



CTI's 2015/16 Tax Proposals to Increase Government Revenue and Enhance Economic Growth



CTI Officials presenting 2015/16 Tax Proposals to the Task Force on Tax Reform at the Ministry of Finance.

The Confederation of Tanzania Industries (CTI) has on 26 March, 2015 presented its 2015/16 tax proposals to the Task Force on Tax Reform which aim at increasing government's revenue and enhancing economic growth.

During the presentation, CTI informed that this financial year's tax proposals have targeted three main areas of the economy. These include reduction in tax exemptions, enhancing formalisation and taxation of the informal sector and reforming the excise and import duty system.

It was reported that, statistics showed that tax exemptions as a percentage of GDP has on average accounted for 3.2% between the financial year 2000/01 and 2011/12, which was high when compared to the Best Practice of between 1-1.5 percent. It was revealed that the Government has been losing on average of 24.4 percent of the revenue collected annually in tax exemption from 2000/01 to 2011/12 which amount to TZS 1.8 bn by 2011/12.

This huge foregone tax revenue explains high budget deficit the country has consistently been facing. As a result, there has been limited resources to finance infrastructural development such as electricity, health, water, roads networks, and other infrastructural needs.

It was also informed, that in Tanzania, 48% of the economy is estimated to be in the informal sector. The study by TPSF, Finscop and ESAURP in 2012 estimated that there were about 2.5 to 3 million enterprises in the informal sector and all those did not pay income and corporate taxes. The study indicated that the contribution of the informal sector in both employment and gross domestic product is large. The sector accounts to 15.6% of GDP, 36% of total employment and 18% of total tax revenue.

Lack of direct taxation of the informal sector leads to distortion of competition as the informal sector does not bear the same costs as the formal sector. Broadening the tax base to include the informal sector may not only increase revenue to the country, but also increase compliance, accountability and improve state legitimacy. CTI urged the Government not to ignore such a huge contribution by the informal activities to the economy.

On Excise duty, CTI revealed that for the past ten years, the Government has been increasing the excise rate above the annual average of inflation rate. Manufactured goods such as beers, spirits, cigarettes have been the targets. Excessive increase in excise duty above inflation has led to the declining per capita consumption of these products hence reduction in plant capacity utilization, employment and project future demand.

CTI also underscored the need to improve VAT refund system. This is also one of the areas that seem to increase business transaction costs in Tanzania. The system is obscured by delays in refund up to 9 months. This is contrary to the VAT law that requires refunds to be made in one month from the lodgement date. These delays have negatively impacted on businesses' cash flow by tiding up their working capital. CTI proposed for the improvement of the VAT Refund system to increase tax payment compliance and Government revenue, as well as ensuring stable cash flow for investments.

Skill Development Levy (SDL) is one of the issues which CTI continued to request the Government to consider its gradual reduction from 5% to 4% and eventually to 2% to encourage formal employment and enhancement of competitiveness.

During the meeting a number of proposals from specific sectors were also presented for the purpose of stimulating their growth and enhancing competitiveness.

The Chairman of the Task Force on Tax Reforms, **Mr. Shogolo Msangi**, who is also the Assistant Commissioner, Fiscal Policy at the Ministry of Finance, thanked CTI for a good presentation and he undertook to work on the proposals to enhance the country's economic growth.



This huge foregone tax revenue explains higher budget deficit the country has consistently been facing. As a result, there has been limited resources to finance infrastructural development such as electricity, health, water, roads networks, and other infrastructural needs.



TANZANIA'S MANUFACTURED GOODS EXPORTS UP



Prof. Benno Ndullu, Governor of the Bank of Tanzania.

The Central Bank's Monthly Economic Report of February 2015 indicates that Tanzania's records of exports for manufactured goods for the month of December 2014 increased from USD 8,459.7 million recorded in 2013 to USD 8,812.5 million for similar month last year.

The Bank has attributed the increase to good performance in the export of manufactured goods and travel receipts. Manufactured goods registered a significant increase of 33.8 percent to USD 1,434.3 million; with a notable increase in edible oil, textile apparels, plastic goods, fertilisers and paper products.

Meanwhile, gold exports continued to decrease in volume and price while services receipts in form of travel and transport receipts; associated with tourist arrivals and

the volume of transit goods to and from land locked countries increased to USD 3,364.1 million compared to USD 3,201.7 million recorded in December 2013.

On the other hand, traditional exports declined by 10.8 percent to USD 791.7 million; notably coffee and cotton decreased in both volume and prices, while tea suffered world market price falls. However, tobacco, cashew nuts and cloves exports improved relatively to the preceding year. The value of sisal remained unchanged.

There was a slight increase in imports of goods and services from USD 13,517.6 million to USD 13,623.2 million. Imports in the form of goods accounted for USD 10,917.8 million compared with 11,031.3 registered in 2013.

Intermediate goods declined by 10.4 percent following a decrease in importation of oil and fertilisers. Declining world market prices resulted into reduced value of oil imports by 15.1 percent to USD 3,656.8 million.

Services payment was USD 2,705.4 million compared with USD 2,488.5 million in 2013. Travel and transport payments grew by 6.5 percent to USD 1,155.3 million and 2.2 percent to USD 1,101.6 million respectively.

The manufacturing sector performance is important in creating a balance of payment in the economy as it attracts exports earnings. The government should promote the sector by creating an enabling environment to enhance productivity and promote further exports in the sector.

CTI member from Arusha/Moshi Outreach Enjoys Export to Overseas Markets



Group Managing Director Mr. Satbir Hanspaul holding trophies his company won at the PMAYA 2014. He stands in front of the 'War Bus' models of Winnebago vehicles that his company builds in Njiro-Arusha and now exports to overseas markets.

The CTI's Arusha/Moshi Outreach member, Hanspaul Automechs Limited which fabricates by modifying normal Land Cruiser into special elongated Safari cars known as 'War Buses' Safari Vehicles, is now selling its products, to neighbouring countries and European markets.

Hanspaul Automechs Limited is exporting its Safari Vehicles to Kenya, Uganda, South Africa and European Countries for tourism purposes.

The Safari Vehicles have become preference of many tourism companies because of modification made to the normal Toyota, Nissan and Land Cruiser whereby their chassis are elongated and the board

rebuilt to accommodate more passengers.

During the "President's Manufacturer of the Year Awards" giving ceremony prepared annually by the Confederation of Tanzania Industries (CTI), Hanspaul Automechs Limited won an award in the Metal and Metal Products sub-sector, medium industries category.

The award was presented to the Hanspaul Automechs Limited Group Managing Director, Mr. Satbir Hanspaul by the Vice President of the United Republic of Tanzania, Dr. Mohamed Gharib Bilal who was the guest of honour at the event.

Speaking at his office in Njiro, the Group Managing Director, Mr. Satbir Hanspaul expressed gratitude to the CTI and the government of Tanzania for recognizing his company's efforts.

While Hanspaul Automechs Limited had won the award in the 'Metal and Metal Products' subsector, medium industries category, its sister company, Dharam Singh Hanspaul & Sons Limited, scooped the award in 'Building and Construction category'.

"Many people will not believe that countries that have car-making factories such as South Africa and those in Europe are now being compelled to buy vehicles from Tanzania", Satbir said.

Satbir said that the specially designed 'War Bus' structures remained to be a Tanzanian innovation which other countries find interesting keep on ordering the safari vehicles and trucks from Arusha.

He went on to say that "and to make sure that some clever persons out there do not imitate the fabrications, we change the designs and specifications every two or three months so that whatever comes out of our factory lines remain innovative, fresh and out of reach,".

Previously Toyota Motors Company of Japan recognized Hanspaul Automechs Limited (HAL) as preferred conversion company permitted to build the so-called 'War Buses' Winnebago models on top of its Land-Cruiser hard-body 70 series chassis.

The 'War Buses' Safari Vehicles which is built on Toyota, Nissan and Land-Rover frames, the works are done with specially automated robotic machines inside the factory lines that resemble any other vehicle manufacturing set up in Japan.

Hanspaul Automechs Limited assembly lines can produce between 30 and 35 'War buses' in a month but the factory manufactures the Winnebago models by order.

Many people will not believe that countries that have car-making factories such as South Africa and those in Europe are now being compelled to buy vehicles from Tanzania - Satbir said.



CTI, Members Advised to Strengthen Cooperation



From left (First line): The CTI Chairman Dr. Samuel Nyantahe; Minister of State, President's Office, Social Relations and Coordination Dr. Mary M. Nagu, and CTI Second Vice Chairman Mr. Pankaj Kumar following up to some of the presentations which was made at the Symposium held at Protea CourtYard Hotel in Dar es Salaam.

The Confederation of Tanzania Industries (CTI) and its members have been advised to strengthen cooperation for mutual benefits.

The advice was given by Dr. Goodluck Charles from the University of Dar es Salaam when he presented a symposium paper titled **'Enhancing The Voice of The Private Sector in Tanzania- Achievements and Challenges of CTI'** at the 21st Annual General Meeting held on 14th February, 2015 at the Protect Hotel Court Yard in Dar es Salaam.

Dr. Goodluck said that exchange of views and dialogues between CTI and its members was crucial and should be encouraged to enhance two way communications among themselves with a view of building a strong voice of the industry.

Timely funding the association through subscriptions and paying for services as well as participating in the association's events such as meetings, dialogues and fund raising events were some of the key issues highlighted as challenges facing the association. Others include free rider elements by some of the industries and limited resources.

On the other hand CTI was advised to enhance its advocacy to ensure policy reforms for improved investment climate.

During discussions it was informed that achievements that CTI made in the last decade include, engaging the Government in addressing various challenges facing the private sector such as taxation, infrastructure, regional integration and legal framework. The Government at various occasions has considered a number of CTI proposals to improve the business environment.

CTI was advised to develop and implement membership services as a strategy to ensure membership satisfaction. Members were urged to be committed to the Confederation because the association belongs to them and it was a key platform for airing their concerns and views for improving the business climate.



Dr. Goodluck said that exchange of views and dialogues between CTI and its members was crucial and should be encouraged to enhance two way communications among themselves with a view of building a strong voice of the industry.





Tanzania, Rwanda Determined to Remove Awkward Border Crossing Procedures



H.E. Dr. Jakaya M. Kikwete, President of the United Republic of Tanzania (R) enjoying a moment with H.E. Paul Kagame, President of Rwanda when they visited the Port of Dar es Salaam on 26th March 2015.

Tanzania and Rwanda have been urged to swiftly operationalise One Stop Border Post (OSBP) between them to avoid loss of **USD 400** daily when each truck crosses to either side.

Participants in the Workshop on '*OSBP Procedures and Operations*' held at Rusumo recently observed that the two Governments should work hard to ensure the Post is operational.

"The objective of establishing the one stop border post is to achieve an efficient flow of procedures, promote transparency in border crossing and expedite the movement of persons, goods and vehicles" it was underlined.

Currently, the estimated loss emanating from cumbersome trucks border crossing procedures is to the tune of USD 400 per day per truck, mainly for waiting to fulfil the proceedings at the border of Rusumo between Tanzania and Rwanda.

The OSBP is a post established under an agreement where all traffic crossing a common border of entry stop only once for the customs purposes.

For effective functioning, the post must be supported by four instruments - EAC OSBP Act which at the moment is at the level of a Bill and the EAC Regulations for OSBP which at the moment are at the final stage and will be in force in May this year.

Other essential instruments are the Bilateral Agreement (agreement between The United Republic of Tanzania and The Republic of Rwanda) for the Establishment and implementation of one Stop Border Post at Rusumo which became operational on 26 March 2010, and the OSBP Guidelines and Procedures.

The workshop resolved that since 98% of the participants were from Rwanda, there was a need for more training for Tanzania government officials and other beneficiaries in order to create awareness for smooth implementation of the OSBP.

Some of the operating principles of OSBP include harmonized and synchronized operating hours; having common control zone; application of national laws and extra territoriality & hosting arrangement.

Other guiding principles are sequence of controls (exit/entry); jurisdiction; joint controls; Security (law & order) and exclusive use areas.

BUSINESS OPPORTUNITIES

▪ Energy and Environment Programme in Italy

UNIDO is implementing the Energy and Environment Programme in favour of Tanzanian SMEs. This year UNIDO would like to host some Tanzanian companies which will be interested in meeting Italian companies in the renewable energies and environmental technologies fields.

Within this framework, UNIDO is pleased to invite up to five Tanzanian companies to Italy for a study tour focused on the above mentioned sectors. The companies will be assisted in company visits and B to B meetings within the Italian territory, in order to favour the creation of partnerships or trade agreements.

As per logistic details, UNIDO will cover accommodation costs. The flight ticket cost has to be covered by the participating companies. Application forms are available upon request at CTI Secretariat.

For further details about the programme please contact the person below:

Francesco Pallocca | Investment Promotion Expert

Email: F.PALLOCCA@unido.org

Tel: +39-06-6796521 | **Fax:** +39-06-6793570

UNIDO, Investment and Technology Promotion Office - Italy

Via Paola, 41 - 00186 Rome - Italy

www.unido.org

▪ Training on Rules of Origin in International Trade

EABC will organize a training on Rules of Origin in International Trade for the purpose of creating awareness and building capacity of the wider range of East Africans in the Rules of Origin so that they can harness the opportunities provided by the preferential trade regime within the EAC and other regional trade blocs.

The training will take place on **25th -29th May 2015** in Nairobi, Kenya and on **14th – 18th September 2015** in Kampala , Uganda.

▪ EAC- EABC Media Awards Gala Dinner

East African Business Council in collaboration with the East African Community are organizing the **4th Annual EAC-EABC Media Awards**, a premier regional competition for journalists, editors and commentators covering the East African Community (EAC) Integration process.

The objective of the awards is to reinforce the critical role of the media in East Africa in moving forward the agenda of EAC integration; and to **reward, recognize and encourage** journalistic talent across media platforms in the various aspects of the EAC integration.

The **4th EAC-EABC Media Awards** are scheduled to be held on **14th May, 2015**, in Dar es salaam, Tanzania, at **Hyatt Regency Hotel** alongside the 7th EAC Media Summit to be held on 14th and 15th May 2015.

The Summit, whose overall theme is ***The Role of the Media in deepening democracy in the EAC***, presents a unique opportunity to reflect on the importance of democracy towards a politically stable EAC region, thus fostering business and investment growth in the region. The expected audience for the Summit and Awards include over 200 EAC Media owners, their senior managers; editors and reporters as well as EAC policy makers and EAC business community.

▪ Processing, Packaging Industries' Exhibition

IPACK – IMA plans to organise exhibitions for general Processing & Packaging industries, including Meat and Dairy Industries.

The event will take place in **Fieramilano, Rho – Milano (Italy)**, between **19th and 23rd, May 2015**. For more information, please visit their website: <http://www.ipack-ima.com/eng/home>



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