

31 July 2023



A 360 Second Glimpse of the Finance Act, 2023

- 18 different Acts amended
- Development levy on airtime abolished
- Export of raw hides and skin exempted from export tax
- Foreign vehicle transit charges reviewed
- Local shareholding in gaming licences introduced
- CGT on change in control clarified
- Non-resident's scope of source of payment widened
- WHT on payments for precious metals and carbon emission reduction introduced
- CGT on land and buildings tightened
- Collection of property rate and advertisement fees to be done by LGAs
- Penalty for failure to use EFD tightened
- SDL rate reduced

On 26 June 2023, the National Assembly of the United Republic of Tanzania passed the Finance Bill, 2022. The said Bill was assented to by the President of the United Republic of Tanzania on 30 June 2023, hence effectively making it the Finance Act, 2023 (the Finance Act).

Briefly, the Finance Act amends 18 different pieces of legislation cutting across different aspects, including compliance, tax and regulatory matters. The amended Acts include, among others, the Gaming Act, the Copyright and Neighbouring Rights Act, the Electronic and Postal Communications Act (the EPOCA), the Export Tax Act, the Foreign Vehicles Transit Charges Act, the Income Tax Act, the Land Act, the Local Government Finance Act, the Tax Administration Act, the National Payment Systems Act and the Value Added Tax Act.

Regarding the development levy on airtime, the Finance Act repeals section 164A of the EPOCA which essentially imposed development levy on airtime. The repeal of the said provision, therefore, implies that the said levy is abolished. Further, the Finance Act amends the Export Tax Act by providing that export tax is not applicable on export of raw hides and skin by an investor whose commercial undertaking in an Export Processing Zone is export of meat. Furthermore, the Foreign Vehicles Transit Charges Act has been amended to provide that a foreign registered vehicle from a country which charges a rate higher than the rate applicable in Tanzania should be charged at a rate applicable in that foreign country.

Moreover, the Finance Act, vide amendments to the Gaming Act, introduces local shareholding participation requirement of not less than 5% of the paid up share capital for a gaming licence for operations of commercial gaming undertakings. It should be noted that commercial gaming undertaking, in the context of the Gaming Act, means any gaming activity which is subject to gaming tax.

For further information on legal updates please contact:

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We cover all aspects of the law and specialise in all corporate and commercial matters including Mining, Oil & Gas, Tax, Litigation, Competition, Banking & Intellectual Property law.

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Further to the above, the Income Tax Act (the ITA) is amended by the Finance Act in several aspects. Section 56 of the ITA which deals with indirect change in control of an entity is amended such that the deemed realization of assets and the resultant Capital Gains Tax (CGT) provisions are not applicable where change of underlying ownership is a result of allotment of new membership interest of the entity; or is a sole result of transfer of membership interest of a resident entity to another resident person.

In so far as source of payments is concerned, the ITA is amended to include payments received by a non-resident in respect of an electronic service consumed by or attributable to an individual in Tanzania regardless of the place of payment, as payments having a source in Tanzania. Also, section 83 of the ITA which deals with Withholding Tax (WHT) on service fee and contract payments is amended. The said amendment extends imposition of WHT in respect of payments for precious metals, gemstones, and other precious stones supplied by the holder of a primary mining licence or artisanal miner; and payments to a resident person in respect of verified carbon emission reduction.

Apart from the above, provisions relating to single instalment CGT payable on realization of certain assets are also amended by the Finance Act. As a result of such amendments, CGT on realization of interest in land or buildings is payable at the rate of 3% of the incomings or approved value of the asset, whichever is greater, by persons who do not have records of costs of assets.

Regarding collection of property rate, the Local Government Finance Act has been amended to provide that the Tanzania Revenue Authority will continue to evaluate, assess, collect, and account for property rate up to 31 December 2023 and such obligations will thereafter be assumed by the Local Government Authorities (LGAs). The obligations to collect and account for advertisement fees for billboards, posters and hoarding are also vested in the LGAs.

On top of the above, the Tax Administration Act is amended, among others, to tighten the penalty in respect of the offence of failure to use electronic fiscal device (EFD). Prior to the amendment, the penalty for such an offence was a fine of between 200 and 300 currency points or to imprisonment for a term not exceeding 3 years or to both. The amendments substitute the currency points with a penalty of 20% of the value of goods sold or service rendered or 100 currency points, whichever is greater.

Lastly, the Vocational Education and Training Act has been amended to reduce the rate applicable in Skills and Development Levy (SDL) from 4% to 3.5% of the total gross monthly emoluments payable by the employer to all his employees in respect of that month. Also, the amendments allow the Minister for Finance, in consultation with the Minister for Education, to exempt any person from paying SDL by an order published in the Government Gazette, provided that such exemption is for public interest.

To read the Finance Act, 2023 [click here](#)

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