGET
HIGHLIGHTS
FY 2015-16

HIGHLIGHTS OF UGANDA BUDGET FOR THE YEAR 2015 – 2016

- Aimed to increase the tax to GDP ratio by at least 0.5 percentage points of GDP every FY and to attain a target of 16 percent by 2018.

- Introduction of Excise duty of 10 percent on confectioneries and furniture and 5 percent on motor vehicle lubricants.

- Change in duty rate from 10% to 0 % (for one year) for import of road tractors for semi- trailers.

- Change in duty rate from 25% to 10 % (for one year) for import of motor vehicle for transportation of goods with gross vehicle weight exceeding 5 tonnes but not exceeding 20 tonnes.

- Change in duty rate from 25% to 0 % (for one year) for import of motor vehicle for transportation of goods with gross vehicle weight exceeding 20 tonnes.

- Change in duty rate from 25% to 10 % (for one year) for import of buses for transportation of more than 25 persons.

- Withholding tax system to collect taxes through designated agencies to be introduced from informal sectors like agriculture, wholesale and retail trade, construction and transport etc.

- VAT Act amended to allow investor in petroleum and mining sector to register for VAT during the exploration and development stages of their operations.

- The Income Tax Act now inclusive of the comprehensive regime for the petroleum and mining sector to enhance the government tax base in accordance with the prevailing commercial rules.

- The Tax Rates has been implemented for the Non Resident providing Goods and Services to the Licensee.

- Introduction of the mandatory payment of tax for all Public Service Vehicles and Goods Motor-Vehicles at time of renewal of annual licenses.

- VAT threshold has been revised from existing USH. 50 million to 150 million.

- The VAT threshold limit of accounting done on the cash basis, USH 200 million has been revised to USH 500 million.

- Increase in the threshold limit for the presumptive regime from existing gross turnover of USH 50 million to USH 150 million.

- Thin Capitalization Rule amended to allow the Firms to deduct interest on loan in case the loans do not exceed their share capital by 150%.

- Removal of excise duty on international calls - One Area Network for EAC region.

- Environmental levy on used motor-vehicles from 20 percent to 35 percent for motor vehicles of 5-10 years old and 50 percent for those above 10 years (excluding Goods Vehicles).

- Passport fees have been increased by USH 30,000 to USH 150,000.

- Special passport Fee of USH 300,000 has been introduced for any person who wishes to get a passport expressly within 24 hours.

- The Agreement for the Establishment of the African Tax Administration Forum) on Mutual Assistance in Tax Matters.

Disclaimer

This budget analysis has been complied purely based on our understanding of the changes proposed by the Honorable Minister for Finance in Her Budget Speech delivered on 11 June 2015. Comparative data and relevant information for analysis has been extracted from open sources. While adequate caution has been exercised in translating Budget Speech form Kiswahili to English, neither Tanna Sreekumar Grant Thornton, nor any of our affiliates or Strategic alliance partners, will be liable or have any responsibility of any kind for any loss or damage incurred as a result of this analysis or views expressed herein. Views quoted herein are expressed without any liability or obligation from our part.