CTI NEWS FLASH

The Voice of Industry

AUGUST, 2015

"DEMAND IDENTIFICATION LETTERS FROM TRA FOR TAX RE-AUDIT" - BADE

The TRA Commissioner General, Mr. Rished Bade.

Tanzania Revenue Authority (TRA) and Stakeholders (Tax payers) have reached a consensus that taxpayers must request for identities of auditors and inspectors who come for re-auditing. The aim is to know if they are true TRA employees and whether they have a genuine case to do re-auditing to avoid being corned by some few unfaithful and fraudulent TRA officials.

The TRA Commissioner General, Mr. Rished Bade made the statement recently when answering concerns raised by participants during the stakeholders meeting held at New Africa Hotel in Dar es Salaam.

Earlier, during his opening remarks, Mr. Bade said that the purpose of the meeting was to give the business community an avenue to meet and discuss with top management of TRA on matters related to tax and taxation, and the problems facing general stakeholders for quick solutions.

After giving highlights of the Finance Act, 2015 and an overview of the Tax Administration Act No. 10 of 2015, some tax payers revealed that they have been experiencing frequent, repeated and uncoordinated tax audit by different officers from the same TRA offices.

One participant complained bitterly to the Commissioner General that

"Even when you show them that you have just been audited and cleared a month ago, they still insist on conducting another audit.... Imagine in three months you receive three teams doing tax audit, forcing you to stop all other activities just to attend them for a long period".

"One participant complained bitterly to the Commissioner General that "Even when you show them that you have just been audited and cleared a month ago, they still insist on conducting another audit.... Imagine in three months you receive three teams doing tax audit, forcing you to stop all other activities just to attend them for a long period"."

As the discussions proceeded, it was clear that a number of tax payers were facing the similar problem of uncoordinated tax audit by TRA officials, an act which subjected them (taxpayers) to untold disturbances.

In responding to the complains the Commissioner General said that "On recurrence of tax audit, TRA is finalising a guideline for audit....But even when an audit has been completed and TRA wants to perform an extra tax audit in a very short period of time, TRA office must write an official letter to inform the responsible institution stating clearly the reasons for the re-audit". He added that "If the letter and reasons are not given, then the TRA officer requesting to be allowed to enter into a company or an institution wanting to conduct the re-audit should be denied entry and the institution concerned should immediately report the matter to TRA" Bade said.

Tax payers also sought clarification on different issues, including Hotels Association of Tanzania which wanted to know the rationale for TRA's recent directive that for VAT returns to be successfully claimed, the claimant has to, among other things, submit physical address receipts of clients for all transactions of more than TZS 100,000/-

Stakeholders asked TRA to extend awareness education of the New VAT Act, 2014 to Zanzibar, Audit firms as well as the Tanzania air operation firms in order to facilitate smooth compliance.

Presenting the overview of the Tax Administration Act (TAA) No. 10 of 2015, the Board Secretary and Legal Services Department Ms. Mwantumu Salim mentioned some of the salient features of the TAA being recognition use of ICT, engagement of experts, assistance by officers from public institutions and taxpayers' rights and publication of offenders. Other features mentioned by Salim were recognition of tax audit and investigation as well as tax decisions and objection to tax decisions.

On the other hand, Ms. Salim pointed out that the Act has many benefits to both the taxpayers as well as the government including modernized tax administration, improved understanding of tax administration procedures by tax officers and taxpayers. Other benefits derived from the TAA is simplified and efficient administration of penalties, fines and tax recovery measures, minimised tax administration and compliance costs, minimised taxpayer complaints, disputes and corruption and enhancement of voluntary tax compliance and revenue yield.

CTI URGED TO MOUNT ADVOCACY ON CROSSCUTTING ISSUES

CTI members listening to the Director of Confederation of Danish Industry Mr. Jacob Kjedsen (Standing) when he visited the Secretariat.

The Confederation of Tanzania Industries (CTI) has been urged to continue distancing itself from advocating for individual member's interests but rather capititalise on issues that affect many members.

The advice was given recently by the Director of Confederation of Danish Industry Mr. Jacob Kjedsen when he visited and met some members of the Confederation.

He told CTI members that for the Confederation to grow stronger and avoid to be seen to serve individuals' interests, it must struggle to lobby for the majority's interests as opposed to individuals.

Mr. Kjedsen, who visited CTI Secretariat to learn and share with CTI members the experience of the Confederation of Danish Industry, said that CTI needs to identify few key areas that affect members, prioritise and advocate for solutions.

Giving experience of the Confederation of Danish Industry he said, his Confederation brings together 10,000 members who are being served by about 600 staff. He added that these staff ensure services are available and accessible through a strong communication desk.

Some of the services the Confederation of Danish Industry offers to its members include working environment; legal advices, competence development; international trade and other member services.

On his part, the CTI 2nd Vice-Chairman Mr. Pankaj Kumar thanked Mr. Kjedsen for visiting CTI Secretariat and share his experience with members. He said that CTI has been struggling to grow and in the process it faces various challenges including lack of capacity which needs to be built, especially in areas which impress members.

Pankaj also reminded members that while CTI has been acting as a link between the private sector and the government, it needed both members' commitment and involvement so as to enable CTI intervene and help them whenever problems emerged.

He added that the Confederation of Danish Industry with its 10,000 members cannot by any means be compared with CTI which has about 400 members only.

EAC PARTNER STATES URGED TO FORMULATE FAVOURABLE POLICIES FOR INDUSTRIALISATION

Leaders at the just ended 1st EAC manufacturing summit held on 1-2 September 2015, at Munyonyo Hotel, in Uganda Capital Kampala.

THE East Africa Community (EAC) Governments have resolved to formulate policies that favour industrialisation by ensuring that the contribution of the manufacturing sector to the Gross Domestic Product (GDP) of partner states reach 25 percent, which is considered as a necessary level for meaningful industrialisation.

The resolutions were reached recently at the end of the first EAC manufacturing summit held on 1-2 September 2015, at Munyonyo Hotel, in Uganda's Capital City, Kampala.

At the meeting, the EAC governments were encouraged to develop legislation for local content in all sectors of the economy as a strategy to bring about all inclusive development.

It was also resolved, among other things, that the EAC governments should amend their procurement legislations with a view to giving more preference for procurement from local producers of goods and suppliers of services.

Likewise, the EAC partner states have been reminded to refrain from imposing Non-Tariff Barriers (NTBs) on goods originating from the region as it discourages trade and value chain on various commodities.

During the presentation of papers, it was found out that industrialisation was key towards rapid and sustainable development of the EAC countries. It was emphasized that all countries which have developed, have reached the kind of development stage through industrialisation.

However, the level of industrialisation in the EAC Partner States, the presentations revealed, was still very low, with an average contribution to the GDP of less than 10 percent.

According to the workshop presentations, factors which limit industrialisation in the region include inadequate policy support, low level of technology and innovation, poor economic infrastructures such as electricity, roads, railway, ports and inadequate soft infrastructures including financial credits.

Other limiting factors of industrialisation that were identified are poor availability of human resources and low use of ICT, while prevalence of illicit trade in the region which comprises of tax evasion, substandard and counterfeit goods, was identified as one of the challenges of industrialisation in EAC.

During plenary discussions, participants were informed that although the EAC intra-regional trade accounts for 25 percent of the total trade, the region does experience a number of challenges including NTBs, expensive transport cost which contributes to low trade volumes amongst partner states.

The Summit was organised by the East African Business Council (EABC) in collaboration with the EAC manufacturing associations of the Burundi Confederation of Industries, Kenya Manufacturers Association, Rwanda Manufacturers Association, Confederation of Tanzania Industries and Uganda Manufacturers Association.

The summit which was sponsored by Trade Mark East Africa, GIZ and some EAC manufacturing companies from Kenya, Rwanda and Uganda had attracted more than 500 participants from the public, private and the academia sectors.

INTRA-AFRICAN TRADE POSTS POSITIVE GROWTH, ONLY FEW PLAYERS STAND TO BENEFIT

The President of African Development Bank (AfDB), Dr. Akinwumi Adesina

RECENT African Development Bank (AfDB) report has indicated that intra-African trade increased by 50 per cent to $61 billion between 2010 and 2013, attributing the success to improved market access and a strong growth in re-exports among African countries.

According to the bank, the increase marks a strategic shift in internal trade on the continent, which was previously low compared with trade flows from the European Union and China.

The growth of intra-African trade has the potential to reduce unemployment, household poverty and increase in tax revenue.

The bank further said that increased access to trade routes within economic blocs on the continent has been attributed to the sharp growth in intra-African trade, with big economies such as Egypt which enabled it to post bigger export volumes within the Common Market for Eastern and Southern Africa (COMESA) in recent times.

Similarly, South Africa has been cited as a major exporter of building materials, wines and spirits, electronics and motor vehicle spare parts in the Southern Africa Development Community (SADC) bloc.

Generally, the bank adds, growth in intra-African trade can be attributed to increasing re-exports of technological products such as assembled cars between countries which partly lead the growth of intra-African trade as well as the emergence of decentralised global value chains which resulted into new investments in local but affordable assembling plants on the continent.

As a result, the report adds, the combination of the many factors offered cheaper route-to-market costs and tax incentives for targeted sector.

While there has been growth in intra-African trade as a result of increased market access, Countries such as Egypt experienced strong export flows on the continent.

On the other hand, AfDB report of 2015, states that trade flows within the East African Community has been growing by an averageless than 15 percent per annum since 2005.

This is a small growth compared to an average growth rate of between 20 and 25 percent per year in trade activity between the EAC and Eurozone.

However, Africa's trade with Europe grew to $430 billion between 2010 and 2013 while the value of trade flows with China increased to $210 billion during the same period.

Inadequate supporting infrastructure such as quality roads and highways connecting national borders; existence of persistent non-tariff barriers and insecurity are blamed for the weak growth achieved as intra-African trade.

African countries have been urged to, harmonise, simplify, modernise and standardise requirements and procedures for entry and exit of goods at border posts; design ways to identify and eliminate NTBs while refraining from imposing new ones; implement regional and international agreements by adopting them into national frameworks; and upgrade supporting infrastructures.

The implementation of the above recommendations, the report concludes, will address key constraints to intra-African trade while boosting cross-border investment which is anticipated to increase as African businesses and foreign companies seek to expand in targeted markets over the long term.

HIGH QUALITY SKILLS PREREQUISITE TO REALISE TANZANIA VISION 2015

President of the United Republic of Tanzania HE Dr. Jakaya Mrisho Kikwete (L) being welcomed by the World Bank Country Director for Tanzania Mr. Philippe Dongier (R) during a World Bank sponsored event. In the centre is Ms Sri Mulyani, the Managing Director of the World Bank.

Tanzania needs to develop the right mix of high quality skills necessary to drive continued economic growth for realisation of the Vision 2015, experts have said.

The World Bank and local experts gathered at the White Sands Hotel for 21 days trying to craft National Skills Development document, have suggested that for Tanzania to become a middle-income country, there is a compulsory need to formulate a mix of high quality Skills Development guidelines.

In order to achieve the middle-income country ambitions, the Ministry of Education and Vocation Training in collaboration with the Ministry of Labour and Employment and World Bank met for 21 days to formulate the National Skills Development Strategy.

The objective of the strategy is to ensure the skilled workforce is created in the country with a view of speeding up realisation of Tanzania's dreams to become a middle-income country.

The strategic plan for skills development is based on the six emerging economic sectors, which include tourism and hospitality, agribusiness, construction, transport and logistics, energy and ICT.

The above mentioned sectors have cited as important to drive the country to the middle-income stage as per vision 2015.

The strategy was drafted by over 80 participants representing Government Ministries, Departments and Agencies (ADAs), the private sector, education and training providers, Civil Society and development partners.

The participants provided high level inputs into the development of the strategy and the implementation plan for skill development as a necessary requirement for having a skilled and competitive Tanzania workforce capable of effectively fostering inclusive and sustainable Socio-Economic growth.

In achieving the desired goals, participants identified six interventions to work along with the proposed emerging sectors.

The experts also identified key cross-cutting issues to support the implementation of the strategy which include; quality and relevance of skills, access and equity, sustainable and equitable financing and governance and coordination structures.

BUSINESS OPPORTUNITIES

1.BUSINESS DELEGATION TO ZIMBABWE AND ZAMBIA

There will be a business delegation to Zimbabwe and Zambia from **October 19th to 23rd, 2015.**

The German-African Business Association (Afrika-Verein) will lead the business delegation, and it is open to companies across all sectors.

During the visit which is designed as a market research trip, participants will have an opportunity to listen to different presentations, including presentations from the Embassies of the Federal Republic of Germany in Harare and Lusaka, meetings with high-ranking government officials from Zimbabwe and Zambia as well as various business stakeholders from both countries.

The main objective of the visit will be to display and explore the **market potential of Zimbabwe and Zambia,** meet future business partners and representatives, establish networks and establish further business activities in the local and regional markets.

To ensure a maximum of fruitful business meetings for the participating companies, the German-African Business Association is working closely with local partners and business associations in both countries.

Organisers are willing to arrange individual meetings from one's sector of interest, and further information can be obtained at the **Website: www.afrikaverein.de** OR **email to: kurt@afrikaverein.de.** Interested company can also **Call:** Manager Southern Africa, Johannes Kurt, **Tel: +49 30206071977; Fax: +49 302060719709.**

2. BUSINESS OPPORTUNITIES AT INDIAN HANDCRAFTS AND GIFT FAIR

There will be an **Indian Handcrafts and Gift Fair (IHGF),** which will take place in Delhi, Indian from **14th to 18th October, 2015.**

The organizers of the IHGF Delhi Fair invite Tanzanian companies /SME's to participate in the event.

Since inception, IHGF has been a place where companies meet to showcase, network and discuss business with other business communities from all over the world.

Companies interested to participate and take this opportunity to participate at the IHGF for the benefit of their future business growth should consult the Organizers' **website: www.epch.in** or email them at: **visitors@epch.com.**

The Secretariat
Confederation of Tanzania Industries
P O Box 71783, Dar es Salaam
Tel: 2114954/ 2123802/ 2130327
Fax: 2115414
E-mail: cti@cti.co.tz