CTI NEWS FLASH
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TRA, CTI PROMISE FREQUENT CONSULTATION TO ENHANCE CONFIDENCE

CTI Chairman Dr. Samuel Nyantahe (2nd right) giving remarks during the meeting with TRA officials. From right is Mr. Rished Bade - TRA Commissioner General, CTI Second Vice-Councillor Mr. Pankaj Kumar and Mr. Godfrey Simbeye - TPSF Executive Director.

Members of the Confederation of Tanzania Industries (CTI) and the Tanzania Revenue Authority (TRA) have agreed to have frequent consultation on issues of mutual interest and benefits for the nation.

Speaking at a one day awareness seminar on the new Value Added Tax Act held at Serena Hotel recently, the Commissioner General of TRA, Mr. Rished Bade said that CTI members were essential partners and that there was a need to have frequent consultative meetings on various pertinent issues.

"I commend the CTI members for being good taxpayers and I understand most of them would be eligible to pay VAT....due to this there is a need to have regular meetings, at least twice in a year during the pre-budget and post-budget sessions in order to get stakeholders' views necessary to formulate appropriate tax policies" Rished Bade said.

He encouraged members of the Confederation to use the seminar as a platform to learn more about the new VAT Act 2014 whose draft started in 2012 and attracted wide recommendations from key stakeholders through consultations.

Explaining on the reasons which exacerbated enacting of the Act, Mr. Bade mentioned among other things, broadening the tax base in order to match with the growth in the Gross Domestic Product (GDP).

"We also aimed at the reduction of numerous exemptions that were distorting the market by creating unfairness as most consumer goods and entities were exempted...... exemptions were reviewed to correspond to the destination principle as a result, the third (3rd) schedule on exemptions has been removed from the new VAT Act and remain with two schedules on Zero Rate and relief" he underscored.

Other reasons were to introduce taxable items such as insurance (with exemption on life and health); consultancy services to be taxable under the VAT Act 2014; and to increase the threshold for VAT registration from TZS 40 million to TZS 100 million which will easy administration of TRA. He said that those businesses falling below the threshold would be provided with appropriate modalities.

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He informed also that the other change in the Act is to charge VAT on the procedures for obtaining a deferment for payment of VAT are provided under Section II of the Act. However, earlier in his welcoming remarks, the CTI Chairman Dr. Samuel Nyantahe emphasised on the importance of understanding the new Act to enhance compliance. He encouraged stakeholders to take the opportunity to present their concerns to TRA with the view to improving the implementation of the Act.

He said that regular meetings and consultations would create a comfortable environment for policy formulation as opposed to last minute discussions that led to unnecessary confrontations at the parliamentary committees instead of consultations and regular meetings.

The CTI members were curious to get clarification on various issues related to the Act. A question was asked on the reasons for the current 90 days period to get tax refund under the New VAT Act, 2014 contrary to the 30 days provided in the previous Act.

Members from the Aviation sector aired their concerns about the awareness and TRA's capacity to administer tax on the aviation sector. They were worried that the introduction of 18 percent tax on services related to the sector such as insurance and leasing charges would result in to increase in costs and further erosion of profitability of the sector by 18 percent.

Other participants wanted clarification on the process of reclaiming VAT charged on imports used to produce goods destined for the EAC market. Representatives from pharmaceuticals expressed concerns on the fact that VAT on inputs to pharmaceuticals which were previously exempted, are no longer zero rated, an act which denies manufacturers from reclaiming VAT on pharmaceuticals products sold into the market.

Similarly, clarification was sought on exemptions provided under TIC as to whether they would also be exempted from VAT. Also clarification was sought on cotton seeds sold into the market after undergoing ginning process.

Responding to the raised concerns, the officials from TRA led by the Commissioner General said that the 90 days to get refunds included the entire process needed to approve, verdict up to payment of claims.

He informed that contrary to the previous process that required businesses to do some of the activities during the claim process, under the new VAT Act 2014 everything would be done by TRA.

Regarding VAT on services provided to the Aviation Industry, TRA emphasised on the importance of having close relationship with the aviation sector on issues relating to tax administration. However, they noted that spare parts and leasing of aircrafts have been exempted from VAT as a means to reduce cost implications on aircraft operators.

Responding to the question about VAT on imports used to produce goods destined for EAC market, the TRA officials said that duty drawback scheme was in place to enable importers to reclaim VAT on goods intended for the EAC market.

On exemption of VAT on inputs used by pharmaceuticals industry, TRA emphasised on the need to put special consideration for VAT charged on inputs to pharmaceuticals since most inputs were exempted. TRA clarified further that the VAT Act 2014 does not give consideration on capital goods imported under TIC exemptions, saying that only capital goods under EPZA scheme and those used for gas exploration enjoyed exemption.

The TRA officials also underscored that unprocessed products such as cotton seeds were exempted from VAT. But insisted that the process of ginning cotton to separate seeds from cotton remains taxable.

In his closing remarks, the CTI Second Vice-Councillor Mr. Pankaj Kumar applauded TRA for their informative presentation. He however expressed concerns over the challenges facing the pharmaceutical sector as the VAT Act 2014 could result into increased costs of manufacturers by 18 percent.

He also advised to have further consultations between CTI, TRA and the Ministry of Finance to address the tax issues as well as numerous pending issues relating to VAT refunds. He urged TRA to honour the 90 days period provided for in the VAT Act 2014 to provide tax refund.

CTI FORMS A WORKING COMMITTEE TO ENGAGE THE GOVERNMENT ON INDUSTRIAL SUGAR DUTY WITHHOLDING

A stock of industrial sugar

The Confederation of Tanzania Industries (CTI) recently convened a members meeting who use Industrial Sugar to manufacture other commodities and deliberated to form a working committee to engage the Government over its proposed 15 percent duty withhold.

The meeting, which was held at the CTI Conference Room, was the result of the sector's discontentment with the Government's decision to reduce industrial duty from 50% to 25% whereby 15% will be withheld and refunded after a thorough audit has been conducted by TRA to verify the actual use of the sugar in the production of respective goods.

During 2015/16 budget estimates presentation, the Minister for Finance Hon. Saada Mkuya said that the Government was proposing special procedure of paying customs duty for industrial sugar importers.

"Under the proposed special procedure, importers will be required to pay 50 percent duty, and 40 percent will be refunded after the Tanzania Revenue Authority (TRA) certifies the sugar's correct uses. The underlining objective is to curb scrupulous importers who instead of using the Sugar for industrial purposes resell it in the market as normal sugar" Hon Mkuya said.

"Under the proposed special procedure, importers will be required to pay 50 percent duty, and 40 percent will be refunded after the Tanzania Revenue Authority (TRA) certifies the sugar's correct uses. The underlining objective is to curb scrupulous importers who instead of using the Sugar for industrial purposes resell it in the market as normal sugar" Hon Mkuya said.

The above Government decision did not please users of industrial sugar, and CTI intervened on their behalf by meeting the Parliamentary Budget Committee. It also met other key decision makers in the Government and showed them how that decision could tie up importers' hard-earned working capital, an act which could also affect their competitiveness.

The CTI's discussion with the Parliamentary Standing Committee and other relevant stakeholders on the Budget bore fruits, and the government agreed to reduce the duty from 50 percent to 25 percent whereby 15 percent will be refunded after TRA's thorough audit.

However, from the eyes of CTI, the 15 percent proposed for withhold, would still affect industrial sugar users' capital, with narrow chances of curbing leakages of industrial sugar in the normal sugar market.

The CTI members resolved that, the working committee of eight members would be tasked to meet relevant Government authorities to lobby for further reduction of the import duty on industrial sugar from 25% to 10%.

CTI URGES MEMBERS TO EXPLOIT RENEWED AGOA OPPORTUNITY TO MAXIMISE EXPORTS

US Secretary of State John Kerry (middle) in a session with other leaders in one of the AGOA meetings.

The Government of the United States of America has renewed the Africa Growth Opportunity Act (AGOA) for 10 years from September, 2015 to September 30, 2025.

The renewal has come after elapse of the previous legislation which lasted for 13 years, with a number of short term extensions.

During the previous AGOA, statistics from the US Department of Commerce indicate that Tanzania did not perform well, given its huge EAC's comparative potentials and advantages.

Tanzania's exports under AGOA stagnated at 3 percent of the total EAC members' exports of USD 356 million.

It was Kenya which earned large share of 96 percent of the total exports, leaving Uganda with 0.4 percent, Rwanda 0.2 percent and Burundi zero (0) percent.

The renewal of AGOA poses a big challenge to the Tanzania manufacturing Industry to make sure it improves and enhances exports through AGOA.

Tanzania was made eligible for AGOA benefits in 2000 and due to the comparative advantage in cotton production, it decided to focus on exporting fabric, textile, and leather products to the U.S. market.

The contribution of AGOA to the EAC exports increased from 57% in 2011 to 62% in 2013 with the major commodities being textile, apparel and agricultural products of Kenya.

The renewed AGOA provides Tanzania with ample opportunities including long term extension of the third-country fabric programme, thereby creating stability and predictability necessary for long investments and effective utilisation of AGOA.

The programme also enhances flexible and targeted eligibility reviews which in turn provides for advance warning for country whose eligibility is in question.

The US president will request for public comment on whether a beneficiary country conforms to eligibility criteria and if the preferences to that country are to be withdrawn, the president must provide the country in question with a 60-day warning.

It also provides for "withdrawal, suspension, or limitation" of duty-free treatment as a targeted way to penalise acts of violation of the opportunity contrary to its exclusion.

The AGOA facilitation focuses, among other things, on the agriculture and women through support in the form of technical assistance (American trade capacity building support) to businesses and sectors that engage women farmers and entrepreneurs.

The AGOA opportunity also eases the movement towards a comparable free trade agreement (FTA). The US Senate sees an opportunity of using the reauthorized AGOA to have a bilateral trade relationship between USA and Africa such as that between Africa and Europe (Economic Partnership Agreement – EPA).

The publication of AGOA utilisation strategies will provide designated sectors in which each country believes it will be competitive by taking advantages of the opportunity's potential.

During its entire life time the utilisation of AGOA has been sub-optimal with only 7 countries out of the eligible 39 taking full advantage of the scheme, with exports of crude oil dominating leaving the agricultural sector uncompetitive.

Taking the case of sub-Sahara Africa, only a few countries, notably Nigeria, Angola and South Africa have benefited, while Kenya leads in the EAC.

For Tanzania to have meaningful benefits there is a need to develop targeted strategies towards prompting value chains and productivity in the agricultural sector while encourage private sector's participation in AGOA Forums and events.

Currently, the government is embarking on developing a National AGOA Strategy which will aim at addressing all the constraints facing Tanzanians in accessing the US market.

NATIONAL MONITORING COMMITTEE DISCOVERS NEW NTBs

Cargo-carrier trucks.

The recent quarterly meeting of the Non-Tariff Barriers (NTBs) National Monitoring Committee (NMC) expressed concerns after revealing that some East Africa Partner States have introduced new NTBs contrary to the previous agreed stand.

The new NTBs were reported to have been imposed in Tanzania, Kenya and Rwanda. In Tanzania, the Clearing and Forwarding Agents are now required to have Bank guarantee of TZS 100 Million to operate business in the sector, an amount which the operators view as NTB against local investors.

Rwanda, on the other hand is said to be asking Tanzania small traders to have bond guarantee for exhibition entrance which has acted as trade barrier to the Tanzanian traders.

Likewise, there has been misconduct and conning by some unscrupulous Kenyan businessmen against a Tanzanian and member of Tanzania Chamber of Commerce, Industries and Agriculture which discourages other Tanzanians from doing business in Kenya or with Kenyans.

This was observed in its usual quarterly meeting of the NTBs National Monitoring Committee held at the Ministry of Industry and Trade in Dar es Salaam on August 11, 2015. The meeting's objective was among other things, to receive updates from the NMC Members on NTBs that fall under their Institutions and receive new NTBs for discussion.

The committee also aimed at updating on the EAC Time bound Programme on elimination of identified NTBs, reported new NTBs as well as an update on comments of the National Strategy for Elimination of NTBs.

A presentation on the road survey by the central corridor (Dar to Rwanda, Burundi and Uganda) revealed that there were still Police checkpoints, road infrastructure, weighbridges and One Stop borders which to a large extent slowed down trade among the member countries.

During discussion, it was observed that Charges on Dairy products submitted to EAC Secretariat needed to be shared with NMC Members, and NMC was advised to report trade barriers faced by Tanzania Traders to the EAC Secretariat.

On the other hand, the Tanzania Revenue Authority was asked to provide training on registering, clearing and Forwarding Agency as well as to NMC member on Procedures, Fees, and Bond requirement issues.

It was also agreed that Police Force needs to introduce the subject/ component of trade facilitation in their courses to provide security and facilitating trade and that a drafted amendment on Police Force Act should be shared to NMC for comments as well as inputs addition.

It was observed that the envisaged study on Best practice on Elimination of NTBs has to be based on, among other things, regulations, different charges, multiple institutions and others which seem to be notorious NTBs.

The Tanzania Freight Forwarders Association (TAFFA) presented to the meeting the issue of Drivers insurance, which cost USD 12 or TZS 24,000/- which needs to be revised for the betterment of the drivers.

Members of the NMC include the Confederation of Tanzania Industries, Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA), Ministry of Industry and Trade, Immigration, Tanzania Revenue Authority, Tanzania Trade Authority(TanTrade), Zanzibar Chamber of Commerce Industries and Agriculture (ZCCIA), Tanzania Freight Forwarders Association (TAFFA), and the Ministry of East African Community.

BUSINESS OPPORTUNITIES

1. THE ELECRAMA 2016 ROADSHOW IN DAR ES SALAAM, TANZANIA 31ST AUGUST 2015 STARTING FROM 5.30PM

The Indian Electrical & Electronics Manufacturers Association (IEEMA), invite you to a ROADSHOW to promote and share opportunities in Electrical, Industrial Electronics & Power Sector Business in India with Focus on Exports, Imports, Joint Ventures, technology transfer and investment at ELECRAMA 2016, Bangalore, India.

ELECRAMA a biennially held event since 1990, is a stellar platform for a world view on technology, best practices, new systems and forecasting the trends in the future of electricity. Both from technology and a socio-economic point of view ELECRAMA is an ideal venue for industry professionals, business people, technologists, policy makers, academia and students to come together on a single platform.

The ROAD SHOW will be a platform to inform the business community about ELECRAMA-2016 and will be officiated by Chief Guest Hon George B. Simbachawene, Minister for Energy and Minerals, the road show willbe held on **Monday 31st August, 2015 at Ramada Encore, Ghana Avenue, Dar es Salaam from 05:30pm to 08:00pm followed by Dinner.**

PARTICIPATION is free. However, you are required to **REGISTER YOUR PARTICIPATION BEFORE THE EVENT** by filling in registration form and send to CTI on **communication@cti.co.tz** and copy to **lilian@tpsftz.org** before **24th August 2015.**

2. THE BRANDS OF CHINA AFRICAN SHOWCASE 2015 FROM 10 TO 13 SEPTEMBER 2015 AT DIAMOND JUBILEE DAR ES SALAAM

There will be ***'Brands of China African Showcase 2015'*** organised by the Ministry of Commerce of People's Republic of China. The event will be held in Dar es Salaam, Tanzania from **September 10th- 13th 2015** at **Diamond Jubilee Hall.**

The 2015 Showcase is expected to strengthen the relationship already established by the previous shows and even attract more than 230 excellent Chinese enterprises to display their new products.

Participation Requirement:

Participation is free however all participants are required to fill in the registration form and select the Chinese company/companies that they want to do business with.

All companies who will register in advance will be treated as VIP guests and Event guides will be arranged to receive them at the reception to show them around the exhibition site and arrange b2b meeting with Chinese selected companies.

Please confirm your participation by requesting a form of registration from **ntemba@tpsftz.org** not later than **03rd September 2015.**

3. INVITATION TO PARTICIPATE IN THE NAIROBI INTENATIONAL TRADE FAIR, NAIROBI KENYA, 28th SEPTEMBER 2015

TanTrade is pleased to inform you that the Nairobi Trade Fair 2015 will take place on **28th September 2015** at Jamhuri Park in Nairobi Kenya. The NITR is an important platform for Tanzanian products to penetrate in the EAC market considering that Kenya is among the fast growing economies in East Africa. This is a general trade fair encompassing all sectors of the economy and is expected to attract many visitors from all over the world.

Costs of participation

All costs relating to transport, accommodation and general upkeep will borne by participants. In addition, companies not falling under SMEs will contribute **USD 1,400** as cost sharing for the booth and administration.

SMEs will contribute **USD 200** as cost sharing for administration purposes.

For details please contact **Mrs. Anna Bulondo** of Tantrade on Email: **info@tantrade.or.tz Tel: 285 0238**

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