CONFEDERATION OF TANZANIA INDUSTRIES (CTI) PROPOSALS TO THE TASK FORCE ON TAX REFORM FOR 2017/2018.

NO.	ISSUE	ASSOCIATED PROBLEMS	PROPOSAL	JUSTIFICATION
EXCISE DUTY				
1.	High Excise Duty on carbonated soft drinks.	• Excise duty is a penalty to soft drinks producers and consumers. Since the price elasticity of soft drinks is very elastic, a small change in price results to a huge decrease in sales volume. • Loss in government revenue • Promotes proliferation of substandard soft drink products.	Maintain the current Excise Duty on carbonated soft drinks of TZS 58 per litre	• Evidence shows that the reduction of excise duty from **TZS 91/Lt** to **TZS 55/Lt** in 2014/2015 enabled producers to increase investments. For one year alone 2014/2015, the industry made investment of **$110,000** which was equivalent to **TZS 240 billion**. This included new production investment made in Mbeya, Mwanza, Moshi and Dar es Salaam. • These investments created **400direct jobs** and **4000 indirectly** in one year. • Over four years, soft drink industry invested more than **$400mil** which is more than **TZS850** billion and created almost **1000directjobs** and **10,000indirectjobs**. The investment needs to be protected and recovered. Increase of excise duty slows down growth and hence adversely affect the return on these investments and government revenue. • Exciseduty reduction helped the industry to reduce and maintain price which is helping to stimulate growth. The industry has held price for the last three four years. Increase may reverse the good momentous growth and government will lose revenue. Government can get the more revenue through VAT, Corporate Tax and other taxes if the sector grows. • Growth in the sector helps government to collect revenue and create employment in the value chain (The multiplier effect -

				up and down the value chain)i.e. greater demand for inputs – packaging, crowns, closures, PET, Sugar, etc, with growth of even smallest sellers like roadside sellers and hookers; hence more revenue to the government and create employments. • All 14 SADC countries have removed/don't have excise on soft drinks except Tanzania and Angola. Angola is at **3%.** Zambia, Zimbabwe, Namibia, South Africa, Malawi, within few years removed completely excise duty on soft drinks resulting to growth in the industry and more revenue to government. • Prices for soft drinks are very elastic. Any small change into price have huge impact into volume. This is the reason the industry has held price for long time.
2.	High Excise Duty on Cigarette	• Discourages new investment and expansion. • Adversely affects demand for cigarettes and associated products. • Discourages production and sales volume. • Encourages illicit trade of cigarettes. • Loss in government revenue.	• Retain current Excise Duty rate on cigarette • Maintain the current 3-tier Excise Duty structure with its 75% domestic tobacco requirement.	• Increasing capacity utilization • Encouraging investment in capacity/expansion. For instance: Since 1999 to date, TCC has invested over **U$ 100 million** in plant, machinery and other business activities. • Maintaining and encouraging new employment. For instance: Currently, TCC employs **474 people directly** and indirectly supports the employment of over 100,000 tobacco farmers and over **2,500 suppliers, dealers** and **retailers**. • Maintaining consumer affordability. Excise duty driven price reduces consumer affordability of cigarettes. Affordability (measured as price per pack of **20 cigarettes** as a percentage of the average daily disposable income), is currently at about **60%.** That is, the average consumer would have to spend **60%** of his daily disposable income to buy a pack of 20 cigarettes. According to a November 2015

				study on affordability conducted by Japan Tobacco International in 25 cigarette markets around the world, cigarettes produced in Tanzania are the most expensive. • **Encouraging production and increasing sales** For instance, the TCC factory is capable of producing **10billion** cigarettes per annum. Currently, it produces 5 billion cigarettes for the domestic market and **3billion** cigarettes for the export market, giving a capacity utilization of 80% and idle capacity of **20%.**Thus maintaining the current excise duty will lead to full capacity utilization. • **Increasing government revenue.** In 2016, the Government did not increase excise duty. The result was volume growth of **5%,** the highest in over 5 years, and more tax venue generated for the Government. • **Discouraging illicit trade** As a result of high cigarette prices relative to prices in export markets (Zambia & DRC, etc.), illicit trade in tobacco products in Tanzania has increased from **2%** in 2010 to about **10%** in 2015. That is, for every 1000 cigarettes sold in the domestic market, 100 cigarettes are non-duty paid. This undermines both domestic sales revenue for manufacturers as well as tax revenue for the Government. The estimated tax revenue loss in 2015, assuming illicit trade is 10% of the legal market for cigarettes, was **TZS 21 billion** [(5bn sticks * 10%)/20 * TZS 2,500 per pack * 34% VAT, excise tax] (to look for attachment or update data). • Extra tax revenue of up to **TZS 10 billion** per annum Generating more tax revenue for the Government through a reduction in illicit trade in tobacco products. Assuming illicit

				trade declines from **10%** to **5%**, the Government could generate an extra **TZS 10 billion** in tax revenue. • Generate more tax revenue through volume growth as VAT and excise duty are driven by volume. • Encourage use of locally available raw materials and domestic value addition • The "75% local content requirement" encourages use of locally available tobaccos. Almost **100%** of cigarettes produced by TCC for the domestic and export markets use Tanzanian tobacco. This is in line with the 5th Phase Government's drive to promote use of locally available raw materials and encourage domestic value addition. • Encourage inward investment and industrialisation • Furthermore, the "75% local content has encourage further investment in the tobacco value chain. For example, JTI Leaf Tanzania set up a local operation in 2012 to procure Tanzanian tobacco for use by domestic manufacturers as well as export.
3.	High excise duty of locally produced juices	• Discourages consumption of locally produced juices • Reduces sales volume for local producers e.g. SMES • Discourages local investments in agro-processing leading to	Maintain Excise Duty Rates on fruit juices on the current inflation rate.	• Maintaining the current excise duty will encourage consumption of locally produced juices. • Increase the sales volume for local producers e.g. SMES • Encourages local investments in agro-processing in the country

		high post-harvest loss for fruits in the country.		• Reduce post-harvest loss for fruits in the country which is already very high (**70%** of all fruits are wasted due to absence of agro-processing industries in the country). • Increase government revenue from agro-processing • Employment generation from agro-proccessing in the country • Support agro-industrialization in the country
4.	High Excise Duty on Beer and Spirits	• Increases consumer prices which results into: ➢ Reduced sales volume. For instance in 2012/13 a **25%**increase in beer Excise Duty resulted into an **8%** loss in sales volume and revenue for the company and the government respectively. ➢ Encouraged consumption of unregulated and unhealthy alcohol.	Maintain Excise Duty Rates on Beer & Spirits on the current inflation rate.	• Maintaining current prices of Beer and Spirits: ➢ Increased Government revenue – estimated at **TZS 65 Billion** a year. The past experience shows that on average, a **5%** volume growth resulted into a **15%** increase in total product tax collected. ➢ **NOTE:** TBL paid more than **TZS 380 billion** in taxes in 2015. ➢ Preventing consumption of unhealthy, and unregulated alcohol • Supporting and growing the economy with at least **TZS 100 Billion** a year in capital expenditure • Maintaining and increasing employment of over **2 million** people through the production and supply chain. • Supporting the agricultural sector growth via contract farming with local farmers. • Preserving and encouraging local production (industries).

5.	High Excise Duty of **TZS 55 per litre** on bottled water	• Discourages consumption of bottled water • Reduces sales volume • Encourages outbreak of waterborne diseases • Increasing government budget for treating waterborne diseases.	Reduce Excise Duty on bottled water from **TZS 55 per litre** to **TZS 40 per litre**	• Encouraging consumption of clean and safe bottled water • Increasing sales volume for local manufacturers • Discouraging outbreak of waterborne diseases. • Reducing Government expenditure to treat waterborne diseases such as cholera and diarrheal. • Supports local industrialization as 5th phase plans • Employment generation in industries.
IMPORT DUTY				
1.	Upfront payment of **15%** on industrial sugar.	• Unnecessary increase in operational costs. So far five major soft drinks producers have paid over **TZS 2.7 billion** as interest to banks • Strains Cash flow and Ties up working capital. So far five major producers have paid **TZS 29.2 billion** since introduced**. <u>Only 11.3 billion has been refunded.</u>**	Remove the **15%** refundable additional import duty on industrial sugar	• It doesn't serve the purpose it was introduced for (curbing illegal importation of sugar). Illegal sugar is mainly done through 3 ways **which additional 15% duty cannot address.** ➢ Transit sugar being dumped in the country. ➢ Illegal route of Zanzibar which get dumped to mainland through illegal ports ➢ Excessive quota approvals-this is currently well addressed. • All other East African Countries are still at **10%.** Manufacturers who export to EAC region are competitively disadvantaged • Currently we effectively pay 16% of duties as summarized below unlike our few East African Manufacturers who pay **10%**.

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Time consuming in following up of refunds
There is no industrial white refine sugar produced in the country and within East Africa.
It will be a severe punishment to businesses that use industrial sugar as their main source of raw materials.
Will significantly affect cost of this key raw material and hence increase cost of the making beverages which will lead to price increase and decrease in volume
It is a Kenyan case to support one Kenyan refinery investor who doesn’t have capacity to even meet demand for Kenyan users.

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<tr><th></th><th>CHARGES & TAXES</th><th>% of CIF</th></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>1</td><td>Import Duty</td><td>10%</td></tr>
<tr><td>2</td><td>Additional 15% refundable</td><td>15%</td></tr>
<tr><td>3</td><td>Sugar Levy $6 per MT</td><td>1.3%</td></tr>
<tr><td>4</td><td>Wharf age</td><td>1.6%</td></tr>
<tr><td>5</td><td>Railway Development Levy</td><td>1.5%</td></tr>
<tr><td>6</td><td>Customs Processing Fee</td><td>0.6%</td></tr>
<tr><td>7</td><td>Corridor Levy</td><td>0.4%</td></tr>
<tr><td>8</td><td>TBS charges**</td><td></td></tr>
<tr><td>9</td><td>TFDA Charges **</td><td></td></tr>
<tr><td>10</td><td>Kilimo Charges**</td><td></td></tr>
<tr><td>11</td><td>Tanzania Atomic Energy Charges**</td><td></td></tr>
<tr><td></td><td>**Sub Total-Regulators Fees</td><td>0.7%</td></tr>
<tr><td></td><td>Total % of CIF (CASH FLOW)</td><td>31%</td></tr>
<tr><td></td><td>Less: Additional Refundable 15% Duty</td><td>15%</td></tr>
<tr><td></td><td>Total Effective Charges % of CIF</td><td>16%</td></tr>
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There is no white refined sugar produced in Tanzania or in East Africa at large. Reducing remission scheme will significantly affect industrial sugar users as they don’t have alternative option to get the same raw material within the region.
The spirit for establishing the remission scheme (which was to help local industries because of the unavailability of this key raw material) is not dead. This key raw material is still

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				not available and the Government is even more committed to help local industries develop and growth better. • It is a Kenyan agenda to support one investor-KIBOS who is investing in refinery but does not have enough capacity to meet Kenyan demand. The proposed refinery will have capacity of **150,000MT** while Kenyan industrial sugar demand alone is **180,000MT**. • The investor will not only affect users of industrial sugar, they will affect farmers as well. KIBOS has been given permit to import **150,000MT** brown sugar from world market at **ZERO DUTY** in order to refine. The imported brown sugar is a support to foreign farmers instead of East African farmers. If the brown sugar leaks to the market it will adversely affect local sugar manufacturers and farmers. • If the move is implemented will severely affect businesses that uses industrial white refined sugar. Will significantly affect cost of this key raw material and hence increase cost of the making beverages which will lead to price increase and decrease in volume. • All East Africa Manufacturers Associations and East Africa Business Council object the proposal as it will have big impact industrial sugar users and may also affect local sugar farmers-if imported brown sugar leaks to the market • The objective of sugar producers and the Government is to produce sugar from locally grown sugar cane in order to support farmers. Allowing importation of brown sugar at **ZERO DUTY** defeats purpose of the producers and the Governments to promote local sugar production. Producers

				will have no incentive to produce locally if they can import the same at **ZERO DUTY**. • EAC supporting one investor to import brown Sugar for refining at **ZERO DUTY** while charging other investors **10%** IMPORT DUTY on industrial sugar and again proposing to increase the same is highly questionable. KIBOS investment is approximately **USD 18million** while the three major soft drinks producers in Tanzania alone invested more than $400mill over four years.
2.	High Import Duty of **25%**on aluminium foils (**HS. 7607.19.90**) for pilfer proof packaging creams, lotion etc.	Increases cost of production as aluminium foils is used for packaging products such as creams, paste, lotion etc.	Reduce import duty on aluminium foils (**HS. 7607.19.90**) from **25%** to **10%**.	• Promote competitiveness of pharmaceutical industries which use aluminium in packaging of products for hygienic purposes. • Increase sales volume for products such as cosmetics, paste. • Increased Government revenue.
3.	High import duty of **25%** on imported self-adhesives labels (**HS. 4821.10.90**)	Increases cost of production as this product is an intermediate raw material.	Reduce import duty on imported self-adhesives labels (**HS. 4821.10.90**) from **25%**to **10%**.	• Promote competitiveness of domestic industries by lowering their production costs. A decrease in duty will make our local industry competitive in **14 export markets**. • Increase Government revenue as a result of increase in sales volume. The Government collected **TZS 13 billion** from cosmetics in 2015.
4.	High Import Duty of **25%**on Printed Aluminium Barrier Laminates (ABL) **HS. 3920.10.90**	• Increase cost of production as this is a raw material used to manufacture toothpaste tubes	Reduce Import Duty on printed Aluminum Barrier Laminates (ABL) **HS. 3920.10.90**from **25%** to **10%**.	• Promote competitiveness of domestic industries since a completely manufactured product is imported at the same rate as the raw material for producing toothpaste. • The industry provides120 jobs in tube making.

		• There is no sufficient supply within the region. • Discourage domestic investment as it becomes cheaper to import finished goods than producing them domestically. • There is no sufficient capacity to produce printed ABL in the region.		• Promote a significant share of domestic investment which have put into toothpaste manufacturing. • Loss of Government revenue in terms of VAT of approx. **TZS. 450 million** due to decrease in sales volume. • Export sales which were **214 metric ton (MT)** during January -May 2015 have declined to **172 metric ton (MT)** this year. Export sales which were **214 metric ton (MT)** during January -May 2015 have declined to **172 metric ton (MT)** this year.
5.	High Import Duty of **25%** on toothpaste tubes **HS. 3923.90.20.**	• Increases cost of production. • Reduces competitiveness of domestic industry. • Discourages domestic investment in toothpaste production.	Reduce Import Duty on toothpaste tubes **HS. 3923.90.20** from **25%** to **10%**.	• Promote competitiveness of the domestic industry. With a high duty on a raw material similar to that of a finished product it becomes more rational for a producer to import finished goods than producing domestically. • The toothpaste plant provides **300 jobs**.
6.	High Import Duty of 25% on paper used to manufacture corrugated boxes.	• Discourages competitiveness of domestic industries. • Increases cost of production for corrugated boxes.	Continue stay application of Import Duty on paper used to manufacture corrugated boxes (**HS. 4804.19.90**, **HS. 4804.42.00**, **HS. 4805.93.00**, **HS.4810.13.00,** **HS. 4810.19.00**,	• These papers are intermediate materials for manufacture of corrugated boxes. • No industry in the region produces these products. • Promotes competitiveness of domestic industries.

			HS. 4810.31.00, **HS. 4810.32.00**, **HS.48.04.52.00**) from **25%** to **10%.**	• Encouraging investment in production of corrugated boxes where it is becoming less reasonable to import materials for producing corrugated boxes at a rate similar to that of a finished product. • Retaining about **700 jobs** provided by the industry. • Increasing capacity utilisation of industries and thus increase government revenue through VAT and Corporate taxes.
7.	Low Import Duty and exemptions on trailers **(HS. 8716.39.90)**	• Discourages investment in manufacture of trailers • Encourages use of second hand and low standard trailers • Loss in Government revenue. More than TZS 90 Billion has been lost in duty collection due to exemptions.	• Increase import duty on trailers (**HS. 8716.39.90**) from **10%** to **25%.** • Remove exemptions granted on raw materials/finished goods granted for projects with TIC Certificate that can otherwise be sourced domestically.	• Promoting domestic production of trailers. • The local producers can meet the local demand as the annual local Manufacturing capacity is **9020 trailers** and can increase capacity (supply) when demand increases. • The industry provides more than 3000 jobs provided by trailer manufacturers in the country who are threatened by closure due to unfair competition. • Increase Government revenue. Trailer Manufacturers. An estimated gain of **TZS 11.7 Billion** from removal of exemptions. • Promote domestic investment in production of trailers. • Support the 5th phase plan for industrialization
8.	Low import duty on Steel products Enforcement bars, Hot rolled Angel, Sections, Flats etc. (HS. 7213.10.00, HS. 7213.20.00, HS. 7214.10.00,	• Discourages competitiveness of domestic industry. • Loss in government revenue.	Stay application of**25%** import duty or **USD 200/MT** on Steel Re – Enforcement bars (**HS. 7213.10.00**, **HS. 7213.20.00**, **HS. 7214.10.00**,	• Promote production of steel products. • Encourage investment in steel production where currently manufacturers are being discouraged by high production costs and uncompetitive practices.

	HS. 7214.20.00, HS. 7214.30.00, HS. 7214.91.00, HS. 7214.99.00, HS. 7216.10.00, HS. 7216.21.00, HS. 7216.22.00, HS. 7216.50.00).	• Discourages investment in steel production. • Encourages consumption of substandard goods.	**HS. 7214.20.00**, **HS. 7214.30.00**, **HS. 7214.91.00**, **HS. 7214.99.00**) and Hot-rolled Angles, Sections, Flats etc. (**HS. 7216.10.00**, **HS. 7216.21.00**, **HS. 7216.22.00**, **HS. 7216.50.00**). So that maximum EAC CET rates should be **25%** or **USD 200 PER MT** whichever is higher.	• Increase in government revenue. The steel industry contributed to approximately **TZS 125 Billion** and was expected to surpass **TZS 143 Billion** in 2015 a **15%** increase due to positive Government Action. • Retention of approximately **52,000 direct** and **indirect jobs** provided by the steel industries. • The **25%** import duty or specific duty of **USD 200 PER MT** whichever is higher will reduce unfair competition from influx of low priced steel products predominantly from China.
9.	Low import duty on hot and cold rolled steel coils; galvanised steel zinc coated in coils, galvanised steel corrugated or other sheets; aluminium and zinc coated steel in coils, aluminium and zinc coated steel corrugated or other sheets; colour coated/painted steel in coils; colour coated/painted steel corrugated or other sheets; galvanised steel zinc coated colour coated/painted steel and otherwise plated or coated steel or clad	• Discourages competitiveness of domestic industry. • Loss in government revenue. • Discourages investment in steel production. • Encourages consumption of substandard goods.	Introduce a specific duty on cold rolled steel in coils with 600 mm or more (**HS 7209.16.00, 7209.17.00, 7209.18.00**), and Cold rolled steel plates with 600 mm or more (**HS 7209.26.00, 7209.27.00, 7209.28.00, 7209.90.00**) to be **10%** or **USD 125 MT** Introduce specific duty on Galvanised Steel zinc coated in coils with 600 mm or more (**HS 7210.30.00**) to be **25%** or **USD**	• The global economic slowdown has severely affected iron and steel manufacturing sector due to the excess manufacturing capacities and drop in prices in the world market. For instance in 2016, China alone produced iron and steel products to the excess of **1,150 million tonnes** equivalent to about **48%** of the total global capacity. • Reports show that global demand for iron and steel products is expected to remain weak in the near future as economic recovery is expected to be slow. • To promote domestic industries in the face of competition from cheap and subsidised products from China and other South East Asian Countries.

			250/MT whichever is higher Introduce a specific duty on Galvanised steel in corrugated or other sheets width 600 mm or more (**HS 7210.41.00, HS 7210.49.00**) to **25%** or **USD 275/MT** whichever is higher. Introduce a specific duty on aluminium and zinc coated steel in coils (**HS 7210.61.00**) to be **25%** or **USD 250/MT** whichever is higher Introduce a specific duty on Aluminium and zinc coated steel corrugated or Other sheets width 600 mm or more (**HS 7210. 69. 00**) to be **25%** or **USD 275/MT** whichever is higher Introduce a specific duty on Colour coated/painted steel in coils width 600 mm or more (**HS 7210. 70. 00**) to be **25%** or **350/MT** whichever is higher Introduce a specific duty Colour Coated/Painted Steel Corrugated or Other	

			Sheets width 600 mm or more (**HS 7210. 90. 00**) to be **25%** or **USD 375/MT** whichever is higher Increase import duty on Galvanised Steel Zinc coated, width less than 600 mm (**HS 7212. 30. 00**) to be **25%** or **USD 250/MT** whichever is higher Increase import duty on Colour coated/Painted Steel width less than 600 mm (**HS 7212.40.00**) to be **25%** or **USD 350/MT** whichever is higher Increase import duty on Otherwise Plated or Coated Steel or Clad width less than 600 mm (**HS 7212. 50. 00, HS 7212. 60. 00**) to be **25%** or **USD 350/MT**	
10.	High import duty of **25%** or **USD 200/MT** on iron and steel products of **HS 7228.20.00**	Increase cost of production for leaf spring	Grant duty remission of **0%** on iron and steel products of **HS 7228.10.00** used to manufacture leaf spring.	Promoting domestic production of leaf springs. There are two main manufacturers of leaf springs in Tanzania that were adversely affected by the introduction of 25% duty or USD 200/MT whichever is higher on their raw material.
11.	High import duty of **10%** on malt **HS 1107.20.00**	Increases cost of production	Reduce Import duty on malt **HS 1107.20.00** from the current **10%** to **0%**.	• Increase in sales volume as Malt constitutes **25%** of total cost of manufacturing beer.

				• There is no sufficient supply in the region.
12.	High import duty of 25% on Infant Formula/Specially prepared for infants (HS: 0402.29.10)	• Increases the price of medically needed baby foods. • Increases potential of malnutrition in children which still high in the country around 30% of under five children.	Reduce Import Duty on Infant Formula/Specially prepared for infants (**HS: 0402.29.10**) from **25%** to **10%.**	• Promote competitiveness for infant formula by making it available at affordable prices. This will help in addressing nutritional problems facing Tanzanian children such as stunted growth, vitamin A deficiency, and anaemia and iodine deficiency disorders. • Special group in the community who are below age 1 will accessing these products will allow the country to have well-nourished food especially as a supplement for breastfeeding.
13.	High import duty at **10%** on Wheat Grain **HS. 1001.99.10** and **HS. 1001.99.90**	Increases cost of production as wheat grain is a raw material in production of products such as bread	Reduce import duty on Wheat Grain from **35%** to **0%HS. 1001.99.10** and **HS. 1001.99.90**.	• Increasing food security as wheat products are one of the major food items in the country. • There is inadequate supply of domestically produced wheat grain to meet industry demand. • Complementing the effort of reducing micro nutrient deficits in the country by making fortified products (wheat products) more affordable to the general public.
14.	High import duty of **10%** on Crude oil **HS 1511.10.00**	• Increase cost of production for refined edible oil. • Increase prices of refined edible oil • Create shortages of edible oil. Tanzanian industries faced serious shortages of oil five years ago when the import duty of CPO was	Remove of stay of application of **10%** import duty on Crude oil **HS 1511.10.00**.	• Promoting production of refined edible oil. The demand for edible oil in Tanzania is estimated to be about **35,000MT** a year, **60%** of the demanded edible oil is met from imported crude palm oil (CPO) and the remaining **40%** is met by local production of unrefined crude sunflower and cotton oil. • Reducing the cost of producing products of CPO such as RDB sterin which is used to produce margarine, soap and solid edible oil. • Reduce prices of refined edible oil

		increased to **10%**. Most of the domestic producers were on the brink of closure due to lack of inputs and increased cost of production. • Increase price of related products. CPO's by-products crude palm sterin and oilen are the raw material used in the production of cooking, margarine, soap and palm oilen. A **10%** increase will encourage importation of these raw materials.		• Promoting competitiveness of domestic industries. The import duty of Crude Palm Oil in Kenya is 0%. This will encourage more smuggling of edible oil in Tanzania from other EAC Partner States and kill our own industries. • Encouraging consumption of nutritional products. Domestically manufactured cooking palm oil is fortified with **vitamin A**. • Promotes a level playing field in the oil sub sector. Palm oil is not a direct competitive with sunflower oil and its importation does not affect domestic production of sunflower. The oil from sunflower has more unique characteristics making it to fetch higher prices.
15.	High import duty of **10%** on RBD stearin **HS 1511.90.40** and LABSA.	• Increases cost of production for related products like detergents and bar soap and thus leads to high price of the respective products • Discourages more investment by SMEs as their products cannot compete with the integrated Oils and refineries (IORs)	Grand duty remission of **0%**on RBD Stearin **HS 1511.90.40** and LABSA	• Enhance competitiveness of the standalone soap manufacturers as 25% of total cost of production is from LABSA (Justification 25%) • Worth to note that all other raw material ingredients required for soap and detergents are not charged any import duty • Some of the EAC countries e.g. Rwanda and Uganda are granted reliefs through stay of application on RBD stearin and LABSA • LABSA is not adequately available in the region (justification by how much)

		industries which produce • Reduces plant capacity utilization levels and employments		
16.	High import duty of 10% on inputs for manufacture of air filters (justification)	• Increases cost of production • Increases prices of air filters • Reduces demands of locally produced air filters	Continue stay of application remission on inputs for manufacture of air filters: **HS** **3506.10.00** PU-Glue **3919.90.10** Air Filter adhesive **3921.19.10** Air Filter PVC Materials **3923.29.00** Air Filter Plastic bag **3923.30.00**Air Filter end Cap **3923.30.00**Air Filter Frame + Plastic cap **3923.50.10** Air Filter Plastic Bucket **3923.50.10** Air Filter Plastic Cap **3923.50.10** Air Filter Plastic Top Cover	Reducing cost of production thus increasing the competitiveness of the domestic industry. For instance prices for air filters have reduced by **12.5%** due to provision of duty remission making them more affordable.

			4008.19.00 Air Filter Rubber **4016.99.00** Air Filter Rubber ring **4812.90.00** Air Filter Paper **4819.10.00** Air Filter Packing Boxes **4821.90.00** Air Filter stickers (small + big) **5603.11.00** Non-Woven Air filter Paper (250 GSM) **5603.11.00** Non-Woven Air filter Paper (320 GSM) **5911.40.00** Air Filter Hole Paper **7314.19.00** Air Filters Wire Mesh **7314.49.00** Air Filters Wire Mesh **8421.23.00** Oil or Petrol filter inter. combustion **8421.29.00** Air Filter Foam **8421.99.90** Air filter wire mesh	

			8480.79.00PU-Mould	
17.	High import duty of **25%** on corn semolina (**HS code 1103.13.00**)	• Increases cost of production • Discourages demand of products produced from this raw material • Lumping together the import duty of raw material and finished goods and thus encouraging importation instead of production of respective products	Reduce import duty on corn semolina from **25%** to **10%**	• The corn grits is not produced in any EAC country • Corn grits is a raw material and not finished products • Increasing employments
18.	High import duty on parts used for local assembling three wheel cargo and passenger tri-circle.	• High cost of production for cargo and passenger three wheel tri-circles. • Discourages local production	Grant Duty remission of **0%** on parts used for local assembling of cargo and passenger three wheel tri-circles (TOYO).	• There is an assembly plant here in Tanzania in good condition to start operations • Provide direct employment of **200 people** • Chases will be made locally and therefore have multiplier effects in the economy • Indirect employment creation • Support industrialization in Tanzania • Contribution to road safety as the cheap produced tri-circle will replace un safe wheel barrows (Mikokoteni and Maguta) • The cargo three wheelers will also support agriculture sector

				• Increase in government revenue through PAYE and VAT collections
19.	High import duty of **25%** on Multilayer laminated printed cartons **HS.4819.20.90**	Increase cost of production for toothpaste	Reduce import duty on printed multilayer cartons **HS. 4819.20.90** from **25%** to **10%**	• There is no domestic production of multilayer printed cartons • Multilayer printed cartons are an intermediate product used for packaging of toothpaste. • Similar products skillets, free hinge lid packets for cigarettes packaging are charged a **10%** import duty
VAT				
1.	VAT on raw materials for manufacture of exercise books (HS 4820.20.00).	• Increases prices of exercise books. • Discourages competitiveness of the industry. Currently there are influxes of smuggled exercise books in the Lake Zone and Northern Regions of Kilimanjaro and Arusha which do not pay any taxes.	**Zero rate** VAT on materials for manufacture of exercise books (**HS 4820.20.00**)	• Exercise books are made for primary and secondary schools for education purpose. As of now all students have an added cost of paying 18%. This cost has a negative impact on the number of books they can buy for school subjects. • Retain employment. For instance a single company with the 200 direct jobs and 300 indirect jobs can retain the workers and consider increasing them with lower production costs.
2.	VAT on Poultry feed and raw material to manufacture feeds (e.g. Maize brain, soya cake,	Increase prices of poultry feed due to increase cost on production as VAT paid on inputs cannot be	Exemption of VAT on animal feeds and in its raw materials	• Promote competitiveness of Poultry feed producers who widely used oil seed cakes for manufacture of poultry feed.

	sunflower cake, wheat bran and cotton seed cake)	claimed back as animal feed products are VAT exempt		• Encourage investment in production of poultry feed where costs are already higher due to low technology. • Promote competitiveness of domestic industries.
3.	VAT on inputs used to manufacture Mosquito Nets locally	• Locally produced mosquito nets cannot claim back input tax as the VAT is exempt on the Final Product. • Input VAT becomes a cost in production.	**Zero rate** VAT on inputs used for manufacture mosquito nets locally	The imported mosquito nets are not charged import duty or VAT.
4.	VAT on inputs used to manufacture fertilizers locally	• Locally produced fertilizers cannot claim back input tax as the VAT is exempt on the Final Product. • Input VAT becomes a cost in production.	**Zero rate** VAT on inputs used for manufacture of fertilizers locally	• Creating level playing field with imported fertilizers which are not charged import duty nor VAT. • Reducing prices of locally produced fertilizers
6.	VAT re-introduced on local textiles manufacturing.	• Challenge in procuring cotton as local textiles are competing against **EXEMPT** exports • With the introduction of VAT, locally produced textiles is becoming costlier as compared to imported textiles	Re-introduce **ZERO rating** on locally manufactured textiles using Tanzanian cotton as it was under special provisions prior to new VAT ACT.	• Promote local textiles industries to be able to regenerate production. • Encourage ginners to sell to local textiles industries. • Protect employment. • Promote investments.
7.	Tax evasion on imported textiles and garments by	• Reduces competitiveness of	• Introduce a robust mechanism to	• Increase government revenue from increased production and taxation of imports.

	under declaration of imported products.	domestic manufacturers and discourages local production and investments. • Promotes consumption of imported textiles and used clothes as such products come in various specifications and consumers cannot easily tell the difference.	accurately determine the factory costs of imports based on weights, type of fabric, style and actual costs of the inputs. • Introduce Minimum Duty-able Values after study and training of TRA officials.	• Promote textile and garments industries in Tanzania.
INCOME TAX				
8.	Withholding income tax of **5%**made to resident professionals' services providers working with large tax payers.	• Impose additional administration burden without adding into additional revenue to manufacturers • Increases administration cost • Worsens business environment	Remove Withholding income tax of **5%** made to resident professionals' services providers working with large tax payers. Reform sections 83(1)(c) and 4(c) (iii) of First schedule, ITA 2004	• Reduce cost of doing business in the country • Improve business environment
CROSS CUTTING ISSUES				
1.	High Skills and Development Levy (SDL) of **4.5%**	• Increases the cost of doing business for	Reduce SDL from **4.5%** to **3.5%**.	• Promote competitiveness of domestic industries. • Increasing employment creation.

		domestic manufacturers. • Discourages sustainable employment generation. • Discourages compliance with payment of SDL.		• Other countries in EAC do not charge the Levy except Kenya which charges 2% on hotel sector. • Best practice elsewhere the levy does not exceed 1% of payroll. • Enhance compliance with payment of SDL. • With increased compliance and tax law enforcements the measure can generate more government revenue in long run.
2.	High administration cost on Withholding income Tax **5%** made by resident professionals working with large tax payers	Impose additional administrative burden on manufacturers	Simplify administration of Withholding income tax of **5%** made to resident professionals' services providers working with large tax payers.	Reduce cost of doing business for manufacturers