Highlights of the Amendments Introduced by the Finance Act, 2025

The Finance Act, 2025 introduces significant legislative changes aimed at boosting revenue, enhancing compliance, and funding critical public services, especially healthcare. This detailed review specifically covers amendments made to the Airport Service Charge Act, Business Licensing Act, Import Control Act, Income Tax Act, Local Government Finance Act, Tax Administration Act, Value Added Tax Act, and Excise Duty Act.

1. Amendments to the Airport Service Charge Act (Cap. 365)

The Act underwent revisions designed to enhance revenue generation:

- The domestic passenger service charge increased from TZS 10,000 to TZS 11,000.
- The international passenger service charge rose slightly from USD 40 to USD 40.4.
- Submission deadlines for collected charges shifted to the 20th day of the subsequent month, improving fiscal oversight.

2. Amendments to the Business Licensing Act (Cap. 101)

Substantial regulatory amendments include:

The Act has introduced restrictions on issuing business licenses to non-citizens, limiting such licenses exclusively to activities explicitly approved and gazetted by the Minister. Increased oversight to ensure compliance, aiming to boost local economic participation and safeguard domestic enterprise interests.

3. Amendments to the Import Control Act (Cap. 276)

The Act has been amended to strengthen domestic industries and increase government revenue:

- Expansion of the Industrial Development Levy to a broader range of imported goods, including pasta, soap, furniture, cement, and construction materials.
- Specific levy rates, ranging from 5% to 15%, were clearly defined to enhance protection for local manufacturers.
- Powers granted to the Commissioner General of Tanzania Revenue Authority (TRA) to grant levy exemptions in specific cases, prioritizing national economic interests.

4. Amendments to the Income Tax Act (Cap. 332)

Significant amendments to improve tax collection and reduce avoidance include:

- **Single Instalment Tax on Forest Produce:** Implemented a single installment tax of 2% on gross payments received by resident persons from the sale of forest produce (timber, logs, poles, etc.), effective from January 1, 2026.
- **Withholding Tax Rates:** Increased withholding tax rates on non-residents in realization of an interest in shares, land, petroleum, or mineral rights or buldings situated in the Tanzania or license or concessional right on reserved land shares or securities held by a resident entity. The rate has increased from twenty present to thirty percent.
- **Presumptive Taxes:** Increased presumptive tax rates for small-scale transport providers (e.g., ride-sharing, special hire vehicles) significantly.
- **SEZ/EPZ Incentives**: Abolishes the 10-year income tax exemption for investors in Special Economic Zones and Export Processing Zones who produce for sale into the United Republic or offload products in to the domestic market.
- **Thin Capitalisation**: Expands thin-capitalisation rules to include retained earnings in debt-to-equity calculations.
- **AMT Increase**: Alternative Minimum Tax for loss-making corporates raised from 0.5% to 1%
- **Loss Utilisation Cap**: Allows companies in the extractive sector to offset only 60% (down from 70%) of taxable income.
- **Retained earnings shall be subjected to 10% withholding tax**. the tax shall be imposed on 30% of the earnings which have not been distributed after 12 months from the fiscal year end. Furthermore, where the said earnings are subsequently distributed then the tax shall not apply.
- Withholding tax increased from 5% to 10% on gaming advertisements and promotions.

5. Amendments to the Local Government Finance Act (Cap. 290)

Adjustments to local government levies were implemented to improve efficiency:

- Major reduction in hotel levy rates from 10% to 2% and service levy from 0.3% to 0.25% in Urban authority, district councils and township authority
- Slight downward adjustments in other local levies, balanced by increased central revenue collection via excise and VAT adjustments.

6. Amendments to the Tax Administration Act (Cap. 438)

Focused improvements to ensure compliance and enhance administrative efficiency:

- Increased penalties and fines to enforce timely compliance and deter tax evasion.
- **Electronic System Enhancements:**
    - Mandated comprehensive electronic submission of tax returns, payments, and correspondences through TRA's digital platforms to enhance transparency and reduce administrative costs.
    - Improved the electronic filing system capabilities to facilitate real-time data processing, analytics, and detection of discrepancies or potential fraud.
- **Objection and Appeals Process:**
    - Streamlined the objection process by imposing strict timelines and procedures for taxpayers to lodge objections electronically.

    - Established clear statutory periods within which TRA must respond to objections, enhancing fairness and efficiency.
    - Provided specific provisions for electronic communications related to objections, ensuring timely and transparent handling of taxpayer disputes.
- Returns related to bed-night tourism levies are now regulated under TAA and must be **filed with the Commissioner-General**, standardizing their administration

7. Amendments to the Value Added Tax (VAT) Act (Cap. 148)

Amendments were made to strengthen compliance and accountability in VAT administration:

- Mandatory documented electronic or bank payment evidence for VAT transactions.
- Introduction of mandatory advance VAT payments for specified taxpayer groups.
- Tighter control over VAT refund claims to minimize fraudulent claims by mandating evidence of electronic or bank payments for VAT claims on purchases and imports.
- Enhanced record-keeping mandates to promote transparency and accountability.
- Withholding of VAT on taxable supplies. The act has introduced withholding of VAT when taxable supply is provided to a withholding agent. The agent is required to withhold 3% for goods and 6% for services. the withholding tax agent means the ministry responsible for finance, a government entity which retains whole or part of its collected revenue and registered person as may be appointed by the CG by notice.
- When a taxable Supplies made to a person who is not VAT registered in mainland Tanzania and the payment is rendered through a bank or an electronic payment system approved by the CG, the applicable rate shall be 16% and not 18%. This shall be effective from 1st September, 2025. The CG shall specify the persons eligible and the manner of implementation of the rate.
- VAT returns filing: the submission deadline shall be the 20th of the subsequent month, regardless of whether the date coincides with a weekend or public holiday.

8. Amendments to the Excise Duty Act (Cap. 147)

Several items and services saw significant excise duty adjustments to boost revenue:

- Increased excise duty on electronic communication services from 5% to 7%.
- Expansion of excise duties to include money transfer providers employing independent payment systems.
- Imposed new excise duties at a rate of 20% on imported used household items (e.g., tableware, utensils).
- Introduced excise duties on various consumer goods such as margarine (TZS 500/kg), sausages (5%-10%), and ice cream (5%-10%).
- Higher excise duties on alcoholic beverages (beers, wines, spirits) with additional increments specifically earmarked for healthcare.
- Expiration of licenses for manufacturer if excisable goods shall be 12 months from the date of issuing and not December 31st each year

- Deadline for submission of returns is now 25th day of the month subsequent to the month in which the duty or return is due. Prior to the amendment, the deadline was the last day of the month.

Contribution to AIDS Fund and Universal Health Care

A critical objective of the Finance Act, 2025, is increasing government funding for healthcare:

- Substantial revenue from increased excise duties, particularly from alcoholic beverages and electronic communication services, is designated to support health initiatives.
- Gaming sector taxes from casino and sports betting winnings (13% and 12%, respectively) have specific allocations, with 70% directed towards the AIDS Trust Fund and 30% to Universal Health Insurance.
- Introduction of a new HIV Response Levy on fuel products (petrol, diesel, and kerosene), allocating 70% to the AIDS Trust Fund and 30% to the Universal Health Insurance Fund.

Conclusion

The Finance Act, 2025 introduces comprehensive fiscal reforms to maximize government revenue, enhance domestic economic resilience, and significantly increase funding for critical healthcare initiatives. The strategic amendments outlined underscore the government's commitment to improved service delivery, public health outcomes, and sustainable economic development.
