CONFEDERATION OF TANZANIA INDUSTRIES (CTI)
PRESS STATEMENT ON THE BUDGET FOR 2017/2018
FRIDAY, 09TH JUNE, 2017

1.0 INTRODUCTION

The Confederation of Tanzania Industries (CTI) has received the Budget estimates for the fiscal year 2017/2018 and feels it contains provisions which will to a large extent have positive impacts on the industrial sector and the national economy at large, subject to the details in the financial bill.

2.0 COMMENTS

2.1 General Comments

In general, we commend the Government for presenting a budget which aims at accelerating the pace of economic growth with specific emphasis on industrial development in the country. The budget for 2017/18 as presented, shows that about **62%** of the budget **(TZS 19.7 trillion)** will be for recurrent expenditure, while the remaining **38% (TZS 11.99 trillion)** will be dedicated to development. In fiscal year 2017/2018 the government has decreased the share of the development budget from **40% in 2016/17 to 38% (a 2% decrease). However, the amount of money set for development project has increased from 11.8 trillion in 2016/2017 to 11.99 trillion in 2017/2018.** It is our expectation that the priority areas for the development budget will be directed to infrastructure development which has direct link to the revitalization of the industrial sector in the country.

CTI wishes to commend the government's efforts that aim at increasing industrial production and enabling the sector contribute towards economic growth, job creation and poverty alleviation. These include:

- Increasing government revenue and reducing government expenditure,
- Undertaking various projects that will stimulate industrial development,
- Putting more emphasis on the development of the industrial sector which will create more employment and utilize locally produced raw materials. The private sector is anticipated to play the role of being the engine of growth,

- Increasing quality of education, health services, clean water and power supply,
- Fighting against corruption (especially grand corruption) and illegal drugs,
- Implementing major reforms in public service customer care and reducing bureaucracy.
- Transforming and strengthening agriculture, livestock and fisheries sectors and promoting local value addition and commercialization.
- Abolishing nuisance taxes affecting efficient conduct of businesses in the country.

1.1 Specific Comments

The following measures, if implemented, will have positive impact on the manufacturing sector:

i. Maintaining import duty of **25%** and introduction of specific duty of **200 USD per ton** whichever is higher **on metal and steel products** (bars, rods, angles, shapes and sections) used in construction. The measure aims to protect domestic industries which produce the items,
ii. Maintaining Excise Duty of shilling 58 per litre on locally produced bottled water,
iii. Granting duty remission on raw materials used for local manufacturers of motor vehicle "air filters",
iv. Staying application of 10% on hard wheat under **HS Code 1001.99.10** and **HS Code 1001.99.90**,
v. Removing VAT on capital goods in order to reduce the cost of importing machinery and equipment,
vi. Zero rating VAT on the ancillary transport service on transit goods. The objective is to reduce the transport cost on the cargo passing through Dar es Salaam port,
vii. Removing VAT on compounded animal feeds: This measure will create an equal playing field with informal small industries producing animal feeds,
viii. Reducing corporate tax from 30% to 10% for 5 years for new industrial investment specifically for assemblers of cars, tractors and fishing boats which will start from 1 July 2017. This measure will attract more new investments,
ix. Reducing of excise duty on fruits juices locally produced from

shillings 9.50 to 900 per litre. This measure aims to promote locally produced fruit juices and enhance competiveness of domestic industries,

x. Reduction of excise duty on wine manufactured by locally produced grapes with 75% local content from shillings 202.00 to 200.00. This measure aims to promote local produced fruit juices and enhance competiveness of domestic industries,

xi. Grant duty remission of 0 on LABSA (raw material in soap manufacturing),

xii. Removing import duty of 25% or USD 200 per metric ton on steel products used to manufacture leaf springs (Grant duty remission),

xiii. Increasing import duty to 25% or USD 250 per metric ton whichever higher on flat rolled iron or non-alloy steel. The measure intends to protect domestic industries,

xiv. Increasing import duty of 25% or USD 200 per metric ton whichever high on hot rolled angles section to protect domestic industries,

xv. Increase of excise duty on imported bottled water from shillings 58 to 61 per litre, the measure intends to protect local industries.

xvi. Reduction of **Produce Cess** levied by Municipal Councils from **5% to 3% for cashew crops** and from **5% to 2% for the food crops.**

xvii. Adjusting/removing various levies and fees charged by Ministries, Regions and independent Government Departments. These changes will be effected in the finance bill of 2017/2018. This measure will improve business environment and reduce cost of doing business and,

xviii. Removing of TBS inspection fee on cotton, tea, cashew nuts and coffee. The measure intends to reduce cost of production to the industries

These measures will enable domestic industries to enhance production, improve consumer welfare, promote use of local materials, enhance competitiveness and stimulate economic growth.

2.2 Negative Measures

Despite the positive measures that were announced by the Minister, CTI wishes to highlight the following features of the budget that will have negative effects on industries and the economy at large:

i. Although there are efforts in this budget to widen the tax base, it is still narrow. A narrow tax base coupled by an increase in national budget from **TZS 29.5 trillion 2016/2017** to **TZS 31.7 trillion** implies a huge tax burden to a small fraction of the economy and signaling fears to achieve this plan.

ii. Increasing import duty on Crude Palm Oil (CPO) from **0** to **10%** for one year. This measure will add to the cost of production of the palm edible oil and thus reduces competitiveness of the domestic industries.

iii. Maintaining the extra import duty of **15%** on industrial sugar this measure increases cost of doing business.

iv. Adjusting excise duty on carbonated soft drinks according to inflation rate of **5%** this measure adds to the cost of production.

v. Adjusting excise duty on beer according to the inflation rate of 5%, the measure will affect beer industry and due to increase in the cost of doing business, and

vi. Increasing excise duty on cigarette with 75% local content by 5% this measure will reduce the competitiveness of the local industries.

In principle, the increase and introduction of taxes tends to increase production costs and therefore, impact in the competitiveness of domestic industries, and consequent reduction on consumption.

Conclusion

The Confederation of Tanzania Industries believes that fiscal policies apart from generating government revenue to fund its recurrent and development expenditure should also have the responsibility of stimulating the pace of economic growth and job creation.

The **2017/2018** budget has attempted to balance between raising more government revenue and economic growth. CTI is optimistic that such good initiatives should be enhanced. The Confederation is therefore, committed to supporting the positive initiatives announced by the government to ensure success of the **National Development Vision 2025** of Tanzania becoming a middle-income country through industrialisation.

On the other hand, the Confederation requests the Government to rectify the negative aspects of the budget as outlined herein in order to facilitate a competitive business environment that is conducive for sound industrial development in the country.

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