

## MSMEs Related Taxes

### 1. GENERIC TAXES

#### a) Presumptive tax system

This is a tax system where MSME (small individual traders and medium individual traders) are taxed based on their annual turnover. The Taxpayers under this system are not obligated to prepare and submit audited accounts to the TRA. However, MSME may opt not to apply the system and prepare audited accounts and pay tax based on profits.

#### Conditions that qualify to be in Presumptive tax system

- The Taxpayer must be a resident individual
- The annual turnover of the business does not exceed the threshold **of TSHS 20 million.**
- MSME must conduct business only for the year of income hence not be engaged in any other activities such as employment or investments. Under the presumptive tax system, individual's income must be derived solely from business sources. If income is derived from other sources such as employment and/or investment the presumptive scheme cannot be used.
- The MSME income for any year must consist exclusively of income from business with sources in the United Republic of Tanzania.

#### Rates of tax under presumptive tax System.

Under this system, tax payable is established based annual turnover shown by taxpayers records. In absence of complete records, annual turnover will be estimated based on the best judgment of the commissioner. The turnover bands and their tax rates are as stipulated below:

Annual turnover	Tax payable when records incomplete	Tax payable when records are complete
Where turnovers does not exceed TSHS. 4,000,000	NIL	NIL
Where turnover exceeds TSHS. 4,000,000 but does not exceed TSHS. 7,500,000	TSHS. 150,000	3% of the turnover in excess of TSHS. 4,000,000
Where turnover exceeds TSHS. 318,000	TSHS. 318,000	TSHS. 135,000+3.8% of

TSHS. 7,500,000 but does not exceeds TSHS. 11,500,000		the turnover in excess of TSHS. 7,500,000
Where turnovers exceeds TSHS. 11,500,000 but does not exceed TSHS. 16,000,000	TSHS. 546,000	TSHS. 285,000+4.5% of the turnover in excess of TSHS.11,500,000
Where turnover exceeds TSHS. 16,000,000 but does not exceed TSHS. 20,000,000	TSHS. 862,500	TSHS. 487,000+5.3% of the turnover in excess of TSHS. 16,000,000

**b) Individuals who prepare audited accounts.**

This is a group of taxpayers whose annual turnover is above TSHS 20,000,000. MSME here are required to prepare audited accounts/financial statements in respect of their business

**Rates of tax for MSMEs who prepare Audited Accounts**

Taxpayers under this category are taxed basing on their profits. The rates applicable for this category are as follows:

**Tanzania Mainland**

<b>Annual Taxable Income</b>	<b>Tax Rate</b>
Where total income does not exceed TSHS. 2,040,000	NIL
Where total income exceeds TSHS. 2,040,000 but does not exceed TSHS. 4,320,000	11% of the amount in excess of TSHS. 2,040,000
Where total income exceed TSHS. 4,320,000 but does not exceeds TSHS. 6,480,000	TSHS. 250,800 plus 20% of the amount in excess of TSHS. 4,320,000
Where total income exceeds TSHS. 6,480,000 but does not exceeds TSHS. 8,640,000	TSHS. 682,800+25% of the amount in excess of TSHS. 6,480,000
Where total income exceeds TSHS. 8,640,000	TSHS. 1,222,800 +30% of the amount in excess of TSHS. 8,640,000

## Zanzibar

Annual Taxable Income	Tax Rate
Where total income does not exceed TSHS. 1,800,000	NIL
Where total income exceeds TSHS. 1,800,000 but does not exceed TSHS. 4,320,000	13% of the amount in excess of TSHS. 1,800,000
Where total income exceeds TSHS. 4,320,000 but does not exceed TSHS. 6,480,000	TSHS. 327,600 plus 20% of the amount in excess of TSHS. 4,320,000
Where total income exceeds TSHS. 6,480,000 but does not exceed TSHS. 8,640,000	TSHS. 759,600 plus 25% of the amount in excess of TSHS. 6,480,000
Where total income exceeds TSHS. 8,640,000	TSHS. 1,299,600 plus 30% of the amount in excess of TSHS. 8,640,000

## 2. SPECIFIC AGRICULTURAL TAXES

Name	Administration	Base	Rate
<b>Land Rent</b>	Collected by local governments on behalf of central government LGAs are entitled to 20% of the collected revenue	Annual rent levied on holders of right occupancy	In rural areas, land rent for farmland outside the township is Tsh200 per acre per year, and Tsh3000 per acre per year within township
<b>Agricultural Produce Cess</b>	Levied by district councils, collected by through private agents at district markets and occasionally by	Cess is payable at source on the farm-gate price of any agricultural produce In most cases	□ According to law, max 5% of farm-gate price □ Rate varies across Districts, but lowest observed in

	district officials at farm gate or district borders	paid by buyers at market Charged on market price	Arumeru (4%) □ Districts estimate deemed value and publish price per quantity at markets to facilitate collection and transparency
<b>Market stall fee</b>	□ Collected on market days at the market □ Generally collected by private agent	□ User fee levied on sellers at (and also outside) of organized markets	□ TShs 300 to 500 per day depending on crop sold
<b>Export License (coffe)</b>	□ Paid to Tanzania Coffee Board on an annual basis □ Light administrative compliance costs	□ USD 60 per license per year	□ USD 60 per license per year
<b>Business License</b>	□ Paid to LGA, as a one-off registration fee	□ Applies to commercial farmers (and other business) above TShs 20 million turnover threshold only	□ Fee varies □ Capped at TShs 20,000
<b>VAT</b>	□ Collected by VAT registered companies and	□ Most agricultural inputs (supplies)	□ 20%

	remitted to TRA	are tax exempt but not all (esp. service inputs)	
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### **Tax Rates for principal taxes on Agriculture Produce**

<b>District</b>	<b>Charge/levy</b>	<b>Base</b>	<b>Rate</b>
<b>Monduli</b>	Produce Cess	Selling Price	5%
<b>OldunyiSambo</b>	Produce Cess	Selling Price	5%
<b>Hai</b>	Produce Cess	Selling Price	5%
<b>Meru</b>	Produce Cess	Selling Price	4%
<b>Masasi</b>	District Development Levy	Kilogram	30 (TZS)
	Pembejeo Levy	Kilogram	30 (TZS)
	Produce Cess	Selling Price	5%
<b>Ruangwa</b>	District Development Levy	Kilogram	30(TZS)

### **Tax Payment Procedures**

Every business is supposed to be registered and get Taxpayer Identification Number (TIN) from a nearby TRA office (**see business registration**).

The Income Tax Act requires every individual who supposed to pay tax in the United Republic of Tanzania, to maintain all documents necessary to enable an accurate determination of the tax payable. MSMEs are paying their taxes in terms of instalment

Tax on Instalment is paid when MSMEs are not able to pay the whole tax at once, the tax is supposed to be paid on several instalments in quarterly basis, for example when an MSMEs accounting periods ending at **30<sup>th</sup> December**, then taxes for the coming year should be paid at the end of **March, June, September, and December**.

For the local government taxes and levies are directly paid to the local government assigned authorities.

- Firstly an MSMEs have to know under which category of income tax the business is falling
- Secondly MSMEs have to obtain forms from nearby TRA offices to fill in important information

- Filling accurate returns for assessment of the sum of tax supposed to be paid by MSMEs per quarter, assessments is done by TRA assigned officer

## **Ways of Paying Tax**

- **GFS Code (Through Assigned Banks)**

These are special designed numbers used by taxpayers to pay tax. Taxpayers are filling in these numbers in a given deposit paying slip. The numbers are different depending on the nature of tax to be paid

- **TISS (Through Assigned Banks)**

TISS stand for Tanzania Interbank Settlement System. This is a simplest way used by the taxpayers to order the commercial bank to transfer payments to BOT, and the contents which are found in the TISS form are: Name of Account holder (s), Account number, Name of commercial Bank, Amount in TZS, Amount in words and value date.

- **Payment through Mobile Phones**

This is a system whereby taxpayers pay taxes through mobile phone such as M-pesa, TigoPesa, AirtelMoney and Max Malipo

For the purpose of using this service, taxpayers are advised to fulfil the following requirements:

**i.** A taxpayer must be a subscriber and registered with the fore mentioned mobile networks. Taxpayers are advised to contact the selected agents scattered throughout the country.

**ii.** After being registered a taxpayer will be required to load money to his/her Agents Account.

After having fulfilled the requirements for paying tax through the stated systems, taxpayers are advised to follow the instructions given by the service provider

Taxes that have to be paid through mobile by MSMEs include personal income tax, presumptive taxes, motor vehicle taxes and fees

## **Associated Regulations**

- **The Income Tax Act, 2004**

This Act to make provision for the charge, assessment and collection of Income Tax, for the ascertainment of the income to be charged and for matters incidental thereto.

- **Tanzania Revenue Act, 2006**

This is an Act to establish the Tanzania Revenue Authority as a central body for the assessment and collection of specified revenue, to administer and enforce the laws relating to such revenue and to provide for related matters. This Act applies to Tanzania Zanzibar as well as to Mainland Tanzania.

- **Finance Act, 2003**

An Act to impose and alter certain taxes and duties, also to amend certain written financial and tax laws relating to collection, and management of public revenues. Also this Act serves as an amendment for the previous business related Acts.

- **Finance Act, 2006**

This is 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. The Act was an amendment of several previous Acts such as Cashew nut Board Act, amendment of the Excise Act (Management and Tariff) Act, and amendment of Gaming Act. Also as an amendment of Income Tax Act of 2004, amendment of the Local Government Finances Act, and as an amendment of the Mining Act. Additionally, this serves as an amendment of the Road and Fuel Tolls Act, Stamp Duty Act, Tanzania Investment Act, Tanzania Revenue Act, Tax Revenue Appeals Act, and Value Added Tax Act.