

THE FINANCE ACT, 2006

ARRANGEMENT OF PARTS

<i>Part</i>	<i>Title</i>
PART I	PRELIMINARY PROVISIONS
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PART III	AMENDMENT OF THE EXCISE (MANAGEMENT AND TARIFF) ACT, CAP. 147
PART IV	AMENDMENT OF THE GAMING ACT, 2003
PART V	AMENDMENT OF THE INCOME TAX ACT, 2004
PART VI	AMENDMENT OF THE LOCAL GOVERNMENT FINANCES ACT, CAP. 290
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PART XI	AMENDMENT OF THE TANZANIA REVENUE AUTHORITY ACT, CAP. 399
PART XII	AMENDMENT OF THE TAX REVENUE APPEALS ACT, CAP. 408
PART XIII	AMENDMENT OF THE VALUE ADDED TAX ACT, CAP. 148.



No. 6 OF 2006

I ASSENT,

Jakaya Mrisho Kikwete
President

[30th September, 2006]

An Act to impose and alter certain taxes, duties, fees and to amend certain written laws relating to the collection and management of public revenues.

[.....]

ENACTED by Parliament of the United Republic of Tanzania.

**PART I
PRELIMINARY PROVISIONS**

- 1. This Act may be cited as the Finance Act, 2006. Short title.
- 2. The provisions of the various Parts of this Act shall be deemed to have come into operation on the 1st day of July, 2006. Commencement

**PART II
AMENDMENT OF THE CASHEWNUT BOARD OF TANZANIA ACT**

- 3. This Part shall be read as one with the Cashewnut Board of Tanzania Act, hereinafter referred to as the "principal Act". Construction
Cap.203

Addition
of section
10A

4. The principal Act is amended by adding immediately after section 10 the following –

"Pay-
ment
of export
levy

10A.—(1) Notwithstanding section 8, a person who exports raw cashewnuts shall pay an export levy to be computed and collected by the Tanzania Revenue Authority at the rate of 10 per centum of the FOB value.

(2) The rate of 10 per centum collected under subsection (1) shall be divided as follows:

- (a) 6.5% shall be divided amongst district councils which are cashewnuts producers; and
- (b) 3.5% shall be remitted to the Consolidated Fund."

PART III

AMENDMENT OF THE EXCISE (MANAGEMENT AND TARIFF) ACT

Construc-
tion
Cap.147

5. This Part shall be read as one with the Excise (Management and Tariff) Act in this Part referred to as the "principal Act".

Amend-
ment
of
section
124

6. The principal Act is amended in section 124 -

(a) by adding immediately after subsection (1) the following new subsection:

"(1A) The provisions of this section shall not apply to locally manufactured goods which are intended for export and are labelled with the phrase "for export only."

(b) in subsection (2) by deleting the rate of 5% and substituting for it the rate of 7%;

(c) by adding immediately after subsection (5) the following new subsections:

"(5A) There shall be charged in addition to any other rates imposed under the law, a duty at the rate of 20 per cent in respect of imported non-utility vehicle of ten years or more from the date of its manufacture.

(5B) For the purpose of subsection (5A), the term "non-utility vehicle" means all types of vehicles referred to under tariff codes 8702.10.19, 8702.90.19 and tariff heading 8703."

7. The Fourth Schedule to the principal Act is amended –
 (a) by deleting the rates of excise duty imposed on certain items
 and substituting for them the following new rates:

Amend-
 ment of
 the
 Fourth
 Schedule

“FOURTH SCHEDULE”

Heading	HS Code	Description	Unit	Excise rate
22.01		– Water including natural or artificial mineral waters and aerated water, not containing added sugar or other sweetening matter nor flavoured; ice and snow		
		– mineral water		
	2201.10.90	– other, including club soda	L	Tshs.44.50 per litre
		Water, including mineral waters and aerated waters, containing added sugar or other sweetening matter of flavoured, and other non-alcoholic beverages, not including fruit or vegetable juices of heading no.20.09		
		– Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured.		
	2202.10.10	– Lemonade and flavoured mineral or aerated waters.	L	Tshs.44.50 per litre
	2202.10.90	– other	L	Tshs. 44.50 per litre
	2202.90.00	– other	L	Tshs. 44.50 per litre
22.03		Beer made from malt	L	
	2203.00.10	– Stout and porter		Tshs.274.00 per litre
	2203.00.90			Tshs.274.00 per litre

<i>Heading</i>	<i>HS Code</i>	<i>Description</i>	<i>Unit</i>	<i>Excise rate</i>
22.04		Wine of fresh grapes, including fortified wines; grape must other than that of heading no.20.09		
		- Sparkling wine		
	2204.10.90	- other	L	Tshs.878.00 per litre
		- other wine; grape must with fermentation prevented or arrested by the addition of alcohol		
		-in containers holding 21 or less		
	2204.21.90	-other	L	Tshs.878.00 per litre
	2204.21.90	-other	L	Tshs.878.00 per litre
		- other grape must		
	2204.30.90	-other		Tshs.878.00 per litre
22.05		Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances.		
		- in containers holding 21 or less		
	2205.10.90	-other	L	Tshs.878.00 per litre
		-other		
	2205.90.90	-other	L	Tshs.878.00 per litre

<i>Heading</i>	<i>HS Code</i>	<i>Description</i>	<i>Unit</i>	<i>Excise rate</i>
22.06		Other fermented beverages (for example, cider, perry, mead) mixtures of fermented beverages and mixtures of fermented beverages, not elsewhere specified or included		
	2206.00.30	- clear beer (from unmalted barley)	L	Tshs.161.00 per litre
22.08		Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol; spirits, liqueurs and other spirituous beverages.		
	2208.20.00	- spirits obtained by distilling grape wine or grape marc	L	Tshs.1,302.00 per ltr
	2208.30.00	- whiskies	L	Tshs. 1,302.00 per ltr
	2208.40.00	-rum and tafia	L	Tshs. 1,302.00 per ltr
	2208.50.00	-gin and Geneva	L	Tshs. 1,302.00 per ltr
	2208.60.00	-vodka	L	Tshs. 1,302.00 per ltr
	2208.70.00	-liqueurs and cordials	L	Tshs. 1,302.00 per ltr
		-other		
	2208.90.10	- distilled spirits e.g. Konyagi	L	Tshs. 1,302.00 per ltr
	2208.90.90	-other	L	Tshs. 1,302.00 per ltr
24.02		Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.		
		- cigarettes containing tobacco		
	2402.20.10	-without filter and with the domestic tobacco contents exceeding 75%.	Mil	Tshs.4,462.00 per mil
	2402.20.20	-with filter and the domestic tobacco contents exceeding 75%	Mil	Tshs.10,529.00 per mil

Heading	HS Code	Description	Unit	Excise rate
	2402.20.90	-other	Mil	Tshs.19,121.00 per mil
24.03		Other manufactured tobacco and manufactured tobacco substitutes; "homogenized" or "reconstituted" tobacco: tobacco extracts and essences.		
		- Smoking tobacco, whether or not containing tobacco substitutes in any proportion		
	2403.10.10	-Cut rag/filler	kg	Tshs.9,657.00 per kg
27.10		Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations; waste oils		
		- Light oils and preparations:		
	2710.11.10	- Motor spirit (gasoline) regular	L	Tshs.315.00 per Ltr
	2710.11.20	- Motor spirit (gasoline) premium	L	Tshs.315.00 per Ltr
		-Other		
		- Medium oils and preparations		
		- Preparations		
	2700.19.22	-Illuminating kerosene		Tshs.22.00 per Ltr
		- Gas oil and Diesel oil		
	2710.19.31	- Gas oil (automotive, light, amber for high speed engines)		Tshs.292.00 per Ltr
	2710.19.32	- Diesel oil (industrial, heavy black for low speed marine and stationary engines)		Tshs.366.00 per Ltr

Heading	HS Code	Description	Unit	Excise rate
		- Residual oils		
	2710.19.41	- Residual fuels oils (marine, furnaces and similar fuel oils) of 180 centistokes.	L	Tshs.109 per Ltr
	2710.19.42	- Residual fuels oils (marine, furnaces and similar fuel oils) of 180 centistokes.	L	Tshs.109 per Ltr
	2710.19.43	- Residual fuels oils (marine, furnaces and similar fuel oils) of 280 centistokes.	L	Tshs.109 per Ltr
	2710.19.49	- Other residual fuel oils	L	Tshs.109 per Ltr
		- Other		
27.11		- Petroleum gases and other gaseous hydrocarbons		
	2711.12.00	- Propane	kg	NIL
	2711.13.00	- Butane	kg	NIL
	2711.14.00	- Ethylene, propylene, butylenes et butadiene	kg	NIL
	2711.19.00	- Other	kg	NIL
39.23		Article for the conveyance or packaging of goods, of plastics; stoppers, lids, caps and closures, of plastics.		
		-Sacks and bags (including cones)		
		- Of polymers of ethylene		
	3923.21.10	- Shopping bags	kg	120%
		- Of other plastics		
	3923.29.10	- Shopping bags	kg	120%

- (b) by deleting H.S. Codes 8702.10.20 and 8702.90.20 appearing under Tariff Heading 87.02 and substituting for them H.S. Codes 8702.10.19 and 8702.90.19 respectively.

PART IV

AMENDMENT OF THE GAMING ACT, 2003

Con-
struction
Act No.4
of 2003

- 8.** This Part shall be read as one with the Gaming Act, 2003, hereinafter referred to as the "principal Act".

Amend-
ment of
section
20

- 9.** Section 20 of the principal Act is amended by repealing subsection (3) and substituting for it the following:

"(3) A licence granted or renewed for purposes of management of a national lottery shall, subject to payment of the annual fee, remain valid for a period of five years".

Amend-
ment
of section
31

- 10.**—(1) Section 31 of the principal Act is amended by—

- (a) repealing subsection (2) and substituting for it the following:

"(2) The gaming tax for —

(a) casino operations shall be paid at the rate of thirteen per cent of the monthly gross gaming revenue; and

(b) other types of gaming activities shall be paid at the rates specified in the Second Schedule to this Act.";

- (b) substituting for the designation "Commissioner" wherever it appears in subsections (4), (5), (7) and (8), the designation "Board";

- (c) repealing subsection (9) and substituting for it the following -

"(9) The Board shall, after collecting the gaming tax —

(a) retain thirty six per cent of the total gross gaming revenue;

(b) remit to the Commissioner the remaining sixty four per cent of the total revenue."

Amend-
ment of
the
Second
Schedule

- 11.** The Second Schedule to the principal Act is amended by deleting items 1, 2, 3 and 4 and re-designating items 5 and 6 as items 1 and 2 respectively.

PART V

AMENDMENT OF THE INCOME TAX ACT, 2004

12. This part shall be read as one with the Income Tax Act 2004 hereinafter referred to as the "principal Act".

Construc-
tion Act
No. 11
of 2004

13. The principal Act is amended in section 7—

Amend-
ment of
section 7

- (a) in subsection (2), by adding figures "(4) and (5)" between "comma" and the word "in" appearing in the first line;
- (b) by adding immediately after subsection (3) the following subsections—

"(4) In calculating an individual's gains or profit from payment for redundancy or loss or termination of employment, any payment received in respect of a year of income which expired earlier than five years prior to the year of income in which it was received, or which the employment or services ceased, if earlier such payment shall, for the purposes of calculation of the tax payable thereon, be allocated equally between the years of income in which it is received or, if the employment or services ceased in an earlier year between such earlier year of income and the five years immediately proceeding such year of income in which such payment is so received or as the case may be, such earlier year of income in which the employment or services ceased, and each such portion allocated to any such year of income shall be deemed to be income of that year of income in addition to any other income in that year of income.

(5) Where amount received as compensation for the termination of any contract of employment or services, whether or not provision is made in such contract for the payment of such compensation—

- (a) if the contract is for a specified term, the amount included in gains or profits shall not exceed the amount which would have been received in respect of the unexpired period of such contract and shall be

deemed to have accrued evenly in such unexpired period;

- (b) if the contract is for an unspecified term and provides for compensation on the termination thereof, such compensation shall be deemed to have accrued in the period immediately following such termination at a rate equal to the rate per annum of the gains or profits from such contract received immediately prior to such termination; and
- (c) if the contract is for an unspecified term and does not provide for compensation on the termination thereof, any compensation paid on the termination thereof shall be deemed to have accrued in the period immediately following such termination at a rate equal to the rate per annum of the gains or profits from such contract received immediately prior to such termination, but the amount so included in gains or profits shall not exceed the amount of three years' remuneration at such rates."

Amend-
ment
of section
16

14. The principal Act is amended in section 16 by adding immediately after subsection (2) the following subsections—

"(3) For the purpose of calculating a person's income for a year of income from any employment, there shall be deducted any donation made under section 12 of the Education Fund Act.

Cap.412

(4) Subject to subsection (3), an employee who makes a donation to the Fund may apply to the Commissioner for deduction."

Amend-
ment of
section
86

15. The principal Act is amended in subsection (1) of section 86 by adding immediately after paragraph (e) the following—

"(f) interest paid to a Unit Trust."

Amend-
ment
of section
94

16. The principal Act is amended in section 94 -

(a) by adding immediately after subsection (5) the

following—

"(6) Subject to the provisions of subsections (1) and (2), the Commissioner may make an assessment under this Act, at any time prior to the expiry of three years following the year of income to which the assessment relates:

Provided that -

(a) where any fraud or wilful neglect has been committed by or on behalf of any person in connection with or in relation to any tax for any year of income, an assessment in relation to such year of income may be made at any time;

(b) in the case of payment referred to in subsections (4) and (5) of section 7, an assessment in relation thereto may be made at any time prior to the expiry of three years following the year of income in which the payment is received.";

(b) by renumbering subsection (6) as (7).

17. The principal Act is amended in subsection (2) of section 96 —

Amend-
ment of
section
96

(a) in paragraph (a), by inserting the figures "(1) and (2)" between the figure "94" and the "bracket" appearing in the first line of that paragraph;

(b) by adding immediately after paragraph (b) the following new paragraph:

"(c) in the case of an assessment made under section 94(3) and (4), where such assessment relates to payment referred to in section 7(4) and (5), the date on which the notice of assessment is served on the person assessed as required by section 97."

18. The principal Act is amended in section 97 by adding figures "94(3) and (4)" immediately after the word "section" appearing in the first line of that section.

Amend-
ment of
section
97

Amend-
ment of
the First
Schedule

- 19. The First Schedule to the principal Act is amended in paragraph 3-**
(a) by adding immediately after subparagraph (1) the following new subparagraph:

"(2) Notwithstanding subparagraph (1), a newly listed company with the Dar es Salaam Stock Exchange with at least thirty five percent of its equity ownership issued to the public shall be taxed at a reduced corporate rate of twenty five percent for three consecutive years from the date of listing."

- (b) by renumbering subparagraph (2), as subparagraph (3).

Amend-
ment of
the
Second
Schedule

- 20. The Second Schedule to the principal Act is amended in paragraph (1) item (f) by adding immediately after sub-item (iii) the following:**
"(iv) the Bank of Tanzania".

PART VI

AMENDMENT OF THE LOCAL GOVERNMENT FINANCES ACT

Construc-
tion
Cap.290

- 21. This Part shall be read as one with the Local Government Finances Act, hereinafter referred to as the "principal Act".**

Amend-
ment of
the
Schedule

- 22. The principal Act is amended in item 3 of the Schedule -**
(a) by deleting the whole of sub-item "(s)" which relates to plying fees;
(b) designating sub-item (t) as sub-item (s).

PART VII

AMENDMENT OF THE MINING ACT

Construc-
tion
Cap.123

- 23. This Part shall be read as one with the Mining Act, hereinafter referred to as the "principal Act".**

Amend-
ment
of section
86

- 24. The principal Act is amended in section 86(1) by adding immediately after paragraph (b) the following new proviso -**

"Provided that, in case of salt producers using renewable resources and who possess evidence of paying environmental protection levy, shall be exempted."

PART VIII

AMENDMENT OF THE ROAD AND FUEL TOLLS ACT

25. This Part shall be read as one with the Road and Fuel Tolls Act, hereinafter referred to as the "principal Act".

Construction
Cap.220

26. The principal Act is amended, by deleting the Second Schedule and substituting for it the following:

Amendment of
the
Second
Schedule

<i>"Fuel</i>	<i>Rate of Toll</i>
1. Petrol (MSP and MSR)	100/= per litre
2. Diesel (GO)	100/= per litre".

PART IX

AMENDMENT OF THE STAMP DUTY ACT

27. This Part shall be read as one with the Stamp Duty Act, hereinafter referred to as the "principal Act".

Construction
Cap. 189

28. The principal Act is amended –

(a) by deleting:

- (i) all references to the definition of the designation "Permanent Secretary; and
- (ii) designation "Permanent Secretary" wherever it appears and substituting for it the phrase "Commissioner General,"

Amendment of
the
Principal
Act

(b) by deleting the phrase "for all receipts except those under section 9, where a concessionary rate of 1.2 per cent has been provided under a composition agreement" appearing immediately after the phrase "1 per cent" in article 51(ii) of the Schedule.

PART X

AMENDMENT OF THE TANZANIA INVESTMENT ACT

29. This Part shall be read as one with the Tanzania Investment Act, hereinafter referred to as the "principal Act".

Construction
Cap. 38

Amend-
ment of
section
19

- 30.-(1)** The principal Act is amended in section 19 -
- (a) in subsection (1), by adding at the end of that subsection the following proviso -
- "Provided that, such benefits shall not extend to non-utility vehicle referred to under tariff codes 8702.10.19, 8702.90.19 and tariff heading 8703 save that the restriction imposed shall not extend to investors whose certificate of incentive was issued on or before 30th June, 2006.";
- (b) by repealing subsections (2) and (3) and substituting for them the following:
- "(2) For the purpose of creating a predictable investment climate, a strategic or a major investment identified pursuant to subsection (1) of section 20 to whom a certificate of incentives has been issued, shall be entitled to the benefits conferred under subsection (1) and such benefit shall not, during a period of five years from the date of issuance of such certificate be amended or modified to the detriment of such investor."

PART XI

AMENDMENT OF THE TANZANIA REVENUE AUTHORITY ACT

Construc-
tion
Cap.399

31. This Part shall be read as one with the Tanzania Revenue Authority Act, hereinafter referred to as the "principal Act".

Amend-
ment
of the
First
Schedule

- 32.** The First Schedule to the principal Act is amended-
- (a) by inserting immediately after item 24 the following new item:
- "25. The Cashewnut Board of Tanzania Act, Cap. 203.";
- (b) by renumbering item 25 as item 26.

PART XII

AMENDMENT OF THE TAX REVENUE APPEALS ACT

Construc-
tion
Cap.408

33. This Part shall be read as one with the Tax Revenue Appeals Act, hereinafter referred to as the "principal Act".

34. The principal Act is amended by adding in the appropriate alphabetical order the following definition:

"assessment" means an assessment of tax as determined or ascertained in each of the respective tax law."

Addition
of new
definition

PART XIII

AMENDMENT OF THE VALUE ADDED TAX ACT

35. This Part shall be read as one with the Value Added Tax Act, hereinafter referred to as the "principal Act".

Construc-
tion
Cap.148

36. Section 17 of the principal Act is amended in the proviso to subsection (2) by deleting the word "five" and substituting for it the word "three".

Amend-
ment
of
section
17

37. Section 29 of the principal Act is amended in subsection (3) by deleting the word "two" and substituting for it the word "five".

Amend-
ment
of
section
29

38. Section 45 of the principal Act is amended by deleting the word "two" and substituting for it the word "five".

Amend-
ment of
section
45

39. Section 47 of the principal Act is amended by repealing subsection (1) and substituting for it the following:

Amend-
ment
of section
47

"(1) Any person who is involved in fraud or who takes steps with a view to fraudulently evading tax or recovering tax, commits an offence and upon conviction shall, in addition to payment of tax which would have been paid, pay a fine twice the amount of tax involved or two million shillings, whichever amount is greater, or to imprisonment for a term of two years or to both."

40. The First Schedule to the principal Act is amended in item 12 –

(a) by deleting in paragraph (c) the phrase "and sanitary pads" appearing immediately after the phrase "mosquito coils"; and

(b) by adding the following paragraph immediately after paragraph

(c):

"(d) sanitary pads".

Amend-
ment of
the First
Schedule

Amend-
ment of
the
Second
Schedule

41. The Second Schedule to the principal Act is amended:

(a) in item "1" relating to "Food, crops and livestock supplies" by adding the following new sub-item "(7)":

"(7) Locally grown coffee whether in the form of roasted, grounded or instant coffee."

(b) in item 3:

(i) by deleting in sub-item (5) the phrase "and sanitary pads" appearing immediately after the phrase "mosquito coils"; and

(ii) by adding sub-item "(6)" immediately after sub-item (5):

"(6) Sanitary pads".

(c) by deleting item "12" and substituting for it the following:

"12. Petroleum products:

(1) Aviation spirit, spirit type Jet fuel and kerosene type Jet fuel (Jet A-1).

(2) LPG gas and LPG cylinders.

(3) Petrol (MSP and MSR), diesel (GO), kerosene (IK), heavy furnace oil (HFO), industrial diesel oil (IDO) and AVGAS."

(d) by deleting item 16 and substituting for it the following:

"16. Aircraft:

(1) Aircraft, aircraft engines, parts and maintenance.

(2) Lease of aircraft."

Amend-
ment of
the Third
Schedule

42. The Third Schedule to the principal Act is amended by adding item 29 immediately after item 28:

"29. The importation by or supply to the Bank of Tanzania of goods or services which are solely to be used in the performance of its statutory functions."

Passed in the National Assembly on the 15th August, 2006.

Damian S.L. Foka

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Clerk of the National Assembly