



ASSOCIATION OF TANZANIA EMPLOYERS

*Employers' Choice*

**2023 Finance Bill Updates**

## **AMENDMENTS OF THE EXCISE (MANAGEMENT & TARIFFS) ACT, CAP 147**

---

### **PREDICTABILITY OF THE EXCISE DUTY REGIME IN TANZANIA**

*Shift from Annual-Indexation of Excise Duty-Specific rates to a 3 Years-Indexation regime*

# INTRODUCTION

The Excise (Management and Tariff) Act, Cap 147 through Section 124 (1) imposes an excise duty on excisable non-petroleum products which may include mineral waters, beers made from Malt, spirits, cigarettes containing tobacco, spirits obtained by distilling grapes, cement (proposed), etc., at rates specified in the third and fourth column of the Fourth Schedule as stipulated in the Principal Act.

Sub-sequently, through Section 124 (2), Excise duty Specific rates shall be adjusted annually in accordance with the projected inflation rate. The objective of this measure is to restore the value of specific excise duty rates to be in line with the inflation rate and other key macroeconomic indicators.

## WHAT IS THE PROBLEM?

Despite the provision of the law that excise duty rates shall be annually adjusted (indexed) in accordance with the projected inflation rate, practice evidence that the Minister of Finance has been postponing the requirement of the law to protect local manufacturers, importers, and final consumers from the potential price increment.

However, to ensure the Minister of Finance waives implementation of Section 124 (2), manufacturers and importers have been lobbying in every fiscal year through their Sectoral Associations which include the Confederation of Tanzania Industries (CTI), Tanzania Private Sector Foundation (TPSF), Tanzania Chamber of Commerce, Industries, and Agriculture (TCCIA), etc.

Proposals not to index (adjust in accordance with PROJECT inflation rate) excise duty rates have always been submitted by these Advocacy groups to the Ministry of Finance and Planning for deliberations by the Taskforce on Tax Reforms (TFTRs) and Parliamentary Budget Committee. Non-indexation has been therefore at the will of the Minister of Planning and those that have been bestowed with the advisory role.

The feeling of not being certain what the Minister will decide or specifically what the excise duty rates payable will look like in the upcoming fiscal year has been associated with predictability challenges among investors and traders in the country.





# **2023 FINANCE BILL PROPOSED AMENDMENT**

## **Attaining Certainty & Predictability**

The Finance Bill proposes to amend the Excise (Management and Tariff) Act, Cap. 147, through section 124(2) by changing the adjustment period of specific excise duty rates from every year to every three years from the 2023/2024 financial year. Therefore, the next indexation will be done in the Fiscal Year 2026/2027.

The objective of the amendment is to ensure certainty and predictability of tax policies and to provide for a conducive business environment. However, this measure will only be enjoyed by manufacturers of beer, tobacco products, and non-petroleum products except wines, spirits, and sugar confectioneries.



# References

1. *Excise (Management & Tariffs) Act, Cap 147*
2. *URT, 2023 National Budget Speech, MoFP.*
3. *URT, 2023 Finance Bill*
4. *Confederation of Tanzania Industries, 2022 Tax reforms submission*