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Speech of Government Budget for the year 2019-2020

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THE UNITED REPUBLIC OF TANZANIA

**SPEECH BY THE MINISTER FOR FINANCE
AND PLANNING, HON. DR. PHILIP I.
MPANGO (MP), PRESENTING TO
THE NATIONAL ASSEMBLY, THE
ESTIMATES OF GOVERNMENT
REVENUE AND EXPENDITURE
FOR 2019/20**

13Th June 2019

I. INTRODUCTION

1. *Honourable Speaker*, I beg to move that the Esteemed Parliament resolves to receive, debate and approve the Government's Revenue and expenditure Estimates for the year 2019/20. This is the fourth national budget of the Fifth Phase Government led by His Excellency, Dr. John Pombe Joseph Magufuli, the President of the United Republic of Tanzania. The budget is presented in line with Article 137 of the Constitution of the United Republic of Tanzania of 1977, together with Section 26 of the Budget Act, CAP 439.

2. *Honourable Speaker*, this speech is submitted together with four volumes of budget books: Volume I presents Revenue Estimates; Volume II presents Recurrent Expenditure Estimates for Ministries, Independent Departments and Agencies; Volume III presents Recurrent Expenditure Estimates for Regional Secretariats and Local Government Authorities; and Volume IV presents Development Expenditure Estimates for Ministries, Independent Departments, Agencies, Regional Secretariats and Local Government Authorities. In addition, the Finance Bill 2019 and Appropriation Bill 2019 are part of this Speech.

3. *Honourable Speaker*, may I start by thanking the Almighty God for His grace in enabling me to discharge my duties. I also thank God for the continued blessings to our country, manifested through peace, tranquility, unity and for endowing us national leaders who fear God in serving Tanzanians.

4. *Honourable Speaker*, may I now extend my heartfelt congratulations to His Excellency Dr. John Pombe Joseph Magufuli, the President of the United Republic of Tanzania, the Commander in Chief of the Armed Forces and Chairperson of the Ruling Party, Chama cha Mapinduzi (CCM), for his strong and symbolic leadership in the Continent of Africa, especially in making bold decisions that bear broad national interest. During the period of his leadership, His Excellency has managed to safeguard national resources, led the fight against all forms of corruption, combatted drugs trafficking, as well as strengthening discipline and accountability of the public service. His Excellency has continued to listen to and addressing complaints and challenges facing different groups in the society including: street vendors, artisan small scale miners, farmers, livestock keepers and medium and large scale traders in all districts. Further, His Excellency has sustained peace and security. Furthermore, His Excellency has bravely implemented major flagship projects to build a new Tanzania. I will later on explain some of the major achievements of the Fifth Phase Government that have contributed to positive social and economic changes. At this moment, it is sufficient to mention that, there was a dire need of having a strong leader who makes bold decisions in the implementation of major reforms and flagship projects that have brought great and impressive developments in the three and a half years. Tanzanians have all reasons to be proud of having a strong leader, His Excellency Dr. John Pombe Joseph Magufuli, who is fearless and with high degree of patriotism.

5. *Honourable Speaker*, I would also like to exclusively thank His Excellency for his continued trust in me, for the great position as a Minister for Finance and Planning that has enabled me to prepare and read the Government Budget Speeches for four consecutive years. I humbly thank His Excellency for the great honor accorded to me and the residents of Buhigwe District and Kigoma Region at large. Having said so and bearing in mind that there are many Tanzanians who could be appointed as a Minister for Finance and Planning, then who am I to be appointed and granted these responsibilities? As His Excellency said during the day of my appointment, this position was given to me by the grace of God. Hence, I would like to promise my fellow Tanzanians that I will continue serving them with great integrity.

6. *Honourable Speaker*, I believe that Tanzanians will agree with me that strong leadership depends on capable and committed leaders. Exceptionally, I would therefore like to congratulate Honourable Madam Samia Suluhu Hassan, the Vice President of the United Republic of Tanzania, for her wisdom and efforts in assisting His Excellency the President to lead our Nation. I also congratulate His Excellency Dr. Ali Mohamed Shein, the President of the Revolutionary Government of Zanzibar and the Chairperson of the Revolutionary Council for continuing to lead Zanzibar wisely, the undertaking which has contributed to development of the people of Zanzibar. Further, I sincerely congratulate Honourable Kassim M. Majaliwa, the Prime Minister of the United Republic of Tanzania and Member of Parliament for Ruangwa Constituency, for his strong leadership within the Government, in the Parliament as well as assisting the

President to closely follow up implementation of the CCM Election Manifesto (2015). Likewise, I would like to congratulate Dr. Bashiru Ally Kakurwa, Secretary General of CCM for his outstanding performance in ensuring adherence to the aspirations of Chama cha Mapinduzi in fighting against human inequalities and injustice.

7. *Honourable Speaker*, let me also congratulate the Heads of other Pillars of the State for their supervision and strong leadership, particularly, you Honourable Job Yustino Ndugai, Speaker of the Parliament of the United Republic of Tanzania and Member of Parliament for Kongwa Constituency, for leading the Parliament wisely. There is no doubt whatsoever that, under your leadership and that of Honourable Dr. Tulia Ackson, the Deputy Speaker, the Parliament has remained strong. In addition, I strongly congratulate Honourable Prof. Ibrahim Hamis Juma, Chief Justice of Tanzania, for his excellent work in leading the Judiciary.

8. *Honourable Speaker*, I would also like to take this opportunity to congratulate Honourable Ambassador John Kijazi, Chief Secretary, the Cabinet Secretary and the Head of Public Service for discharging his duties diligently.

9. *Honourable Speaker*, I wish to congratulate and thank all Heads of Defence and Security Organs, Commanders and all Officers for their excellent services to the Nation and high level of patriotism. Specifically, I wish to recognize: General Venance Salvatory Mabeyo, Chief of Defence Forces; Simon Nyakoro Sirro, Inspector

General of Police; Dr. Faustine Martin Kasike, Commissioner General of Prisons, Dr. Anna Peter Makakala, Commissioner General of Immigration; Dr. Modestus Francis Kipilimba, Director of National Intelligence and Security Services; Commissioner Diwani Athumani Msuya, Director General of the Prevention and Combating of Corruption Bureau; Rogers William Siang'a, Commissioner General of Drugs Control and Enforcement Authority, and Thobias Andengenyne, Commissioner General of Fire and Rescue. With our defence and security organs being vigilant and strong, Tanzanians are confidently walking and carrying out their various social and economic activities without fear. We urge them to continue discharging their duties of protecting our borders and maintaining peace of our Country with passion and patriotic heart, thus continue to strengthen the environment for accelerating development and prosperity of our Nation and its citizens.

10. *Honourable Speaker*, in a special manner, I extend my gratitude to Honourable Prof. Adelardus Lubango Kilangi, the Attorney General for preparing on time, the Finance and Expenditure Bills for the year 2019. I also sincerely commend Honourable George Boniface Simbachawene, the Chairperson of the Parliamentary Standing Committee for Budget and Member of Parliament for Kibakwe Constituency; and his Vice Chairperson, Honourable Mashimba Mashauri Ndaki, Member of Parliament for West Maswa Constituency, for their dedication in leading this important Committee. Under their leadership, the Committee provided us with useful comments and constructive advice which have

assisted the Government to improve the budget proposals.

11. *Honourable Speaker*, I would like to admit before the Parliament and the Nation in general that, during the entire period I have been in this position, the Parliamentary Standing Committee for Budget has constructively contributed in the improvement of economic and fiscal policies more than what is known by Tanzanians. Indeed the Committee deserves special recognition. In case there is any medal or prize of recognition from Honourable Speaker, I propose one for this Committee, which has identified itself for its distinguished services, then at the pleasure of Honourable Speaker, I propose the Committee to be the first one to be accorded with such honour. Furthermore, I congratulate Chairpersons, Vice Chairpersons and all Members of Parliamentary Standing Committees, for the inputs provided through various fora of Sectoral Committees, in improving revenue and expenditure estimates for various Ministries and Government at large for the financial year 2019/20. The Improvements made aimed at bringing development to Tanzanians, particularly improving social services and infrastructure.

12. *Honourable Speaker*, the budget for the year 2019/20 has been prepared in line with the Fifth Phase Government pursuit to improve the wellbeing of the underprivileged, improve business environment and investment climate in the Country. The main theme of the budget, as agreed by East African Community Partner States, will continue to be “**Building Industrial Economy for Stimulating Employment and Sustainable Social**

Welfare”. The budget continues to integrate the efforts of strengthening the industrial sector with promotion of the agricultural sector which employs majority of Tanzanians, especially those living in rural areas. The emphasis will be on increasing efficiency and productivity; building economic infrastructure; searching for markets; reducing pitfalls faced by farmers, pastoralists, fishermen, businessmen and investors; as well as improving social services.

13. *Honourable Speaker*, in the morning, I presented the Economic Survey for 2018 and the National Development Plan for the year 2019/20, in which I explained in detail the trend in various economic indicators in 2018. Furthermore, I elaborated on the implementation of the national development plan for 2018/19 and highlighted the priority areas for the year 2019/20. Hence, in this speech, I will focus on the assessment of implementation of the 2018/19 budget and the CCM Election Manifesto (2015), submission of reforms of the systems, various tax rates and levies, together with recommendations of the estimates of revenue and expenditure for the year 2019/20, which portray the way the Government intends to continue strengthening the economy, improving agriculture, infrastructure, services and industrial economy in order to increase employment and improve the welfare of Tanzanians.

II. REVIEW OF 2018/19 BUDGET IMPLEMENTATION

Revenue Performance

14. *Honourable Speaker*, during the year 2018/19, the Government expected to mobilize 32.48 trillion shillings from domestic and foreign sources. The details of the revenue mobilized up to April, 2019 are presented hereunder:

- (i) Tax Revenue reached 12.9 trillion shillings, which is equivalent to 87.4 percent of the target;
- (ii) Non-tax revenue amounted to 2.04 trillion shillings, which is equivalent to 122 percent of the target. Non-tax revenue surpassed the target due to improvement in the use of technology in collection of the non-tax revenue in the Government Agencies through Government Electronic Payment Gateway (GePG);
- (iii) LGAs own source reached 529.25 billion shillings, equivalent to 72 percent of the target;
- (iv) Grants and concessional loans from Development Partners reached 1.70 trillion shillings, equivalent to 86 percent of the target;
- (v) Loans from domestic sources, including rollover of matured Treasury bills and bonds, reached 3.3 trillion shillings, equivalent to 57.4 percent of the target; and
- (vi) External non-concessional loans reached 692.3 billion shillings.

15. *Honourable Speaker*, underperformance of tax revenue collections was attributed to various factors

including: difficulties in imposing taxes in the informal sector; continued loss of revenue caused by smuggling activities, especially through illegal landing sites along the Indian Ocean coast; low level of awareness among citizens to claim for electronic receipts when buying goods or services and existence of dishonest traders who do not issue receipts on sales.

16. *Honourable Speaker*, underperformance of domestic loans was attributed mainly to non-participation of Social Security Funds in the domestic financial market, which were undergoing a restructuring exercise. With respect to external non-concessional borrowing, the observed shortfall was on account of tighter global financial conditions due to appreciation of the US Dollar and higher interest rates. The situation resulted into prolonged negotiations with international financial institutions in order to ensure that the Government secures loans at favourable rates.

17. *Honourable Speaker*, disbursement of grants and concessional loans from Development Partners (DPs) faced various challenges, including failure by some of the DPs to honor their commitments as agreed in the budget, in line with the agreed principles stipulated in the Development Cooperation Framework (DCF).

Expenditure Performance

18. *Honourable Speaker*, the approved budget in 2018/19 was 32.48 trillion shillings, out of which, 20.47 trillion shillings were recurrent expenditure and 12.01 trillion shillings were development expenditure. During the first ten months of 2018/19 up to April 2019, the

Government released 22.19 trillion shillings, which comprised 529.25 billion shillings from LGAs own source. Out of the released funds, 16.75 trillion shillings were recurrent expenditure, which included 6.28 trillion shillings for public servants salaries, 2.49 trillion shillings for other charges and 7.98 trillion shillings for Government debt service and other expenditures related to the Consolidated Fund Services.

19. *Honourable Speaker*, as of April, 2019 the Government released 5.44 trillion shillings for implementation of development projects. Out of the amount, 4.89 trillion shillings were local funds and 547.38 billion shillings were foreign funds. Nevertheless, the amount of foreign funds do not include some of the funds from DPs which were directly disbursed to projects (D-Funds) and will be accounted for in the Government accounts after completion of the accounting procedures.

20. *Honourable Speaker*, during the period under review, LGAs expenditure from own source amounted to 529.25 billion shillings. Out of the amount, 211.7 billion shillings were spent on development projects and 317.55 billion shillings were on recurrent expenditure.

21. *Honourable Speaker*, among the strategic areas that were financed during the period include:

- (i) Timely payment of public servants' monthly salaries amounting to 6.3 trillion shillings;
- (ii) Servicing of Government debts in accordance with contractual obligations amounting to 5.7 trillion shillings, out of which 2.8 trillion shillings were for financing of domestic

- rollover;
- (iii) Other charges 2.2 trillion shillings;
 - (iv) Construction of Hydroelectric Power Project at Rufiji River 723.6 billion shillings;
 - (v) Fee free basic education and higher education students' loans amounting to 616.9 billion shillings;
 - (vi) Rural electrification project-phase III under the Rural Electrification Agency (REA), 269.3 billion shillings;
 - (vii) Procurement and operation of new aircrafts, 238.8 billion shillings; and
 - (viii) Ongoing manufacturing of new ships at great lakes, 27.6 billion shillings.

Payment of Government Arrears

22. *Honourable Speaker*, the Government has continued with verification and payment of arrears to suppliers, contractors and public servants. Up to May 2019, the Government paid 598.4 billion shillings, out of 600.0 billion shillings budgeted for 2018/19. The amount comprised 300.5 billion shillings paid to contractors, 232.9 billion shillings to suppliers, and 65.0 billion shillings to public servants. Meanwhile, as of April 2019, the Government paid 3.1 billion shillings, as salary arrears to 790 retired public servants.

23. *Honourable Speaker*, the Government will continue to set aside funds for payment of verified arrears and take various measures to reduce accumulation of arrears. The measures include enhancing compliance with the Budget Act CAP 439, the Public Procurement Act CAP

410, Public Finance Act CAP 348 and various directives and circulars issued by the Government.

24. *Honourable Speaker*, I wish to emphasize that, notwithstanding the fact that the available financial resources do not suffice the financing of all recurrent and development projects, the ongoing Government efforts is a seed that will continue to yield positive results and move Tanzania to attain middle income status.

Achievements of the Fifth Phase Government in Implementing the CCM Election Manifesto, 2015

25. *Honourable Speaker*, the Fifth Phase Government is implementing with honor the promises in the CCM Election Manifesto (2015) which are also articulated in the National Five Years Development Plan 2016/17 - 2020/21; and the priorities highlighted by His Excellency, the President of the United Republic of Tanzania, during the inauguration of the 11th Parliament on 20th November 2015.

26. *Honourable Speaker*, since this is the fourth budget, kindly allow me to briefly remind ourselves of a few areas that His Excellency emphasized during the early days of his regime. The areas include: sustain economic growth and foster attainment of middle income status; increase revenues and strengthen public expenditure management; strengthen infrastructure development including roads, bridges, airports, railways, ports and energy; build industries; accelerate job creation and poverty reduction; ensure that the exploitation of

minerals and other natural resources benefits of our Nation; improve agriculture, livestock and fishery sectors; improve access and quality of social services such as water, health and education (emphasize on quality of education and skills); fight against all forms of corruption and embezzlement; improve business environment and investment climate; promote tourism; address land disputes; restore discipline and accountability for public servants; and ensure that all of us undertake duties and responsibilities diligently.

27. *Honourable Speaker*, during the three and half years of the leadership of His Excellency, Dr. John Pombe Joseph Magufuli, the President of the United Republic of Tanzania, there have been notable achievements in the areas explained above, indicating that, the CCM Election Manifesto (2015) is being implemented effectively.

28. *Honourable Speaker*, among the achievements attained in the implementation of the CCM Election Manifesto (2015) during the three and half years of the Fifth Phase Government include:

- (i) Construction of Central Railway Line to Standard Gauge, whereby up to April 2019, construction of the Dar es Salaam - Morogoro Section (300 km) has reached 48.9 percent and Morogoro - Makutupora section (422 km) is at 7.12 percent. Completion of the project will improve transport services and facilitate movement of goods (agriculture produce, livestock, mines and forestry produce) and passengers to and from the neighboring

landlocked countries (Uganda, Rwanda, Burundi, DRC) and enable Tanzania to be a trade and logistics hub in the Great Lakes Region. Further, this project will reduce wear and tear of roads emanating from transportation of heavy cargo trucks, reduce cargo congestion at the Dar es Salaam Port and therefore creating employment opportunities;

- (ii) Revamping of Air Tanzania Company Ltd. (ATCL), whereby up to April 2019, a total of six aircrafts were procured and are already in operation for domestic routes (Dar es Salaam, Mwanza, Bukoba, Kigoma, Tabora, Dodoma, Iringa, Mbeya, Songea, Mtwara, Arusha, Mpanda) and international routes (Hahaya - Comoro, Lusaka, Harare, Entebbe, Bujumbura). Moreover, a new aircraft, Boeing 787-8 Dreamliner and Bombardier Q400 are expected to be delivered at the end of 2019. In the near future, ATCL is expected to start flying to Mumbai (India), Johannesburg (South Africa) and Guangzhou (China). Improvement of the air transport will contribute to the growth of the trade and tourism sectors;
- (iii) Completion of Terminal III building and its supportive infrastructure at Julius Nyerere International Airport with the capacity to handle six million passengers per annum;
- (iv) Construction of trunk and regional roads to bitumen standard and bridges including: Mfugale Flyover at TAZARA junction; Ubungo

interchange at Ubungo junction; eight-lane road from Kimara Dar es Salaam to Kibaha (19 km); Magufuli Bridge at Kilombero River; and new Selander Bridge in Dar es Salaam with its access roads of 5.2 kilometres;

- (v) Building of new passenger and cargo ships in Lake Victoria, Tanganyika and Nyasa;
- (vi) Completion of expansion of berth number one, commencement of expansion of berth number two and construction of concrete floor at Ro-Ro (Roll on Roll off) berth at Dar es Salaam Port. The expansion will avail large ships smooth access to the port for docking;
- (vii) Construction of a major Hydroelectric Power Project at Rufiji River with capacity of generating 2,115 MW. Construction of supportive infrastructure has been completed and the contractor of the project has been procured. Once completed, this project will guarantee availability of reliable and affordable electricity, which is an important milestone in building an industrial economy. The project will also open up opportunities for tourism, fishing and irrigation farming; and
- (viii) Continued with the implementation of the REA Turnkey Project, whereby up to May 2019, a total of 7,127 villages were electrified.

29. *Honourable Speaker*, there are other significant achievements in improvement of access and quality of social services under the Fifth Phase Government which include:

- (i) Continue with the implementation of fee free basic education (primary to lower secondary education) and increasing provision of loans to students of higher education;
- (ii) Construction and rehabilitation of Universities' infrastructure, including completion and inauguration of the University of Dar es Salaam Library with an international standard capable of accommodating 2,100 Students at once;
- (iii) Improvement of health services in referral, regional and district hospitals, health centres and dispensaries. Further, availability of drugs, medical equipment, reagents and specialty services have improved. Consequently, number of patients who were being referred outside the country has declined, thereby saving resources that would have been spent for treatment abroad; and
- (iv) Improvement of access to safe and clean water in urban and rural areas, whereby the access rate has reached 85 percent in Dar es Salaam City, 80 percent in other regions, 64 percent in small towns and 64.8 percent in rural areas.

30. *Honourable Speaker*, other achievements under the Fifth Phase Government are:

- (i) Sustaining macroeconomic performance including GDP growth at an average rate of 6.9 percent for the last three years (2016-2018), growth of agriculture sector at an average rate of 5.3 percent, containing inflation rate at a single digit at an average of 4.7 percent for the

period, stability of the shilling against other currencies and reduction of poverty incidence from 28.2 percent to 26.4 percent;

- (ii) Relocate the Central Government operations to Capital City Dodoma and develop the Government City by constructing 23 Government office buildings for all Ministries and the Attorney General's Chambers, with basic infrastructure including electricity, water and roads;
- (iii) Curbing of smuggling of minerals in order to enable the nation benefit from its resources including amending the Mining Act, 2010 together with enacting Natural Wealth and Resources (Permanent Sovereignty) Act, 2017, construction of a fence surrounding Tanzanite Mines in Mirerani and establishment of Mineral Market Centres;
- (iv) Commencing implementation of the Fast Tracking Industrialization Strategy. Further, Private Sector together with Social Security Funds have invested in industrial projects, whereby 7 out of 25 projects are being developed by the Funds;
- (v) Government Electronic Systems for revenue collection and administration have been strengthened;
- (vi) Government Financial Management has been strengthened, including establishment of Treasury Single Account;

- (vii) Strengthening of Public Institutions and those that the Government owns shares. The Government has continued to closely monitor the operations of Public Corporations with a view to ensure relevant contributions and dividends are paid to the Government. In strengthening Public Corporations and Institutions in which the Government owns shares, the Government has realized notable achievements whereby public institutions and corporations that were not paying dividends and contributions to the Government have started doing so. In 2015/16, there were only 13 corporations that paid dividends to the Government amounting to 119.2 billion shillings and the number has gone up to 28 in 2018/19 that paid dividends amounting to 497.5 billion shillings as of May 2019;
- (viii) The Government has made fruitful negotiations of national interests with various companies including Airtel Tanzania and achieved the following: Increase its shares in Airtel Tanzania from 40 to 49 percent without incurring additional costs, appoint Board Chairperson and Chief Technical Officer; Airtel Tanzania to pay 1.0 billion shillings every month for five years and a total of 3.0 billion shillings have been paid for the months of April, May and June 2019; receive 1.0 million USD from the Chairperson of Bharti Airtel as part of Corporate Social Responsibility. The funds have been allocated for construction of a modern hospital in Dodoma, cancellation of Airtel

Tanzania debt and claims owed to Bharti Airtel amounting to 937 billion shillings (407.38 USD million), and received special dividend from Airtel Tanzania gross income for 2019.

- (ix) Combating corruption and embezzlement of public funds, which according to the Transparency International Reports of 2018, Tanzania ranked 16th among the Sub-Saharan African compared to 27th in 2015.

31. *Honourable Speaker*, on account of the achievements that I have just explained, it is clear that the Fifth Phase Government, under the auspices of CCM, our Nation is progressing towards the right direction. The Government, under the Ruling Party CCM, led by His Excellency Dr. John Pombe Joseph Magufuli, extends appreciation to all citizens who have fulfilled their obligations of voluntarily paying taxes, thereby enabling the Government to attain notable achievements in a relatively short period. The citizens have shown high degree of commitment and patriotism in an endeavor to build a new Tanzania. The achievements attained are also attributed to sustained discipline in economic management, curbing of revenue leakages, and expenditure control. The Budget that I am presenting before your Esteemed Parliament, is a continuation in implementing the Government objectives as articulated in the Second National Five Year Development Plan 2016/17-2020/21 and the CCM Election Manifesto 2015.

III. FISCAL POLICIES FOR 2019/20

Macroeconomic Policy Targets

32. *Honourable Speaker*, macroeconomic targets for 2019/20 budget are as follows:

- (i) To attain real GDP growth of 7.1 percent in 2019 up from the actual growth of 7.0 percent in 2018;
- (ii) Contain inflation to a single digit between 3.0 to 4.5 percent over the medium term;
- (iii) Domestic revenue is projected at 15.8 percent of GDP in 2019/20 from the likely outturn of 14.3 percent in 2018/19;
- (iv) Tax revenue is estimated at 13.1 percent of GDP in 2019/20 from the likely outturn 12.1 percent in 2018/19;
- (v) The Government expenditure is projected at 22.7 percent of GDP in 2019/20 from the likely outturn of 21.6 percent in 2018/19; and
- (vi) Budget deficit is estimated at 2.3 percent of GDP in 2019/20 from the likely outturn of 2.0 percent of 2018/19.

Policy and Strategies to Increase Revenue

33. *Honourable Speaker*, in 2019/20, the Government intends to increase and strengthen domestic resource mobilization aiming at financing Government operations, including infrastructure projects and social services. In achieving this aspiration, the Government will undertake the following policy and administrative measures:

- (i) Improving business environment with a view of attracting investments, promote growth of

small and medium size enterprises in order to widen the tax base and increase other Government revenues;

- (ii) Reviewing tax rates with a view of promoting production and protecting local industries against unfair external competition;
- (iii) Imparting the culture of voluntary tax payment, widening tax base and use of ICT in tax administration;
- (iv) Strengthening administration of tax laws to address challenges of tax evasion and reduce revenue leakages, as well as emphasizing on provision of education to tax payers;
- (v) Strengthening collection of non-tax revenue through ensuring effective use of ICT systems;
- (vi) Continue to harmonize and adjust various levies and fees being charged by Government Agencies, Institutions and Local Government Authorities; and
- (vii) Strengthening the capacity of TRA to detect and control tax evasion practices, especially through increasing manpower, modern working tools and training.

34. *Honourable Speaker*, in order to attain the estimated domestic revenue targets, the Government has prepared specific administrative strategies that will be implemented in the medium term. The strategies include:

- (i) To increase efficiency in administration and collection of domestic revenue through implementation of Integrated Domestic Revenue Administrative System (IDRAS);
- (ii) To widen the tax base through identification and registration of new tax payers as well as continue with the exercise of informal sector formalization;
- (iii) To invest in areas that have potential of generating more revenues to the Government, particularly in deep sea fishing through construction of fishing port and procurement of fishing ships;
- (iv) To strengthen capacity for monitoring and controlling of transfer pricing commonly practiced by international companies;
- (v) To enhance administration of tax exemptions by ensuring that they are directed to the intended projects;
- (vi) To ensure that non-tax revenues are collected through Government Electronic Payment Gateway System (GePG) in order to improve efficiency in domestic revenue collection; and
- (vii) To strengthen monitoring systems in the Government institutions in order to ensure that contributions from public institutions are timely remitted to the Government Coffers.

35. *Honourable Speaker*, with regard to grants and concessional loans from external sources, the Government

will continue to strengthen cooperation with Development Partners (DPs). Further, the Government will continue to engage DPs through various dialogues to ensure that each party abides by the principles of development cooperation as well as continue with strategic dialogues and resolve policy or perspective differences amicably whenever they arise, without jeopardizing disbursement of funds for implementation of the Government Budget.

36. *Honourable Speaker*, regarding domestic and external non-concessional loans, the Government will strengthen sensitization of stakeholders in the domestic financial market, aimed at improving their participation in the auction of Government securities. Further, efforts are being undertaken to attract various foreign investors who are willing to finance the Government to facilitate implementation of development projects to enhance productivity to the national economy.

Expenditure Policies

37. *Honourable Speaker*, in 2019/20, the Government will continue to maintain discipline in the use of public funds and conduct monitoring and evaluation, especially on development projects. The main objective is to increase efficiency in the use of public funds in the implementation of development projects to ensure value for money. Further, the Government will continue to verify, clear and control further accumulation of arrears. In addition, the Government will continue to allocate funds in priority areas which stimulate economic growth.

Priority Areas for 2019/20

38. *Honourable Speaker*, in the speech I presented this morning on the Economic Survey for 2018 and the Annual Development Plan for 2019/20, I highlighted the priorities for 2019/20 which will be implemented with emphasize on environmental protection. The budget focuses on implementation of the following priorities:

- (i) **Industries and Agriculture:** in fostering the Government aspiration of building industrial economy, in 2019/20 the Government will continue to focus more on industries that utilise locally available raw materials such as agricultural produce, livestock, fishery, forestry and minerals, produce goods for domestic market and for export, as well as increasing employment opportunities. Further, as we all know, agriculture sector, which comprises crops, fishery, livestock and forestry, is key to industrial development in Tanzania as the large portion of industrial raw materials depend on agriculture. In strengthening the sector, the Government will continue to implement the Agricultural Sector Development Programme II (ASDP II), particularly in ensuring availability of improved seeds, inputs, extension services, markets, supportive infrastructure and research, including allocating more funds to agricultural supportive sectors and granting tax reliefs. Moreover, the Government will continue to strengthen Agricultural Crop Boards, improve and promote establishment of crop cooperative societies so as to enable them access credit from financial institutions for investment in various agricultural activities and establishment of

small industries for crops value addition;

- (ii) **Economic growth and human development:** despite focusing more on increasing growth on major sectors of the economy which employ majority of Tanzanians, the budget for 2019/20 will be directed towards improving availability of quality health services, education and skills, food and nutrition as well as clean and safe water. In addition, the budget shall put more emphasize on increasing the quality of labour force to meet the labour market demands;
- (iii) **Improvement of enabling business environment and investment climate:** the budget puts more emphasize on construction and rehabilitation of infrastructure, especially railway, ports, energy, roads, bridges and airports. The Government will continue reviewing and strengthening the policy, legal and institutional frameworks coupled with strengthening peace and security in order to attract both domestic and foreign investors. I wish to assure the business community, investors and citizens at large that with effect from next financial year, the Government will implement the Blueprint Action Plan exhaustively to improve business environment, so that the business environment becomes more friendly, cost effective and efficient; and
- (iv) **Monitoring and Evaluation:** the budget also intends to strengthen monitoring and evaluation of the implementation of development projects at all levels. Moreover, the Government will strengthen administration of tax and non-tax revenue collections in order to increase efficiency in budget

implementation, but also ensuring that the collection of taxes do not affect businesses. I wish to reiterate my earlier emphasize to TRA's staff that it is not permissible to close businesses as a means of enforcing payment of tax and tax arrears, without written permission of the Commissioner General of TRA.

IV. REFORM OF THE TAX STRUCTURE, FEES, LEVIES AND OTHER REVENUE MEASURES

39. *Honourable Speaker*, I propose to make amendments to the tax structure that will include amendments to the tax rates, levies and fees imposed under various laws and also administration procedures on government revenue collection. These amendments are intended together with other things, to promote economic growth particularly in the industrial sector, increase employment opportunities and increase Government revenue. In addition, the Government has started implementing the BLEUPRINT for Regulatory Reforms to improve the Business Environment which was approved in 2017/18. The process has started by reviewing various levies and fees imposed by Ministries Departments, Agencies and Regulatory Authorities with a view to abolish some of them and reduce or harmonise those which are charged by more than one organization. The proposed amendments will cover the followings tax laws:-

- (a) The Value Added Tax Act, CAP 148;
- (b) The Income Tax Act, CAP 332;
- (c) The Excise (Management and Tariff) Act, CAP 147;
- (d) The Tax Administration Act, CAP 438;
- (e) The Road Traffic Act, CAP 168;
- (f) The East African Community Customs Management Act, 2004;
- (g) The Budget Act, CAP 439;
- (h) Minor amendments in tax laws and other laws;
- (i) Implementation of the BLUEPRINT for Regulatory Reforms to improve Business

Environment by amending various fees and levies; and

- (j) Policy and Administrative measures to improve collection of Government Revenue.

(a) The Value Added Tax Act, CAP 148

40. *Honourable Speaker*, I propose to make amendments in the Value Added Tax Act, 2014, CAP 148 as follows:-

- (i) To exempt Value Added Tax on imported refrigeration boxes (HS Code 8418.69.90). The measure is intended to reduce production costs and promote modern horticultural farming in the country;
- (ii) To amend section 68(3)(d) of the Value Added Tax to exclude the restriction on exports of raw agricultural products. This measure is intended to facilitate exports of raw products and enhance competitiveness of the product in the international markets;
- (iii) To exempt Value Added Tax on Grain Drying Equipments (HS Code 8419.31.00). This exemption is expected to reduce costs incurred in grain drying for storage purpose. In addition this measure will stimulate production of grain crops;
- (iv) To amend the Value Added Tax Act in order to zero rate supply of electricity services from Tanzania Mainland to Tanzania Zanzibar;
- (v) To amend item 11 in the Second part of the exemption schedule to the Value Added Tax

Act in order to exempt aircraft lubricants imported by domestic operators, National Air Force, or Airlines Corporations recognized in Bilateral Air Service Agreement. This measure will enable our country to sign Bilateral Air Service Agreements which we could not be able to sign due to absence of such exemptions;

- (vi) To amend the Second Part of the Exemption Schedule to the Value Added Tax Act in order to include airline tickets, flyers, calendars, diaries, labels and employees uniforms with the names of the Airline operator. These items will be exempted if they are imported by airlines recognized under Bilateral Air Service Agreements. The measure will enable our country to sign Bilateral Air Services Agreements; and
- (vii) Abolish Value Added Tax exemption on Sanitary Pads (HS Code 9619.00.00) because the measure could not facilitate availability of this essential product to the intended beneficiaries at reasonable price but instead the benefits have gone to the traders.

The VAT measures altogether are expected to reduce Government revenue by **shillings 1,646.7 million**.

(b) The Income Tax Act, CAP 332

41. *Honourable Speaker*, I propose to make amendments to the Income Tax Act, CAP 332 as follows:-

- (i) To amend the Income Tax Act in order to reduce the Corporate Income tax rate from 30

percent to 25 percent for new investors in the production of sanitary pads for two years starting from year 2019/20 up to 2020/21. The Government will sign a Performance Agreement with investors to assign responsibilities to both parties. This measure is intended to attract investment in the production of sanitary pads, create employment and raise Government revenue;

- (ii) To amend the Income tax Act, Cap 332 in order to exempt Withholding tax on various fees charged to Government on Loans received from Non-residential Banks and other International Financial Institutions. The fees to be exempted include commitment fees, Insurance Premium fees, Insurance Management fees, Arrangements fees and any other fees imposed as part of costs of such loans. This measure will enable the Government to secure Loans at lower costs and in a reasonable time. It will also facilitate implementation of Government projects timely;
- (iii) To amend the Income Tax Act in order to increase the minimum amount of turnover required for taxpayer to start filling the accounts to Tanzania Revenue Authority from twenty million shillings (20,000,000/=) to one hundred million shillings (100,000,000/=). The measure is intended to reduce costs incurred by taxpayers to engage a Certified Public Accountant for preparation of financial accounts. In addition, this measure seeks to

improve voluntary compliance and increase Government revenue;

- (iv) To amend the First Schedule of the Income Tax Act in order to introduce Presumptive tax regime to taxpayers with annual turnover from four million shillings (4,000,000/=) and hundred million shillings (100,000,000/=) who will not be obliged to submit financial accounts to Tanzania Revenue Authority for determining income tax. In addition, Table No. 1 below shows the current tax rates while Table No. 2 shows the new proposed tax rates. The objective of this measure is to reduce the tax compliance burden on small businesses as well as to align the tax rates with the minimum amount of turnover required for businesses to use Electronic Fiscal Device (EFD) machine whereby the current amount is fourteen million shillings (14,000,000). This measure is also intended to emphasize on the compliance of using EFD machines.

Table No. 1: Current presumptive tax rates structure

Turnover (Shillings)	Tax payable where section 35 of Tax Administration Act is not complied with	Tax payable where section 35 of Tax Administration Act is complied with
Where turnover 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 turnover in excess of Tshs. 4,000,000/=
Where turnover exceeds Tshs. 7,500,000/= but does not exceed Tshs. 11,500,000/=	Tshs. 318,000/=	Tshs. 135,000/= plus 3.8% of turnover in excess of Tshs. 7,500,000/=
Where turnover exceeds Tshs. 11,500,000/= but does not exceed Tshs. 16,000,000/=	Tshs.546,000/=	Tshs. 285,000/= plus 4.5% of 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/= plus 5.3% of turnover in excess of Tshs. 16,000,000/=

Table No. 2: Proposed presumptive tax rate structure

Turnover	Tax payable where section 35 of Tax Administration Act is not complied with	Tax payable where section 35 of Tax Administration Act is complied with
Where turnover does not exceed Tshs. 4,000,000/=	NIL	NIL
Where turnover exceeds Tshs. 4,000,000/= but does not exceed Tshs. 7,000,000/=	Tshs. 100,000/=	3% of turnover in excess of Tshs. 4,000,000/=
Where turnover exceeds Tshs. 7,000,000/= but does not exceed Tshs. 11,000,000/=	Tshs. 250,000/=	Tshs. 90,000/= plus 3% of turnover in excess of Tshs. 7,000,000/=
Where turnover exceeds Tshs. 11,000,000/= but does not exceed Tshs. 14,000,000/=	Tshs.450,000/=	Tshs. 230,000/= plus 3% of turnover in excess of Tshs. 11,000,000/=
Where turnover exceeds Tshs. 14,000,000/= but does not exceed Tshs. 100,000,000/=		Tshs. 450,000/= plus 3.5% of turnover in excess of Tshs. 14,000,000/=

The Income Tax measures altogether are expected to increase Government revenue by **shillings 35,192.5 million**.

(c) The Excise (Management and Tariff) Act, CAP 147

42. *Honourable Speaker*, According to the Excise Tax (Management and Tariff) Act, CAP 147 Section 124(2), the specific excise duty rates may be annually adjusted in

accordance with the projected inflation rate and other key macroeconomic indicators. On the basis of the Act, I propose not to amend the specific excise duty rates for all non-petroleum products except for few products that I have listed below. This measure takes into account the Level of inflation which is very low and Government's objective of building an industrial economy by promoting investment in the industrial Sector, and increase its contribution to the GDP. Together with these measures, I propose to amend the Excise Tax (Management and Tariff) Act, to undertake the following:-

- (i) Reduce excise duty rate on wine produced with domestic fruits (such as banana, cashew, rozera, tomatoes etc) produced locally other than grapes with contents exceeding 75 percent from shillings 200 per litre to shillings 61 per litre which is a decrease of shillings 139 per litre. The aim of this measure is to encourage voluntary tax compliance and promote growth of the small and medium scale industries with a view to increase Government revenues;
- (ii) To impose excise duty of 10 percent on locally made artificial hair and 25 percent on imported ones HS Code 67.03; 67.04 and 05.01. This measure is intended to increase Government revenue;
- (iii) To amend the Excise Tax (Management and Tariff) Act, to provide exemption on imported aircraft lubricants by domestic operators, National Air Force, or airlines corporations recognized in Bilateral Air Services Agreement;

- (iv) To impose an excise duty rate of 10 percent on pipes and plastics materials (tubes, pipes and hoses and fittings i.e joints, elbows flanges etc.). This measure is imposed on products under HS Code 39.17. The objective of introducing excise duty on these products is to protect local production, employment and Government revenue. Furthermore there are many industries producing such pipes and plastic materials in the country.

The Excise Duty measures on non-petroleum products altogether are expected to increase Government revenue by **2,955.5 million**.

(d) The Tax Administration Act, CAP 438

43. *Honourable Speaker*, I propose to amend Section 70(2) of the Tax Administration Act, CAP 438 in order to extend for six months up to December 2019 the period given for 100 percent Tax Amnesty on interest and penalties. The extension is granted to taxpayers who had already applied for amnesty and this measure is taken due to positive response from taxpayers after the Tax Amnesty was announced in July 2018.

The measure is expected to increase Government revenue by **shillings 367,000 million**.

(e) The Road Traffic Act, CAP 168.

44. *Honourable Speaker*, I propose to amend the Road Traffic Act, CAP 168, as follows:-

- (i) To extend the validity period for drivers License from three years to five years;

- (ii) To increase the Driving License fees from current shillings fourty thousands (40,000/=) to shillings seventy thousands (70,000/=);
- (iii) To increase the registration card fee for all forms of motor vehicles from ten thousand shillings(10,000/=) to Fiffy thousand shillings (50,000/=), motorcycle, from ten thousands (10,000/=) to thirty thousands (30,000/=); and tricycle from ten thousand shillings (10,000/=) to twenty thousand shillings (20,000/=).

These measures are intended to reduce costs related to issuance of drivers license as they can last for more tan five years while the current validity period is three years.

The measures altogether are expected to generate Government revenue by **shillings 18,147 million.**

(f) The East African Community Customs Management Act, 2004

45. *Honourable Speaker*, the pre-Budget Consultation of the Ministers of Finance from the EAC-Partner States which was held on 3rd May, 2019 proposed to effect changes in the common External Tariffs (CET) rates and the East African Community Customs Management Act (EAC-CMA), 2004 for year 2019/20. The proposed changes are aimed at *“Transforming Lives through industrialization and Job Creation for shared Property among the people of the East African Community.”*

46. *Honourable Speaker*, the Ministers for Finance proposed to effect new changes in the Common External Tariff (CET) for year 2019/20 and also agreed to continue

with implementation of some measures that were effected during the financial year 2018/19.

(i) The proposed new changes in the Common External Tariffs are as follows:-

(a) Grant Duty Remission and apply a duty rate of zero percent instead of 10 percent on raw materials used to manufacture Baby Diapers. The beneficiaries of the duty remission are those industries which are manufacturing this product. The measure is intended to reduce production costs, create employment and increase Government revenue. The Government is expecting that the industries will produce such products and sell them at reasonable price which is affordable to the people. The raw materials that will be eligible for Duty Remission include products under Hs Codes HS Code 3506.91.00; PE Film HS Code 3926.90.90; Super Absorbent Polymer HS Code 3906.90.00; Wet Strength Paper HS Code 4803.00.00; Non Wovens HS Code 5603.11.00; Polyethylene Laminated Non Wovens HS Code 5903.90.00; Spandex HS Code 5402.44.00; and Dust Free Paper Hs Code 4803.00.00;

(b) Grant a Duty Remission and apply a duty rate of 0 percent instead of 25 percent for one year on the equipment and appurtenant used for polishing and heat treatment of Gemstones. This measure is intended to create value addition on gemstones,

employment creation and increasing Government revenue. The Duty Remission will apply to equipment falling under HS Codes 3606.90.00; 6804.10.00; 6813.20.00; 7018.90.00; 7020.00.99; 8202.20.00; 8202.99.00; 8203.20.00; 8205.10.00; 8423.89.90; 8513.10.90; and 9002.19.00;

- (c) Grant Duty Remission and apply a duty rate of 0 percent instead of 10 percent for one year on papers used as raw materials for manufacturing of packaging materials for export of horticulture products (HS Codes 4805.11.00 and 4805.19.00) The measure is intended to reduce production costs in order to protect domestic industries against foreign competition, attract investments in the production of these products in the country and ultimately promote exports of horticultural products for foreign exchange earnings;
- (d) Grant Duty Remission on agricultural seeds packaging materials and apply a duty rate of 0 percent instead of 25 percent for Local producers of agricultural seeds for one year. The referred packaging materials falls under HS codes 3923.29.00; 6305.10.00; 4819.40.00; 7310.29.90; 6305.33.00; 6305.20.00; 6304.91.90; 7607.19.90. The packaging materials are essential elements for preserving the quality of agricultural products and produce hence availability of affordable packaging materials ensures customers good quality products.

The measure is also intended to reduce costs to the seed production institutions in the country;

- (e) Grant Duty Remission and apply a duty rate of 0 percent instead of 25 percent for one year on Aluminium Alloys (HS Code 7606.92.00) used as raw materials to manufacture aluminium pots. The measure is intended to reduce production costs, promote production of pots in the country and employment;
- (f) Grant stay of application of the EAC rate of 25 percent and instead apply a duty rate of 35 percent on roasted coffee for one year (HS Code 09.01). This measure is aimed at protecting domestic industries and increase Government revenue;
- (g) To impose an import duty of 10 percent or USD 125 per metric ton on flat-rolled products of iron or non-alloy steel and Flat-rolled products of other alloy steel of width of 600mm or more, whichever is higher for one year. The referred products are those under HS Codes 7209.16.00; 7209.17.00; 7209.18.00; 7209.26.00; 7209.27.00; 7209.28.00; 7209.90.00; 7211.23.00; 7211.90.00; 7225.50.00 and 7226.92.00. This measure is aimed at protecting domestic industries and addressing the challenges of under-invoicing and undervaluation;
- (h) To impose an import duty of 25 percent or USD 200 per metric ton on Flat-rolled

products of iron or non-alloy steels whichever is higher for one year (HS Code 7212.30.00; 7212.40.00; and 7212.50.00). This measure is intended to protect domestic industries, and employment. Furthermore, it is intended to address the challenges of under-invoicing and under-valuation;

- (i) To impose an import duty of 10 percent or USD 250 per metric ton on Flat-rolled products of iron or non-alloy steel, whichever is higher for one year (HS Code 7212.60.00) The objective of this measure is to protect domestic industries and employment while at the same time addressing the challenges of under-invoicing and under-valuation;
- (j) To impose an import duty of 25 percent or USD 250 per metric ton on Flat-rolled products whichever is higher for one year (HS codes 7210.41.00; 7210.49.00; 7210.61.00; 7210.69.00; 7210.70.00 and 7210.90.00). This measure is intended to protect domestic producers of Flat-rolled products in the EAC region;
- (k) Stay of application of EAC-CET rate of 25 percent or USD 200 per metric ton whichever is higher on reinforcement bars and hollow profiles and apply a duty rate of 25 percent or USD 250 metric ton whichever is higher for one year. The measure is targeted to products falling under HS codes 7213.10.00; 7213.20.00; 7213.99.00; 7214.10.00; 7214.20.00;

7214.30.00; 7214.90.00; 7214.99.00; 7215.10.00; 7215.50.00; 7215.90.00; 7225.90.00; 7225.92.00; 7225.99.00; 7306.30.00; 7306.50.00; 7306.61.00; 7306.69.00; and 7306.90.00. The objective of this measure is to protect Local manufacturers of reinforcement bars in the region and enhancing competitiveness of domestically produced iron and steel products;

(l) Stay of application of the EAC-CET rate and apply a duty rate of 35 percent instead of 25 percent for one year on horticultural products falling under HS codes 0603.11.00; 0603.12.00; 0603.13.00; 0603.14.00; 0603.19.00; 0604.20.00; 0604.90.00; 0701.90.00; 0702.00.00; 0703.10.00; 0703.20.00; 0706.10.00; 0710.10.00; 0710.21.00; 0710.22.00; 0710.30.00; 0714.10.00; 0714.20.00; 0804.30.00; 0804.40.00; 0804.50.00; 0805.10.00; 0805.40.00; 0805.50.00; 0806.10.00; 0807.11.00; 0807.20.00; 0808.10.00; and 0808.20.00. This measure is expected to increase Government revenue;

(m) Stay application of the EAC-CET rate of 0 percent and apply a duty rate of 10 percent on Monofilament (PVC Profiles HS Codes 3916.10.00; 3916.20.00 and 3916.90.00) for one year. This measure is intended to increase Government revenue.

(ii) The measures that were effected during 2018/19 which continues to be implemented in 2019/20 are as follows:-

- (a) Stay of application of the EAC-CET rate of 0 percent and apply a duty rate of 25 percent for one year on papers under HS Code 4804.11.00; 4804.21.00; 4804.29.00; 4804.31.00 and 4804.41.00. These are papers produced by Mufindi Paper Mills. The increase in import duty on these papers is aimed at enhancing competitiveness of domestically produced papers and paper products;
- (b) Grant Duty Remission and apply an import duty of 10 percent instead of 35 percent on Wheat Grain falling under HS Code 1001.99.10 and 1001.99.90 for one year. This measure takes in account that the level of production is not sufficient to meet the demand in the EAC region to satisfy the demand in order industries and ensure food security;
- (c) Stay of application of the EAC-CET rate of 10 percent and instead apply a duty rate of 0 percent for one year on Electronic Fiscal Devices (EFD's) machines falling under HS Code 8470.50.00. This measure is intended to continue encouraging the taxpayers to use EFD machines for accounting VAT and efficient management control in the areas of sales analysis and stock control;
- (d) Grant Duty Remission and apply a duty rate of 0 percent instead of 25 percent for one year on Printed Aluminium Barrier Laminates HS Code 3920.10.90. The aim of this measure is

to reduce production costs and promote competitiveness of domestic industries producing toothpaste. Furthermore, it is intended to promote employment;

- (e) Grant Duty Remission and apply a duty rate of 0 percent instead of 10 percent for one year on RBD Palm Stearin (HS Code 1511.90.40). This measure is taken to ensure availability of RBD Palm Stearin for stand alone soap industries. It also takes into account the Government decision to impose an import duty of 25 percent on Crude Palm Oil;
- (f) Grant Stay of application of the EAC-CET rate and apply a duty rate of 25 percent or USD 1.35 per kilogram of safety matches (HS Code 3605.00.00) whichever is higher for one year. There is sufficient capacity to produce this product in the EAC region, hence there is a need to protect the Local industries;
- (g) Grant Stay of application of EAC-CET rate and instead apply a duty rate of 25 percent or USD 350 whichever is higher for one year on nails, tacks, drawing pins, corrugated nails, staples other than those of heading 83.05. The objective of this measure is to protect local producers of these products against imported cheap products;
- (h) Grant stay application of the EAC-CET rate of 25 percent and instead apply a duty rate of 35 percent for one year on Sausages and

similar products (HS Code 1601.00.00). The objective of the measure is to protect domestic industries which produce similar products in the región;

- (i) Stay of application of EAC-CET rate on chewing gum (HS Code 1704.10.00) and apply a duty rate of 35 percent instead of 25 percent for one year. The objective of the measure is to protect local production of the product as there is sufficient production in the EAC región;
- (j) Stay of application of EAC CET rate on other sugar confectionary (sweets under HS Code 1704.90.00) and apply a duty rate of 35 percent instead of 25 percent for one year. The measure is intended to protect local industries in the region and promote employment as there is sufficient capacity to produce such products;
- (k) Stay of application of the EAC-CET rate on chocolates (HS Code 18.06) for one year and apply a duty rate of 35 percent instead of 25 percent. The aim is to protect Local production of the product as there is sufficient capacity to produce in the region;
- (l) Stay of application of the EAC-CET rate on Biscuits (HS Code 19.05) for one year and apply a duty rate of 35 percent instead of 25 percent. The objective is to protect local

production and promote employment in the region;

- (m) Stay of application of the EAC-CET rate on tomato sauce (HS Code 2103.20.00) for one year and apply a duty rate of 35 percent instead of 25 percent. The objective of this measure is to protect local production as there is sufficient production to meet the demand in the country;
- (n) Stay of application of the EAC-CET rate on mineral water (HS Code 2201.10.00) for one year and instead apply a duty rate of 60 percent instead of 25 percent. There is sufficient capacity to produce this product in the country hence there is a need to protect domestic industries, employment and Government revenue;
- (o) Stay of application of the EAC-CET rate on meat and edible offal under chapter 2 for one year and apply a duty rate of 35 percent instead of 25 percent. The measure is intended to protect and encourage domestic processing and value addition;
- (p) Impose an import duty of 25 percent on crude edible oil (for example sunflower oil, palm oil, groundnuts oil, olive oil, maize corn oil e.t.c) for one year. The edible oils fall under HS code 1507.10.00; 1508.10.00; 1511.10.00; 1512.11.00; 1513.11.00; 1514.11.00; 1514.91.00; 1515.11.00; 1515.21.00; 1515.30.00. The objective of this measure is to continue

encouraging and promoting production of edible oils by using locally produced seeds. It is also intended to protect domestic producers of edible oil and oil seeds and create both employment and income to the farmers;

- (q) Stay of application of the EAC-CET rate of 25 percent and instead apply a duty rate of 35 percent for one year on semi refined, refined/double refined edible oils (for example sunflower oil, palm oil, groundnuts oil, olive oil, maize corn oil etc). The referred edible oil falls under HS Code HS codes 1507.90.00; 1508.90.00; 1509.90.00; 1510.00.00; 1511.90.10; 1511.90.30; 1511.90.90; 1512.19.00; 1512.29.00; 1513.19.00; 1513.29.00; 1514.19.00; 1514.99.00; 1515.19.00; 1515.20.00; 1515.50.00; and 1515.90.00. This measure is aimed at protecting and promoting the processing of edible oil in the country using locally grown seeds and save foreign exchange used in the importation of edible oil;
- (r) Stay of application of the EAC-CET rate of 0 percent on Gypsum Powder (HS Code 2520.00.00) and instead apply a duty rate of 10 percent for one year. The intention is to protect local producers and promote production of gypsum powder by using the locally available gypsum;
- (s) Impose an import duty rate of 35 percent instead of 100 percent on Sugar

(consumption sugar). The product is imported under special arrangements to cover the shortage in the domestic market. The intended objective is to protect domestic industries, employment and increase Government revenue;

- (t) Stay application of the EAC-CET rate and apply a duty rate of 35 percent instead of 35 percent or USD 0.40 per kilogram whichever is higher for one year on worn clothes. The intended objectives is to protect local manufacturers of finished textile products and make them competitive against substandard imports from outside the country;
- (u) To provide Duty Remission on selected list of raw materials and industrial inputs for the manufacturers of textiles and footwear (Harmonized list). The objective of this measure is to accelerate the industrialisation process in the textile and Leather sector and creating employment opportunities; and
- (v) The EAC Partner states have agreed to impose an Export Levy of 10 percent on Wet blue Leather. The measure is intended to promote the processing of Leather in the country, value addition and employment.

47. *Honourable Speaker*, the Ministers responsible for Finance have also agreed to make amendments in the EAC-Customs Management Act, 2004 as follows:-

To amend Part B of the Fifth Schedule in section 1(a) in order to provide import duty exemption on Lubricants for aircrafts, uniforms, calendars, diaries, and pens that are used in the provision of air services. This measure will enable the country to sign Bilateral Air Service Agreement (BASA).

The Import Duty measures altogether are expected to increase Government revenue by **shillings 31,074.0 million**

(g) The Budget Act , CAP 339

48. *Honourable Speaker*, I propose to amend Regulation number 23 of the Budget Act, CAP 339 in order to give powers to the Paymaster General to extend the period granted to him to approve expenditures on funds remaining from the previous financial year. The current situation is that there is a limitation of three months that the funds can be spent and after that period, it has to be deposited in the Paymaster General Account. The objective of this measure is to allow continuity in the implementation of Strategic and big projects with public interest such as infrastructure projects, purchase of aircrafts, locomotives, power projects etc. The current situation has continued to negatively impact on the development projects because the Government can not pay the suppliers and contractors to the projects until the new allocation of funds is effected for the new financial year.

(h) Minor Amendments in Tax Laws and Others.

49. *Honourable Speaker*, I propose to make minor amendments to various Tax Laws and other Laws so as to

ensure their smooth and effective implementation. The proposed amendments will be effected through the Finance Bill 2019 and Government Notices.

(i) Implementation of the Blueprint from Regulatory Reforms to improve Business Environment by amending Various Fees and Levies.

50. *Honourable Speaker*, following the meeting of Dr. John Pombe Joseph Magufuli, His Excellency the President of the United Republic of Tanzania and business community on 7 June, 2019, the Government is proposing to review various fees and levies with a view to reduce and abolish some of them. This is intended to reduce the cost of doing business and investment costs in the country. This is the first phase of implementation of the Blueprint for Regulatory Reforms to improve the Business Environment. Apart from the review of the fees and levies, the focus will also be on the elimination of the existing duplication of responsibilities among the Ministries Regulatory Authorities and Institutions. The amendment of fees and Levies will be effected through the Finance Bill 2019 and Government Notices. The proposed amendments include the following:-

I. Tanzania Food and Drugs Authority (TFDA)

- (a) Abolish retention fees for domestic products on registration of:- Vaccines and Biologicals USD 150; Herbal medicines USD 150; medical devices USD 100; diagnostics 250; food USD 10; antiseptics and diagnostics Tshs. 100,000/=;

- (b) Abolish fees for duplicate certificates on diagnostic USD 100;
- (c) Abolish inspection fees for new food selling outlets Tshs. 50,000;
- (d) Abolish registration fees for Retails Veterinary Pharmacy Tshs. 50,000/= to Tshs. 100,000/=;
- (e) Abolish inspection fees for fish industries Tshs. 200,000 to Tshs. 250,000;
- (f) Abolish inspection fees for new fish outlets Tshs. 50,000/=); and
- (g) Abolish annual business licence fees on fish outlets Tshs. 50,000/= to Tshs. 300,000/=

The aim of these measures is to create a friendly business and investment environment in order to stimulate compliance and to increase customer base. These measures are expected to reduce government revenue by Tshs. **2,500.0 million**

II. Tanzania Bureau of Standards (TBS):-

I further propose to abolish the following fees charged by TBS:-

- (a) Application fees of 50,000 shillings for TBS mark;
- (b) TBS mark guarantee fees (15 percent of overhead and transport costs);

- (c) TBS mark licence fees (50 percent of cost of transport and testing of sample from the market;
- (d) Application form fees of 50,000 shillings for imported goods;
- (e) Calibration of equipment based on industrial metrology fees. The amount payable depends on the distance covered from the office to the place eg. For Dar es salaam it is 10,000 shilings; and
- (f) Application form on imported cosmetics and medical devices including condoms, syringes, gloves, cotton wool na bandage (0.2 percent of transport costs).

These measures aim at reducing cost of doing business to traders and producers.

The measures are expected to reduce government revenue by Tshs. **2,687.4 million.**

Further, I propose to amend the Food, Drugs and Cosmetic Act, CAP 219, in the areas of standards management which includes quality, food security and cosmetics so that the Tanzania Bureau of Standards (TBS) continues to manage the food and cosmetics as it was in 1975. Thus, the Tanzania Bureau of Standards will be responsible for general coordination of premises registration, product registration, certification of products and import inspection. The Food and Drug Authority (TFDA) will continue to manage medicines, medical devices and reagents to increase efficiency.

III. Government Chemist Laboratory Authority (GCLA)

I propose to amend the Industrial and Consumer Chemicals (Management and Control) Act, CAP 182 by abolishing the following Fees and Levies:-

- (a) Service charge for cancellation and issuing of new permit USD 50;
- (b) Service charge for replacement of permit USD 50;
- (c) Registration of Clearing Agents Company USD 500 per registration period;
- (d) Change of registration information USD 100 per registration period;
- (e) Emergency Inspection USD 300 per inspection;
- (f) Annual maintenance fee for form industries USD 1000;
- (g) Annual maintenance fee for paint industries USD 1000;
- (h) Annual maintenance fee for textile industries USD 1000;
- (i) Annual maintenance fee for leather industries USD 1000;
- (j) Annual maintenance fee for plastic industries USD 1,000;
- (k) Annual maintenance fees for other large industries USD 1,000;
- (l) Annual maintenance fees for other small industries USD 250;
- (m) Annual maintenance fees for large distributors USD 1000; and

- (n) Annual maintenance fees for medium distributors USD 500.

Further, I propose to reduce the following levies as follows:-

- (a) Reduce chemical registration and renewal fees from USD 20 to Tshs. 40,000/= per chemical per registration;
- (b) Charge Tshs. 200,000 for large scale certificate holder registration and Tshs. 50,000 for small scale certificate holder per registration period;
- (c) Charge Tshs. 200,000/= for large scale premises registration per registration and small scale premises registration per registration instead of USD 100;
- (d) Reduce sorting of obsolete chemicals fees per day per person from USD 300 to Tshs. 300,000/= per day per person;
- (e) Reduce identification and approval of disposal method fees from USD 500 to Tshs. 200,000 per chemical;
- (f) Reduce fees charged on supervising of loading, transportation, unloading and disposal of obsolete chemicals from USD 300 to Tshs. 300,000 per day per person;
- (g) Reduce premises inspection fees from USD 200 to Tshs. 300,000 per inspection;

- (h) Reduce Transportation Routes assessment and emergency inspection fees from USD 100 to Tshs. 150,000 per person per day;
- (i) Reduce escorting of chemical convoy fees from USD 100 to Tshs. 150,000 per person per day; and
- (j) Transportation of on transit hazardous and other chemical will be charged as shown in Table 3.

Table 3.

Quantity of chemicals to be transported in MT	Current Fees (USD)	Proposed fee (USD)
Between 0.1 and 10	1-2 per MT	10
10.1 - 200		1 per MT
201 - 1000		400
1001 - 5000		600
5001 - 10,000		800
10,001- 20,000		1,200
20,001- 40,000		1,500
40,001+		2,000

Moreover, all levies that were charged in United States Dollars shall now be charged in Tanzanian shillings except for chemicals on transit. The decision on whether which levies should be abolished or minimized has taken into account government directives to reduce multiple taxes and improving business environment without

minimizing institution's capability of implementing its core objectives.

These measures are expected to reduce Government revenue by Tshs. 450.0 million

IV. Ministry of Livestock and Fisheries

I propose to abolish the following levies that were charged by the livestock stock sector:-

- (a) License fee of 5,000 shillings for milk producers below 51 litres;
- (b) License fee of 50,000 shillings for milk collectors below 201 litres;
- (c) Registration fee of 5,000 shillings for milk producers below 51 litres;
- (d) License for registration of 500,000 shillings of carriers and containers permit for transportation of milk;
- (e) License fee of 15,000 shillings for small scale meat producers;
- (f) License fee of 50,000 shillings for Medium Scale Producers;
- (g) Registration fee of 75,000 for Large Scale producers;
- (h) Registration fee of 20,000 shillings for Primary Markets Operator;
- (i) Registration fee of 30,000 shillings for Secondary and Border Markets operators.
- (j) Registration fee of 50,000 shillings for Secondary and Border Markets;
- (k) Registration fee of 30,000 shillings for Local and Primary market traders;

- (l) Registration fee of 60,000 for secondary and border markets traders;
- (m) Registration fee of 100,000 for meat exporter;
- (n) Movement permit fee of 1,000 shillings for transportation of day old chick per 100; and
- (o) Movement permit fee of 200 shillings for transportation of Adult/Guinea fowl per each.

These measures are expected to reduce Government revenue by Tshs. **16,689.8 million**

V. Ministry of Natural Resources and Tourism

I propose to remove trophy handling fees and TALA fees on professional hunting charged by the natural resources and tourism sector.

This measure is expected to reduce Government revenue by **80,000 USD**

VI. Ministry of Water

I propose to remove the fee imposed on borehole which starts from 100,000 shillings depending on the utilization of water. However the owners will be required to register their borehole to the Water Board.

This measure is expected to reduce Government revenue by **1,961 million shillings**

Moreover, the Government will continue to implement the Blueprint Action Plan with a view to continue with the improvement of business and investment environment in the short term, medium term and long term.

(j) Policy and Administrative Measure to Improve Collection of Government Revenue

51. *Honourable Speaker*, I propose to introduce new procedures for clearing and forwarding of goods whereby individuals will be allowed to clear their goods without the need to assigning this responsibility to the Clearing and Forwarding Agents. However, these procedures will not apply on Transit goods. The Tanzania Revenue Authority will prepare guidelines and procedures that are simple and clear for the people to understand and facilitate smooth clearing of goods.

52. *Honourable Speaker*, the Government will undertake various policy and administrative measures so as to strengthen and simplify revenue collection. The measures among others include:-

- (i) Establishing an independent “Office of Tax Ombudsman” which will be responsible for receiving correct and unbiased information and complaints from taxpayers or other people with good intention against administration of tax affairs by Tanzania Revenue Authority. The office of the Ombudsman, will be coordinated under the Ministry of Finance and Planning. The major functions of the office of the Ombudsman will include;
 - (a) Receiving and working on corruption complaints against TRA officials;
 - (b) Receiving and working on arbitrary assessments complaints against TRA officials;

- (c) Receiving and working on unlawful closure of businesses complaints against TRA officials; and
 - (d) Receiving and working on any similar complaints regarding tax administration against TRA officials.
- (ii) To improve the utilization of electronic system in the collection of tax and non-tax revenues. This is intended to improve transparency in revenue collections;
- (iii) In order to increase domestic revenue collection, currently the Government is finalizing integrating the domestic revenue collection systems through Electronic Fiscal Device Management System (EFDMS). This measure is expected to curb revenue leakages in the processing of tax refunds, issuance of fake receipts etc;
- (iv) To introduce a system, which will ensure that gaming activities are regulated for responsible gaming. The system will also institute control on the operators so that the Government collects her fair share of revenues from the gaming industry;
- (v) In consideration of the complaints lodged by various taxpayers regarding tax assessment and unrealistic valuation on the imported goods, the Government has directed the Tanzania Revenue Authority to establish a dedicated desk where

all complaints and disputes by taxpayers will be received and dealt with in twenty four hours;

- (vi) To improve convenience in tax payment, a relief period of six months is provided from the date when the investor or businessman is given a Tax Identification Number (TIN) so as to enable businessman undertakes the necessary preparations at the beginning period of establishing the business. Under the current arrangement, tax assessment and payment thereof is done immediately after the issuance of TIN and you are required to pay taxes

(k) Effective Date for Implementation of New Revenue Measures

53. *Honourable Speaker*, unless otherwise stated, the new measures shall become effective on 1st of July, 2019.

V. BUDGET STRUCTURE FOR 2019/20

54. *Honourable Speaker*, consistent with macroeconomic and fiscal policy objectives for 2019/20, the budget frame shows that 33.11 trillion shillings, will be mobilized and spent. Total domestic revenue (including LGAs own sources) is estimated at 23.05 trillion shillings, equivalent to 69.6 percent of the total budget. Out of the amount, the Government plans to collect tax revenue amounting to 19.10 trillion shillings, equivalent to 12.9 percent of GDP. Non-tax revenue is estimated at 3.18 trillion shillings, and revenue from LGAs own sources is estimated at 735.6 billion shillings.

55. *Honourable Speaker*, the Government plans to borrow 4.96 trillion shillings from the domestic market. Out of the amount, 3.46 trillion shillings is for rolling over of maturing treasury bills and bonds and 1.50 trillion shillings equivalent to 1.0 percent of GDP comprise new loans for financing development projects. In order to speed up the implementation of infrastructure projects, the Government plans to borrow 2.32 trillion shillings from external non concessional loans sources.

56. *Honourable Speaker*, Development Partners are expected to contribute 2.78 trillion shillings, which is 8 percent of the total budget. Out of the amount, 2.31 trillion shillings are grants and concessional loans for development projects, 199.5 billion shillings are Sector Basket Funds and 272.8 billion shillings are General Budget Support (GBS).

57. *Honourable Speaker*, in 2019/20, the Government plans to spend 33.11 trillion shillings for recurrent and development expenditure. Out of this amount, 20.86 trillion shillings is set aside for recurrent expenditure, equivalent to 63.0 percent of the total budget. The recurrent expenditure include 9.72 trillion shillings for servicing Government debt and 7.56 trillion shillings for wages and salaries. In additional, 3.58 trillion shillings is for Other Charges (OC) including 460.5 billion shillings as LGAs expenditure from own sources. Further, in 2019/20, the Government has set aside funds for Local Government Elections in 2019 and the preparation of the General Elections in 2020.

58. *Honourable Speaker*, development expenditure is estimated at 12.25 trillion shillings equivalent to 37.0 percent of the total budget, of which 9.74 trillion shillings are from internal sources and 2.51 trillion shillings are from external sources. Out of the estimated development funds: 2.48 trillion shillings for construction of Standard Gauge Railway; 1.44 trillion shillings for construction of Hydroelectric Power Project at Rufiji River; 788.80 billion shillings is for Railway, Water and REA Funds; 450.0 billion shillings for Higher Education Students' Loans; and 288.50 billion shillings for Fee Free Basic Education. In addition, the Government has set aside 600.0 billion shillings for payment of verified arrears for public servants, service providers and contractors for roads, water, electricity projects.

59. *Honourable Speaker*, consistent with the budget frame as I have explained above, the budget structure for 2019/20 is as shown in **Table A**.

Table A: Budget Frame for 2019/20

		Millions Shillings	
<u>Revenue</u>		<u>2019/20</u>	
A.	Government Domestic Revenue		22,279,854.6
	(i) Tax Revenue (TRA)	19,100,933.3	
	(ii) Non Tax Revenue	3,178,921.3	
B.	LGAs own source		765,483.4
C.	External Grants and Concessional Loans		2,783,676.1
	(i) General Budget Support	272,812.6	
	(ii) Projects Loans and Grants	2,311,403.8	
	(iii) Basket Loans and Grants	199,459.7	
D.	Domestic & External Non Concessional Loans		7,276,395.7
	(i) External Non Concessional Borrowing	2,316,403.5	
	(ii) Domestic Non Concessional Borrowing (0.9% of GDP)	1,499,774.2	
	(iii) Domestic Non Concessional Borrowing (Rollover)	3,460,218.0	
	TOTAL REVENUE (A+B+C+D)		33,105,409.8
Expenditure			
E.	Recurrent Expenditure		20,856,807.5
	o/w (i) National Debt Service		9,721,127.0
	-Domestic Interest	1,438,950.0	
	-Domestic Amortization (Rollover)	3,460,218.0	
	- External Amortization	1,976,098.0	
	- External Interest	987,312.0	
	- Government Contribution to Pension Funds	1,255,971.0	
	-Other Expenditure under CFS	602,578.0	
	(ii) Wages and Salaries		7,558,974.4
	(iii) Other Charges		3,576,706.2
	- Payments of Verified Arrears	160,000.0	
	- LGAs Expenditure (Own Source)	460,539.5	
	- MDAs Operational Costs	2,956,166.7	
F.	Development Expenditure		12,248,602.3
	(i) Domestic Financing		9,737,738.8
	o/w payments of Verified Arrears	440,000.0	
	o/w LGAs Expenditure (Own Source)	304,943.9	
	o/w Other Development Projects	8,992,794.9	
	(ii) Foreign Financing		2,510,863.5
	TOTAL EXPENDITURE (E+F)		33,105,409.8
	BUDGET DEFICIT AS PERCENTAGE OF GDP		2.3%

Source: Ministry of Finance and Planning

VI. CONCLUSION

60. *Honourable Speaker*, the budget is an instrument to meet expectations of our people. Thus, in preparing this budget, the Government involved various stakeholders, including Parliamentary Standing Committee for Budget, business community, public and private institutions, general public, tax experts particularly those who participated in the Task Force on Tax Reforms and the Think Tank to discuss and advise on recommendations for improvement of different taxes and levies. Some of the stakeholders submitted their opinions and advice in writing and through emails. I acknowledge that they provided a constructive feedback that has helped in improving policies and priorities set for our nation in 2019/20 and in the future. On behalf of the Government, I would like to thank them for invaluable contributions, which have been taken on board. The Government looks forward for stakeholders sustained participation in the future budgetary processes.

61. *Honourable Speaker*, the 2019/20 budget focuses on continued efforts to build foundation for industrial economy in order to create more employment opportunities to stimulate economic growth and sustainable social welfare and ultimately to eradicate poverty, ignorance and diseases. In particular, the budget focuses on:

- (i) Strengthening and constructing of modern infrastructure in order to enhance the national productive capacity in industries, particularly which utilize locally available raw materials and provide quality services (health, education

and water) to the citizens. Those infrastructure will contribute to the increase of domestic, regional and international trade;

- (ii) Improving environment for doing business by addressing challenges stipulated in the Blueprint for the Regulatory Reforms to Improve the Business Environment;
- (iii) Strengthening agriculture (productivity and markets for crops, livestock, fisheries and forestry) given the importance of the sector in national economy (food, employment, individual income, contribution to the forex earnings and the linkage of this sector with industrial development); and
- (iv) Maintaining national peace and security; and building foundation for economic self-reliance.

62. *Honourable Speaker*, the journey towards building a new Tanzania has begun but, it will not be an easy task considering the global economic transformation, cut-throat business competition, rapid technological and demographic changes, as well as challenges emanating from the climate change. Nevertheless, the good thing is, in the history of our country, Tanzanians are courageous to handle challenges whenever they arise and in most cases have been able to overcome them through creativity and national solidarity.

63. *Honourable Speaker*, we are now stronger under the bold leadership of His Excellency Dr. John Pombe Joseph

Magufuli. Our economy has continued to grow at a high rate, whereby in 2018 it grew by 7.0 percent. Meanwhile, the level of basic needs poverty continued to decrease, from 28.2 percent in 2011/12 to 26.4 percent in 2017/18. I trust, without any doubt, that with our unity, meticulous leadership, hard work and optimal utilization of our natural resources, we will build a new Tanzania, which will become an economic hub of the East African region within the next two decades.

64. *Honourable Speaker*, as I conclude my speech, I would like to take this opportunity to thank our Development Partners for their continued cooperation and support in providing grants and concessional loans to support implementation of various development projects and programmes in our country. In 2019/20 budget, the Development Partners are expected to contribute 2.78 trillion Shillings, to support the Government budget. I wish to recognize them individually as follows: Canada, China, Denmark, Finland, India, Ireland, Italy, Japan, South Korea, United States of America, Norway, Poland, Sweden, Belgium, France, Netherland, Germany, United Kingdom and Switzerland. Moreover, there are International Organizations which are: African Development Bank, World Bank, Arab Bank for Economic Development in Africa (BADEA), Global Fund, Kuwait Fund, Abu Dhabi Fund, European Union (EU), European Investment Bank (EIB), OPEC Fund for International Development, Global Environmental Facility (GEF), Alliance for a Green Revolution Africa (AGRA), Geothermal Risk Mitigation Facility (GRMF), Climate Development Special Fund, Africa Legal Support Facility (ALSF), Dignity, Global Agriculture and Food Security

Program (GAFSP) and United Nations (UN) which include: UNICEF, IFAD, UNDP, UNFPA, FAO and UNEP. I would also like to recognize our good relationship with the IMF. It is our expectations that technical assistance and the amount of funds committed by our friends (Development Partners) will be honoured and disbursed on time as pledged. On our side, we assure them that the funds will be utilized for the intended purposes.

65. *Honourable Speaker*, I would like to take this opportunity to request Ambassadors and High Commissioners representing their respective countries and institutions to continue sensitizing prospective investors from their countries to invest in our country. Tanzania is an ideal destination for investments for mutual benefits of our countries. Further, I urge them to sensitize their countries about the Tanzanian unparalleled tourist attractions, the pride of Tanzania.

66. *Honourable Speaker*, the Fifth Phase Government recognizes and appreciates the support of the Development Partners in the development of our Nation as long as their support does not entail conditionalities which infringe on our National sovereignty, traditions, values and norms. Even when the Government or other pillars have made decisions that are not acceptable to them, it is candid and justifiable for our Development Partners to accord the Government with space to rethink and discuss with them more constructively rather than compelling the Government to review its decisions as a condition for disbursement of funds; this is not acceptable at all.

67. *Honourable Speaker*, I would like to re-emphasize to my fellow Tanzanians to sustain our national solidarity in building a new Tanzania. Let us be patriotic and vigilant in protecting our national interests. Let us continue working hard as the dependency era is over. The good news is “*where there is a will, there is a way*” and the CCM Government led by His Excellency Dr. John Pombe Joseph Magufuli has proved that fact.

68. *Honourable Speaker*, may I, on behalf of the Government, acknowledge the outstanding contribution of the business community and all citizens for paying taxes in accordance with the laws. Further, I would like to recognize special contribution made by the Public Corporations and institutions, in which the Government owns shares, for paying dividends or 15 percent of their gross income to the Consolidated Fund. In the next fiscal year, all Public Corporations and institutions in which the Government owns shares are directed to pay dividends or contribute 15 percent of their respective gross income to the Government; the Treasury Registrar should ensure these directives are fully implemented.

69. *Honourable Speaker*, as you are aware, in October 2019 we are going to conduct Local Government elections. On the Government side, we are well prepared for the election requirements including setting aside funds to ensure that the election is carried out successfully. I urge the citizens to come out in good numbers in exercising their constitutional rights. Further, in electing leaders, I

advise my fellow Tanzanians to vote for leaders with the following attributes:

- (i) Hard working and devoted to serving the people;
- (ii) Easily identifies, attentive and empathetic to citizens' challenges, as well as being courageous and creative enough to solve those challenges;
- (iii) Has integrity, as well as hating and fighting all forms of corruption in deeds;
- (iv) Able to identify available opportunities in his/her area of jurisdiction, to design strategies for developing citizens under his/her leadership and motivate citizens to utilize those opportunities;
- (v) Strong advocate for environmental protection and mitigating adverse impacts of climate change;
- (vi) Who does not abuse the position; and recognizes the temporary nature of the title and power given. The true value of a leader is to work hard and leave good legacy;
- (vii) A good player in organising a winning team and at the same time recognizing that a single hand cannot accomplish a round of applause;
- (viii) Ability to recognize that a leader's tasks are very important since they enable him to change lives of thousands of Tanzanians, particularly the poor;
- (ix) Ability to explain thoroughly the vision of the

Government to citizens and their role so that they continue supporting it; and

- (x) Affiliate to a political party which safeguards interests and rights of the poor, and definitely that party is CCM!

I would like to admit that, I have borrowed the attributes mentioned above from His Excellency Dr. John Pombe Joseph Magufuli, the President of the United Republic of Tanzania without his consent.

70. *Honourable Speaker*, my plea to Religious Leaders and indeed all believers in their own beliefs, to continue praying to the Almighty God to grant our beloved President His Excellency Dr. John Pombe Joseph Magufuli, the President of the United Republic of Tanzania, good health and wisdom; and guide him in all aspects to spearhead development agenda in our country.

71. *Honourable Speaker*, I would like to take this opportunity to thank my colleagues at the Ministry of Finance and Planning for their dedicated support in undertaking the Ministry's duties and have effectively coordinated the preparation and finalization of this budget. In a special manner, I would like to thank Hon. Dr. Ashatu K. Kijaji, Deputy Minister for Finance and Planning and Member of Parliament for Kondoa Constituency, Mr. Doto M. James, Permanent Secretary to the Treasury and Paymaster General, and Deputy Permanent Secretaries: Ms. Amina Kh. Shaaban, Dr. Khatibu M. Kazungu and Mr. Adolf H. Ndunguru and all other staff of the Ministry of Finance and Planning. I also

congratulate Prof. Florens D. Luoga, Governor of the Bank of Tanzania and Deputy Governors: Dr. Yamungu Kayandabila, Dr. Benard Kibesse and Mr. Julian Raphael Banzi for managing well the financial sector. In a special way, I congratulate Dr. Edwin Mhede for being appointed by His Excellency the President as Commissioner General of the Tanzania Revenue Authority (TRA). It is my sincere hope and of the general public that his appointment will transform TRAs' image that will increase Government revenue without harassing the business community.

72. *Honourable Speaker*, I would like to thank the management and staff of the National Bureau of Statistics, Office of the Treasury Registrar, and the Office of the Controller and Auditor General for the outstanding performance of their duties. I also thank the Heads of Departments and Divisions, Institutions and Agencies under the Ministry of Finance and Planning, and their staff for the remarkable work and continued support that enabled me to discharge my duties efficiently and effectively.

73. *Honourable Speaker*, I would also like to thank my fellow citizens of Buhigwe District and Kigoma Region at large, for nurturing me to be a hard worker. Lastly, I thank my family especially my beloved wife and friend Mbonimpaye, our children, grandchildren, relatives and our friends granted to us by the Almighty God. I thank them for their day and night prayers that enable me to continue discharging my duties. I say to each one of them:

*“the Lord bless you and keep you;
the Lord make his face shine on you
and be gracious to you;
the Lord turn his face toward you
and give you peace”*
Numbers 6:24-26

Let me conclude by thanking the Almighty God for his blessings which enabled me to present this speech. In addition, I pray to Him to continue granting me ability and humbleness of serving our nation and its citizens with integrity. Thank you very much Honourable Members of Parliament and All Tanzanians for listening.

GOD BLESS AFRICA, GOD BLESS TANZANIA.

74. *Honourable Speaker, I beg to move.*

Table No. 1: Domestic Revenue Collection Trend (2013/14 - 2019/20)

Million
Shillings

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2018/19	2019/20
	Actual	Actual	Actual	Actual	Actual	Budget	Likely outturn	Budget
Total domestic revenue (including LGAs own source)	11,537,523	10,957,765	14,139,230	16,639,933	17,944,887	20,894,578	19,114,209	23,045,337
A. Tax revenue	10,395,440	9,908,996	12,525,378	14,126,590	15,191,421	18,000,219	16,219,851	19,100,933
1. Import duty	852,199	748,961	880,296	998,164	1,109,205	1,204,090	1,182,653	1,342,611
2. Excise duty	1,908,857	1,742,721	2,144,395	2,106,442	2,199,900	2,541,287	2,423,792	2,840,525
3. Value added tax	2,590,291	2,488,066	2,992,835	3,912,674	4,425,968	5,463,990	4,927,037	5,947,525
4. Income tax	3,656,506	3,716,685	4,594,971	5,117,862	5,157,106	6,540,038	5,447,204	6,399,526
5. Other taxes	1,387,587	1,212,563	1,912,880	1,991,449	2,299,242	2,250,814	2,239,166	2,570,746
B. Non-tax revenue	869,936	1,048,769	1,613,852	2,513,343	2,753,466	2,894,358	2,894,358	3,944,405
1. Parastatal dividends and contributions	110,014	161,234	388,551	893,935	803,502	597,770	597,770	947,047
2. Ministries and regions	444,694	527,451	799,449	1,107,690	1,408,464	1,561,000	1,561,000	2,231,874
3. LGAs own source	315,228	360,084	425,852	511,718	541,499	735,589	735,589	765,483

Source: Ministry of Finance and Planning

Table 2a: Budget Frame for 2012/13 - 2019/20

	Tshs Million								
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2018/19	2019/20
	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Likely Outturn	Budget
I. TOTAL RESOURCES	15,404,216	15,667,535	17,488,626	22,543,664	25,417,791	26,610,843	32,475,949	29,110,871	33,105,410
Domestic revenue	8,221,776	9,867,227	10,597,681	13,622,182	16,128,215	17,403,388	20,158,989	18,551,405	22,279,855
LGAs Own Sources	220,835	315,228	360,084	425,852	511,718	541,499	735,589	698,809	765,483
Programme loans and grants	894,955	1,040,659	757,016	291,381	342,785	247,285	545,765	354,657	272,813
Project loans and grants	1,423,579	1,194,930	1,154,909	1,186,982	1,857,399	2,030,492	2,005,016	2,005,016	2,311,404
Basket support Loans	186,336	207,665	163,177	161,842	104,991	71,078	33,701	33,701	34,746
Basket support Grants	280,936	188,623	127,637	86,199	168,984	117,165	92,163	92,163	164,713
MCA (T) USA	220,350	213,612	0	0	0	0	0	0	0
Non-Bank Borrowing/ roll over	1,734,535	1,528,153	2,064,756	3,005,789	4,615,670	4,835,199	4,600,000	4,600,000	3,460,218
Bank Borrowing (Financing)	1,069,321	976,712	799,776	2,299,151	1,300,000	869,200	1,193,669	1,193,669	1,499,774
Adjustment to Cash	88,588	-1,059,790	408,786	1,010,781	-838,731	-978,745	0	0	0
Non-Concessional borrowing	1,063,006	1,194,516	1,054,803	453,504	1,226,760	1,474,282	3,111,058	1,581,452	2,316,404
II. TOTAL EXPENDITURE	15,404,216	15,667,535	17,488,626	22,543,664	25,417,791	26,610,843	32,475,950	29,110,871	33,105,410
RECURRENT EXPENDITURE	10,904,521	11,741,493	13,778,397	18,204,111	18,144,967	18,995,074	20,468,676	19,530,848	20,856,808
CFS	3,383,124	3,666,799	4,724,910	6,480,906	8,643,560	9,532,987	10,004,480	10,004,480	9,721,127
Debt service	2,627,946	2,686,455	3,552,426	5,047,764	7,234,530	8,133,063	8,372,951	8,372,951	7,862,578
CFS Others	755,178	980,344	1,172,484	1,433,142	1,409,030	1,399,924	1,631,529	1,631,529	1,858,549
Recurrent Exp. (excl. CFS)	7,521,397	8,074,693	9,053,487	11,723,205	9,501,407	9,462,087	10,464,196	9,526,368	11,135,681
o/w Wages and Salaries	3,349,959	3,969,108	4,617,648	5,627,497	5,599,246	5,544,384	6,386,265	6,386,265	6,524,588
Parastatal PE	518,755	568,708	637,711	925,760	767,901	783,292	1,023,687	1,023,687	1,034,386
LGAs Own Sources	362,206	315,228	170,627	170,340	251,484	216,600	389,862	370,369	460,539
Other Charges	3,290,477	3,221,649	3,627,501	4,999,607	2,882,775	2,917,811	2,664,382	1,746,047	3,116,167
DEVELOPMENT EXPENDITURE	4,499,695	3,926,042	3,710,228	4,339,553	7,272,824	7,615,768	12,007,273	9,580,023	12,248,602
Local	2,314,718	2,121,212	2,264,506	2,904,530	5,141,451	5,397,034	9,876,393	7,449,143	9,737,739
Foreign	2,184,977	1,804,831	1,445,722	1,435,023	2,131,374	2,218,735	2,130,880	2,130,880	2,510,863
GDPmp	67,647,929	77,790,294	88,476,352	101,355,820	113,553,411	123,060,741	134,530,437	134,530,437	146,153,713

Source: Ministry of Finance and Planning

Table 2b: Budget Frame 2012/13- 2019/20 as Percentage of GDP

	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Budget	2018/19 Likely Outturn	2019/20 Budget
I. TOTAL RESOURCES	22.8%	20.1%	19.8%	22.2%	22.4%	21.6%	24.1%	21.6%	24.6%
Domestic revenue	12.2%	12.7%	12.0%	13.4%	14.2%	14.1%	15.0%	13.8%	16.6%
LGAs Own Sources	0.3%	0.4%	0.4%	0.4%	0.5%	0.4%	0.5%	0.5%	0.6%
Programme loans and grants	1.3%	1.3%	0.9%	0.3%	0.3%	0.2%	0.4%	0.3%	0.2%
Project loans and grants	2.1%	1.5%	1.3%	1.2%	1.6%	1.6%	1.5%	1.5%	1.7%
Basket support Loans	0.3%	0.3%	0.2%	0.2%	0.1%	0.1%	0.0%	0.0%	0.0%
Basket support Grants	0.4%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
MCA (T) USA	0.3%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-Bank Borrowing/ roll over	2.6%	2.0%	2.3%	3.0%	4.1%	3.9%	3.4%	3.4%	2.6%
Bank Borrowing (Financing)	1.6%	1.3%	0.9%	2.3%	1.1%	0.7%	0.9%	0.9%	1.1%
Adjustment to Cash	0.1%	-1.4%	0.5%	1.0%	-0.7%	-0.8%	0.0%	0.0%	0.0%
Non-Concessional borrowing	1.6%	1.5%	1.2%	0.4%	1.1%	1.2%	2.3%	1.2%	1.7%
II. TOTAL EXPENDITURE	22.8%	20.1%	19.8%	22.2%	22.4%	21.6%	24.1%	21.6%	22.7%
RECURRENT EXPENDITURE	16.1%	15.1%	15.6%	18.0%	16.0%	15.4%	15.2%	14.5%	14.3%
CFS	5.0%	4.7%	5.3%	6.4%	7.6%	7.7%	7.4%	7.4%	6.7%
Debt service	3.9%	3.5%	4.0%	5.0%	6.4%	6.6%	6.2%	6.2%	5.4%
CFS Others	1.1%	1.3%	1.3%	1.4%	1.2%	1.1%	1.2%	1.2%	1.3%
Recurrent Exp. (excl. CFS)	11.1%	10.4%	10.2%	11.6%	8.4%	7.7%	7.8%	7.1%	7.6%
o/w Salaries and wages	5.0%	5.1%	5.2%	5.6%	4.9%	4.5%	4.7%	4.7%	4.5%
Parastatal PE	0.8%	0.7%	0.7%	0.9%	0.7%	0.6%	0.8%	0.8%	0.7%
LGAs Own Sources	0.5%	0.4%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%
Other Charges	4.9%	4.1%	4.1%	4.9%	2.5%	2.4%	2.0%	1.3%	2.1%
DEVELOPMENT EXPENDITURE	6.7%	5.0%	4.2%	4.3%	6.4%	6.2%	8.9%	7.1%	8.4%
Local	3.4%	2.7%	2.6%	2.9%	4.5%	4.4%	7.3%	5.5%	6.7%
Foreign	3.2%	2.3%	1.6%	1.4%	1.9%	1.8%	1.6%	1.6%	1.7%

Source: Ministry of Finance and Planning

Table 3: External Loans and Grants 2015/16 - 2019/20

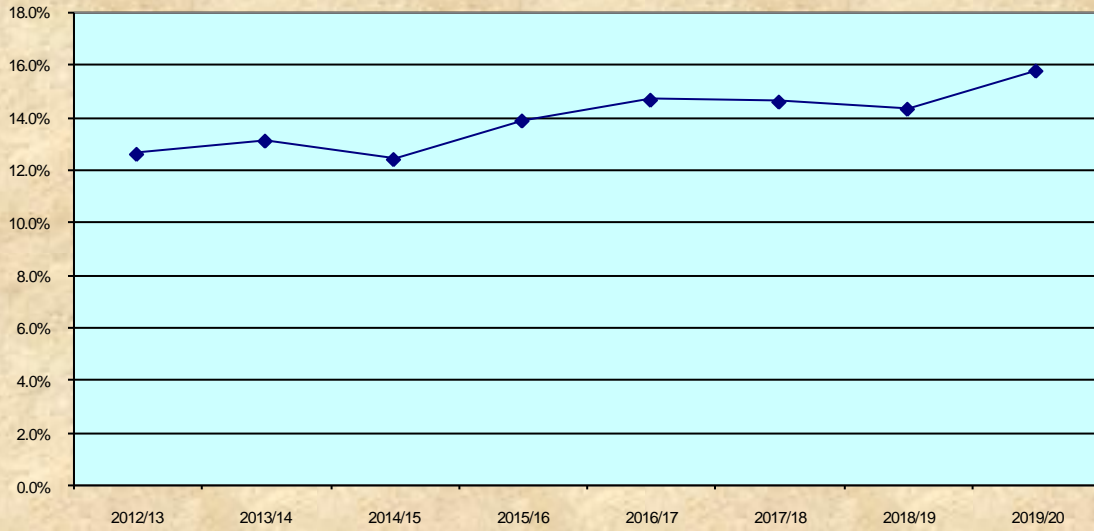
		Tshs Million					
		2015/16	2016/17	2017/18	2018/19	2018/19	2019/20
		Actual	Actual	Actual	Budget	Likely	Budget
General budget Support	Grants	0	190,303	247,285	236,264	0	146,822
	Concessional Loans	291,381	152,482	0	309,501	354,657	125,990
	Total	291,381	342,785	247,285	545,765	354,657	272,813
Baskets Funds	Grants	86,199	168,984	117,165	92,163	92,163	164,713
	Concessional Loans	161,842	104,991	71,078	33,701	33,701	34,746
	Total	248,041	273,975	188,243	125,864	125,864	199,460
Projects	Grants	409,157	733,208	566,198	752,982	752,982	896,987
	Concessional Loans	777,825	1,124,190	1,464,294	1,252,035	1,252,035	1,414,416
	Total	1,186,982	1,857,399	2,030,492	2,005,016	2,005,016	2,311,404
Grand Total		1,726,404	2,474,159	2,466,020	2,676,645	2,485,536	2,783,676

Source: Ministry of Finance and Planning

Table 4: National Debt and Its Trend

EXPECTED NEW EXTERNAL AND DOMESTIC BORROWING (SHILLINGS MILLION)			
	2017/18	2018/19	2019/20
1. Total of New External and Domestic Borrowing (a+b)	10,691,146.5	10,499,963.8	8,851,548.7
(a) New Domestic Borrowing	6,168,897.0	5,793,668.6	4,959,992.2
(i) New Domestic Borrowing (Rollover)	4,948,229.0	4,600,000.0	3,460,218.0
(ii) Net Domestic Financing	1,220,668.0	1,193,668.6	1,499,774.2
(b) New External Borrowing	4,522,249.5	4,706,295.1	3,891,556.6
(i) Concessional Projects Borrowing	2,176,029.4	1,285,735.9	1,449,162.5
(ii) Concessional General Budget Support	751,235.1	309,501.0	125,990.5
(iii) Non - Concessional	1,594,985.0	3,111,058.2	2,316,403.6
(c) Amortization of Domestic Debt	5,973,775.0	6,013,631.0	4,899,168.0
(i) Principal -Rollover	4,948,229.0	4,600,000.0	3,460,218.0
(ii) Interest Payments	1,025,546.0	1,413,631.0	1,438,950.0
(d) External Debt Services	1,856,142.6	2,359,320.0	2,963,410.0
(i) Interest	673,491.5	689,667.0	987,312.00
(ii) Principle	1,182,651.1	1,669,653.0	1,976,098.00
(e) Net Domestic Debt Increase (a-c(i))	1,220,668.0	1,193,668.6	1,499,774.2
(f) Net External Debt Increase (b-d(ii) / 1	3,339,598.4	3,036,642.1	1,915,458.6
2. Net Increase on Domestic and External Debt (e+f)	4,560,266.4	4,230,310.8	3,415,232.7
/1 The increase does not include future disbursement from existing loans			

**Figure 1: Domestic Revenue as Percentage of GDP
2012/13 - 2019/20**



**Figure 2: Composition of Domestic Revenue
2018/19 - 2019/20**

