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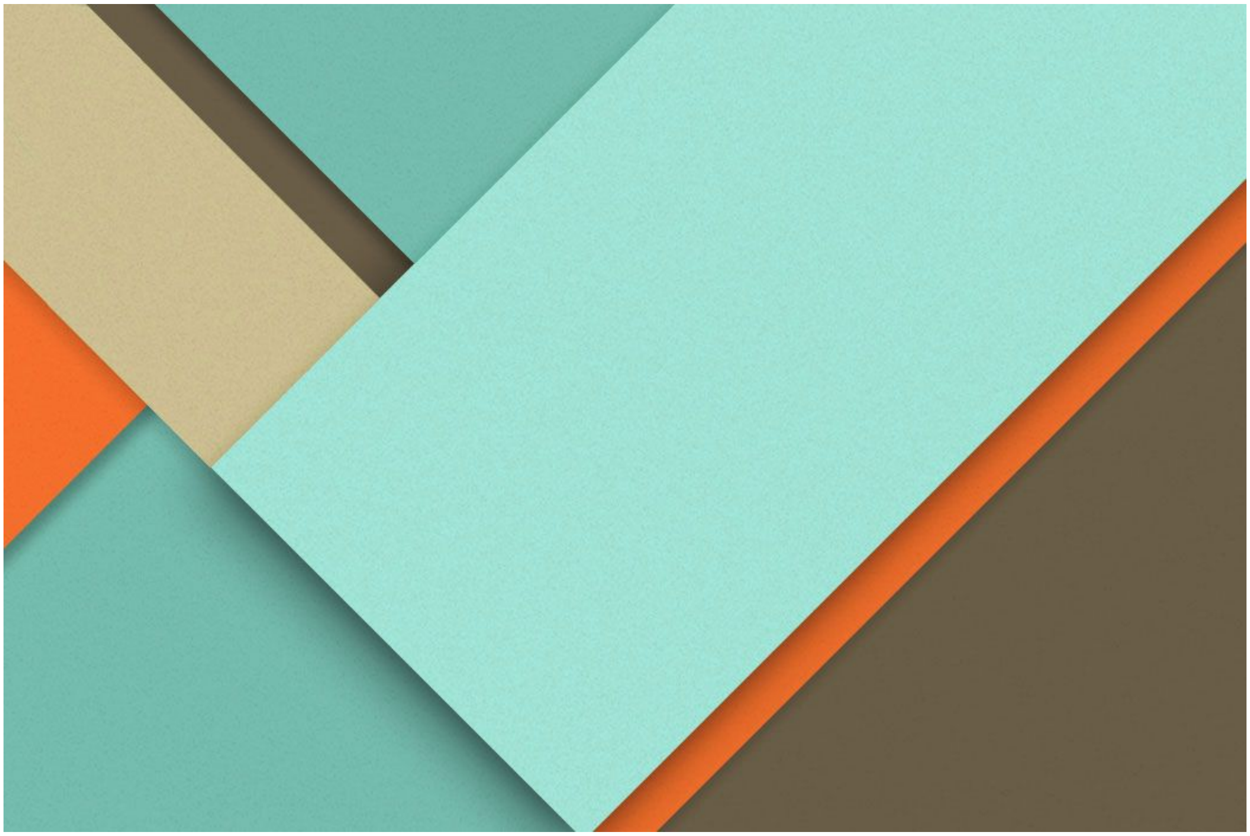


Tax Update: Christmas Edition

December 2018

This Month:

1. Holiday Season: Common Tax Deductions
2. VAT Regulations: Update
3. Transfer Pricing Regulations: Update
4. December 2018 submission deadlines

1. Holiday Season: Common Tax Deductions

With the holiday season coming up, many taxpayers are looking forward to being able to kick back and have some fun at the annual holiday party. Yet, we all know that once the holidays are over, tax season is right around the corner - and there are plenty of areas where a company can save when it comes to tax deductions around the holiday season.

All reference to “the law” or “the Act” are in relation to the Income Tax Act 2004 unless otherwise stated.

Charitable Donations

What the Act states:	***Our Comments:***
Section 16: .-(1) For the purpose of calculating a person's income for a year of income from any business, there shall be deducted - (a) amounts contributed during the year of income to a charitable institution referred to in subsection (8) of section 64 or social development project; (b) any donation made under section 12 of the Education Fund Act; and (c) amount paid to local government which are statutory obligations or government directives to support community development projects. (2) The deduction available under subsection (1) (a) for a year of income **shall not exceed two percent of the person's income from the business** calculated without a deduction under that subsection. (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. (4) Subject to subsection (3), an employee who makes a donation to the Fund may apply to the Commissioner for deduction.	The Act sets out specific rules when it comes to deductible gifts and donations, and only provides tax deductions for donations made to the following parties: ● Amounts contributed during the year of income to a charitable institution or social development project; ● Any donation made to Educational institutions; ● Amount paid to local government authority which are statutory obligations or government directives to support community development projects. The deductions available for a year of income shall not be more than 2% of the person's income from the business.

Travelling Costs

What the Act states:	***Our Comments:***
***Section 7(3)*:** In calculating an individual's gains or profits from an employment, the following shall be excluded: (d) any subsistence, travelling, entertainment or other allowance that represents solely the reimbursement to the recipient of any amount expended by him wholly and exclusively in the production of his income from his employment or services rendered; (g) payment providing passage of the individual, spouse of the individual and up to four of their children to or from a place of employment which correspond to the actual travelling cost where the individual is domiciled more than 20 miles from the place of employment and is recruited or engaged for employment solely in the service of the employer at the place of employment;	You won't be able to recoup the tax on your pleasure trip to Zanzibar, but if your travel during the holidays is completely business related — like year-end meetings or planning for the next quarter — then you can write off 100 percent of your travel costs as tax deductions. This includes a multitude of expenses and not just the travel cost itself — think hotels and taxis, too. It is important to note that there are two caveats to writing off your travel during the holiday season, and they're centred on how much is for personal versus business. You can only deduct the portion of your trip that's strictly for business, so any side trips to visit friends or family are out. Additionally, the law provides tax deductions for employee travel to place of work (including spouse and up to four children) where the distance is greater than 20 miles.

The Holiday Party

What the Act states:	***Our Comments:***
Section 7(3)**:** In calculating an individual's gains or profits from an employment, the following shall be excluded: (b) on premises cafeteria services that are available on a non-discriminatory basis; (d) any subsistence, travelling, entertainment or other allowance that represents solely the reimbursement to the recipient of any amount expended by him wholly and exclusively in the production of his income from his employment or services rendered;	The law is vague on deductibility of tax parties, and only refers to entertainment and cafeteria services issued on premises. In practice, we have seen certain deductions allowed for business related expenses, including holiday parties, provided they're primarily for the benefit for all employees, in a non discriminatory basis. In this case, it is important to maintain sufficient paperwork to support such deductions, including a guest list and details plus purpose of the party. It's also smart to keep a record of the costs of food, drink and entertainment, plus any details on business discussions that may have occurred.

2. VAT Regulations Update: Our Summary

Changes to the VAT regulations are set out below. All changes are effective from 19 October 2018.

Regulation 5: Condition for approval of VAT deferment on imported capital goods

The threshold of VAT payable for each imported capital good which VAT deferment is requested has been changed from twenty million shillings to ten million shillings per unit.

Regulation 20: Due Date for VAT Return Filing

The due date for filing VAT returns remains the 20th of the month after end of tax period, however clarifies that where the 20th falls on a weekend or public holiday, the return shall be lodged on the following working day.

Regulation 27: Apportionment of input tax by partial traders

These regulations have been updated to give traders (who deal with both exempt and taxable supplies) with a more accurate application of the apportionment formula included in section 70 (1) of the VAT Act.

Regulation 35: VAT on financial services

The regulations are updated to clarify types of financial services subject to VAT, and specifically excludes legal, accounting, advisory, tax agency, brokerage services and other from the definition of financial services. Additionally, the new Regulation 35A requires suppliers of financial services to issue monthly periodic statements to customers.

Regulation 36A: Procedures on goods transferred from Tanzania Zanzibar to Mainland Tanzania

This regulation clarifies the procedure required for transferring goods from Tanzania Zanzibar to Mainland Tanzania.

Regulation 36B: Zero rating locally manufactured goods in Mainland Tanzania sold to Tanzania Zanzibar

Under Regulation 36B, manufacturers of goods in Mainland Tanzania are required to provide documentary evidence which proves that goods supplied to Tanzania Zanzibar have been locally manufactured in Mainland Tanzania.

3. Transfer Pricing Regulations Update: Our Summary

Changes to the Transfer Pricing regulations are set out below, effective from November 2018.

Penalties

- The new regulations impose a penalty equal to 100% of the adjustment made during a tax audit
- The new regulations also introduce a currency point system in computing penalties
- Penalties for failing to comply with documentation requirements is now not less than 3,500 currency points or Tshs 52,500,000

Documentation and Filing Requirements

- The new TP regulations have modified the list of records and documents required to support a controlled transaction
- Additionally, taxpayers with transactions with its related parties de amounting to or above TZS 10 billion, are required to prepare and file with TRA, their TP documentation along with the income tax return for the year of income

Commodity transactions

- The new TP regulations require that all commodity transactions use the Comparable Uncontrolled Price (CUP) method in analysing the arm's length nature of such transactions

Intangible Property

- The TP regulations provide additional guidance when assessing the arm's length price to be charged in respect of intangible property
- Under these regulations, the arm's length requirement applies to any person involved in development, enhancement, maintenance or protection of intangible property

Intra-group services

- The regulations require taxpayers to use the cost method in determining consideration of intragroup services
- There is also now a specific requirement to determine an arm's length interest for intra group financing

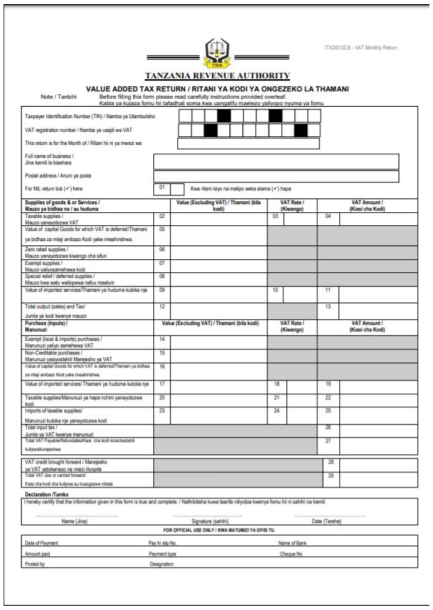
Advance Pricing Agreement (APA)

- The maximum period of an APA is set at 5 years
- Failure to comply with APA terms will result in the APA being revoked
- Taxpayers who have entered into APAs with TRA are required to submit an annual compliance report

4. December 2018 compliance deadlines

The following returns are due for submission to TRA on or before 31 December 2018:

Value Added Tax Return



ITX240.02.B - VAT Monthly Return

TANZANIA REVENUE AUTHORITY

VALUE ADDED TAX RETURN / RITANI YA KODI YA ONGEZEKO LA THAMANI

Note / Tanbihi Before filling this form please read carefully instructions provided overleaf.
Kabla ya kujaza fomu hii tafadhali soma kwa uangalifu maelezo yaliyopo nyuma ya fomu

Taxpayer Identification Number (TIN) / Namba ya Utambulisho

VAT registration number / Namba ya usajili wa VAT

This return is for the Month of / Ritani hii ni ya mwezi wa

Full name of business / Jina kamili la biashara

Postal address / Anuni ya posta

For NIL return tick (✓) here 01 ☐ Kwa ritani isiyo na malipo weka alama (✓) hapa

Supplies of goods & or Services / Mauzo ya bidhaa na / au huduma		Value (Excluding VAT) / Thamani (bila kodi)	VAT Rate / (Kiwango)	VAT Amount / (Kiasi cha Kodi)
Taxable supplies / Mauzo yanayotozwa VAT	02		03	04
Value of capital Goods for which VAT is deferred/Thamani ya bidhaa za mtaji ambazo Kodi yake imeahirishwa.	05			
Zero rated supplies / Mauzo yanayotozwa kiwango cha sifuri	06			
Exempt supplies / Mauzo yaliyosamehewa kodi	07			
Special relief / deferred supplies / Mauzo kwa watu waliopewa nafuu maalum	08			
Value of imported services/Thamani ya huduma kutoka nje	09		10	11
Total output (sales) and Tax/ Jumla ya kodi kwenye mauzo	12			13
Purchase (Inputs) / Manunuzi		**Value (Excluding VAT) / Thamani (bila kodi)**	**VAT Rate / (Kiwango)**	**VAT Amount / (Kiasi cha Kodi)**
Exempt (local & imports) purchases / Manunuzi yaliyo samehewa VAT	14			
Non-Creditable purchases / Manunuzi yasiyostahili Marejesho ya VAT	15			
Value of capital Goods for which VAT is deferred/Thamani ya bidhaa za mtaji ambazo Kodi yake imeahirishwa.	16			
Value of imported services/ Thamani ya huduma kutoka nje	17		18	19
Taxable supplies/Manunuzi ya hapa nchini yanayotozwa kodi	20		21	22
Imports of taxable supplies/ Manunuzi kutoka nje yanayotozwa kodi	23		24	25
Total input tax / Jumla ya VAT kwenye manunuzi				26
Total VAT Payable/Refundable/Kiasi cha kodi kinachostahili kulipwa/kurejeshwa				27

VAT credit brought forward / Marejesho ya VAT yatokanayo na miezi iliyopita	28
Total VAT due or carried forward/ Kiasi cha kodi cha kulipwa au kusogezwa mbele	29

Declaration /Tamko

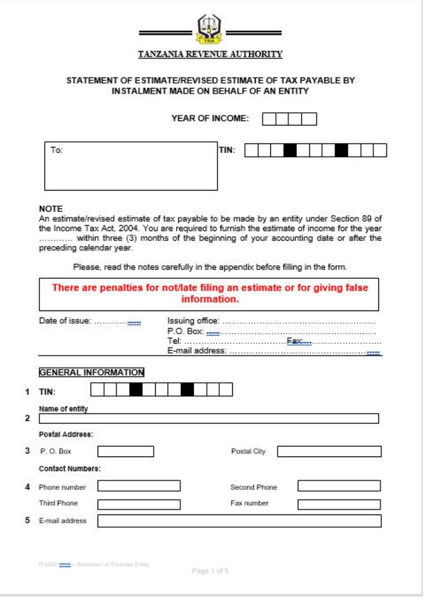
I hereby certify that the information given in this form is true and complete. / Nathibitisha kuwa taarifa niliyotoa kwenye fomu hii ni sahihi na kamili

Name (Jina) Signature (sahihi) Date (Tarehe)

FOR OFFICIAL USE ONLY / KWA MATUMIZI YA OFISI TU.

Date of Payment	Pay In slip No.	Name of Bank
Amount paid	Payment type	Cheque No
Posted by	Designation	

Statement of Estimated Tax Payable (revised)



TANZANIA REVENUE AUTHORITY

STATEMENT OF ESTIMATE/REVISED ESTIMATE OF TAX PAYABLE BY INSTALMENT MADE ON BEHALF OF AN ENTITY

YEAR OF INCOME:

To:

TIN:

NOTE
An estimate/revised estimate of tax payable to be made by an entity under Section 89 of the Income Tax Act, 2004. You are required to furnish the estimate of income for the year ………… within three (3) months of the beginning of your accounting date or after the preceding calendar year.

Please, read the notes carefully in the appendix before filling in the form.

There are penalties for not/late filing an estimate or for giving false information.

Date of issue: …………

Issuing office: ……………………………………………
P.O. Box: ……………………………………………
Tel: ……………………… Fax: ………………………
E-mail address: ……………………………………………

GENERAL INFORMATION

1 TIN:

2 Name of entity

Postal Address:

3 P. O. Box Postal City

Contact Numbers:

4 Phone number Second Phone

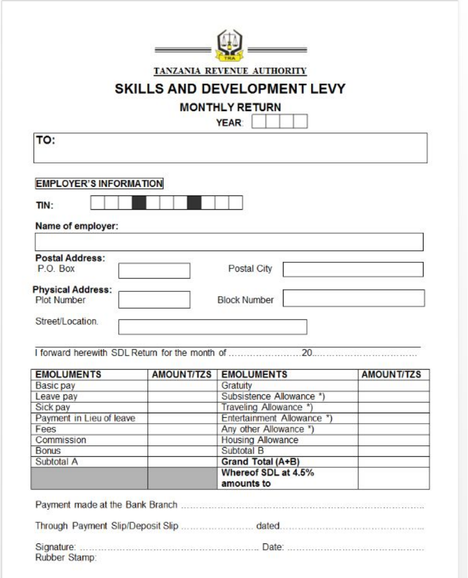
Third Phone Fax number

5 E-mail address

ITX202 – Statement of Estimate Entity

Page 1 of 5

Skills Development Levy: Monthly Return



TANZANIA REVENUE AUTHORITY

SKILLS AND DEVELOPMENT LEVY

MONTHLY RETURN

YEAR

TO:

EMPLOYER'S INFORMATION

TIN:

Name of employer:

Postal Address:
P.O. Box Postal City

Physical Address:
Plot Number Block Number

Street/Location.

I forward herewith SDL Return for the month of ……………………20………………………………

EMOLUMENTS	AMOUNT/TZS	EMOLUMENTS	AMOUNT/TZS
Basic pay		Gratuity	
Leave pay		Subsistence Allowance *)	
Sick pay		Traveling Allowance *)	
Payment in Lieu of leave		Entertainment Allowance *)	
Fees		Any other Allowance *)	
Commission		Housing Allowance	
Bonus		Subtotal B	
Subtotal A		**Grand Total (A+B)**	
		Whereof SDL at 4.5% amounts to	

Payment made at the Bank Branch ………………………………………………………

Through Payment Slip/Deposit Slip ………………… dated………………………………

Signature: ……………………………………………… Date: ……………………………
Rubber Stamp:

Penalties apply (Tshs 225,000 per month) for companies failing to submit above forms before deadline

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