

**United Republic of Tanzania**

**Tanzania Revenue Authority (TRA)**

**UNITED REPUBLIC OF TANZANIA  
PROJECT FOR THE ENHANCEMENT  
OF TAXATION TRAINING IN  
TANZANIA**

**PROJECT COMPLETION REPORT  
YEAR 4**

**APRIL 2016**

**JAPAN INTERNATIONAL COOPERATION**

**AGENCY (JICA)**

**INSTITUTE FOR FINANCIAL AFFAIRS, INC.**

**Pacsa Co., Ltd**

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### Table of Abbreviations

BEPS	Base Erosion and Profit Shifting
CED	Customs and Excise Department
C/P	Counterpart
DRD	Domestic Revenue Department
EAS	Electronic Accounting System Course
EN/GA	Exchange of Notes (EN) and a Grant Agreement
ISO	International Organization for Standardization
ITA	Institute of Tax Administration
ITC	International Taxation Course
ITU	International Taxation Unit
JCC	Joint Coordinating Committee
JICA	Japan International Cooperation Agency
LTD	Large Taxpayers Department
NACTE	National Council for Technical Education
NTA	National Tax Agency
OJT	On the Job Training
PDCA	Plan-Do-Check-Act
PDM	Project Design Matrix
PO	Plan of Operation
QMS	Quality Management System
R/D	Record of Discussion
SBWS	Sector Based Workshop
TAA	Tax Administration Act
TAC	Taxation Advanced Course
TBC	Taxation Basic Course
TID	Tax Investigation Department
TIN	Taxpayer Identification Number
TMC	Training Management Committee
TOT	Training of Trainers
TRA	Tanzania Revenue Authority
URT	United Republic of Tanzania
VAT	Value Added Tax

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# **1. Outline of the Project**

## **1.1 Background of the Project**

The Government of the United Republic of Tanzania (URT) has been promoting economic growth, introducing tax reforms including widening the tax base, and streamlining tax administration as part of its macroeconomic measures to boost mid- to long-term domestic revenue under the second National Strategy for Growth and Reduction of Poverty (NSGRP II or MKUKUTA II in Swahili). The Tanzania Revenue Authority (TRA) has therefore made the capacity development of tax officials and related personnel a key component of efforts to meet these challenges.

The Institute of Tax Administration (ITA), which primarily provides training to tax officials under the direct authority of the TRA, is playing an increasingly important role in the ongoing capacity and knowledge-development of TRA personnel. ITA offered more than 40 tax-related courses (all of which operated in FY 2010/11) to around 2,000 trainees from TRA as well as the private sector and general public.

However, the teaching materials did not meet the required standards and were out of date. Moreover, ITA did not provide the phased education (i.e. beginner, intermediate, and advanced training) needed for human resource (HR) development. The training system therefore needed to be reviewed in order to bolster HR development.

In light of this situation, URT has requested Japan's assistance in implementing the 'Project for the Enhancement of Taxation Training in Tanzania'.

Based on the above background, this project had been carried out for a period of three years, until March 2015. A terminal evaluation was carried out in November 2014, which acknowledged that the project's goals and outcomes had been achieved. At the same time, in order to solidify the project outcomes more firmly, discussions were held on extending the length of this project to continuously apply the PDCA cycle to the Taxation Advanced Course (TAC) and Sector Based Workshop (SBWS), which are designed to be the core trainings in the ITA, and thus to ensure that this cycle becomes a standard operating procedure. As a result, signatures were exchanged between the TRA and JICA on R/D on March 31, 2015, to signify that it would be extended.

## **1.2 Operating Aims & Scope**

### **(1) Project Details**

This project aims to implement activities related to the following overall goal, project purpose, and outputs in the PDM. Present conditions are discussed, including activities during the extension period, based on the situation prior to project extension.

**Overall goal:** The capacity of the staff working for the Tanzania Revenue Authority (TRA) for tax administration is enhanced.

Indicators:

- Average number of tax audits completed in a year per TRA official is increased.
- Average amount of additional tax per audit case is increased.

It seems difficult to concretely measure the level of achievement regarding above; however, some cases showing increased revenues collected as compared to the past, by utilizing the procedures which the officials learned from the trainings, were reported.

**Project Purpose:** Training programs provided by the Institute of Tax Administration (ITA) are improved.

Indicators:

1. PDCA cycle of training program development is adopted and introduced officially in ITA.

- (1) Stage I: (initial stage): PDCA cycle does not exist. More specifically, curriculum and training materials exist, but those are not developed based on PDCA cycle.
- (2) Stage II: PDCA cycle exists but it is just on a document basis.
- (3) Stage III: PDCA cycle exists but managed, initiated by JICA consultant team
- (4) Stage IV: PDCA cycle exists and managed by ITA itself (as the final target at the end of the Project)

Regarding Indicator 1, it can be said that Stage IV has been reached. There was a concern regarding warranting the continuation of the PDCA cycle after the project; however, by focusing the fact that the ITA has obtained ISO and by including the PDCA to the QMS, the team came up with the system that would be periodically reviewed. The PDCA cycle has been formally adopted by QMS, and it is functioning together with the TMC established through the Project. Currently, training evaluations are compiled by ITA staff and reported to the TMC. In addition, the TMC holds regular meetings at a rate of once every quarter and discusses improvement measures, etc. for problems based on training evaluations. It provides recommendations to senior official organizations in the ITA and TRA.

2. Coverage of training program subjects is expanded.

The below five courses were identified as the targeted courses for development.

- Taxation Basic Course (TBC)
- Electronic Accounting System Course (EAS)
- International Taxation Course (ITC).
- Taxation Advanced Course (TAC).

- Sector Based Workshop (SBWS).

Subjects are expanded through the development of the five selected courses specified above. In addition, as the results from the established TMC which promoted better communications between the TRA and the ITA, training needs become identified more easily. Thus, new themes are also being taken up within the training courses.

First year: Practical subjects were added for TBC.

Second year: EAS and ITC were developed and carried out. Also the revised TBC was carried out.

Third year: EAS for the second, third and fourth round was carried out with incorporating new themes. TAC was developed and carried out. TBC for the second round was carried out. ITC and TAC for the second round were also carried out. SBWS was newly developed and carried out.

Fourth year: For the fifth EAS, an Excel course was held, which had received a particularly large number of requests. The third and fourth TAC were held. SBWS were held for sectors of high importance for Tanzania (ITC also incorporated into second training) and extractive industries, oil and gas (third).

3. Satisfaction ratings of trainees' departments of the TRA exceed 75% on average regarding the specified training programs.

Average: 90.4% (breakdown: TBC: 97.5%, ITC: 83.3%)

4. Number of trainees in the specified training programs exceeds 210 persons.

#### Training courses and participants

Course Name	Total No
TBC	106
EAS	91(24)
ITC	35
TAC	77(36)
SBWS	81(62)
TOTAL	390(122)

\*Numbers in parentheses indicate participants in Year 4

By achieving above four indicators, our project purpose, “Training programs provided by the ITA are improved.” can be said to be achieved.

**Outputs:**

1. The process for the planning and preparation of training programs is systematized.

Indicators:

1-1. Needs assessment and planning of training program mechanism is developed and upgraded.

By establishing a venue for discussion by the TRA and the ITA instructors via the TMC, to create a training plan based on an accurate grasp of the needs is becoming realized. In addition, as mentioned above, by including the PDCA cycle and clarified responsible departments and officers in charge of implementing each activity in the cycle into the QMS, it is expected that needs assessment and planning mechanism would be continuously functioned.

First year: Hearings and questionnaire surveys were conducted for TBC, ITC, and EAS, and training plans were created.

Second year: Needs assessment was done for TAC and training plan was created.

Third year: Needs assessment was done for SBWS and training plan was created.

Fourth year: Needs assessment was done for TAC, SBWS and training plan was created.

1-2. Training materials are developed and upgraded.

As it approaches towards the end of the project, CP s are gradually leading the tasks. The ITA instructors are preparing the teaching materials in TAC with the help of the TRA officials.

First year: Added practical subjects were added for TBC.

Second year: Training materials for EAS and ITC were developed.

Third year: Training materials for TAC were developed and training materials for EAS were improved. Also training materials for SBWS were developed.

Fourth year: Training materials for TAC were improved and training materials for EAS were improved. Also training materials for SBWS were developed.

1-3. Satisfaction ratings of trainees regarding the training curriculum and training materials of the specified training programs exceed 95% on training curriculum, 80% on training materials on average.

Training program average: 89.6% (Improved 2.5% compared to Year 3)

(Breakdown: EAS (Tally) 1st: 85%, EAS (Tally) 2nd: 100%, EAS (ACL) 3rd: 94%, , EAS (ACL) 4th: 95%, EAS(EXCEL) 5th 100%, ITC 1st: 100%, ITC 2nd: 100%, TBC 1st: 67%, TBC 2nd 83%, TAC 1st: 63%, TAC 2nd: 82%, TAC 3rd: 82%, TAC 4th: 91%, SBWS 1st 92%,

SBWS 2nd 100%, SBWS 3rd 100%

\*Tally is the accounting software aimed at small to medium enterprises used in Tanzania. ACL is the internal auditing tool made by ACL Service Ltd.

Training materials average: 94.9% (Improved 0.9% compared to Year 3)

(Breakdown: EAS (Tally) 1st: 95%, EAS (Tally) 2nd:100%,EAS (ACL) 3rd:100%, EAS (ACL) 4th:100%,EAS(EXCEL) 5th:93%, ITC 1st: 100%, ITC 2nd :100%, TBC 1st: 76%, TBC 2nd:83%, TAC 1st: 94%, TAC 2nd: 100%, TAC 3rd: 91%, TAC 4th: 91%, SBWS 1st:100%, SBWS 2nd:100%,SBWS 3rd:96%

\*Underlined portions conducted in Year 4

The average satisfaction rating of trainees was 89.6% and did not reach to the targeted 95%, primarily due to the low rating (at percentage of 60's) for the newly developed TAC and TBC first round with shortened duration as per strong request from the TRA. For the other courses, the satisfactory rating was high. The second round of each course obtained higher scores, which resulted from improving the curriculum attributed by the evaluation results from the first run.

The first set of assessment results has been used to revise the training contents for TAC, allowing improved results in the second assessment. In addition, implementation timing for the TBC has also returned to normal and bookkeeping, accounting, and so on have been enhanced and their contents revised, leading to improved results in the second assessment.

\*TBC 67% =>83%, TAC 63%=> 82%

1-4.Frequency of utilizing training materials in each subject is increased.

As the training courses that were developed have been held more times, the frequency of teaching materials being utilized has increased.

Based on the indicators above, Outputs 1 “The process for the planning and preparation of training programs is systematized.” is said to have been achieved.

2. Capacity of ITA lecturers for implementing training programs is enhanced.

Indicators:

2-1.Number of publications by ITA lecturers is increased.

Before the commencement of the project, there was only one publication by the ITA lecturers. From the commencement by the end of the project, 21 publications were recognized.



2-2. Satisfaction ratings of trainees regarding the knowledge and skills as well as the teaching methods of the ITA lecturers exceed 75% on average.

Lecturer satisfactory rate average: 92.9% (Improved 0.6% compared to Year 3)

(Breakdown: EAS (Tally) 1st: 92%, EAS(Tally) 2nd :97%, EAS (ACL) 3rd: 95%, EAS (ACL) 4th: 90%, EAS (Excel) 5th: 94%, ITC 1st: 98%, ITC 2nd:96%, TBC 1st: 89%, TBC 2nd: 88%, TAC1st: 78%, TAC 2nd: 94%, TAC 3rd: 91%, TAC 4th: 96%,SBWS1st: 98% ,SBWS 2nd: 95% SBWS 3rd: 96%

Based on the above indicators, Output2 “Capacity of ITA lecturers for implementing training programs is enhanced” continues to be achieved.

3 The evaluation procedure of the ITA is strengthened.

Indicators:

3-1.Evaluation methodology and feedback mechanism are developed and upgraded.

Along with implementing evaluations for Levels 1 and 3, feedback for the ITA instructors and the persons in charge of training at the TRA has been done through the TMC. Discussions on the training course improvement proposals and the courses using the improved teaching materials and curriculums have been carried out.

The evaluation was carried out mainly by the Japanese expert, but both the ITA and the TRA human resource officers have become thoroughly aware of this process through the evaluation seminar held in November 2014. Previous evaluation format which was developed under ISO mandate, contained evaluation topics focusing on the facilities and the dormitory life conditions as well as the lecture contents and materials. On the other hand, the evaluation format developed by the project contains sections for overall module, lecturers, and topics, where the lecturers are evaluated by five levels. For example, the satisfactory level of trainees for EAS increased each time it is repeated, attributed to the improvement made based on the evaluation results.

For training in Year 4, CP determines the staff in charge and compilation and analysis are conducted.

3-2.Percentage of the evaluation results received by the TMC is 100%.

All the evaluation results were received for the training courses in the project following the establishment of the TMC.

3-3.Percentage of the evaluation results reviewed by the TMC is 100%.

Training programs through the Project conducted after establishment of the TMC have all been reviewed.

Based on the above indicators, Output 3 “The evaluation procedure of the ITA is strengthened.” is said to be achieved.

## (2) Target Region

Dar es Salaam, URT

Activities are based at the TRA headquarters and the ITA campus in Dar es Salaam but seminars etc. in other regions are also included.



From the website of Embassy of the United Republic of Tanzania in Japan

## (3) Counterpart Ministries & Agencies

The TRA and the ITA

## (4) Purpose of the Extension

The purpose of the extension was to further improve and more fully establish the taxation training program by extending it another year based on the results of the Project for the Enhancement of Taxation Training, which was conducted over three years from Year 1 to Year 3. In addition, the initiative was to focus on issues in major tax systems and tax administration in Tanzania and particularly on clarifying procedures related to grant aid projects.

## **2. Tax Administration of Tanzania**

### **2.1 Tax Administration Organization**

The United Republic of Tanzania depends on overseas assistance for about 30% of its domestic revenue, and the ratio of tax revenue in the GDP is still low, less than 17%. The country faces the important issues of increasing its tax revenue for economic independence, strengthening tax administration organizations and improving management efficiency.

At present, Tanzania's tax administration organization consists of the Ministry of Finance at the top, TRA as its executive agency, 23 Regional Offices and 71 District Offices as regional organizations. In addition, ITA directly under the immediate control of the TRA, is operated as a taxation training center for the main purposes of improving the abilities of TRA officials

In Tanzania, the Income Tax Act (which regulates both the Corporate Tax and the Personal Income Tax) itself has been in force since 1973, while TRA was established in 1995 as the executive agency for controlling customs and domestic tax. The Income Tax Act has been fully revised with a new system of tax payment by self-assessment for corporations from 2004 up to today. TRA has made no major organizational reforms except it established a special unit within the Large Taxpayer Department in November 2011 in order to deal seriously with complex international taxation transactions.

#### **2.1.1 TRA Supreme Decision-making Body and TRA Commissioners-General Postings**

TRA is affiliated to the Ministry of Finance but is positioned outside the ministry as a semi-autonomous external agency, which is distinctive as seen from Japan. It is normally said that the Ministry directs and supervises TRA. Actually, the Commissioner General of TRA, the head of TRA has accountable not to the Ministry of Finance but to the Board of Directors of the TRA above him. The Ministry of Finance has no right to appoint and dismiss the Commissioner General of TRA.

The Board of Directors, which is at the highest position organizationally and the supreme decision-making organ regarding the execution of management in TRA, is a legal organization with the responsibility to determine and accomplish policies of TRA. On the other hand, it is said that the Minister of Finance gives directions to the Board of Directors with regard to accomplishment of duties and the Board is required to comply with the directions. However, the Board is prohibited from being involved with matters related to decisions on tax amounts for each taxpayer.

There are ten members of the Board of Directors in total.

- (1) The Chairman appointed by the President on recommendation from the Minister of Finance
- (2) The Permanent Secretary of the Ministry of Finance
- (3) The Principal Secretary of the Ministry of Finance of the Zanzibar Government

- (4) The TRA Commissioner General
- (5) The Governor of the Bank of Tanzania
- (6) The Permanent Secretary of the Ministry of Planning

These six members are ex officio members.

- (7) Four other members appointed by the Minister with professional knowledge and experiences in finance, commerce, economics or law (non-ex officio members)

Selection of TRA management is done as follows.

- (1) The TRA Commissioner General shall be appointed by the President following a recommendation from the Minister of Finance. The term of office of the Commissioner General shall be five years.

The Commissioner General shall be the chief executive officer of TRA, subject to the general supervision and directions of the Board and responsible for the day-to-day operations, the management of budget and property, administration and control of the organization and its officers/ staff of TRA. However, the President may revoke the appointment of the Commissioner General after the recommendation of the Minister of Finance.

- (2) The Deputy Commissioner General shall be appointed by the President on the recommendation of the Minister. The term of office should be four years, and the President may revoke the appointment of the Deputy Commissioner General after the recommendation of the Minister of Finance.
- (3) Other commissioners and directors shall be appointed by the Board of Directors.

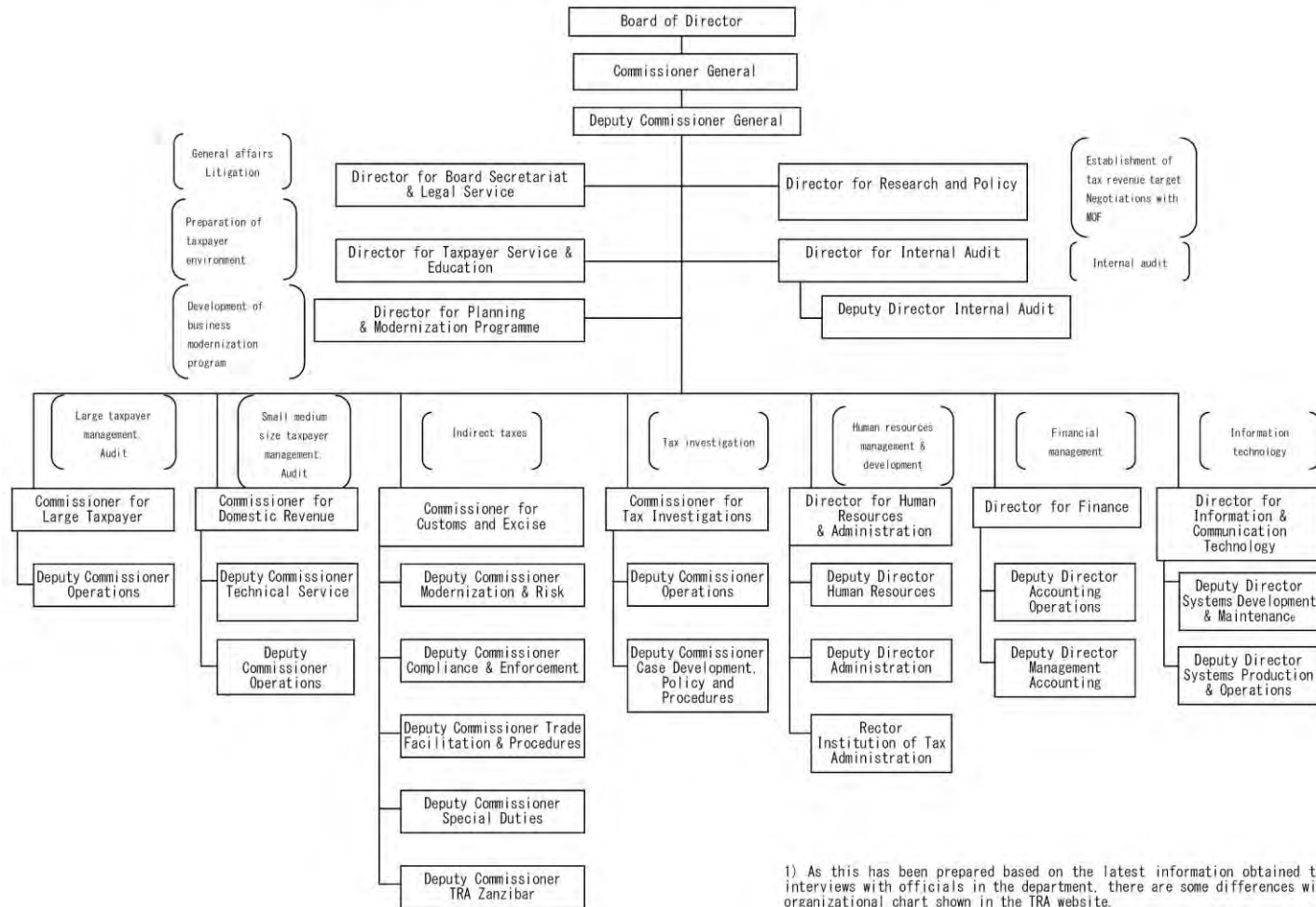
### **2.1.2 TRA Organization**

From the perspective of taxation items and tax audit, TRA is mainly divided into the following four departments, as well as support departments for administration.

- (1) Large Taxpayer Department (LTD)
- (2) Domestic Revenue Department (DRD)
- (3) Customs and Excise Department (CED)
- (4) Tax Investigation Department (TID)

In addition to these four departments, there are the Human Resources & Administration Department, the Finance Department, and the Information and Communication Technology Department. There are also departments for internal audits, taxpayer service and education, planning & modernization program, and other areas related to research and policy. The heads of the four main departments are called “Commissioner” followed by the name of the department, such as the Commissioner for Large Taxpayer. The heads of other departments are called

Tanzania Revenue Authority Organization Chart (As of November 2015)



1) As this has been prepared based on the latest information obtained through interviews with officials in the department, there are some differences with the organizational chart shown in the TRA website.  
 2) Under the TRA are the Regional Tax Offices, which correspond to Japan's Regional Taxation Bureaus, and the District Tax Offices, which correspond to Tax Offices.

### **2.1.3 Large Taxpayer Department**

This department has jurisdiction for the top 400 of the roughly 5,000 corporations in Tanzania. Most of these 400 corporations are foreign corporations, and account for about 70% of tax revenue, with the top 180 of these corporations alone accounting for nearly 60% of revenues. The top 400 corporations are under the jurisdiction of the LTD, so their declarations should be submitted to the LTD as well. Even if the head quarter of one of these 400 companies is outside the capital, they are still all managed by the LTD. The selection criteria for the 400 companies under the LTD are made with comparison among their sales, tax amounts and other aspects over some years.

In addition, mining, finance, insurance and oil and gas companies shall be under the jurisdiction of the LTD, regardless of sales scale or location of head office.

Subsidiaries of these 400 companies can be put under the jurisdiction of the LTD along with the parent company if an application is made to the LTD in case the head office of the subsidiary is outside the capital.

The major units of the LTD are the Tax Audit and the Tax Credit Management for large taxpayers.

### **2.1.4 Other Departments**

#### **(1) Domestic Revenue Department**

This has jurisdiction over small and medium taxpayers and contains a Tax Audit Unit and a Tax Credit Management Unit. In addition, it has jurisdiction over the Regional Offices and the District Offices.

#### **(2) Tax Investigation Department**

In Japan, “Audit” means a general voluntary audits, and “Investigation” means a compulsory investigation with a court writ into a tax evasion based on the National Tax Violations Control Law. However, in Tanzania, tax investigations and audits are not necessarily as clearly demarcated, and so it is likely that the scope of authority of both and their legal effectiveness are not yet properly clarified in legal terms. This means that there are some unclear aspects to the TRA’s authority to conduct forced investigations.

#### **(3) The other supporting departments are as follows.**

Board Secretariat & Legal Services

Internal Audits

Research & Policy

Taxpayer Services and Education

Planning & Modernization Program  
Human Resources & Administration  
Finance  
Information & Communications Technology

### **2.1.5 Regional Tax Offices and District Tax Offices**

As TRA's regional organizations, there are Regional Tax Offices, which cover "regions," the equivalent to prefectures in Japan, and District Tax Offices, which cover "districts," the equivalent to municipalities. The former are considered similar to Japan's Regional Taxation Bureaus while the latter is similar to Tax Offices. There were 26 regions in Tanzania (recently redistributed into 30 regions), but there are actually only 23 Regional Tax Offices. However, in general one region has one Regional Tax Office. There are, however, multiple ones in Dar es Salaam.

The major businesses of Regional Tax Offices are tax audit and tax credit management, and there is also an audit department that support the Large Taxpayer Department at the regional level. An audit department is divided based on Sectors.

District Tax Offices generally has less than ten people, and are responsible for tax audit and collection in general, but supported by the Regional Tax Offices when it comes to complicated cases.

### **2.1.6 ITA**

As noted earlier, ITA was established to train mainly TRA officials as a taxation training center directly under TRA. To be precise, ITA is under the umbrella of the TRA, but it also has semi-autonomous aspects. The executive staff, the Rector and Deputy Rector of the ITA, are not necessarily from the TRA, and there are many trainees who are not TRA officials either. In addition, there is a national organization next to ITA called the National Council for Technical Education (NACTE), which provides instruction for training contents and teaching guidelines, and also checks ITA's teaching policies and curriculum.

The countries in the East African Community (EAC) banded together to establish a training center in Mombasa, Kenya, to provide training for intermediate and advanced trainees. After this center in Mombasa did not last, Tanzania took it over and established ITA under the Ministry of Finance in 2005. Therefore the ITA was not originally established by TRA, but rather based on the existing research organization. The ITA's mission is to be an educational and consulting organization as an international research center, including domestic taxation and customs.

There are 26 lecturers in ITA, and their average length of service is about seven years.

Selection criteria for ITA lecturers requires them to have either a Masters or Doctoral degree, and they are appointed following an interview. Salaries and other treatments to ITA lecturers are the same as TRA officials. Four lecturers have Doctorates and seven have Master's degrees, and all is encouraged to get a Doctorate.

### **2.1.7 Human Resources (Employment, Individual Assessments, Demotions and Demotion Standards, Retirement)**

Employment:

- When more employment is necessary for personnel recruitment, an application is made using a request form for approval of the HR Department. This personnel recruitment can be applied at any time.
- Recruitments are done through HR introduction companies externally and within TRA internally. Employment requires the approval of the person in charge at the TRA.
- Employments and post appointments must meet the TRA career path requirements.

Individual assessments:

- Personnel assessment is done using a balance score card system.  
The staff and their supervisor have a discussion to decide the target and ability development at the beginning of the fiscal year, and then agree on a certain level of performance.
- The staff are managed to achieve their targets more efficiently. Performance assessments should be the standards for promotions and pay raises as well as for demotions and pay cuts. If the performance is poor, letters will be sent with requirement for improvement or a warning.
- Performance assessments are made with reference to the initially set targets by the supervisor for at least six months. It is called the open performance system, the staff assess their own performances with reference to the original targets at the end of the period. The supervisor will make an assessment of the staff at the same time, then they will discuss about the staff's performance and determine the assessment. If agreement cannot be reached on the assessment, the results are sent to a reviewer (such as the supervisor's supervisor) and this is used to coordinate between the two.
- This TRA's performance-based HR assessment system is also adopted by other government organizations. The system was introduced to TRA about seven years ago, but even if salary can be increased according to the performance, it will not increase by any more than 105%, so the gap is small.

Demotions: This is determined with four items such as under 50% assessment for two continuous years and violations. For actual demotions, a recommendation from the



disciplinary committee is required.

Retirement: At age of 60. The staff should express their intention to retire six months earlier.

There are also cases of retirement due to physical issues or the President's personnel reduction policies.

Transfers: There are criteria for this such as vacant post.

## **2.2 Tax Administration and its Functions**

### **2.2.1 General Tax Administration**

The mission of TRA is, like other nations, to increase the domestic revenue with collecting taxes efficiently and effectively, providing high-quality services to taxpayers and enforcing tax laws fairly and appropriately.

The main works of the TRA are to grasp who are taxpayers, tax audits, management and collection of tax claims, relief of the rights of taxpayer and technical objection & Appeals. They are mentioned in order below.

#### **2.2.1.1 Grasp of Taxpayers**

At each Service Center, new taxpayers in the specified block are registered. After submitting applications to the Center, these new taxpayers have to go to a Regional Tax Office, where they have fingerprint registration and certificate photograph, then the Center issues them with a Taxpayer Identification Number (TIN). The iTAX system has been currently introduced, and registration information is added to this and managed as taxpayer information. Without a TIN, taxpayers are not only unable to make an application for tax returns and refunds regulated in the income tax law, but also even unable to run a business.

#### **2.2.1.2 Tax Audit**

Tax audit is conducted either by the TRA Head Quarter or by a Regional Office. Both the TRA HQ and Regional Tax Offices have two sections responsible for large taxpayers and for small-to-medium-sized taxpayers. Audit methods are practical audits and office audits. Moreover, practical audits include (1) intensive audits on specific taxation items in a short-term, and (2) comprehensive audits on all taxation items in a long term.

Within the LTD, there is one manager each for the four units (the total, four managers) under the Commissioner and the Deputy Commissioner. These units are (1) Technical Objection & Appeals, (2) Audit, (3) DEB Management and Collection Enforcement and (4) Returns Data Processing, the largest unit is the Audit unit. Under the Audit Manager, there are four groups (A through D) for each sector. Every group has two teams, which means there are eight teams in the Audit unit.

Group A: Manufacturing industries

Group B: Gas, oil, and construction industries

Group C: Finance, insurance, communication, hotel, and tourism industries

Group D: Any other industries except A, B and C above.

Selecting methods of audit targets:

General methods are conducted. Submitted documents such as applications for tax return are examined in the unit and surveys on external appearance are taken with reference to information from iTAX and investigations.

Utilization of information:

Information is likely collected and utilized from the TRA's Tax Investigation Department, iTAX, and the Block Management.

Regulations for Advance notice for audit:

Advance notice should be given in principle, but in urgent cases it is possible to carry out an audit without this advance notice.

There are also tax audits of third parties such as transaction partners. These, however, appear to be limited to audits unto financial institutions. It seems to be possible to obtain some information through interviews with financial institutions, but there are no clear audit authorities or scope for client information or other data held by a financial institution, and if a financial institution refuses to disclose the information, it should be difficult to have further audit.

In addition, there is the Tax Investigation Department in TRA, but unlike Japan, any clear distinction between forced investigation by inspectors and voluntary audit are not found.

### **2.2.1.3 Tax Credit Management and Collection**

Tanzania brought in the iTAX system in 2001, and taxpayers are requested to pay through iTAX by the end of the following month of the date when it is liable to pay tax. Tax payment is made through account transfer from the taxpayer's account after the exchange of a memorandum of agreement between TRA and the bank. There is no cash payment of tax at the tax office, so the tax payment should be completed once the bank transfer form is filled in.

After determining the amount of tax payment, the audit unit issues an advance notice of the amount of tax payment to the taxpayer. When the taxpayer received the notice, then the Tax credit management and collection unit takes charge. If the tax is not paid within the due date, the notice will be given with the interest to the taxpayer. There are seven steps as follows;

- (1) To persons who have not completed tax payment through iTAX even after the due date passed, the list of persons obliged to pay are output on the 14th day, and a first written demand shall be issued and sent to those persons. A given amount of interest is added to the tax on this notice.
- (2) If there is no payment by 7th day after the first notice was sent, a second notice shall be sent 7 days later.
- (3) If there is still no payment even after the second notice, a third notice shall be sent. It is possible to check immediately through iTAX if payment has been made or not. Even if the payment is made by bank account transfer, it will be automatically updated in real time on the system. In addition, even if the delinquency was only one day overdue, the interest for one month shall be added. Tax collections are operated by sending written demands, summoning the taxpayer and so on.
- (4) If there is still no payment after the third notice, a final demand requesting the immediate payment is sent.
- (5) If there is still no payment, the Commissioner will be noted that all procedures have been completed and approve the procedure should go ahead. In this case, the Commissioner General of TRA is also informed.
- (6) Information is obtained from the bank and the tax is directly collected from the bank account. These cases has happened in the LTD.
- (7) Any remaining assets are seized and sold, and the remaining tax claims is processed as an irrecoverable debt. Asset Seizure is done by tax collectors. If assets are sold, the right to collect is primarily held by the state, which outweighs mortgagees in this case. In other words, the tax claims right always come first, and mortgagees come second, even if mortgagees are set earlier.

In this way, the Tax Credit Management & Collection unit checks whether taxpayers have paid by the deadline, and, if not, three reminder notices are sent. If there is still no payment, steps are taken to collect tax directly from the taxpayer's bank account (banks have the legal obligation to pay). If there are less balance than the payment in the bank account, then real estates or other assets are seized and auctioned off to collect all tax.

#### **2.2.1.4 Technical Objections and Appeals**

One of the four units within the LTD is the Technical Objection & Appeals unit. It has a unit manager, and its roles are as follows.

- If an additional collection is made in a tax audit, the taxpayer is able to file an objection with this unit. This objection is not filed with the Tax Investigation unit.

- Regarding tax refunds, interpretation and application of tax laws, taxpayers can have a consultation with this unit. Refunds are mostly of VAT. It is possible to reduce the taxed amount by obtaining additional information, but it is also possible that this will increase the amount instead.
- Any remaining problems can be offered to the Legal Counsel, an independent committee. In this case, the judgement is left to the independent third-party, Tax Revenue Appeal Board.

#### Tax Revenue Appeal Board

Tax Revenue Appeal Board is made up of Deputy Judges appointed by the President or the Minister of Finance, and operated independently of TRA in order to ensure its impartiality.

However, there appears to be a number of problems with bringing cases for judgement by this third-party committee. For example, if, an additional Tsh6,000,000 is taxed by TRA as the result of a tax audit, and this is disputed, the one third of the amount (2,000,000) must be paid in advance.

Next, a confirmation letter from TRA is required when appealing to the Tax Revenue Appeal Board, but they will often not issue the confirmation letter, making it impossible to appeal to the Tax Revenue Appeal Board in the first place. This means that apparently there are few cases which are brought to the Tax Revenue Appeal Board.

#### **2.2.1.5 Private Rulings**

A taxpayer can confirm tax treatment in relation to a transaction with TRA in writing, following a prior written inquiry to TRA. If TRA decides its treatment, the Commissioner responds in writing, and the tax executive agency should be legally bound. This is one of the rights of taxpayers, but there have been almost no private rulings announced so far.

Tax Administration Act 2015 was published on 22nd May 2015 in the official Gazette. According to this act, the Commissioner General of TRA has the right to issue class rulings as well as private rulings. These “class rulings” are to allow multiple companies or taxpayers to make a written application based on shared interests. The TRA Commissioner General may not accept an application for a private or class ruling, and the requirements for this case are also regulated in detail in the act.

### **2.2.2 Administrative correspondence for International Taxation**

#### **2.2.2.1 Creation of a specialized unit for international taxation**

In order to handle international taxation, the International Taxation Unit (ITU) was established in the LTD’s audit section in November 2011. The background of establishing this specialized unit, Tanzania has been facing quite different issues from ordinal audit operations

such as management fees, transactions within affiliated companies, transfer pricing taxation, undercapitalization, e-commerce, and so on. In addition, this unit is divided into two sections, a group in charge of transfer pricing taxation and other group in charge of other international taxation issues.

#### **2.2.2.2 Tax agreements and treaties**

Tanzania currently has concluded tax treaties with nine nations. Many of them are the northern European nations such as Norway, Finland, Sweden, and Denmark, others are Canada, India, South Africa, and Zambia, as well as Italy. It doesn't conclude tax treaties with its former colonial masters, Germany and the UK. The features of these tax treaties is the higher withholding tax rate of royalty at 20%, the interest at a range from 10% to 15% and dividends at 10% with reflection of its position as a capital importing nation.

In addition, Tanzania has signed tax treaties with East African nations (Burundi, Kenya, Rwanda and Uganda), but has not yet ratified them.

#### **2.2.2.3 Transfer Pricing Taxation**

As of 1st May 2014, the Transfer Pricing Guidelines were finally issued in the name of the TRA Commissioner General. It carefully provides the transfer pricing taxation such as the selection of pricing methods throughout 39 pages.

#### **2.2.2.4 Issues on International Taxation**

(1) Inter-group services provision transactions with foreign multinational companies (parent companies)

Regarding management fees and technical fees which subsidiary companies in Tanzania pay to foreign parent companies (multinational companies), there are many problematic cases if the fees are in compensation for the real services or the fees are calculated simply based on sales and profit before taxation and then incomes are transferred to parent companies.

(2) Taxation on e-commerce

When a non-resident conducts business activities in Tanzania, they are normally charged corporate tax, etc., but in their actual business activities it is possible for them to provide services such as advice and products while they are in another country through the internet or other communication means, without actually having to be present in Tanzania. This makes it difficult to grasp the amount of their income. These electronic transactions are called "e-commerce" by TRA, and that is one of problems they have to solve.

(3) Lack of domestic database

Especially with respect to transfer pricing taxation, the domestic database is insufficient to

ensure the comparability of company profits and incomes.

(4) Securement of the right of taxation on capital gains and domestic resource interests among offshore countries.

(5) Audit on financial transactions such as derivatives and withholding tax for re-insurance premiums.

### **2.3 Recent Issues with Tax Administration**

The following sort of issues have often been noted by local foreign corporations and major accounting firms. For example, when it comes to corporate tax or personal income tax, the laws themselves has been poorly developed, with many unclear areas, which leads to problems. In addition, different laws compete and conflict with each other, and laws are not systematized well, that makes it hard to understand. Practice notes are almost useless. These are supposed to show guiding principles of interpreting laws, but actually, laws and ordinances themselves are mentioned in practice notes without any specific explanations. Specific interpretation standards exist only in the heads of auditors, and these are different from each other as well.

On the other hand, from the point of view of TRA, many officials feel that foreign companies have little awareness of paying tax in general, and do not make the appropriate declarations.

TRA is forced to ensure tax officials and experienced staff with a limited budget and in the face of shortage of human resources not only in terms of execution of the taxation system, but in terms of setting, revising, notifying of tax laws related to the very foundation of tax administration. The lack of legislative techniques and expertise is concerned.

In particular, with the increasing internationalization of tax administration, one of the major issues of tax administration is adjustment, coordination and application of domestic tax laws with relation to tax treaties and administrative agreements concluded with foreign countries; how domestic laws would relate to international agreements and how regulations of treaties would be applied to domestic laws.

In this regard, two recent revisions to the tax system in Tanzania will be described below.

#### **2.3.1 The Revised VAT and Tax Administration Responses**

The VAT law has been revised since last year. As noted at the start of this report, Tanzania depends on aid from other countries for about 30% of its national revenue and the government-related organization of each country carry out grant aid projects such as road construction and irrigation facilities. The tax exemption of VAT for these grant aid projects was stipulated on the treaties between the aid-giving country and the aid-receiving country. However, last year's VAT law revisions have meant major changes in how these treaty exemptions are

handled, and in the new system, VAT is initially paid at the time of purchase for domestic purchase transactions, and then it is refunded to the taxpayer on them making an application for a refund based on the exemption.

The government agencies of each country immediately responded to this and expressed their views that the VAT act revision might conflict with the exemption regulations that the treaties determined. However, the response of the Ministry of Finance, who concluded the treaties of each kind and should be responsible for them, was to require the opinion of the Attorney General, an advisory body within the government, to quote the opinion and then to assumed it their answer as the tax enforcement agency.

Taxation is the forced levying of monies based on the right to levy such monies in order to use them to fund the state's expenditures. This means that in the sort of taxation under discussion, which is later refunded based on tax exemptions, is not taxation in its original sense. This means that it is perfectly reasonable for the various donor nations to lodge complaints regarding this revision to the VAT law.

However, when considering this response from the tax administration agency, the government agency responsible for submitting the VAT law revision to parliament and the government agency responsible signing the treaty which regulated this tax exemption were both the Ministry of Finance. Therefore, the Ministry could be assumed to provide a unified administrative response to the various donor nations from its authority and responsibility and the donor nations to have expected this uniformly, but in fact this was not the case.

The correspondence of Tanzanian tax administration was designed quoting the opinion of the Attorney General, the other government organ, in form to fly over the responsible government agency. This can be looked at in two ways. One is that it is a deliberate policy decision, whereby the Minister of Finance and other executive agencies can avoid being on the front line, and they can retain flexibility in dealing with future administrative issues through the support of an advisory body that specializes in law. The other is that, even though there exists an administrative authority (the Ministry of Finance) which is seen as having proposed these, the judgement of said authority is that the legal interpretations of important tax laws, treaties, etc. are seen as more appropriate to be left to an advisory body with more specialized legislative expertise to provide an authoritative interpretation. At the present moment, it is not clear which is the case.

However, it is not necessarily clear which government agency has the primary interpretation right in the government regarding application and interpretation of important laws and treaties, which is considered one of the major issue in tax administration.

### **2.3.2 The Tax Administration Act**

The Tax Administration Act (TAA) 2015 was published in the Gazette dated 22nd May 2015. It is expected that the tax administration should have been executed afterwards in accordance with this new act from that day. As this act is the basis of government administration response, this section will quickly examine how this act regulate the relationships between domestic laws and treaties.

The TAA was a theme at one local law office seminar, and the lecturer (a lawyer) briefly explained that that the TAA clearly noted international treaty compliance and treaty priorities. However, when it comes to the relationship between domestic laws and treaties, there are aspects where special handling is regulated, and there may be some room for adjustment, including regulations for other related tax laws.

Firstly, there are domestic laws such as Article 7 (International Agreements) of the TAA and income tax, etc. that regulate the priority of treaties. If the Tanzanian government and legislature consider that not only the provisions of these laws are simple confirmation rules but also these laws themselves are the first creative provisions which clarified the priority of treaties, that would mean that effect of international treaties is up to provisions that domestic laws determine, it is considered that there is thought of the domestic laws predominance in the rout. If the provisions of domestic laws infringe on the treaty regulations, in the question of which should be given priority, the regulation of the priority relationship between domestic laws on the one hand and treaties on the other hand is itself contradictory, and only under higher laws (such as the constitution) can the efficacy relationship between the two be regulated. In this sense, it is vital to have some form of explanation for whether treaty priority provisions are verification provisions or priority provisions.

Secondly, the question is whether this provision is inadequate if this Article 7 of the TAA is a creative provision and is interpreted as warranting the priority and compliance of international agreements from the tax administration aspect. The reason why is because international subject to the priority under Article 7 of the TAA separately have the defining provision in Paragraph 2, thus: International agreements are provided only “for the purpose of providing reciprocal assistance for the administration or enforcement of tax laws.”

The agreements regulated in this Paragraph 2 are generally known as “Mutual Assistance Agreements for Tax Administration Enforcement,” and are treaties that regulate the duty for cooperation in administration between the governments of two nations for appropriate handling while working together on international tax avoidance or evasion. In other words, that is the system assuming that information on tax-avoiding taxpayers should be shared with each other, if the delinquent owns assets in one country, the assets should be conducted disposal by sale and realization and then nonpayment credit in the other country should be collected by mutual



cooperation. For this reason, this agreement on mutual administrative assistance differs from tax treaties which are mainly aimed at preventing double taxation. So if Article 7 of the TAA is read as is, then it is highly possible to be interpreted as not including tax treaties in general, there is a concern that domestic law provisions would be taken priority over general tax treaties. It is difficult to understand the purpose that the TAA, a law positioned as a general provision related to what tax administration should be, regulates treaties very narrowly like this, but that would possibly have a major effect on actual administrative correspondences.

For reference, Article 128 of the Income Tax Act 2008 also regulates the priorities of treaties. However, the scope of the “international agreements” in its Paragraph 6 is regulated as follows, that includes tax treaties as well.

128 (6) For the purposes of this section, “international agreement” means a treaty or other agreement with a foreign government that has entered into force in the United Republic providing for –

- (a) relief of international double taxation and the prevention of fiscal evasion; or
- (b) reciprocal administrative assistance in the enforcement of tax liabilities.

In other words, (a) is a normal tax treaty aimed mainly at preventing double taxation, and (b) is mutual administrative assistance for tax administration, so the Income Tax Act is regulated the range of the treaties to take first priority is wider than the TAA.

However, both of Article 7 of the TAA and Article 128 of the Income Tax Act are no more than simple verification provisions, and if it was clear that treaties are given prior applications to domestic laws in the high legal system, then there would be no need to focus too much on this sort of individual tax law regulation. But actually, there is the present situation that Tanzanian tax administrative authority likely decides their administrative correspondences standing in the opinion that the domestic laws themselves regulate each effect and application relationship between domestic laws and treaties which conflict with domestic laws just like the TAA and the Income Tax Act regulate.

Regarding the relationship between this Article 128 and the treaties that regulate the tax exemption for grant aid projects, these treaties are one-sided treaties that only regulate tax exemption handling in the aid-receiving nation, so are included in neither (a) nor (b) of Article 128. It is not clear why treaties for international contributions are not included in this article. However, at present, even if corporate tax or personal income tax is charged for Japanese contractors involved in grant aid projects, the Exchange of Notes for those projects do not fall under the agreements regulated by Article 128, so, it is expected that it is highly possible that exemptions for corporate tax, etc. will be interpreted as not covered by this warranty based on the concept of prioritizing domestic laws.

With respect to the handling of international agreements by the administrative agencies such as TRA and the Ministry of Finance, it is necessary to consider whether the domestic laws themselves that form the basis for the administration are properly developed, and if not, what sort of administrative responses are possible, or whether they would try to resolve disputes outside the legislation such as the advisory organization in the government, the Attorney General, show flexible responses.

### **2.3.3 Enhancement of Taxpayer Services (Information Disclosure on the Website)**

Regarding tax revisions, TRA publicity (information disclosure on their website) will be described from the perspective of enhancing taxpayer services under the voluntary self-assessment system in this chapter.

In the self-assessment system for tax payment, it is very important to make it easy for taxpayers to access to tax-related laws and to try to inform them of the content of each tax law. For example, Tanzanian companies and residents can check up the “Laws” on the TRA website, and download the relevant laws. However, numerous proposals of tax law revisions are adopted by the parliament, and laws are revised quite frequently in the Ministry of Finance. For taxpayers, it assumed to obtain the proper tax laws but actually, it is hardly possible to obtain revised laws as only tax laws prior can be accessible on the TRA website.

For example, as of January 25th, 2016, there are a range of tax law provisions listed on the TRA website, including individual tax laws for a given point in time as well as the Finance Act, which covers all the revisions for each year in the past. However, if we examine the Income Tax Act, the latest one that can be currently obtained is the 2008 version, which only includes revisions up to that year, so for the seven years between 2009 and 2015, taxpayers will need to check the Finance Act for each year and check to see which provisions have changed from year to year. This is a very arduous task, and while ITA instructors (naturally TRA officials can also be assumed to have the latest version) and lawyers at law firms can obtain and use tax law provisions containing revisions up to the previous year from somewhere, in the current system general taxpayers cannot obtain them from the website.

At the moment, the TRA website offers the Finance Acts from 2007 to 2015, but, depending on the law, it would be a Herculean task to check all the changes from 2007. Naturally, there are laws which reflect the revisions up to 2014, as for example with the Value Added Tax Act of 2014, so those do not need to be checked.

Next, checking the Finance Act will show the revisions made to each provision each year. However, the Finance Act is just a simple description of which provisions were changed in which way, and slightly more complex revisions will mean that taxpayers will encounter regulations where it is hard to understand the structure of the provision as a result of the revision.

This means that unless there is a comparison table between the old and new versions, there will be cases when accurate understanding is not possible.

Furthermore, even if the taxpayer can tell how a provision is finally revised, it can be necessary to know why a revision was made for important revisions, and just reading the provision will, in many cases, mean that the purpose of the revision or its effects are not conveyed at all.

In this way, from the perspective of taxpayer services, specific topics related to tax law revisions are listed, but while the latest versions of laws and tables comparing old and new versions must exist in the ministries, an exceptional budgetary measure is needed so that they can be published on the website. Therefore it is important to enhance taxpayer services to ensure general taxpayers have easy access to tax laws and can understand them better.

However, in developing nations it is common for tax laws to be revised frequently, and they often are not able to get around to taxpayer services. But even if general reference manuals for tax revisions are not possible, if there are any far-reaching revisions, then the reason for these revisions, their effects, etc. need to be notified to taxpayers. This would be a fruitful topic for future study, and it is also important that revisions be made to allow the reason for the revision to be easily explained.

### **3. Activities**

#### **(1) Work Plan (Year 4 Proposal) Creation and Agreement (Flowchart 1-4, 1-5, 1-6)**

A work plan was created based on the plan (Year 4 proposal). Based on this, after making revisions as necessary in consultation with related parties on the Tanzanian side, JCC was held and agreement was reached.

At this stage, clarifying a shared understanding with TRA related to tax exemption and refund procedures, and creating work reference material based on this were an urgent priority for the JICA and related parties, and the fact that it was necessary to prioritize this became even more clear. In connection with grasping related tax systems and overall tax administration, it was decided that research would proceed in parallel.

#### **(2) Continued Support for “Plan-Do-Check-Act (PDCA)” for Specified Training Programs (Flowchart 2)**

Two cycles were conducted related to TAC, the pillar of level-specific training at ITA, and one cycle was conducted related to SBWS. Efforts were made to better establish the cycle of “Plan (Prepare)-Do-Check-Act.” The TMC was established on a project proposal upon maintaining this cycle.

At the TMC meeting held in October, it was decided that project proposal, “Evaluation

System for Short Course Training,” was adopted as part of ITA’s QMS. Also, regarding PDCA, it was adopted in ITA’s QMS revisions.

1) SBWS (Flowchart 2-1, 2-2)

Curriculums were created for SBWS through the discussions. Examples of sectors handled were 1) Oil & Gas, 2) Construction, 3) Manufacturing, 4) Communication, 5) Financial Institutions, and 6) E-Commerce. From September 10 to September 18, training was conducted for 25 TRA members with Japanese experts and ITA instructors serving as instructors. Examples for each sector were compiled and training materials created to prepare for the training.

A training evaluation review was conducted at the TMC held in October.

2) TAC (Flowchart 2-1, 2-2)

From the standpoint of curriculum and training material preparations, coordination was conducted with a view to implementation in mid-August. TAC bookkeeping and accounting practices were reviewed and advice given to staff in charge. Led by CP, preparations and courses were conducted. Due to the timing of other courses, the training was actually held October 5 to October 23 for 21 TRA members. The fourth session was held from February 22 to March 11 for 15 TRA officials.

3) Other

On the strong request of the Tanzanian side, support was conducted for EAS (excel) courses. Course content was reviewed and recommendations were given. Training was conducted from October 5 to October 9.

(3) Research on Major Tax Systems (Flowchart 3-1, 3-2)

Research on the current status, issues of Tanzania’s major tax systems and tax administration was incorporated into project activities. In connection with major tax systems, the focus was on elucidating revisions to VAT tax law, which has been an issue in grant aid projects.

Tanzania’s tax systems, tax administration organizations, execution, issues of international taxation, and issues in tax administration are described.

(4) Analysis of Current Status of Standard Procedures for Tax Exemption and Refunds related to Implementation of JICA Grant Aid Projects, and Creation of Work Reference Material related to Tax Exemption and Refund Procedures for Business Enterprises  
(Flowchart 3-3, 3-4)

1) Gaining the cooperation of related parties

At the start of the year 4, documents (VAT and customs documents at import, etc.) related to

examples of current problems were obtained from the JICA office, and the problems were organized. Discussions were also conducted to gain the cooperation of the TRA in connection with creation of work reference material related to tax exemption and refund procedures. Discussions were attended by the Deputy Commissioner General and related department directors, and along with explaining the problems, the work schedule was presented and cooperation was obtained.

In addition, the project expert visited the attorney-general's office and based on a question sheet, the understanding of the attorney-general's office to this issue was grasped. Regular weekly meetings were held between JICA office and the project expert and information was shared.

## 2) Discussions, etc. with Construction Management Consultants and Construction Companies

In order to grasp the current situation and for future research contacts, based on discussion with the TRA, construction management consultants, construction companies and other related parties were assembled and a discussion session was held, where the project expert explained the work schedule.

The Project expert visited construction companies and confirmation was conducted on tax exemption and refund procedures for income taxes, etc. In addition, factual matters related to VAT in connection with payment of electricity charges (TRA handling) were conducted.

On October 7, the construction management consultants and construction companies participated to the meeting, and the expert reported work policies, work schedule and proposals for work reference material.

On November 18, with related departments from JICA headquarters in attendance, a seminar was held with presentations by the expert and a Q&A session. Documents were created in preparation for this.

## 3) Discussions with Related Parties

Discussions related to grant aid cooperation were held with the Tanzanian side. The discussions were on confirmation of general principles related to grant aid cooperation, awareness of problems related to the amended VAT law, and other requests. For this, preparatory meetings on the Japan side and working-level meetings were held, and it was then decided that a meeting would be set up with the Japanese Ambassador and Deputy Finance Minister of URT. The project expert participated in the meeting with the Ambassador and Deputy Finance Minister on August 25, and the understanding of the project team expert with respect to related problems were presented. Understanding were obtained with respect to the relationship between EN/GA and domestic law and the definition of exemption.

## 4) Structure of the Work Reference Material

Theoretical portions were changed to a Q&A format to the extent possible and documents

were compiled so as to also include items that were planned for tax system and tax administration seminar.

(5) Tax System and Tax Administration Seminar Conducted (Flowchart 4-1)

The seminar was held for the following parties on January 22, 2016 (Fri.) from 14:30 to 17:30. The following items were handled at the seminar.

Topic: The amended VAT law, its operation and issues, in connection with domestic execution of tax exemption provision under treaties.

Participants: Construction companies, Japan Embassy, JICA Tanzania office, etc.; a total of 17 people

- 1) I. Introduction: About “The Amended VAT Law”
- 2) II. Practical Matters: About “1-1 Summary Table”
- 3) II. Practical Matters: About “Various Tax Exemption Application Procedures”
- 4) Items for Discussion

(6) Country focused training (Flowchart 5)

In Tanzania, on-the-job training is conducted randomly, but it is not conducted systematically. TRA focused on the on-the-job training of the National Tax Agency at past training in Japan and is considering instituting effective on-the-job training to build an effective system in Tanzania and further enhance staff abilities. It was then decided that a country focused training program would be developed for the purpose of considering how to implement on-the-job training at TRA. As a source of instructors for this theme, instructor dispatch was requested of the SANNO Institute of Management.

Assessment by trainees following the training showed that five of the nine felt they had very definitely achieved the training goals, while the remaining four felt they had achieved them. The lectures were helpful for case studies, the preparation of OJT planning sheets, and so on. OJT itself is a new concept for the TRA and ITA, but its background, purpose, and methods appear to have been understood through this training. However, many barriers remain to its introduction, including the understanding of higher management and the introduction of improvements for organizational culture, etc., so we realized that the introduction of the OJT system in Tanzania requires an awareness campaign.

(7) Seminar Conducted for TRA/ITA Senior Officials and Discussions Held with Stakeholders (Flowchart 4-2)

- 1) Seminar/Study Session for TRA/ITA Senior Officials  
- BEPS Seminar

The seminar was conducted on September 9 on the theme of Base Erosion and Profit Shifting (BEPS). TRA officials were invited to the seminar, and Japanese expert Ishiguro served as the instructor. From the CP organization ITA as well, Mr. Masalu also participated as an instructor. Over 20 people participated from larger tax department, tax investigation department and the domestic revenue department of TRA.

The Base Erosion and Profit Shifting (BEPS) Project is being conducted by the OECD's Committee on Fiscal Affairs, the purpose of which is to consider countermeasures through the cooperation of the international community and revise the OECD model treaty, as well as to recommend amendments to national laws in individual countries, in order to prevent arbitrary tax avoidance by multinational corporations. Project participants include not only OECD member countries but eight of the G20 countries as well, including China, India and Russia. We conducted the seminar to share information about the project in light of the fact that it will potentially affect the tax systems and tax administration of developing countries in Africa.

#### **- Oil & Gas Seminar**

The seminar was held over five days from January 4 to January 8 for TRA staff and ITA instructors.

Natural gas fields among the largest in the world have been discovered over the past few years off the coast of East Africa, and international natural resource development companies have participated in development in Tanzania as well, with efforts aimed at commencing production in five or six years. Mineral and gold mining is conducted in Tanzania and the TRA has experience in these industries, but this is the first instance of natural gas development, so the TRA is urgently faced with need to deepen its knowledge of this extraction industry and gas field development and establish a tax system.

The expert in tax affairs and international taxation in the extraction industry, was invited from Slovakia, and a one-day seminar was held. In addition, on the request of the TRA, a four-day training program was held for general staff members. This was not only to deepen the understanding of tax officials in this field, but also to continue to develop taxation training related to the local extraction industry.

The training began with a summary presentation on the extraction industry, and many specific examples were taken up, including development and tax system models from individual countries, and problems related to treaties on oil field and gas field development. It was not only a standard lecture, but active tax officials and instructors engaged in debate, and the participants deepened their understanding of contentious points in tax systems related to this industry.

At the one-day seminar, 50 people from TRA and ITA participated. Recommendations related to tax systems and development models in this industry were provided by the expert and

ITA instructor, and then a panel discussion was held with additional participation by professors from the University of Dar es Salaam and employees of oil development companies.

\* Discussions Held with Stakeholders was mentioned in 3. (4) 2), 3).

#### (8) Project Completion Report (Flowchart 6)

The project team prepared a Completion Report, which contains items below;

- i) Project outline (context, history, aims)
- ii) Tax administration of Tanzania
- iii) Description of activities
- iv) Operational Issues and Others
- v) Current Status of Initiatives in Response to Recommendations in Terminal Evaluation

#### Attachments

Operation Flowchart

JICA expert deployment record

JCC minutes

PDM

PO

Trainee enrollment record

The Work Reference Materials (Tax issues on implementation of tax exemption in the Treaty, in relation to VAT Amendments)

## **4. Operational Issues and Others**

(1) Restrictions on Entering the Country as well as Civil Servants Leaving the Country due to the Presidential Elections, and Responses to This

A presidential election was held in October, so experts refrained from visiting before and after. For this reason it was necessary to adjust schedules, and it was necessary to delay the timing of assignment of experts.

During this period, contact was established with counterparts via the local project office in order to determine project progress and to keep influence on the project to the minimum possible.

In addition, Country focused training that was scheduled for December was cancelled due to restrictions on civil servants leaving the country, so we were forced to re-set this. After observing the trends locally for several months, the training was re-set for March, and carried out.



## (2) TAC Implementation Timing Changes and Response

TAC, which had been scheduled to be conducted toward the end of August, was delayed due to circumstances on the Tanzania side. It was canceled because the taxation law and the amended VAT law were going into force and TRA would be urgently conducting own training during that same period for ITA instructors. In addition, the tax law would just be recently implemented, so it was possible that TRA staff subject to training would also be forced to respond in August and September, so TAC was delayed. As a result, the third session was conducted in October and the fourth held later toward the end of February.

The program was revised during the period it was postponed, and efforts made to utilize the time effectively.

## (3) Current Situation with TBC (Training for New Hires)

TBC is targeted for development by the Project as a specialized training course, and its content was recommended by experts. TBC's evaluation revealed problems, including its short length, the fact that staff would be sent to TBC several months or several years after being hired, and the fact that staff could not be dismissed even if they were found to have performed poorly at TBC (because TBC is training for staff members who are already formal employees).

In light of this situation, the training length was extended for one year upon consultation with TRA and ITA, and it is now being conducted.

TBC was integrated with a course for Customs that was already in place, and a long-term, one-year course was created for new hires; 150 trainees are already taking the course. Depending on the results of this one-year course, formal hiring decisions will be made and departmental assignments will also be determined.

The problems mentioned above as areas of improvement for TBC have been resolved. Also, the training is being conducted by leasing space at University of Dar es Salaam, not at ITA, and through this the problem of limited space has also been solved.

## **5. Current Status of Initiatives in Response to Recommendations in Terminal Evaluation**

### (1) Maintaining the function of Training Management Committee (TMC)

TMC was initially established under the Project's leadership, but with respect to TMC functioning, it can be said that leadership is being taken within the ITA and TRA for planning and administering training, so the objective for establishing the TMC is being achieved. With respect to training programs, problems are shared between ITA and TRA HR staff, and they discuss what should be done about the problems and provide recommendations to the operating and strategic committees of ITA and TRA. In particular the ITA deputy rector has demonstrated

leadership as TMC chair; for example, procedures for designating and notifying trainees had tended to be slow, so a meeting was immediately held with TRA directors on the matter of trainees not being able to attend at the start of training, and efforts are also being made to speed up procedures for inviting trainees.

However, very little time has passed since the TMC was established, so if personnel in leadership positions are transferred, it is still unclear as to whether activities will continue to gain momentum in this way. We expect that TRA and ITA will continue their activities.

(2) Assignment of the Section and Personnel in Charge of PDCA

PDCA has been incorporated into QMS as recommended.

(3) Aligning the Training Needs of TRA with Human Resource Development of ITA

Improvements have been made through discussions between TRA and ITA members on the TMC. In addition, training matched to the level continues to be conducted through TBC and TAC graded training, but initiatives are still needed to expand this to training overall.

(4) Corresponding to Changes in Tax System (ITA)

We have expectations for future initiatives.

(5) Extension of the Project Duration

The Project was extended and the prescribed training was conducted. Further, EAS (Excel training) and Oil & Gas training which were originally not planned, have also been conducted. As a result of TMC establishment, the involvement of TRA has also deepened.

(6) Dispatch of TRA staffs to ITA

It was achieved. But not based on TRA Instructor Cadre system.

\*TRA Instructor Cadre refers to the system whereby, when a TRA official is appointed as an ITA instructor, they are treated during their secondment as equivalent to someone with a Master's degree.

(7) Introduction of OJT for Newly Employed Staffs in TRA

Currently, on-the-job training is not conducted systematically. Through country focused training, there was study of on-the-job training systems and a proposal was created for instituting on-the-job training at TRA. At the time of actual implementation, there will be potential barriers, which have personnel and cultural aspects. Having said this, considering the current number of TRA retirees, implementation is essential. It will be necessary to implement

the program first as a pilot project. It will also be necessary for the JICA to continue to provide support.

In addition, if on-the-job training is successfully implemented, it may also be applied to other ministries and agencies, so there would be an extremely large number of beneficiaries; it will potentially have a very large impact.

(8) Development of Procedures of Tax Audit

We have expectations for future initiatives.

(9) Corresponding to changes in tax system (TRA)

We have expectations for future initiatives.

## **Annex**

## **Operation Flow Chart**



## **Record of JICA Expert Deployment**

Record of Experts

Name/Field	Plan/ Achieved	2015						2016				Days	Personnel/ Month	
		7	8	9	10	11	12	1	2	3	4			
Kenichiro Iwashita (Team Leader/tax administration)	Plan												48	1.60
	Achieved	7/9 7/19 (11)			9/20					3/20 3/27(9)			29	0.97
Hideaki Ishiguro (TAC1/SBWS1)	Plan												27	0.90
	Achieved	7/14-7/23 (8)			9/7 9/22(16)					3/19 3/28(8)			24	0.80
Masao Katori (Tax system/tax Administration)	Plan												99	3.30
	Achieved	7/3 7/14(17)		8/17			11/20 12/11(22)						128	4.27
Toshinari Kodera(SBWS2)	Plan												39	1.30
	Achieved	7/28 8/5(11)		10/12(57)		9/9 9/20(12)				1/12 1/30(18)			23	0.77
Mari Minamiyama(TAC2)	Plan												42	1.40
	Achieved			8/17		9/24	10/12						41	1.37
Tomas Balco(Oil & Gas)	Plan												15	0.50
	Achieved						12/29 (11)	1/10					17	0.57
Chika Kondo(HR development plan/Project management assistance)	Plan												132	4.40
	Achieved	7/3 10/10(100)											100	3.33
	Plan											402	13.40	
	Achieved											362	12.07	
Kenichiro Iwashita (Team Leader/tax administration)	Plan												18	0.90
	Achieved	7/3 7/8 (6)		9/24	9/29(8)	10/1 10/1(3)		12/2 12/4 (3)		1/18(1)	2/11(1)	3/1-3/2 3/28-3/31(4)	22	1.10
Hideaki Ishiguro (TAC1/SBWS1)	Plan												22	1.10
	Achieved	7/20 7/26 (6)	8/1 8/7(4)	9/1	9/6(6)						3/15-18(4)		19	0.95
Masao Katori (Tax system/tax Administration)	Plan												12	0.60
	Achieved		8/3 8/5(3)				12/18 2/21-23(10)		7/1-8(5)				18	0.90
Toshinari Kodera(SBWS2)	Plan												10	0.50
	Achieved		8/7 8/11(8)	9/1	9/3(3)								8	0.40
Mari Minamiyama(TAC2)	Plan												10	0.50
	Achieved	7/25 7/27 (3)		9/17	9/18(2)	10/1 10/1(3)							8	0.40
Tomas Balco(Oil & Gas)	Plan												6	0.30
	Achieved							12/19 12/24 (6)					6	0.30
Chika Kondo(HR development plan/Project management assistance)	Plan												30	1.50
	Achieved												0	0.00
kazuko Aranami(HR development plan/Project management assistance)	Plan												30	1.50
	Achieved				11/9-13, 16 20, 23-27 (13)		1/1-8, 18-22, 25-27 (13)		3/7-9, 31 3/21-23(3)				53	2.65
	Plan											108	5.40	
	Achieved											134	6.70	
Report	Work Plan A													
	Progress B													
	Completion C													
	Work by Own finance by													
	Work in Tanzania													
	Work in Japan													
	Plan											510	18.80	
	Achieved											18.77		



## **JCC Minutes**

MINUTES OF MEETINGS BETWEEN  
JAPAN INTERNATIONAL COOPERATION AGENCY  
AND  
THE TANZANIA REVENUE AUTHORITY  
OF THE UNITED REPUBLIC OF TANZANIA  
ON  
THE SIXTH JOINT COORDINATING COMMITTEE MEETING  
OF  
THE PROJECT FOR THE ENHANCEMENT OF TAXATION TRAINING IN  
TANZANIA

The Japan International Cooperation Agency (hereinafter referred to as "JICA") and the Tanzania Revenue Authority (hereinafter referred to as "TRA") had the Joint Coordinating Committee (hereinafter referred to as "JCC") meeting within the framework of the Record of Discussions (hereinafter referred to as "R/D") for the "Project for the Enhancement of Taxation Training in Tanzania" (hereinafter referred to as "the Project").

As a result of the discussions, TRA and JICA made the Minutes of Meetings in order to confirm the mutual understanding and matters agreed through the discussions attached hereto.

Dar es Salaam, 15 July, 2015

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Mr. Kuniaki Amatsu  
Senior Representative  
Tanzania Office  
Japan International Cooperation Agency  
Japan

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Mr. Abubakar M. Kunenge  
Director of Human Resources &  
Administration  
Tanzania Revenue Authority  
United Republic of Tanzania

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Mr. Kenichiro Iwashita  
Chief Advisor of the Project for the  
Enhancement of Taxation Training in  
Tanzania

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Prof. Jairo Isaya Jayambo  
Rector  
Institute of Tax Administration

## I. INTRODUCTION

Based on the Record of Discussion for the extension of the Project cooperation period, which were signed on 31<sup>st</sup> March, 2015, the Project for the Enhancement of Taxation Training in Tanzania (hereinafter referred to as the “Project”) extended its cooperation period up to 31<sup>st</sup> March 2016. TRA and JICA organized this JCC meeting to review the progress since March 2015 and to agree to (i) the revised Project Design Matrix (PDM), Plan of Operation (PO), and (ii) the Work Plan.

## II. MAIN POINTS

The main points of this JCC meeting are as follows:

### 1. Progress of the Project activities

The progress and achievements of the Project activities was acknowledged in the meeting. The following points were reported and agreed regarding the Project progress.

- (1) Concerning the Project Output 1, the Project team successfully installed the Training Management Committee (TMC) and developed the PDCA (Plan-Do-Check-Act) cycle, which are now officially incorporated to the revised Quality Management System (QMS) at ITA. And thus, the training planning and preparation process has been systematized.
- (2) Concerning the Project Output 2, the Project team developed (i) graded training system by establishing Taxation Advanced Course (TAC), (ii) new courses to improve tax audit skills by introducing Electronic Accounting System Course (EAS), International Taxation Course (ITC), and Sector Based Workshop (SBWS). Along with the development and installation of these courses, the capacity of ITA lecturers has been successfully enhanced.
- (3) Concerning the Project Output 3, the Project team revised the Level 1 evaluation system and incorporated into the above-mentioned revised QMS.

### 2. Revised Project Design Matrix and Plan of Operation

TRA and JICA agreed to revise PDM and PO as ANNEX II and III.

### 3. Work Plan

The Work Plan was agreed upon as ANNEX IV.

The following points were focused and discussed in the meeting.

It was agreed that the Project Purpose, which is to improve the training programs by ITA,

stays in the extension period. In detail, the members agreed that TAC and SBWS will remain during the extension period and through these two courses, the operation of the PDCA cycle will be continued and strengthened. Also, to continuously improve the capacity of the ITA lecturers, seminars will be conducted twice. The themes of seminars will be discussed further, but the topic of oil and gas was agreed to be one of the themes.

Regarding the Country-focused training, the request was made from Tanzanian side, (i) to increase the number of participants, and, (ii) to continuously include the TRA officers from the operational departments as well as the TRA officers from the Human Resource and Administration Department and the ITA officers, as both TRA and ITA are committed to establish the effective OJT system and the training will give them a great opportunity to learn the system in Japan.

Also, there are two additional elements to be incorporated into the Project, which were agreed in the meeting. The members agreed that these two activities will enhance the capacity of the ITA lecturers and the TRA officers, and contribute to the improvement of training courses and eventually tax administration in Tanzania as well.

First, it was agreed that, during the extension period, the JICA expert team in collaboration with TRA headquarters departments as the key player as well as ITA lecturers will carry out situation analysis on the principal taxation systems in Tanzania for the improvement of training programs in ITA and for knowledge-enhancement of stakeholders. In the process, interactive discussions among the relevant TRA headquarters departments such as the Departments of Domestic Revenue and Large Taxpayers, ITA, the JICA Tanzania, the JICA expert team, and business sector will be arranged by the JICA Tanzania Office and the JICA expert team for exchange of views on tax policy and administration in Tanzania including the institutional and personnel capacity gap. The sessions will provide an opportunity to look into the current taxation systems from various viewpoints (as executors, trainers, and taxpayers) to reflect them in their work.

Second, it was also agreed that the JICA expert team will develop reference materials for tax exemption and refund procedures relating to Japan's grant aid projects. This activity will provide TRA headquarters departments with opportunities of practicing what they learnt in ITA training programs up to now, reviewing and enhancing their knowledge and skills, and finally contribute to improving transparency in tax systems and administration. The detailed work schedule will be further discussed with the technical team, whose members belong to the relevant TRA headquarters departments such as the Departments of Domestic Revenue

and Large Taxpayers, officially appointed within TRA and the first meeting will be held a week after this JCC.

TRA, ITA, JICA, and the JICA expert team expressed their firm commitment to work together for accomplishing these works.

#### 4. Any Other Business

The request was made from the JICA Tanzania Office to provide them with the revised VAT Act, which is executed as of July 1<sup>st</sup>, 2015, and TRA agreed to provide it.

ANNEX I	List of Participants
ANNEX II	Revised Project Design Matrix
ANNEX III	Revised Plan of Operation
ANNEX IV	Work Plan

## ANNEX I

### List of Participants

#### **1. TRA:**

Mr. Abubakar M. Kunenge	Director of Human Resources & Administration, TRA
Mr. Victor Kimaro	Deputy Director of Human Resource & Administration , TRA
Ms. Upendo Mfalila	Manager of Training and Development, TRA
Mrs. Neema Mrema	Commissioner, Large Taxpayers Department (LTD), TRA
Mr. Salum Yusuf	Acting Commissioner, Domestic Revenue Department (DRD), TRA
Mr. Derick Semfukuwe	Human Resource Manager, Customs and Excise Department (CED), TRA

#### **2. ITA:**

Prof. Jairo Isaya Jayambo	Rector, ITA
Dr. Lewis Ishemoi	Deputy Rector Academic, ITA
Mr. Emmanuel Masalu	Trainer, Researcher and Consultant, also Project Counterparty Leader

#### **3. JICA Tanzania Office:**

Mr. Kuniaki Amatsu	Senior Representative
Mr. Yoshisuke Kondo	Representative

#### **4. JICA Expert Team:**

Mr. Kenichiro Iwashita	Team Leader/Tax administration
Mr. Masao Katori	Research on Tax Systems and Tax Administration
Mr. Hideaki Ishiguro	Taxation Advanced Course/Sector Based Tax Audit
Ms. Chika Kondo	HR Development/Project Management
Mr. Michael Philbart	Office Assistant

**PDM, PO**

## AnnexV Project Design Matrix(PDM)(Ver.4)

### Project Design Matrix (PDM<sub>4</sub>)

Project Title : Project for the Enhancement of Taxation Training in Tanzania

Project Period : 2, 2012 – 3, 2016 (Four Years)

Version No. 4

Target Group : ITA staff and the trainees

Date : July 2015

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions
<p><b>Overall Goal</b> The capacity of the staff working for the Tanzania Revenue Authority (TRA) for tax administration is enhanced.</p>	<ol style="list-style-type: none"> <li>1. Average number of tax audits completed in a year per TRA staff is increased.</li> <li>2. Average amount of additional tax per audit case is increased.</li> </ol>	<ol style="list-style-type: none"> <li>1. Departmental annual reports</li> <li>2. Departmental annual reports</li> </ol>	
<p><b>Project Purpose</b> Training programs provided by the Institute of Tax Administration (ITA) are improved.</p>	<ol style="list-style-type: none"> <li>1. PDCA* cycle of training program development is adopted and introduced officially in ITA. [Reference] level of progress, to be assessed in the timing of mid-term review and terminal evaluation.               <ol style="list-style-type: none"> <li>(1) Stage I (initial stage): PDCA cycle does not exist. More specifically, curriculum and training materials exist. but those are not developed based on PDCA cycle</li> <li>(2) Stage II: PDCA cycle exists but it is just on a document basis.</li> <li>(3) Stage III: PDCA cycle exists but managed by the Project Team</li> <li>(4) Stage IV: PDCA cycle exists and managed by ITA itself (as the final target at the end of the Project)</li> </ol> </li> <li>2. Coverage of training program subjects is expanded. [continued improvement]</li> <li>3. Satisfaction ratings of trainees' departments of the TRA exceed 75% on average regarding the specified training programs.</li> <li>4. Number of trainees in the specified training programs exceeds 210 persons.</li> </ol>	<ol style="list-style-type: none"> <li>1. Project report, relevant regulation/guideline in ITA</li> <li>2. Training evaluation results extracted from the Activity 3-3 (Questionnaire surveys to the trainees' department of the TRA)</li> <li>3. Training records</li> </ol>	<ol style="list-style-type: none"> <li>1. Budgetary and human resources necessary for the service provision of tax administration are continuously allocated and assigned by the Government of Tanzania.</li> <li>2. TRA staffs trained by the Project do not drastically leave their respective posts.</li> </ol>
<p><b>Outputs</b></p> <ol style="list-style-type: none"> <li>1. The process for the planning and preparation of training programs is systematized.</li> <li>2. Capacity of ITA lecturers for implementing training programs is enhanced.</li> </ol>	<ol style="list-style-type: none"> <li>1-1. Needs assessment and planning of training program mechanism is developed and upgraded.</li> <li>1-2. Training materials are developed and upgraded.</li> <li>1-3. Satisfaction ratings of trainees regarding the training curriculum and training materials of the specified training programs exceed 95% on training curriculum, 80% on training materials on average.</li> <li>1-4. Number of standardized training materials in each subject is increased.</li> <li>2-1. Number of publications by ITA lecturers is increased.</li> <li>2-2. Satisfaction ratings of trainees regarding the knowledge and skills as well as the teaching methods of the ITA lecturers exceed 75% on average.</li> </ol>	<ol style="list-style-type: none"> <li>1-1. Project report, relevant regulation/guideline in ITA</li> <li>1-2. Training materials</li> <li>1-3. Questionnaire surveys to the trainees through the Activity 3-3</li> <li>1-4. Records of training programs</li> <li>2-1. Publications (papers, manuals and etc.)</li> <li>2-2. Questionnaire surveys to the trainees through the Activity 3-3</li> </ol>	



<p>3. The evaluation procedure of the ITA is strengthened.</p> <p>4. Stakeholders' knowledge and understanding on tax policy and administration are strengthened.</p>	<p>3-1. Evaluation methodology and feedback mechanism are developed and upgraded.</p> <p>3-2. Percentage of the evaluation results received by the Training Management Committee is 100%.</p> <p>3-3. Percentage of the evaluation results reviewed by the Training Management Committee is 100%.</p> <p>4-1. Information on emerging issues concerning principal tax policy and administration is collected, analyzed, and documented.</p> <p>4-2. The information is disseminated and discussed among stakeholders.</p>	<p>3-1. Project report, relevant regulation/guideline in ITA</p> <p>3-2. Evaluation analysis sheets prepared in the Activity 3-4</p> <p>3-3. Evaluation analysis sheets prepared in the Activity 3-4</p> <p>4-1. Project report and work reference paper</p> <p>4-2. Seminar records</p>	<p>3. Stakeholders (JICA, TRA, ITA, and business entities) well understand the outcome of knowledge-enhancement and promote cooperative attitudes.</p>
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<p><b>Activities</b></p> <p>1-1 Conduct the needs survey on improving tax administration as well as the capacity of TRA staff.</p> <p>1-2 Specify the training programs necessary to be prepared newly or revised in consideration of the above needs survey.</p> <p>1-3 Develop/Review the training curriculum for the specified training programs.</p> <p>1-4 Assist ITA lecturers to develop/review and standardize the training materials for the specified training programs.</p> <hr/> <p>2-1 Conduct seminar/training of ITA lecturers for acquiring the knowledge and skills necessary for the specified training programs as well as teaching methods.</p> <p>2-2 Share and accumulate the knowledge and skills as well as the teaching methods within the ITA.</p> <p>2-3 Assist ITA lecturers to conduct the specified training programs on tax administration.</p> <hr/> <p>3-1 Review the evaluation procedures of the ITA.</p> <p>3-2 Establish/improve the evaluation method.</p> <p>3-3 Evaluate the specified training programs on tax administration by ITA trainees and trainees' organizations.</p> <p>3-4 Analyze the evaluation results.</p> <p>3-5 Deliver the results of evaluation analyses to the Training Management Committee and relevant stakeholders.</p> <hr/> <p>4-1 Conduct situation analysis on tax policy and administration.</p> <p>4-2 Conduct seminar/study sessions</p> <p>4-3 Organize information and knowledge in documents, including a reference paper on tax exemption and refund procedure concerning grant aid projects.</p>	<p><b>Inputs</b></p> <p>Japanese side</p> <p>1. Experts</p> <ul style="list-style-type: none"> <li>• Chief Advisor/Tax Administration</li> <li>• Training Planning/Coordinator</li> <li>• Others as necessary</li> </ul> <p>2. Training of counterpart personnel in Japan and/or the Third Countries</p> <p>3. Provision of machinery and equipment as necessary</p> <p>4. Local expenses for the project activities which are not covered by Tanzanian side</p> <ul style="list-style-type: none"> <li>• Expenses for seminar/training of ITA lecturers, etc.</li> <li>• Expenses for training materials</li> <li>• Others</li> </ul>	<p>Tanzanian side</p> <p>1. Personnel</p> <ul style="list-style-type: none"> <li>Project Director</li> <li>Project Manager</li> <li>Counterpart personnel</li> </ul> <p>2. Provision of the project offices and facilities necessary for the project implementation</p> <p>3. Local expenses for the project activities</p> <ul style="list-style-type: none"> <li>• Running costs for electricity, water, communication, etc.</li> <li>• Expenses for implementing the specified training programs</li> <li>• Others</li> </ul>	<p>Personnel change of counterparts does not take place frequently.</p>
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\* PDCA (plan–do–check–act or plan–do–check–adjust) is an iterative four-step management method used for the control and continuous improvement of processes and products





## **Record of Trainings**

## **Sector Based Workshop (SBWS) Programs, Participants**

**2<sup>ND</sup> Workshop for Method of Audit by Sector**  
*(September 10<sup>th</sup> ~ 18<sup>th</sup>, 2015)*

Final Plan as of Sep. 4<sup>th</sup>, 2015

**I Time Schedule**

	Mon	Tue	Wed	Thu	Fri
				Sep 10, 2015	Sep 11
Morning Session (9:30-13:00)				Opening Session	Transfer Pricing
				All	Mr. Masaru & Kodera
Afternoon Session (14:00-16:00)				Basis of International Taxation	Model Conventions
				Mr. Masaru & Ishiguro	Kodera
	Sep 14	Sep 15	Sep 16	Sep 17	Sep 18
Morning Session (9:30-13:00)	Preparation for Presentation	Case Study (Oil & Gas)	Case Study (Tele-communication)	Case Study (E-Commerce)	Case Study Feedback Session
	All	All	All	All	All
Afternoon Session (14:00-16:00)	Preparation for Presentation	Case Study (Construction)	Case Study (Financial Institution)	Case Study (Manufacturing)	Closing Session
	All	All	All	All	All

**II Module of Case Study**

Session		Contents	Allocated Time
1	Presentation (by the assigned team)	Actual situation and features of each sector	30 min.
		Concrete cases in problem	30 min.
2	Discussion (by the all participants)	Analysis of the cases and identification of causes	30 min.
		Discovery of solutions	30 min.
3	Comments (by ITA lectures and JICA experts)	Comments on the presentation and discussion and delivery of some hints by JICA experts on solutions based on experience in Japan	on a timely basis

### III Scheduled Contents of Case Study

#### 1 Proceeding of each session

##### (1) Presentation

Each team is supposed to make presentation on each sector's current situation and characters and concrete problematic cases by sector to be discussed that TRA is facing,

##### (2) Discussion

After each team's presentation, all the participants are supposed to discuss the cases through analyzing the facts, identifying the causes, and trying to discover the appropriate solutions.

##### (3) Comments

On a timely basis, ITA instructors and JICA experts are going to make comments on the participants' presentation and discussion based on their knowledge and experience.

#### 2 Model structure of presentation

##### (1) Current situation and characters of each sector

##### (2) Facts on each case

➤ It is highly recommended to insert figures of some sort of transaction and capital relation among parties appearing on the stage for the participants to understand the case visually.

##### (3) Points of issue

- Position of TRA on the points of issue
- Position of the taxpayer
- Judgment of the courts (if any)

##### (4) Team's opinion on the case

##### (Notes)

- Each team is suggested to make presentation with **PowerPoint**.
- Handouts of the PowerPoint shall be prepared by each team.
- The financial statements presented in the cases are not required to be inserted in the slides of PowerPoint and are able to be included in the handouts.



**Participants of SBWS  
FROM 10TH - 18TH SEPTEMBER, 2015**

S/N	NAME	DEPARTMENT	STATION
1	Lihami Haule	LTD - DSM	DSM
2	Emmanuel Vegula	LTD - DSM	DSM
3	Felician Augustino	LTD - DSM	DSM
4	Zainab Margerly	LTD - DSM	DSM
5	Susan Kweka	LTD - DSM	DSM
6	Getrude Samwel	LTD - DSM	DSM
7	Festus Patta	LTD - DSM	DSM
8	Basillus Shilangalile	INTERNAL AUDIT DSM	DSM
9	James sangi	INTERNAL AUDIT DSM	DSM
10	Zakeo Kowero	TAXPAYERS SERVICE EDUCATION	DSM
11	Patrick Massawe	TAXPAYERS SERVICE EDUCATION	DSM
12	Saraphine Mbwambo	TAXPAYERS SERVICE EDUCATION	KINONDONI
13	Christina Undole	TAXPAYERS SERVICE EDUCATION	KIMARA
14	Emmanuel Ndeengerio	TAXPAYERS SERVICE EDUCATION	KINONDONI
15	Herry Nyinga	TAXPAYERS SERVICE EDUCATION	ILALA
16	Eva Raphael	TAXPAYERS SERVICE EDUCATION	ILALA
17	Dickson Chiduo	TAXPAYERS SERVICE EDUCATION	ILALA
18	Lovel Mwamri	TAXPAYERS SERVICE EDUCATION	TEMEKE
19	Gasper Mhina	TAXPAYERS SERVICE EDUCATION	TEMEKE
20	Titto Noah	LEGAL DEPARTMENT	DSM
21	Jane Kimweri	LEGAL DEPARTMENT	DSM
22	Joel Mbilinyi	TAX INVESTIGATION	DSM
23	Stephen Shekidere	LTD	DSM
24	Carolite Ntiku	LTD	DSM
25	Balboa Mohamed	TAX INVESTIGATION	DSM

## **Seminar Program for TRA (BEPS)**



## **TANZANIA REVENUE AUTHORITY**

ISO 9001: 2008 CERTIFIED

JICA/ITA Project Seminar on BEPS (Base Erosion and Profit Shifting)

WEDNESDAY, 09<sup>TH</sup> SEPTEMBER, 2015

Holiday Inn Dar es Salaam, Kibo Room

<b>TIME</b>	<b>ACTIVITY</b>	<b>RESPONSIBLE PERSON</b>
08:30- 09:00	REGISTRATION	SECRETARIAT
09:00 – 09:05	OPENING REMERKS	Mr. Geoffrey G Rutihinda Ag. Commissioner Tax Investigation Dept TRA
09:05 – 09:10	REMARKS FROM JICA Tanzania Office	Mr. Shusaku Kawai Representative JICA Tanzania Office
09:10 – 10:30	Overview of BEPS	Prof. Hideaki Ishiguro JICA Project Expert
10:30 – 11:00	HEALTH BREAK	ALL
11:00 -11:30	Japanese Experience and Expectation on BEPS	Prof. Hideaki Ishiguro JICA Project Expert
11:30 – 12:00	Tanzanian Expectation on BEPS	Mr. Emmanuel Masalu ITA Lecturer
12:00 – 12:50	Question/Discussion	Mr. Emmanuel Masalu ITA Lecturer
12:50 – 13: 00	CLOSING REMARKS	Mr. Charles Sabuni Deputy Rector ITA

## **Electronic Accounting System (EAS) Program, Participants**

**TANZANIA REVENUE AUTHORITY**  
**INSTITUTE OF TAX ADMINISTRATION**  
**ELECTRONIC ACCOUNTING SYSTEM COURSE - MICROSOFT EXCEL**

**5 – 9 October 2015**

**TIME TABLE**

<b>TIME /DAY</b>	<b>DAY 1</b>	<b>DAY 2</b>	<b>DAY 3</b>	<b>DAY 4</b>	<b>DAY 5</b>
<b>08:30-09:30</b>	<b>Opening remarks</b>	<b>LOOKUP functions</b>	<b>PIVOT tables and charts</b>	<b>Making Your Worksheet Error-Free</b>	<b>Using Excel in Work Group</b>
<b>09:30-10:30</b>	<b>Text functions</b>			<b>Linking and Consolidating Worksheets</b>	<b>Using Shared Folders</b>
<b>10:30-11:00</b>	<b>HEALTH BREAK</b>				
<b>11:00-13:00</b>	<b>DATE functions</b>	<b>Performing analysis with WHAT IF functions</b>	<b>Array functions</b>	<b>Linking and Consolidating Worksheets</b>	<b>Nesting various functions</b>
<b>13:00-14:00</b>	<b>HEALTH BREAK</b>				
<b>14:00-16:30</b>	<b>SUM, COUNT AND LOGICAL functions</b>	<b>Creating and Using Worksheet Outline</b>	<b>Using Custom Number Formats</b>	<b>Sharing Data with Other Applicants</b>	<b>Case Study</b>

## EXCEL 102015

	Name	STATION/SECTION	DEPT
1	Ms. Bahati Mkumbukwa	Dar es salaam	Internal Audit
2	Ms. Mwajabu Yabumba	Dar es salaam	Internal Audit
3	Mr. Benjamin Julius	Dar es salaam	Internal Audit
4	Ms. Devota Kiwale	Dar es salaam	Tax Investigation
5	Ms. Rose Msuya	Dar es salaam	Tax Investigation
6	Ms. Francisca Negileshi	Dar es salaam	Tax Investigation
7	Mr. Benson Moshi	Dar es salaam	Large Tax Payer
8	Ms. Eutropia Morah	Dar es salaam	Large Tax Payer
9	Ms. Rachel Shoo	Dar es salaam	Large Tax Payer
10	Mr. Lameck N. Ndida	Dar es salaam	Large Tax Payer
11	Ms. Rose Sawaki	Dar es salaam	Leagal
12	Mr. Amandu Ndayeza	Dar es salaam	Leagal
13	Mr. Anjetile Kitalike	Temeke	Domestic Revenue Dpt
14	Mr. Fredy Katema	Tegeta-Kinondoni	Domestic Revenue Dpt
15	Ms. Joyce Philip	Mwenge-Kinondoni	Domestic Revenue Dpt
16	Ms. Euphemia Tairo	Ilala	Domestic Revenue Dpt
17	Mr. Fredric Charles	Ilala	Domestic Revenue Dpt
18	Mr. Emmanuel Massewe	ITA	HRA
19	Ms. Rufina Mlamo	ITA	HRA
20	Mr. Pascal Gomba	ITA	HRA
21	Mr. Emmanuel Hezron		
22	Devotha Kiwale		
23	Ussi Husein		
24	Elia Mamenge		

## **Taxation Advanced Course (TAC) Program, Participants**

**TANZANIA REVENUE AUTHORITY  
INSTITUTE OF TAX ADMINISTRATION (ITA)**

**Time table for TAC with effect from 5<sup>th</sup> to 10<sup>th</sup> October 2015**

<b>DAYS/ TIME</b>	<b>08:30-09:30</b>	<b>09:30-10:30</b>	<b>10:30- 11:30</b>	<b>11:00-12:00</b>	<b>12:00-13:00</b>	<b>13:00- 14:00</b>	<b>14:00-15:00</b>	<b>15:00-16:00</b>	<b>16:00-17:00</b>	
Monday	MA 200- LEADERSHIP SKILLS. MRS RENGUA	MA 200- LEADERSHIP SKILLS. MRS RENGUA	<b>HEALTH BREAK</b>	TA 300-TAX AUDIT. NZOTTA	TA 300-TAX AUDIT. NZOTTA	<b>HEALTH BREAK</b>	TA 300-TAX AUDIT NZOTTA	TA 300-TAX AUDIT NZOTTA		
Tuesday	TD 400-TAX DISPUTE H.MKWAWA	TD 400-TAX DISPUTE H. MKWAWA		TD 400-TAX DISPUTE H. MKWAWA	MA 200- LEADERSHIP SKILLS. MRS RENGUA		MA 200- LEADERSHIP SKILLS. MRS RENGUA	MA 200- LEADERSHIP SKILLS. MRS RENGUA	MA 200- LEADERSHIP SKILLS. MRS RENGUA	MA 200- LEADERSHIP SKILLS. MRS RENGUA
Wednes day	MA 200- LEADERSHIP SKILLS. MRS RENGUA	MA 200- LEADERSHIP SKILLS. MRS RENGUA		MA 200- LEADERSHIP SKILLS. MRS RENGUA	MA 200- LEADERSHIP SKILLS. MRS RENGUA		MA 200- LEADERSHIP SKILLS. MRS RENGUA	TD 400-TAX DISPUTE H. MKWAWA	TD 400-TAX DISPUTE H. MKWAWA	TD 400-TAX DISPUTE H. MKWAWA
Thursday	IT 800- INTERNATIONAL TAXATION. E. MASALU	IT 800- INTERNATION AL TAXATION. E. MASALU		IT 800- INTERNATIONAL TAXATION. E. MASALU	IT 800- INTERNATION AL TAXATION. E. MASALU		IT 800- INTERNATION AL TAXATION. E. MASALU	TA 300-TAX AUDIT. NZOTTA	TA 300-TAX AUDIT. NZOTTA	
Friday	IT 800- INTERNATIONAL TAXATION. E. MASALU	IT 800- INTERNATION AL TAXATION. E. MASALU		TA 300-TAX AUDIT. NZOTTA	TA 300-TAX AUDIT. NZOTTA		IT 800- INTERNATION AL TAXATION. E. MASALU	IT 800- INTERNATION AL TAXATION. E. MASALU		



**TANZANIA REVENUE AUTHORITY  
INSTITUTE OF TAX ADMINISTRATION (ITA)**

**Time table for TAC with effect from 12<sup>th</sup> to 16<sup>th</sup> October 2015**

DAYS/ TIME	08:30-09:30	09:30-10:30	10:30 - 11:30	11:00-12:00	12:00- 13:00	13:00 - 14:00	14:00-15:00	15:00-16:00	16:00-17:00
Monday	IT 800- INTERNATIONA L TAXATION. E. MASALU	IT 800- INTERNATIONA L TAXATION. E. MASALU	<b>HEALTH BREAK</b>	IT 800- INTERNATIONA L TAXATION. E. MASALU		<b>HEALTH BREAK</b>	TI. 700- TAX INVESTIGATIO N E. MASHIBA	TI. 700- TAX INVESTIGATIO N E. MASHIBA	TI. 700- TAX INVESTIGATIO N E. MASHIBA
Tuesday	CS 600 CASE STUDY T. SILKUWASHA	CS 600 CASE STUDY T. SILKUWASHA		CS 600 CASE STUDY T. SILKUWASHA	CS 600 CASE STUDY T. SILKUWASH A		TI. 700- TAX INVESTIGATIO N E. MASHIBA	TI. 700- TAX INVESTIGATIO N E. MASHIBA	TI. 700- TAX INVESTIGATIO N E. MASHIBA
Wednes day	PUBLIC HOLIDAY								
Thursda y	CS 600 CASE STUDY T. SILKUWASHA	CS 600 CASE STUDY T. SILKUWASHA		CS 600 CASE STUDY T. SILKUWASHA	CS 600 CASE STUDY T. SILKUWASH A		TI. 700- TAX INVESTIGATIO N E. MASHIBA	TI. 700- TAX INVESTIGATIO N E. MASHIBA	TI. 700- TAX INVESTIGATIO N E. MASHIBA
Friday	CS 600 CASE STUDY T. SILKUWASHA	CS 600 CASE STUDY T. SILKUWASHA		CS 600 CASE STUDY T. SILKUWASHA	CS 600 CASE STUDY T. SILKUWASH A		TI. 700- TAX INVESTIGATIO N E. MASHIBA	CS 600 CASE STUDY T. SILKUWASHA	CS 600 CASE STUDY T. SILKUWASHA

**TANZANIA REVENUE AUTHORITY  
INSTITUTE OF TAX ADMINISTRATION (ITA)**

**Time table for TAC with effect from 19<sup>th</sup> to 23<sup>rd</sup> October 2015**

<b>DAYS/TIME</b>	<b>08:30-09:30</b>	<b>09:30-10:30</b>	<b>10:30-11:30</b>	<b>11:00-12:00</b>	<b>12:00-13:00</b>	<b>13:00-14:00</b>	<b>14:00-15:00</b>	<b>15:00-16:00</b>	<b>16:00-17:00</b>
Monday	FA 900 FINANCIAL ACCOUNTING. MBAGI	FA 900 FINANCIAL ACCOUNTING. MBAGI	<b>HEALTH BREAK</b>	FA 900 FINANCIAL ACCOUNTING. MBAGI	FA 900 FINANCIAL ACCOUNTING. MBAGI	<b>HEALTH BREAK</b>	ITA 200 ADVANCED INCOME TAX. MRS. D. TAIRO	ITA 200 ADVANCED INCOME TAX. MRS. D. TAIRO	
Tuesday	FA 900 FINANCIAL ACCOUNTING. MBAGI	FA 900 FINANCIAL ACCOUNTING. MBAGI		ITA 200 ADVANCED INCOME TAX. MRS. D. TAIRO	ITA 200 ADVANCED INCOME TAX. MRS. D. TAIRO		FA 900 FINANCIAL ACCOUNTING. MBAGI	FA 900 FINANCIAL ACCOUNTING. MBAGI	
Wednesday	VA 500- ADVANCED VAT. ASSEI	VA 500- ADVANCED VAT. ASSEI		ITA 200 ADVANCED INCOME TAX. MRS. D. TAIRO	ITA 200 ADVANCED INCOME TAX. MRS. D. TAIRO		ITA 200 ADVANCED INCOME TAX. MRS. D. TAIRO	ITA 200 ADVANCED INCOME TAX. MRS. D. TAIRO	
Thursday	ITA 200 ADVANCED INCOME TAX. MRS. D. TAIRO	ITA 200 ADVANCED INCOME TAX. MRS. D. TAIRO		VA 500- ADVANCED VAT. ASSEI	VA 500- ADVANCED VAT. ASSEI		VA 500- ADVANCED VAT. ASSEI	VA 500- ADVANCED VAT. ASSEI	
Friday	FA 900 FINANCIAL ACCOUNTING. MBAGI	FA 900 FINANCIAL ACCOUNTING. MBAGI		FA 900 FINANCIAL ACCOUNTING. MBAGI	FA 900 FINANCIAL ACCOUNTING. MBAGI				

## TAC 102015

	Name	STATION/SECTION	DEPT
1	Sokoine Otonde	Ilala	DRD
2	Pamela Kisome	Ilala	DRD
3	David Ndono	Temeke	DRD
4	Mary Casmir	Temeke	DRD
5	Hussein Shah	Temeke	DRD
6	Pendo Nkuba	Temeke	DRD
7	Jackson Joswam	Temeke	DRD
8	Straton Mutayabarwa	Kinondoni	DRD
9	James Jilala	Kinondoni	DRD
10	Edith Shirati	Kinondoni	DRD
11	Naima Kyamuhangire	Kinondoni	DRD
12	Emmanuel Vegula	LTD	LTD
13	Witness Siao	LTD	LTD
14	Grace Msuka	LTD	LTD
15	Matilida Mwangi	LTD	LTD
16	Mamisa Nyika	Ilala	UTSC
17	Roman Shirima	Ilala	DRD
18	Jimmy Mwasika	Ilala	DRD
19	Amasha Kijaji	Ilala	DRD
20	Wegesa Nashom	Temeke	DRD
21	Bernard Mwakatundu	Kinondoni	DRD

**TANZANIA REVENUE AUTHORITY  
INSTITUTE OF TAX ADMINISTRATION (ITA)**

**Time table for TAC with effect from 22<sup>nd</sup> to 26<sup>th</sup> February 2016**

<b>DAYS/ TIME</b>	<b>08:30-09:30</b>	<b>09:30-10:30</b>	<b>10:30- 11:30</b>	<b>11:00-12:00</b>	<b>12:00-13:00</b>	<b>13:00- 14:00</b>	<b>14:00-15:00</b>	<b>15:00-16:00</b>	<b>16:00-17:00</b>	
Monday	MA 200- LEADERSHIP SKILLS. MRS RENGUA	MA 200- LEADERSHIP SKILLS. MRS RENGUA	<b>HEALTH BREAK</b>	TA 300- TAX AUDIT. SILKUWASHA	TA 300- TAX AUDIT. SILKUWASHA	<b>HEALTH BREAK</b>	TA 300- TAX AUDIT SILKUWASHA	TA 300- TAX AUDIT SILKUWASHA		
Tuesday	TD 400-TAX DISPUTE H.MKWAWA	TD 400-TAX DISPUTE H. MKWAWA		TD 400-TAX DISPUTE H. MKWAWA	MA 200- LEADERSHIP SKILLS. MRS RENGUA		MA 200- LEADERSHIP SKILLS. MRS RENGUA	MA 200- LEADERSHIP SKILLS. MRS RENGUA	MA 200- LEADERSHIP SKILLS. MRS RENGUA	MA 200- LEADERSHIP SKILLS. MRS RENGUA
Wednes day	MA 200- LEADERSHIP SKILLS. MRS RENGUA	MA 200- LEADERSHIP SKILLS. MRS RENGUA		MA 200- LEADERSHIP SKILLS. MRS RENGUA	MA 200- LEADERSHIP SKILLS. MRS RENGUA		MA 200- LEADERSHIP SKILLS. MRS RENGUA	TD 400-TAX DISPUTE H. MKWAWA	TD 400-TAX DISPUTE H. MKWAWA	TD 400-TAX DISPUTE H. MKWAWA
Thursday	MA 200- LEADERSHIP SKILLS MRS RENGUA	MA 200- LEADERSHIP SKILLS MRS RENGUA		MA 200- LEADERSHIP SKILLS MRS RENGUA	MA 200- LEADERSHIP SKILLS MRS RENGUA		MA 200- LEADERSHIP SKILLS MRS RENGUA	TA 300- TAX AUDIT SILKUWASHA	TA 300- TAX AUDIT SILKUWASHA	
Friday	TA 300- TAX AUDIT SILKILUWASHA	TA300- TAX AUDIT SILKILUWASHA		TA 300- TAX AUDIT. SILKUWASHA	TA 300- TAX AUDIT. SILKUWASHA		TA 300- TAX AUDIT. SILKUWASHA	TA 300- TAX AUDIT SILKILUWASHA	TA 300- TAX AUDIT SILKILUWASHA	

**TANZANIA REVENUE AUTHORITY**  
**INSTITUTE OF TAX ADMINISTRATION (ITA)**

**Time table for TAC with effect from 29<sup>th</sup> February 4<sup>th</sup> March 2016**

DAYS/ TIME	08:30- 09:30	09:30-10:30	10:30 - 11:30	11:00-12:00	12:00- 13:00	13:00 - 14:00	14:00-15:00	15:00-16:00	16:00-17:00
Monday	IT 800- INTERNATIO NAL TAXATION. E. MASALU	IT 800- INTERNATIONA L TAXATION. E. MASALU	<b>HEALTH BREAK</b>	IT 800- INTERNATIONA L TAXATION. E. MASALU	IT 800- INTERNATIO NAL TAXATION. E. MASALU	<b>HEALTH BREAK</b>	TI. 700- TAX INVESTIGATIO N E. MASHIBA	TI. 700- TAX INVESTIGATIO N E. MASHIBA	TI. 700- TAX INVESTIGATIO N E. MASHIBA
Tuesday	TI. 700- TAX INVESTIGATI ON MASHIBA	TI. 700- TAX INVESTIGATION MASHIBA		TI. 700- TAX INVESTIGATION MASHIBA	TI. 700- TAX INVESTIGATI ON MASHIBA		TI. 700- TAX INVESTIGATIO N E. MASHIBA	TI. 700- TAX INVESTIGATIO N E. MASHIBA	TI. 700- TAX INVESTIGATIO N E. MASHIBA
Wednesday	CS 600 CASE STUDY T. SILKUWASH A	CS 600 CASE STUDY T. SILKUWASHA		CS 600 CASE STUDY T. SILKUWASHA	CS 600 CASE STUDY T. SILKUWASH A		CS 600 CASE STUDY SILKILUWASHA	CS 600 CASE STUDY SILKILUWASHA	CS 600 CASE STUDY SILKILUWASHA
Thursday	CS 600 CASE STUDY T. SILKUWASH A	CS 600 CASE STUDY T. SILKUWASHA		CS 600 CASE STUDY T. SILKUWASHA	CS 600 CASE STUDY T. SILKUWASH A		CS 600 CASE STUDY SILKILUWASHA	CS 600 CASE STUDY T. SILKUWASHA	CS 600 CASE STUDY T. SILKUWASHA
Friday	IT 800- INTERNATIO NAL TAXATION ROSE	IT 800- INTERNATIONA L TAXATION ROSE		IT 800- INTERNATIONA L TAXATION ROSE	IT 800- INTERNATIO NAL TAXATION ROSE		IT 800- INTERNATIONA L TAXATION ROSE	IT 800- INTERNATIONA L TAXATION ROSE	IT 800- INTERNATIONA L TAXATION ROSE

**TANZANIA REVENUE AUTHORITY  
INSTITUTE OF TAX ADMINISTRATION (ITA)**

**Time table for TAC with effect from 7<sup>th</sup> to 11<sup>rd</sup> March 2016**

<b>DAYS/TIME</b>	<b>08:30-09:30</b>	<b>09:30-10:30</b>	<b>10:30-11:30</b>	<b>11:00-12:00</b>	<b>12:00-13:00</b>	<b>13:00-14:00</b>	<b>14:00-15:00</b>	<b>15:00-16:00</b>	<b>16:00-17:00</b>	
Monday	ITA 200-ADVANCED INCOME TAX MRS. TAIRO	ITA 200-ADVANCED INCOME TAX MRS. TAIRO	<b>HEALTH BREAK</b>	ITA 200-ADVANCED INCOME TAX MRS. TAIRO	ITA 200-ADVANCED INCOME TAX MRS. TAIRO	<b>HEALTH BREAK</b>	ITA 200 ADVANCED INCOME TAX. MRS. D. TAIRO	ITA 200 ADVANCED INCOME TAX. MRS. D. TAIRO		
Tuesday	ITA 200-ADVANCED INCOME TAX MRS. TAIRO	ITA 200-ADVANCED INCOME TAX MRS. TAIRO		ITA 200-ADVANCED INCOME TAX MRS. TAIRO	ITA 200-ADVANCED INCOME TAX MRS. TAIRO		ITA 200-ADVANCED INCOME TAX MRS. TAIRO	ITA 200-ADVANCED INCOME TAX MRS. TAIRO	ITA 200-ADVANCED INCOME TAX MRS. TAIRO	
Wednesday	VA 500-ADVANCED VAT. ASSEI	VA 500-ADVANCED VAT. ASSEI		VA 500-ADVANCED VAT ASSEI	VA 500-ADVANCED VAT ASSEI		ITA 200 ADVANCED INCOME TAX. MRS. D. TAIRO	ITA 200 ADVANCED INCOME TAX. MRS. D. TAIRO		
Thursday	VA 500-ADVANCED VAT ASSEI	VA 500-ADVANCED VAT ASSEI		VA 500-ADVANCED VAT. ASSEI	VA 500-ADVANCED VAT. ASSEI		VA 500-ADVANCED VAT. ASSEI	VA 500-ADVANCED VAT. ASSEI	VA 500-ADVANCED VAT. ASSEI	
Friday	Review	Review		Review	Closing Ceremony					

MA 200- LEADERSHIP SKILLS

MRS RENGUA

TA 300-TAX AUDIT.

T. SILKUWASHA

IT 800- INTERNATIONAL TAXATION.

E. MASALU

TI. 700- TAX INVESTIGATION

E. MASHIBA

CS 600 CASE STUDY

T. SILKUWASHA

FA 900 FINANCIAL ACCOUNTIN

G. MBAGI

ITA 200 ADVANCED INCOME TAX.

MRS. D. TAIRO

VA 500- ADVANCED VAT

ASSEI

TD 400-TAX DISPUTE

H.MKWAWA

**List of Participants for TAC commencing of 22<sup>nd</sup> February 2016**

	Names	Department	Section
1	Eric Mchpa	DRD	Temeke
2	Julieth Mwinuka	DRD	Temeke
4	Joseph Mwaya	DRD	Kinondoni
5	Dorothy Urassa	DRD	Kinondoni
6	Jebed Makere	DRD	Kinondoni
7	Aretas Thomas	DRD	Ilala
8	Herry Myinga	DRD	Ilala
9	Janet Mariki	DRD	Ilala
10	Shilangalila Basilius	IAD	IAD
11	Mercy John	IAD	IAD
12	Richard Moshi	IAD	IAD
3	Andrew Thadei	IAD	IAD
13	Ufoo K.George.	BA	TID
14	Connie Mandad	LTD	LTD
15	Ramadhani Iddi	LTD	LTD



## **Oil & Gas Seminar and Training Program, Participants of Training**



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**TANZANIA REVENUE AUTHORITY**

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**ISO 9001: 2008 CERTIFIED**

**INSTITUTE OF TAX ADMINISTRATION**

In cooperation with

**Prof. Tomas Balco (Policy Research Center and JICA Expert)**

**COURSE ON TAXATION OF EXTRACTIVE INDUSTRY**

**OIL AND GAS vs. MINING**

**UNDER**

**THE PROJECT FOR THE ENHANCEMENT OF TAXATION TRAINING IN TANZANIA - SUPPORTED BY JICA**

**4<sup>th</sup> to 8<sup>th</sup> January 2016**

## Course Outline

DAY\TIME	08:30 - 10:30	10:30 ~ 11:00	11:00 - 13:00	13:00 - 14:00	14:00 - 16:00
<b>Day One</b>	Introduction to the Extractive Industry and its unique features - Oil and Gas (O&G) vs. Mining	H E A L T H  B R E A K	The Extractive Industry (EI) Business Cycle (O&G vs. Mining)	L U N C H  B R E A K	The EI Business Cycle and Tax Considerations
<b>Day Two</b>	Fiscal Models for the Extractive Industry		Fiscal Instruments for Extractive Industry		Tanzania's current fiscal regime
<b>Day Three</b>	Introduction to Tax Planning, Tax Optimization vs. Tax Avoidance and Tax Evasion in Extractive Industry  - Profit Repatriation  - Transfer Pricing Issues		Tax Audit issues in the O&G Industry		Case discussion
<b>Day Four</b>	Extractive Industry and Double Taxation Agreements (DTAs)		Extractive Industry and Capital Gains Taxation  Case discussion		Taxation of Service Providers to Extractive Industry  Case discussion
<b>Day Five</b>	Seminar Presentations		Panel Discussion		Evaluation

## OIL &amp; GAS Jan2016

	Name	STATION/SECTION	DEP
1	Mr. Leocard Alex Massawe	TEMEKE	DRD
2	Mr. Nsaji R. Mwanjali	HQ	TID
3	Mr. Sahum A. Ha	ZANZIBAR	DRD
4	Mr. Elia G. Mahenge	ILALA	DRD
5	Mr. Jolly R. Karongo	DRD	HQ
6	Mr. Emmanuel Massewe	ITA	DHRA
7	Mr. Richard Moshi	IAD	HQ
8	Mr. Khamis S. Mwalim	ZANZIBAR	DRD
9	Ms. Anna Mwageni	MTWARA	DRD
10	Mr. Shemu Simon	HQ	LTD
11	Mr. E. Mwakimunga	ITA	DHRA
12	Mr. Ahmad Mohamed	ITA	HRD
13	Mr. Nasibu M. Mtumwa	ZRB	IA
14	Mr. Rawa. M. Ramia	ZRB	TECHNICAL
15	Mr. H. Mkwawa	ITA	HR
16	Mr. Joseph Chikongoyo	ITA	HR
17	Ms. Marwa P.	ITA	ITA
18	Ms. Joyce Sichowe	ITA	HR
19	Mr. Aron I. Riehya	HQ	LTD
20	Mr. Beatus K.	ITA	DRD
21	Mr. Thadeo Hatiri	KINONDONI	DRD
22	Mr. Lihami Haule	HQ	LTD
23	Mr. Mashaka M. Konta	HQ	LTD
24	Mr. Emmanuel Masalu	ITA	HRA
25	Mr. Kunyalala Thapisa	HQ	IRD
26	Mr. Philip W. Mbatia	ITA	HRA
27	Mr. Beatus Nchota	HQ	LTD
28	Ms. Rosemary P. Mwandu	ITA	HR
29	Mr. William Mwatatubwa	ILALA	DRD
30	Mr. Gabriel Kimweri	ILALA	DRD
31	Mr. Julius S. Mjenga	HQ	TSED
32	Ms. Msofe H. J.	ITA	HRA
33	Mr. Ryoba Mzalendo	ITA	HRA
34	Mr. Pascal Gomba	ITA	HR
35	Ms. Hellen L. Mathew	HQ	TID
36	Ms. Lydia Gomoka	HQ	TID
37	Mr. Amos Benjamin	ITA	HR

## **Country Focused Training Program. Participants**

Program of Country Focused Training in Japan (March 5 to March 13<sup>th</sup>)

Date	Day	Time	Contents	Instructor	Place
5 <sup>th</sup>	Sat		Departure from Tanzania		
6 <sup>th</sup>	Sun		Arrival		
7 <sup>th</sup>	Mon	9:30-11:30  14:30 -16:00	Orientation ,  Visit Mori Hamada& Matsumoto(Law firm)	JICA Tokyo  MoriHamada& Matsumoto (Law firm)	JICA Tokyo Seminar Room MoriHamada& Matsumoto (Law firm)
8 <sup>th</sup>	Tues	9:00-12:00  13:00-17:00	Course induction Background and realities of Japanese OJT  Background and realities of Japanese OJT	Institute for Financaial Affairs, Inc. Sanno Institute of Management  Sanno Institute of Management	JICA Tokyo Seminar Room AB
9 <sup>th</sup>	Wed	9:00-12:00  13:00-17:00	Preparation of OJT (guidance ,development of human resources, the role of senior staff)  Preparation of OJT (leadership skill, communication skill )	Sanno Institute of Management  Sanno Institute of Management	JICA Tokyo Seminar Room AB
10 <sup>th</sup>	Thurs	9:00 - 12:00  13:00-16:00	Designing effective OJT system (improving organizational culture, skill map, OJT planning sheet) Preparation of presentation ( How to introduce OJT to TRA)	Sanno Institute of Management Sanno Institute of Management	JICA Tokyo Seminar Room AB
11 <sup>th</sup>	Fri	10:00-12:00	Wrap up Presentation (How to introduce OJT to TRA) Closing	JICA, Sanno Institute of Management	JICA Tokyo Seminar Room AB
12 <sup>th</sup>	Sat	Evening	Departure from Japan		
13 <sup>th</sup>	Sun		Arrival		

### Participants of Country Focused Training

<b>S/N</b>	<b>NAME</b>	<b>DESIGNATION</b>	<b>ROLE IN TRAINING</b>
1	Prof. Isaya Jairo	Rector of ITA	Head of delegation
2	Ms. Upend Mfalila	Manager for Staff Training and Development at TRA Head Quarters	Member of delegation
3	Dr. Lewis John Ishemoi	Deputy Rector (Academic)	Member of delegation
4	Mr. Charles Abel Sabuni	Deputy Rector(Planning)	Member of delegation
5	Mr. Emmanuel Masalu	Lecturer and Head of Post-graduate Studies	Member of delegation and Secretary to delegation
6	Mr. Deriki Joyous Simfukwe	Manager for HR in Domestic Revenue Department	Member of delegation
7	Mr. Ryoba Mzalendo	Assistant Lecturer and Head of Management Systems at ITA	Member of delegation and part of secretariat
8	Mr. Ahmad Mohamed Yahya	Assistant Lecturer and Deputy Head of Customs and Tax Studies	Member of delegation and part of secretariat
9	Mr. Praygod Wilfred Chao	Deputy Head of Short Courses and Coordinator of Graduate Training Program which combines training for newly recruited staff	Member of delegation and part of secretariat

**The Work Reference Materials (Tax issues on implementation of tax exemption in the Treaty, in relation to VAT Amendments)**



The Work Reference Materials  
(Tax issues on implementation of tax  
exemption in the Treaty, in relation to  
VAT Amendments)

23<sup>rd</sup> March, 2016

Project for the Enhancement of Taxation  
Training in Tanzania  
Japan International Cooperation Agency

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Attachment 4 : Application form for tax exemption "C26 (Application for Refund of Deposit/Cancellation of Bond)	

## **I . Introduction(Consideration in creating work reference materials)**

### **1 Overall Summary**

This work reference material aims to clarify the contents of tax exemption and to ensure its transparency by looking into the actual situation of its procedures in Tanzania through research towards governmental and private entities and by summarizing findings as reference papers, in order for provisions of tax exemption stipulated in the Exchange of Notes (hereafter referred to as: EN) between Japan and the aid recipient country (Tanzania) to be enforced properly and smoothly. Based on the above purpose, several Japanese contractors based in Tanzania were interviewed. Thereafter, current situation and issues concerning tax exemption identified through the interviews were organized and discussed with TRA. Practical procedures were thus confirmed by the respective departments in TRA and summarized in the section part II “Practical Points”.

It is essential to primarily respect the recipient country’s (Tanzanian) domestic laws and their procedures and perspectives for tax exemption when creating this work reference material. However, this material also includes additional issues in form of Q&A in the section III, “Reference Materials”, as there seem to be a huge gap in Japanese and Tanzanian perspectives towards tax exemption in treaties and roles of domestic laws, which was revealed at the time of enacting the revised VAT Act. And such important differences have been treated ambiguously and never been discussed enough. Therefore, this material outlines perspectives of two countries on the important issues in order for treaties between them to be enforced smoothly in future.

As this material covers several themes, some parts of which are very complicated, and information obtained through limited interviews with governmental and private entities are not sufficient. So it should be noted that this statements might not always be enough to clarify the whole issues at this time and the views expressed are entirely those of the author as a provisional one, but not of the Japanese Government as well as the Japan International Cooperation Agency.

### **2 Relation to the Revised VAT Act**

In Tanzania, the revised VAT Act was enacted on 1<sup>st</sup> July 2015, which removed tax exemption treatment and, instead, introduced tax refund system for the local supply of goods and services. This amendment imposes an enormous limitation on

the contents of tax exemption stipulated in treaties and, therefore, Japan immediately started governmental discussion with Tanzania on how current EN should be treated under the revised VAT Act (15<sup>th</sup> August 2015). (And other foreign donors also seemed to begin discussion with Tanzanian government independently.) As a result, TRA announced new interpretation which secures conventional tax exemption treatment on local supply of goods and services concerning only the specific international treaties (such as Japanese EN) that was signed and entered into force before the date of enforcement of the revised VAT Act (which is 1<sup>st</sup> July 2015), by applying the revised VAT Act section 95 (2). However, Tanzanian government and TRA have clarified their view that the revised VAT Act will be thoroughly applied to new EN, which will be concluded and come into force after the enforcement date of the revised VAT Act, regardless of the provisions for tax exemption in EN and as a consequence all local supply need to be applied for tax refund.

With regards to the interpretation of the section 7 in the revised VAT Act (tax exemption under treaties), TRA interprets that the target list in the section 7 does not include Japanese contractors. Does this mean that they became ineligible not only for tax exemption for imports but also for tax refund of VAT on local purchase immediately after the revision of the VAT Act? This point needs to be carefully considered and confirmed as it imposes a huge impact on the tax exemption procedures, the fundamental theme of this work reference material.

At the same time, however, more essential and crucial issues might be how some of the articles in treaties, which provide the tax treatments with concepts of clarity and completeness, could be directly applied as internal law in relation to ensuring the tax exemption by treaties. This is why, regardless of the interpretation of the domestic tax laws, tax exemption stipulated in treaties should have the legal effect of direct application internally, which is considered to be the whole idea of tax exemption in treaties. Furthermore, there may be a possibility that the Tanzanian Government would not deny the general view on direct application of tax exemption in treaties, but to clarify a different treatment to the tax exemption in EN from other treaties due to circumstances such as legal or administrative systems in the country. If that is true, however, they would be required to explain the special reasons as well as their basic stance to whether tax exemption in treaties could be directly applied to transactions in the country.

These issues are the fundamental concerns regarding treaties between the two countries, which lie outside of the scope of this work reference material. Therefore,

this work reference material does not refer to these issues further and explain things in the following parts with assuming a case where the system of tax refund becomes applicable for transactions on local purchases after the revision based on the premise of EN concluded before the revision of the VAT Act.

In addition, with regards to the revision of the VAT Act, there has been a discussion on whether Tanzanian government is newly regulated as tax-exempt corporations or non-profit activities of government and its agencies become entitled for tax exemption. TRA's view supports the latter and has confirmed that provision of goods and services by government and its agencies through their non-profit activities are regulated as entitled for tax exemption.

Regardless of provisions for tax exemption in EN, after the date of 1<sup>st</sup> July 2015, local procurement entails payment of 18% VAT at the time of deal and later necessitates claim for tax refund. To realize "tax exemption" through the system of tax refund generates implications such as;

- Japanese contractors have to secure huge funds to pay a VAT (18% of transaction prices), which originally do not need to be paid and generate funding cost (as refund tends to be delayed) until those would be refunded.
- In addition, we should not forget the fact that as a practical matter they have to pay the following costs when it comes to refund. To claim tax refund of VAT actually necessitates monthly accounting audit by specified accounting firms, which generates auditing cost of about 100 thousands yen per month
- Tax audit will be conducted for organisations claiming for VAT refund, which may result in collection of additional tax and deduction of amount that should be refunded
- Even if tax refund claim is accepted, total amount tends not to be paid at once. To collect whole amount usually takes time and often necessitates continued process for claiming refund even after the end of project operations, which generates additional specific costs such as personal expenses.
- The revised VAT Act stipulates "whole or partial refund shall be made" and as such the law clearly regulates that there is no guarantee for refund of entire amount

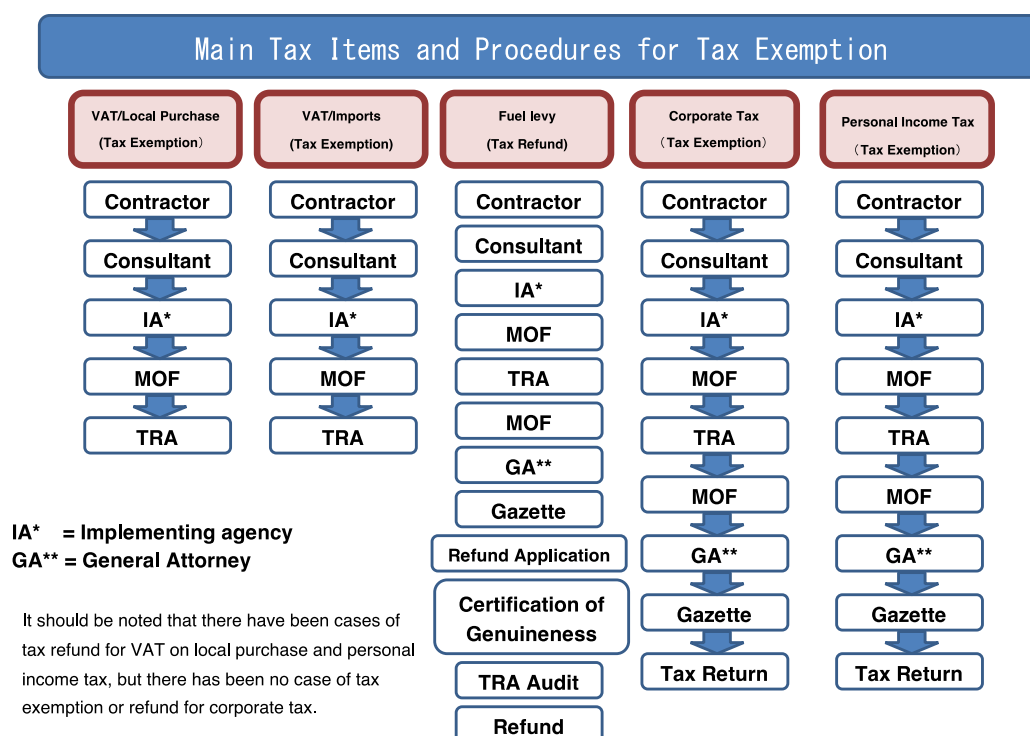
As explained above, if “tax exemption” is realized in form of tax refund, contractors engaged in the grant aid projects need not only to take up time but to pay several additional costs in the process of tax refund.

## II. Practical Points (Procedures and Notes for Tax Exemptions and Refunds per Tax Items)

### 1 Notes related to the revised VAT Act

In Tanzania, the revised VAT Act was enacted on 1<sup>st</sup> July 2015, which still maintains tax exemption treatment applicable to the VAT on imported goods and services but has newly introduced tax refund system to the VAT on local procurement of goods and services as a replacement to tax exemption that was applicable before. As a result, the VAT on local procurement of goods and services is treated differently before and after the date of its enactment, 1<sup>st</sup> July 2015. And tax exemption on the VAT dealt with in this work reference material covers tax exemption on imported goods and services and on local procurement under the EN that entered into force before 1<sup>st</sup> July 2015. Therefore, separate arrangement and consideration are necessitated for the VAT on local procurement under the EN which concluded and is to be concluded after 1<sup>st</sup> July 2015 as it newly entails tax refund system. It should be noted that this work reference material does not cover it.

#### 1-1 Creation of Summary Table





This Summary Table shows tax exemption procedures at the beginning and are different from subsequent ones in filling the application forms every month after that.

## **2 VAT on Local Procurement**

### **2-1 Issues in Filling the Application Forms**

Practically VAT is the most important tax item.

TRA and Japanese side had different views on who could be the eligible applicants in the application form for tax exemption, which generated the issue of “beneficiary” when clarifying the eligible applicants. Also TRA and Japanese contractors have had trouble regarding the amount of tax exemption in the application form when the contract between the Japanese contractor and its sub-contractor was concluded in foreign currency. Thus, to fill in the application form for tax exemption, which looks easy at first glance, can generate taxation issues.

How to fill in the application form for tax exemption will potentially have an impact on the ownership of equipments, and on the attribution of profit and loss. Therefore it is an important issue from the view point of maintaining and managing business properties. Whether the waste materials generated through the implementation of the project belongs to the contractor or the owner of the project also needs to be clarified. If it belongs to the contractor, the VAT will be imposed at the time of its disposal. And this materials may be a subject to be audited by the head office and also requires proper management of cash income when disposing the equipments.

- **Application form for tax exemption and attachments**

According to the revised VAT Act and TRA Circular (internal document of TRA), a new form called “ITX263.02.E” (Attachment 1) is expected to be used as an application form for tax exemption. This form is for “EXPLORERS AND PROSPECTORS OF MINERALS, GAS OR OIL, AND TO INVESTOR LICENSED UNDER THE EXPORT PROCESSING ZONES ACT OR SPECIAL ECONOMIC ZONES ACT” and we hear that some of the Japanese contractors already started to submit the application with this new form. TRA also is expected to change this form to make it more easy to use for contractors, but details have not been clarified at this time.

- Notes in filing a form

According to the person responsible for VAT in TRA, notes in filing a form are as follows:

i) The applicant for tax exemption should be beneficiaries of the project, that is Tanzanian government agencies (the project owners) who are related with the project. In other words, Japanese contractors who are supposed to be the beneficiaries of tax exemption cannot be the applicant.

ii) Application form is not "ITX263.02.E" but "VAT 220/223/224" (Attachment 2) as before.

iii) Proforma invoices from local suppliers (subcontractors) are required as attachments.

iv) When the project owner submits "VAT 220/223/224" attached with proforma invoices to a regional manager of TRA, they grant an approval for tax exemption.

v) Name of JICA should be written down in the attached documents as an authorized agent by the beneficiary of the project (government agency) with consideration of JICA's request from accounting point of view.

In this regard, we should note that he says the application form is former "VAT 220/223/224" instead of "ITX263.02.E" written in the TRA Circular, so we need further information about this.

TRA's answer concerns the author on the point that how to fill in the application form for tax exemption of VAT and its attachment seems not to be inconsistent with the relations of legal right in providing grant aid projects. In addition, as JICA does not deal with construction and handover of the grant aid projects at all, its name cannot be appeared on the required attachments, which may lead to a legal confusion.

Under the scheme of grant aid projects, the amount of fund decided between the recipient government and JICA is granted by transferring money to the government's bank account (in Japan). The recipient government concludes a contract agreement with Japanese contractors based on this fund and obtains the right of ownership when handed over after completion of the project. From the view point of taxation matters concerning tax exemption procedures, in these processes, who to be the beneficiary of the project is not an important issue. But when exactly the recipient government becomes the owner of the project and who

to be the beneficiary of tax exemption are vital points.

In this sense, it cannot be well understood why TRA considers in a way that the recipient government primitively acquire the project itself from Japanese government (JICA) rather than the former themselves orders the project by using the granted fund, without differentiating donation of money and acquisition of the ordered project .

With regards to this point, another inquiry was made on if the reason to define the applicant for tax exemption as the beneficiary of the project (not as the owner of the project) is mere to manage the project (in other words, not as the owner of the project) or not. But no answer has been displayed.

In any way, how to fill in the column of applicant for tax exemption differs from the one for VAT on imports and custom duties. Therefore how to adjust will be a matter in future.

## **2-2 Related Laws/Acts**

### **● Revised VAT Act (The Value Added Tax Act 2014) 95.-(2)**

95.-(1) The Value Added Tax Act, is hereby repealed.

(2) Notwithstanding subsection (1)-

(a) regulations, rules, orders or notices made under the repealed Value Added Tax Act and in force shall continue to be in force until they are revoked, amended or cancelled by regulations, rules, orders or notices made under this Act;

(b) where the Government of the United Republic has concluded a binding agreement relating to exploration and prospecting of minerals, gas or oil with a person before the commencement of this Act, the provisions of the repealed Act relating to value added tax relief shall continue to apply to the extent provided for in the agreement;

(c) the value added tax relief granted to an investor licensed under the Export Processing Zone Act or the Special Economic Zone Act shall continue to apply to the extent provided for under the repealed Act.

## **3 VAT on Imports and Customs Duties**

The VAT is imposed with customs duties when importing. So customs clearance agents tend to deal with the actual application for tax exemption. But in such case as well, whose name to be written in the application form for tax exemption on imports as an eligible applicant imports should be carefully considered, since this will have impacts on writings on the legal document of title such as Bill of Lading

(B/L), which affects who to be a consignee and who to legally own the exported goods.

Also regarding the application for tax exemption of the VAT on imports, some contractors reported that goods (testing tools and equipments) which were temporarily brought into the country were also taxed when importing them. When asked about such a situation, TRA clarified that there is a system called “temporary importation” which enables goods which are temporarily brought to be exempted from tax. It seems that there are a number of Japanese corporations who do not know about this system. So the system of temporary importation will be touched upon in the coming section.

### **3-1 Application Forms for Tax Exemption**

The application form for tax exemption regarding customs duties and VAT on imports is “VAT220A”. The form “C36Customs” is details in the custom valuation and is not an application form for tax exemption.

### **3-2 Attachments**

B/L, Invoice, Packing List, Marine Insurance Policy

### **3-3 Notes in Filling the Application Forms**

Generally, application for tax exemption regarding customs duties and VAT on imports is made by customs clearance agents as a part of processes of importation. And there exists few cases where importers themselves directly apply for tax exemption.

When filling in the application form for tax exemption “VAT220A” (Attachment 3) , who should be written as an applicant in the part A of the form, more concretely, who is the importer (applicant) becomes an issue. This will impact on how to fill in the section of consignee in B/L and therefore necessitates attention from the view point of business practice.

TRA had an observation that the importer (applicant) should be the government agencies in order to prevent abusive use of a claim for tax exemption. However, provided that, i) the deal targeted for tax exemption is the project to be handed over to the recipient government under the grant aid scheme after completion (from importation of equipments, construction and installation, commissioning and testing, and to handing over), ii) there is no direct contractor contract of the construction between JICA and contractors, it is, in the end, confirmed by the

respective officer in charge of tax exemption that the form “VAT220A” can be filled as follows:

- Applicant :

Contractors (importer) can be the applicant in the form. But in order to prevent abuse of a right for tax exemption, the name of the project eligible for tax exemption should be written. In the form “VAT220A”, there exists a section to write down the name of the project under the column to put the name of the applicant. So this section to be filled in.

As cost and risk are born by prime contractors until the time of completion and handing over, and prime contractors deal with subcontractors, application for tax exemption related to these deals should be made by contractors who are the dealing parties. If Tanzanian government agencies are the applicant for tax exemption, the deal targeted for tax exemption should be the deal conducted by the government agencies themselves. This means that the government agencies should hold the ownership of materials and equipments after importation and bear the cost of transport and storage, and the potential risk. In such case, if Japanese contractors bear the transport cost, account audit and tax audit will find it as an issue and might reject the contractor to treat the cost as deductible expense.

- Column of Consignee in B/L

The names of contractors (importer) should be written down.

TRA primarily opted for the government agencies to be the consignee in the form. But as TRA understood that such treatment would generate critical hindrance in trade transactions, they modified primary instruction.

- Column of Notify Party in B/L

The names of government agencies who mainly manage the project should be written down.

From the view point of legal nature of B/L, notify party should be the same entity as consignee. But TRA requested that if the names of contractors but not government agencies are filled in the form as consignee, the names of government agencies should be written down in the column of notify party from the view point of preventing abuse of a right for tax exemption. In detail, the names of government agencies should be stated not in the column of “Also Notify” but in the section of “Notify Party” under the column of consignee in the form.

### **3-4 Tax Exemption on Temporarily Imported Goods such as Test Equipments and Tool Equipments**

The TRA officer in charge of tax exemption in the customs and excise duty department clarified that there is a system called “temporary importation” which enables goods that are temporarily brought in the country to be exempted from tax.

Although there is no specific application form for this treatment, a letter for temporary importation should be created, sent to the commissioner for the customs and excise duty department, and approved. This approval is valid for one year and additional approval should be obtained by a letter again to extend the period.

Tanzania seems not to have joined the International Customs Convention on the A.T.A. Carnet for the Temporary Admission of Goods. Normally following documents are mainly needed at the time of importation and exportation, although details need to be clarified by TRA.

- Invoice
- Packing List
- B/L or Air Way Bill
- Other Related Documents

It should be also noted that at the time of applying for temporary importation, there is a case where provision of security is required depending on the country.

### **3-5 Related Laws/Acts**

#### VAT on Imports

- **The revised VAT Act 2014 (Section 7)**

7. Where, an agreement approved by the Minister is entered into between the Government of the United Republic and another Government or an international agency listed under the Diplomatic and Consular Immunities and Privileges Act, and such agreement entitles a person to an exemption from tax on the person’s supply or imports, the exemption shall be effected under this Act by-

- (a) exempting the import of goods imported by the person; or
- (b) refunding the value added tax payable on taxable supplies made to the person upon application by the person.

#### Customs Duties

- **The East African Community Customs management Act, 2004 (Revised**

### **Edition 2009 (2004)**

114.(1) Duty shall not be charged on the goods listed in Part A of the Fifth Schedule to this Act, when imported, or purchased before clearance through the Customs, for use by the person named in that Part in accordance with any condition attached thereto as set out in that Part;

Fifth Schedule

The Exemptions Regime Part A Special Exemptions

10. Goods and Equipment for Use in the Aid Funded Projects

### **4 Fuel Related Taxes such as Fuel Levy (including Excise duty)**

Following VAT, the next tax item concerning which many applications for tax exemption (refund) are made is fuel related taxes such as Fuel Levy. The number of tax items as fuel related tax has been increased and there are four items now and four acts; Fuel levy, Excise duty, Petroleum Levy, and Railway levy. There is a practice that tax base is calculated not based on the purchase price and only the amount of tax corresponding to the amount of fuel actually consumed can be applicable for tax exemption. Therefore, attention needs to be paid to the calculation of consumption amount. Also, the system of bonded warehouse existed before and enabled fuels to be retrieved from the warehouse as exempted from tax. After 2003, however, this system was removed and fuels become taxed once at the port when landed. So now tax refund system has replaced tax exemption, concerning all tax items related to fuel.

Although some people explain that fuel related taxes such as Fuel Levy is treated under the scheme of tax refund regardless of the fact that it should be exempted from tax, this clarification is not correct. From the view point of existing Tanzanian systems, only tax refund can be admittedly applied for fuel related taxes but not exemption.

- The Road and Fuels tools Act
- The Excise (Management and Tariff) Act 2008
- Petroleum Act 2008
- Railway Development Act

#### **4-1 Procedures for Tax Refunds and Application Forms**

In order for the eligible applicants for tax exemption to receive refund, as for contractors, following procedures are required such as posting on official gazette;

- i) Business contract targeted for tax exemption needs to be submitted to the Ministry of Finance and the Government Notice should be issued and clarify the subject items for refund.
- ii) Contractors need to submit Local Purchase Order (LPO) corresponding to the purchase of fuels monthly to TRA and obtain their approval.
- iii) When delivering the purchased fuels to operation sites, contractors ought to create Customs Control Form (COCF06) per each truck (suppliers create in practice), to gain approval from TRA, and to clarify that respective amount of fuel are delivered into the sites properly.
- iv) At each targeted site, contractors need to create a document called “Consumption Analysis (no specific form exists)” that proves the amount of fuel consumption (the detailed calculation of consumed amount, including remaining quantity at the beginning and end of a term, and purchased quantity in the middle of a term). The Analysis then ought to be approved by the respective local TRA manager in charge of the area in order to establish that the delivered quantity of fuel are consumed for the operations related to the respective project.

Contractors should apply for tax refund of four fuel related items all at once after completing processes outlined above. The respective application form is “C26 (Application for Refund of Deposit/Cancellation of Bond) (Attachment 4) and former form called “C30” is no longer in use.

Refund should be claimed within a year and refund will be realized within a year.

#### **4-2 Attachments**

Documents listed below are mainly required;

- Copy of Government Notice
- Copy of LPO,
- Copy of tax invoice, receipts, and delivery notes provided by suppliers
- COCF06
- Certified letter on the quantity of consumed fuel by the local TRA manager
- Consumption Analysis



#### **4-3 Notes in Filling the Application Forms**

Not the quantity purchased but the amount consumed for the operation of the targeted project that is exempted from tax is the amount applicable for refund. There exists no specific form. Contractors also need to pay attention on where to store fuels as they must clarify remaining quantity of fuel at the beginning and end of a term and purchased amount in the middle of a term, and need to prove that the amount of fuel in question is consumed for operations eligible for tax exemption.

#### **4-4 Related Laws/Acts**

- **The Road and Fuel tools Act, Section 8**

8. The Minister may, by order published in the *Gazette*, exempt any person, body of persons or any vehicle or category of vehicles, from the application in relation to them of any of the provisions of this Act or the payment of any road and fuel toll, and such exemption may be general or restricted to any particular scheduled toll stations or periods, and may be on such conditions as the Minister may impose.

- **The Excise (Management and Tariff) Act 2008**

60.-(1) Subject to the provisions of the excise laws, the proper officer may remit any duty payable in respect of any excisable goods where he is satisfied –  
(a) that any person, in accordance with the provisions of such laws, entitled to such remission;

- **Petroleum Act 2008**

2-(2) The provisions of this Act shall also apply to all persons dealing in petroleum products, subject to specific exemptions which may be granted to military and other entities for reasons of national security.

- **Railway Development Act**

(Details in this Act are not available)

#### **5 Corporate Income Tax**

Cases of tax exemption application for corporate income tax and related application documents could not be collected as there has been no case. But standard conditions and procedures are better to be clarified since there can be cases arisen in future, which necessitates applying for tax exemption.

When applying for tax exemption, operations related to ODA projects exempted from tax and normal taxable operations should be classified through proper

accounting process.

### **5-1 Application Forms and Attachments**

On the related documents for tax exemption of corporate income tax, following explanation is mainly provided based on the findings through the interviews with TRA officers in charge as no case has been found from Japanese side.

First of all, tax exemption regarding corporate income tax can be realized from the stage of provisional tax prepayment. In this case, no application form specific to tax exemption is required, which is different from VAT. Only the normal provisional return should be submitted and clarification of information related to tax exemption in the form is not required.

For example, if December is the settling month of accounts for a branch office of Japanese corporation in Tanzania, the end date of March, June, September, and December is the application deadline. If tax exemption treatment is applied for corporate income related to grant aid projects, nothing will be exhibited in the column of income in the provisional return and, therefore, the amount of income applicable for tax exemption needs not to be written down in the form.

However, it should be noted that in order for corporate income tax to be exempted from tax, it is interpreted that posting on the Gazette by the Minister of Finance is the condition for effectuation and that the scope of tax exemption is determined based on the contents described in the Gazette.

When submitting provisional return, a detailed statement of income amount and corresponding tax price per customer is required as an attachment (using a free format). In this statement, tax exempted income needs not to be stipulated. Provisional return is attached for reference.

### **5-2 Related Laws/Acts (Opinions of TRA)**

In the first place, TRA observes that, in EN, corporate income tax is not included in the tax items eligible for exemption.

#### **● The Income Tax Act (Revised Edition 2008)**

10.-(1) The Minister may, by order in the *Gazette*, provide –

- (a) that any income or class of incomes accrued in or derived from the United Republic shall be exempt from tax to the extent specified in such order; or
- (b) that any exemption under the Second Schedule shall cease to have effect either generally or to such extent as may be specified in such Order.

(2) The Minister may, by Order in the *Gazette*, amend, vary or replace the Second Schedule.

(As a Reference):

128. (International Agreements)-

(1) To the extent that the terms of an international agreement to which the United Republic is a party are inconsistent with the provisions of this Act, apart from subsection (5) and Subdivision B of Division II of Part III, the terms of the agreement prevail over the provisions of this Act.

(6) For the purposes of this section, “international agreement” means a treaty or other agreement with a foreign government that has entered into force in the United Republic providing for -

- (a) relief of international double taxation and the prevention of fiscal evasion; or
- (b) reciprocal administrative assistance in the enforcement of tax liabilities.

## **6 Personal Income Tax**

As corporate income tax, concrete application forms for tax exemption regarding personal income tax could not be collected. Concerning personal income tax of individuals with foreign nationalities, there is a case where the owner of the project (government agencies) announces it is exempted and proceeds for tax exemption procedures by themselves, whereas there is a case in which no application for tax exemption is made because not many persons eligible for tax exemption exist and their income scale is small. It has been pointed out that it takes a few years for income tax to be refunded as it necessitates posting on the *Gazette* in the case of applying for it. Therefore, attention should be paid to the existence of an issue of “*Gazette*” in Tanzania.

### **6-1 Related Laws/Acts (Opinions of TRA)**

TRA observes that tax exemption concerning personal income tax can be provided not only based on treaties but on domestic laws, as corporate income tax described in the section 4.

At the time of paying salary income, tax amount is deducted from it and withholding tax should be paid monthly. But if personal income tax is exempted, withholding tax becomes unnecessary. As corporate income tax, posting on the *Gazette* is the condition to be eligible for exemption.

Tax return on withholding tax and SDL is monthly conducted by a form called “Employment Taxes Payment Credit Slip” and information related to tax exemption needs not to be written down in this form.

In the revised VAT Act, the refund system has replaced tax exemption for VAT on local procurement of goods and services, where tax must be paid once and refunded later. There has been no revision made as such concerning personal income tax and corporate income tax. The concept of tax exemption remains universal to all tax items, but only tax exemption treatment for VAT was revised.

### **7 Excise Duty**

Application concerning excise duty tends to be made at the same time of applying for tax refund for fuel levy. Tax refund application can be made independently as commodity tax. But in reality, application tends not to be made for excise duty imposed on goods purchased not at the same time as buying fuels, because it requires some amount of time and labor although the amount of money concerned is usually small.

### **III. Reference Materials**

The reason why this chapter introduces Japanese cases and examples of legislation is not to impose Japanese tax system onto other countries or to point out that Tanzanian tax system is incorrect. It should be noted that countries have different tax systems based on various settings.

There are two reasons why it is worth looking into Japanese tax system. First, other countries normally evaluates that Japanese tax system is well organized in terms of legislation and administration. Therefore, when taxation problems occur, it is very useful to look into prospective corresponding actions under Japanese tax system. Second, the provision of tax exemption in EN, in the first place, is the administrative condition in terms of taxation to realize the purport of Grant Aid, which is specially required by Japanese government. Therefore, basic preconditions and views towards taxation by Japanese government exist behind. And when issues concerning domestic application of treaties, over which two countries will potentially have different opinions, arise, to clarify Japanese views as much as possible seems useful for taxation issues between two countries to be dealt with smoothly.

The issues will be displayed in form of Q&A.

## Reference Material1 (Tax exemption procedures in Japan)

### 1 Applicants eligible for tax exemption

Q1. Case on who can be an eligible applicant for tax exemption

Treaties grant tax exemption and application for VAT exemption will be made. A Japanese contractor who has contracted with Tanzanian Ministry of Water for construction work based on a construction contract is to pay outsourcing cost to local subcontractors based on a subcontract agreement. So far, the Japanese contractor has been the applicant for tax exemption, but it should be explained further for reference; in Japan what kind of application procedures exist including how to obtain the exemption certificate. This is certainly to clarify Japanese cases but not to request Tanzanian government to improve tax exemption procedures.

A1. Concerning whose name to be written in the application form for tax exemption, the issue of “Beneficiary” in relation to the eligible applicant for tax exemption arose before.

In relation to this issue, who and how to apply for tax exemption, how to clarify exemption, and detailed application procedures for tax exemption are basically the issues at Tanzanian tax authorities’ discretion. And Japanese cases cannot be directly applied in most occasions as each country has different systems.

But on the other hand, it is also important to look into Japanese procedures as a reference, concerning desirable application processes for tax exemption from the view point of VAT’s fundamental logic.

#### **Who to be the applicant eligible for tax exemption, when an American contractor obtaining construction contract in an American base procures goods from Japanese traders**

As Japanese government does not receive grant aid from other countries, the only reference case for a specific project to be exempted under a treaty provision is an example of exemption towards a US force in Japan for consumption tax. Concerning the relation between exemption under treaties and applicants eligible for tax exemption, Japanese examples will be looked into as follows.

Japanese contractors/traders who supply goods and services to a US force in Japan are exempted from consumption tax in the following cases based on a treaty

between US and Japan (US Japan Status of Forces Agreement) and a special provision in consumption tax law.

- (1) goods and services that a US force or a procurement agency officially authorized by a US force purchase to be used for a US force
- (2) goods and services that contractors appointed under US Japan Status of Forces Agreement purchase to conduct, maintain, or manage building works for a US force based on the construction contract with a US government

The concrete procedures for tax exemption regarding the case (2) are as follows:

- i) When a Japanese contractor (sub contractor) provide goods and services to another contractor (prime contractor) that has construction agreement with a US government, the Japanese contractor can be exempted from consumption tax by obtaining a tax exemption certificate and keeping it for 7 years.
- ii) This tax exemption certificate is issued to the Japanese contractor that provides goods and services, by an authority of a US force.
- iii) A US force will issue a tax exemption certificate for consumption tax called "Standard form 1034". As this issuance is at a US force's discretion, who is the ordering party of the construction work, any inquiries on how to fill in the form should be raised not to Japanese tax offices but to a US force who is the dealing agent.
- iv) Japanese tax officials do not examine the tax exemption certificate issued by a US force except for special cases. And as long as the Japanese contractor who provides goods and services keeps it for 7 years within their office, they will be exempted.

Views on an eligible applicant for tax exemption in this case

How Japanese side deals with the issue differs from Tanzanian way in two points listed below.

- i) The eligible applicant is the Japanese contractor who practically provides goods and services. As it is regulated that the one who transfers assets is the one to bear a duty to pay consumption tax, the contractor who is exempted from a taxation duty must apply for tax exemption. The purchasing party does not bear a duty to directly pay consumption tax to the government, and, therefore, cannot be the applicant for tax exemption. When suppliers are approved to be exempted in relation to the asset transfer deal, the purchasing party also does not need to pay consumption tax.

ii) Tax exemption entitled to a US force for them to carry out missions is not originally provided or planned in Japanese consumption tax law itself but is regulated specially in the treaty between Japan and US. Therefore, an authority in the US force (the ordering party) who practically manages the work can judge conditions for tax exemption more efficiently and correctly than Japanese government tax officials who can test them only from the view point of theory and knowledge of consumption tax. And the tax exemption certificate ought to be issued by them. Therefore, without special situations, Japanese tax officials do not confirm or check its conditions and the way of fact finding. The officials do not have authority to issue a tax exemption certificate and the obtained certificate does not need to be submitted to tax offices. The Japanese subcontractors should keep it for 7 years and would submit it in case of a request by tax offices, if any.

## **Reference Material 2 (Tax exemption under EN and the revised VAT Act)**

### **2-1 Different views on the revised VAT Act between two countries**

Q2. Both countries have discussed on how to treat the provisions of tax exemption in EN with the revision of VAT Act as a starting point, it seems that we have not reached a final conclusion. From the view point of taxation theory, what are the serious issues and competing opinions? Assumption can be sufficient as Tanzanian government has not clarified their views for all points.

A2. The ministry of Finance who concluded EN and TRA have not displayed a unified opinion on the domestic application of EN and their view is not unclear at this point. Since how the provision of tax exemption in EN can be enacted and administered domestically is closely related to the fundamental legislative system in Tanzania including their constitution, the way of legislation and administration, and the positioning of TRA, it is not possible to give a conclusive opinion without understanding them properly.

But at least, the following three points currently appear to be a serious difference from the answers by Tanzanian government and TRA. These can be considered to be impacting on how to deal with tax exemption issues in relation to the revised VAT Act.

First, whether to admit that treaties usually prevail over domestic laws or not

Second, when treaties are admitted to have a prevailing power over domestic laws and when the treaty stipulates the concept of tax exemption or tax free clearly and completely, whether to admit these stipulations can be directly applied as domestic law or not

Third, whether to consider that tax refund can be admitted not as a common method but only for special cases or that it is selected optionally, based on the thinking that tax exemption has different methods to realize it.

As it seems that Tanzanian government and TRA have expressed negative views in relation to the above described three points, it seems difficult to directly apply the provisions of tax exemption in EN domestically.

In relation to the revised VAT Act, whether Japanese contractors can be entitled to tax exemption on imports or tax refund will be discussed in Q3 but not here.

It should be understood that whether direct application based on the thinking that taxation concept is clear and complete necessitates precondition that treaties prevail over domestic laws. But this way of thinking that treaties prevail over domestic laws is not always thorough as fundamental legislation system, the relationship between legislation and administration, and allocation of power are sometimes ambiguous. And what happens in such countries with ambiguity needs further consideration. Among these countries, some countries may consider that domestic laws will be primarily prioritized to be applied corresponding to characteristics and contents of each treaty, and contents of tax exemption under treaties can be realized and enforced through application of contents and processes stipulated in the domestic law, in relation not only to treaties that limit rights and expand duties but also to ones that only stipulate omission of the contracting country including tax exemption and tax free (that is, omitting application of domestic laws for taxation). In such cases, solution should be granted through negotiations between two countries based on the fundamental purport of the respective treaty.

Therefore, in the first place, regarding the first and second points, it is usually considered in most countries that treaties prevail over domestic laws and the provision of tax exemption in treaties can be directly applied. But TRA seems not to admit this view because;

i) First of all, regarding the interpretation of tax exemption stipulated in EN,



they try to understand the meaning of tax exemption under treaties from the view point of domestic laws; the concept of tax exemption is revised in domestic law and the provisions in the revised domestic law (tax exemption treatment is replaced by tax refund system) are directly applied

ii) Second, when domestic laws are revised, normally transitional measures are applied for the treaties concluded before the revision and the old law is continuously applied. But the revised VAT Act is not the case. The Act itself stipulates that the old law is continuously applied only to the specific treaties clarified by the Act, including even the treaties contracted before the revision. The Act clarifies that the Act itself individually decides whether the old law is applicable or not on each treaty including even the treaties contracted before the revision. Therefore, in some cases, the revised Act may be applied retroactively.

In case of EN for Grant Aid projects, as a result of government the discussions, it is agreed that the old act is applied to the treaties contracted before the revision of VAT because it is admitted that EN in discussion falls under the article 95 in the revised VAT Act; "a binding agreement relating to exploration and prospecting of minerals, gas or oil with a person before the commencement of this Act" The article 95 stipulates the treaties over which the old act is applicable among the treaties contracted before the revision of the VAT Act and concludes that the old act cannot be applied to treaties which do not fall into "a binding agreement relating to exploration and prospecting of minerals, gas, or oil" even if the treaty was contracted before the revision. For reference purpose, the contents of the article 95 in the revised VAT Act are displayed here.

● **Revised VAT Act (The Value Added Tax Act 2014)**

95-(1) The Value Added Tax Act, is hereby repealed.

(2) Notwithstanding subsection (1)-

(a) regulations, rules, orders or notices made under the repealed Value Added Tax Act and in force shall continue to be in force until they are revoked, amended or cancelled by regulations, rules, orders or notices made under this Act;

(b) where the Government of the United Republic has concluded a binding agreement relating to exploration and prospecting of minerals, gas or oil with a person before the commencement of this Act, the provisions of the repealed Act relating to value added tax relief shall continue to apply to the extent provided for in the agreement;

iii) Third, it is regarding the interpretation of TRA on the tax items targeted for tax exemption granted in EN. Although in the Income Tax Act, there are some provisions which seem to list and limit the treaties to be complied as domestic laws, it is not a problem if EN is not included in such a list from the view point that tax exemption can be directly applied. It is not necessary to seek for a base to authorize tax exemption under EN as exemption under domestic laws in the provisions out of the Income Tax Act, that is, the provision of tax exemption in the Gazette by the Minister of Finance. The reason why TRA sought for a base of tax exemption in the Gazette by the Minister of Finance can be based on a view that all tax exemption under treaties can only be embodied by the provisions in domestic laws and become into force only within a range that is stipulated by domestic laws.

This third point is about the method of tax exemption and will be discussed in the section “Q4”.

## **2-2 The revised VAT Act and how to treat tax exemption for Japanese contractors (for Japanese contractors)**

Q3 Is it true that Japanese contractors have become not entitled not only to tax exemption on imports but also to tax refund for VAT on local procurement with the revision of the VAT Act?

A3.

(1) Article 7 in the revised VAT Act (tax exemption and refund based on governmental agreements)

This work reference material initially deals with the procedures of tax exemption in the case the old act is applied to (as confirmed in the governmental discussion), under the transition period of the revised VAT Act. Therefore, how to treat EN concluded after the date of enforcement of the revised VAT Act (1<sup>st</sup> July 2015), including action by the Japanese government, remains partially ambiguous. If governmental discussions are considered to be ongoing, with regards to EN expected to be concluded in future, minimum confirmation and understanding are required on how to interpret the article 7 in the revised VAT Act which deals with range of persons eligible for tax exemption. Inquiries made based on such a view point, were responded to by TRA around the beginning of this year, which are

quoted as follows:

Regarding the provision on how to treat tax exemption in treaties, which the revised VAT Act regulates in the article 7;

Inquiry : With regards to “Scope of qualified person for exemption and refund under the VAT Act, 2014”, “Is Japanese Contractor included in the qualified persons for exemption and refund under Section 7 of the VAT Act, 2014?” and “Are the qualified persons limited to foreign governments and international bodies?”

Response : ”The Japanese Contractor does not fall under the list of persons that are entitled to refund under Section 7 of the VAT Act, 2014.”

In relation to this view by and TRA, as there has not been a clear opportunity to consider how to interpret the provision that constitutes a base, if possible, it is necessary to look into interpretations and to proceed to next topics.

## (2) Potential interpretation in Article 7 (No.1)

As there has been no chance to have a concrete explanation on how to interpret the provision, the explanation is mere an assumption basis. The following way of interpretation can be considered.

That is an interpretation that tax exemption for Japanese contractors does not fall into tax exemption stipulated in treaties between governments according to the article 7 and are excluded from eligible applicant for tax refund according to the article 85. The former point concerning treaties between governments will be discussed further in the following section (4). First of all, the related provisions are the article 7 of the revised VAT Act (Treaties) and the article 85.

### ● Revised VAT Section7 (Treaties)

7. Where, an agreement approved by the Minister is entered into between the Government of the United Republic and another Government or an international agency listed under the Diplomatic and Consular Immunities and Privileges Act, and such agreement entitles a person to an exemption from tax on the person’s purchases or imports, the exemption shall be effected under this Act by-

- (a) exempting the import of goods imported by the person; or
- (b) refunding the value added tax payable on taxable supplies made to the person upon application by the person.

● **Revised VAT, Section 85 (Refund to diplomats, international bodies and non-profit organization)**

(1) The Commissioner General may refund part or all of the input tax incurred on an acquisition or import by-

(a) a public international organization, an nonprofit organization, foreign government, or other person prescribed by regulations, to the extent that the person is entitled to exemption from value added tax under an international assistance agreement;

(b) a person to the extent that such person is entitled to exemption for value added tax under the Vienna Convention on Diplomatic Relations or under any other international treaty or convention having force of law in United Republic, or under recognized principles of international law; or

(c) a diplomatic or consular mission of a foreign country established in Mainland Tanzania, relating to transactions concluded for the official purposes of such mission.

(2) A claim for a refund under subsection (1) shall be made in the form and

. . . . .

The above article 7 and 85 could possibly be interpreted as follows;

Tax exemption under the revised VAT Act is tax exemption based on treaties concluded with other countries(article 7), but who to be “the person” stipulated as “a person to an exemption from tax on the person’s purchases or imports”, that is, person eligible for tax exemption and refund, seems not clear by only looking into the article 7. Therefore, the article 85 which stipulates tax refund for international agencies and foreign governmental entities should be referred to. According to the article 85, following cases fall into eligible cases for tax refund; a) purchases only by a public international organization, a nonprofit organization, foreign government, or other person prescribed by regulations; also b) and c) describe cases based on the Vienna Convention or international common laws and seems to limit qualified person only to diplomatic missions. Therefore, Japanese contractors who are not listed in the above could be considered not to fall into “qualified person” for tax refund and, as a result, it could be interpreted that they are also not qualified for tax exemption on imports (article 7) as they are not eligible for tax refund.

(3) Potential interpretations in Article 7 (No.2)

If it is assumed that TRA understand the issues as described above, the other potential interpretations could be made as follows;

- i) Who to be eligible for tax exemption or refund under the article 7 is stipulated in the article 7 itself as “such agreement entitles a person to an exemption from tax on the person’s purchases or imports”. That is, person qualified for tax exemption and refund is judged from the contents of treaties concluded with other countries. And it is not stipulated that the range of qualified person under the article 7 is decided by the article 85.
- ii) Concerning the article 85, it needs further consideration on whether the article can be interpreted that it excludes Japanese contractors from eligible person.

For instance, in a), it says “input tax incurred on an acquisition or import by (a) a public international organization, a nonprofit organization, foreign government, or other person...”, meaning that concerning VAT on imports and local purchases by “a public international organization, a nonprofit organization, and foreign government”, person who is stipulated as qualified for tax exemption under these treaties can be considered to be able to receive tax refund to the extent described. And b) describes that person qualified for tax exemption under the Vienna Convention on the Diplomatic Relations etc. to the extent can be qualified for tax refund. And c) outlines that the diplomatic missions can be eligible but only those for official purposes.

As such, these provision describes that these clauses of (a), (b),(c) expect activities by individuals or governmental agencies who deal with public acts based on aid agreements or treaties with characteristics of international common laws, and stipulate that when these persons or agencies pay VAT on local purchases or imports, whether they are qualified for tax refund or not is judged if they are entitled or not in these treaties and if these purchases or imports are conducted for official use, just to be sure.

When referring to public-interest activities by international organizations, it should be noted that some persons in international organizations may deal with activities that are difficult to be judged as an official duty. Also some governmental agencies have activities out of the scope of their official duties. Therefore, it can be read that only substantial activities can be admitted for tax refund with regards to international organizations and governments.

On the other hand, the article 85 does not refer to a case that foreign corporations deal with local purchases and imports. This is because ordinary foreign corporations conduct only commercial activities and do not necessitate

classifying their conducts between public-interest activities and the other. Therefore, even if they are not mentioned in the list, this does not necessarily mean that they are excluded from the target for tax refund.

- iii) And if the article 85 is not interpreted as outlined above, consistency with the article 7 that can be considered as a general rule for tax exemption and refund will not be able to be established. In other words, concerning who to fall into the category of qualified person for tax exemption and refund, qualified person for tax exemption is judged based on the provisions in treaties and, when qualified person for tax refund under the article 85 is regulated in treaties, refund is admitted to the extent described in it, as the article 7 describes, “such agreement entitles a person to an exemption from tax on the person’s purchases or imports”.

#### (4) Provision of tax exemption in EN

If it is possible to interpret the article 7 and 85 as outlined above, following points should be looked into further; by interpreting the article 7, whether it can be confirmed that tax exemption for Japanese contractors is regulated by an agreement between two countries, and, even if so, whether such agreement regulates Japanese contractors as qualified person for tax exemption by treaties according to the clause; “such agreement entitles a person to an exemption from tax on the person’s purchases or imports”.

Regarding these points, it should be understood that grant aid projects are implemented through three stages. First, Japanese government concludes EN with Tanzanian government on the targeted project. And JICA, the governmental agency, decides financial scale and condition of the project in the Grant Agreement, and then Japanese contractors implement the project (with binding a contractor agreement with Tanzanian government). As such, the completion and handover of grant aid projects are conducted by Japanese contractors and taxes on purchases of goods and services are mainly imposed towards contractors.

EN concretely regulates following things.

In implementing the project, Tanzanian government and its agencies need to bind a contract on Yen basis with Japanese corporations (Japanese nationals) to purchase goods and services necessary for the project (Article 4). And there is a regulation for tax exemption regarding taxes imposed on such purchases (Article 6 (d)).

The article 6 (d) is as follows;

The Government of the United Republic of Tanzania shall take necessary measures:

- (d) To ensure that customs duties, internal taxes and other fiscal levies which may be imposed in the United Republic of Tanzania with respect to the purchase of the Products and the Services be exempted;

These points are raised in relation to the issue; who can be “a person” in the article 7 in the revised VAT Act “such agreement entitles a person to an exemption from tax on the person’s purchases or imports”. As clearly stipulated in the article 4 and 6(d) in EN, it is clear also from the view point of treaties, that “a person” is a Japanese corporation who binds a contract with Tanzanian government to purchase goods and services for the specified project.

As such, when EN is contracted between two governments and it is clear that EN itself regulates Japanese contractors as eligible persons for tax exemption, it can be natural to interpret that Japanese contractors are entitled to tax exemption under treaties with regards to application of the article 7 of the revised VAT Act.

- (5) Case where the revised VAT Act conflicts with EN

Regardless of discussions in the above section (3) and (4), in case the revised VAT Act (the article 7 and 85) is interpreted that it excludes Japanese contractors from person eligible for tax exemption for some bases or reasons, such provisions in the revised VAT Act will become in conflict with the article 6(d) of EN, to such extent. In such a case, which, the revised VAT Act or EN, should be preferentially applied becomes an issue.

And this is a matter of domestic force of treaties and possibility of their direct application. Provided that EN is also a treaty and has no difference from ordinary tax treaties regarding the fact that it is an agreement between two countries, it can be said as a common rule among countries as of today to interpret that the provision in the article 6(d) of EN can be directly applied as a domestic law regardless of provisions in domestic laws. Therefore, from the view point of direct application of the provision of tax exemption, it is considered to be a common understanding among other countries to interpret that Japanese contractors can be entitled not only to tax exemption on imports but also to tax refund for VAT on local purchases as in the past regardless of the provisions in the revised VAT Act,

even when the revised VAT Act can be interpreted that it excludes contractors from an eligible person for tax exemption and refund. But to realize such treatment, it becomes necessary for TRA to issue official notifications towards each governmental office, which clarify that provision of tax exemption in a treaty can be directly applied and, to that extent, the provisions of the revised VAT Act (article 7 and 85) are not applied.

### **2-3 Meaning of entitlement and modality and their relation to Japanese tax system**

Q4. TRA modified provisions of tax exemption and introduced a system of tax refund with revising the VAT Act. And they explain that tax refund regulated by the revised VAT Act is not an infringement against the provisions of tax exemption in EN by using the terms; “entitlement” and “modality”. Concerning this;

- i) It seems there have been no clear explanation on the terms, “entitlement” and “modality”. What kind of meaning do they have?
- ii) Provided that the revised VAT Act introduced tax refund based on the idea of entitlement and modality, are there any legislation cases where such concepts are applied to, concerning Japanese consumption tax or other tax items?
- iii) If there are any important issues to be noted regarding entitlement and modality which exist behind the revised VAT Act, what are they?

A4.

#### (1) Meaning of entitlement and modality

Meaning of these two terms has not been clearly explained by respective officers. But it can be assumed as follows;

When talking about tax exemption, there exist an ordinary method of “tax exemption” and also its modified form of “tax refund”. So method of “tax exemption (modality)” does not necessarily be one form but also includes modified ways. And if one can receive treatment of tax exemption under treaties in the end (entitlement) through the processes described in the revised VAT Act even though it takes the form of such modified method (modality), it is interpreted that “tax refund” can be admitted as one form (modality) of tax exemption under treaties because one can still enjoy “tax exemption” stipulated in treaties even through tax refund, in one way or the other.



In other words, it is considered that “modality” refers to a way and a method of concretely implementing tax exemption regulated by domestic laws in the country, and that “entitlement” means that, as long as the method is administered according to the processes in the revised VAT Act and tax exemption can be realized in the end, benefits in tax treaties are still enjoyed in one way or the other. If these considerations are possible, views by TRA could also be judged as theoretically correct.

## (2) Relation to Japanese tax system

Concerning Japanese cases where treaties stipulate tax exemption but tax items eligible for tax exemption need to be paid once and refunded later, there has been no case found for consumption tax. This is because there is no example of tax treaty regulating exemption from consumption tax, since consumption tax (VAT) does not fit to agreements in tax treaties between two countries. With regards to tax items except consumption tax, there is a regulation aiming to prevent tax avoidance by foreign entertainer etc. (Article 42 of the Special Taxation Measures Law). This is regulated as a special provision for corporate tax and can be said as the only one example in Japanese domestic laws.

The brief summary of the article 42 is as follows; Japanese domestic law regulates a special measure against foreign entertainment corporations who can be exempted from taxes in Japan, based on the principle that taxes are not imposed on business income of foreign corporations not owing permanent establishment. It is considered that the method of tax exemption for foreign entertainment corporations that are exempted from taxes under tax treaties is changed from “tax exemption” to “collection of withholding tax and refund” as a modification.

This article 42 aims to prevent tax avoidance by foreign entertainment corporations. And there are three important issues as follows (details are explained in the following Q&A session;

- i) Japanese corporations who pay consideration for exempted foreign entertainment corporations must pay 15% as a withholding tax (exclusive of reconstruction tax)
- ii) Exempted foreign entertainment corporations must pay 20% as a withholding tax (exclusive of reconstruction tax) when they pay rewards to foreign entertainers regardless of the place of payment (both in and outside of Japan).
- iii) Exempted foreign entertainment corporations, when they paid withholding

tax, can receive tax refund on the amount withheld.

It is assumed that the terms, “entitlement” and “modality”, referred to by TRA, also expect such a system of tax refund towards foreign entertainment corporations. In other words, even through such special measures (collection of withholding tax and refund; modality), these foreign entertainment corporations are not taxed newly in Japan and in the end they are exempted in one way or the other (entitlement).

(3) Characteristics and issues regarding “entitlement” and “modality” of the revised VAT Act

With regards to the concept of “entitlement” and “modality”, “tax exemption” is certainly considered to have “methods of tax exemption (ordinal method and special method” but it is more common for “taxation” on incomes such as corporate tax to have “methods of taxation”.

The methods of paying corporate tax are as follows; one is a self-assessment method where tax payers themselves declare their incomes and costs to the government, and the other is a withholding system where withholding tax is deducted at the time of payment and the payers make payment of tax to the government. In this case, the method refers to the way of paying tax, which is opposite of tax exemption. Therefore, the relation is the one between “obligation” and “modality” and not the one between “entitlement” and “modality”. This withholding system can make payment of taxes certain and ease and, therefore, is often applied as a taxation method to foreign corporations and individuals.

i) Provisions that constitute a basis for “modality“ (special method)

It is important to note here that both in the case of the Special Taxation Measures Law Article 42 (to prevent tax avoidance by foreign entertainment corporations) which admits tax refund system as a method of tax exemption and in the case of the withholding tax system applied for corporate tax, original provisions that constitutes a basis for collecting respective taxes are set in domestic laws. In other words, corresponding to the provisions of tax exemption under treaties, the article 42 was newly established as a special case. And in case of withholding tax, special provisions that constitute a basis for withholding tax is regulated independently other than the provisions for a self-assessment method.

By the way, the adoption of tax refund system in the revised VAT Act has modified the concept of tax exemption itself and created the concept of tax refund in domestic laws themselves which regulate tax exemption. In other words, it seems that a system of tax refund is considered not as a special method that becomes applicable only for special cases under specific conditions determined separately, but as an optional method of tax exemption that exists inherently in the concept of tax exemption itself. The mode of paying corporate tax is principally the self-assessment method where tax payers themselves calculate and refund tax. But withholding tax is introduced as a special method of paying taxes especially for corporate tax in order to make payment of tax early and certainly. Therefore, if exemption from VAT is principally tax exemption, it is natural to consider that tax refund system should be individually regulated as a special method.

With regards to this point, it is assumed that by regulating the special method together with the concept of tax exemption in the provision of tax exemption in the domestic law, the revised VAT makes it difficult to understand the original concept of “modality” that is separated from “entitlement” and thus makes the meaning of “entitlement” and “modality” separated from the original sense.

ii) Existence of cases of special method for VAT

Regarding taxation of corporate income tax, there are some cases where special exemption method is regulated against foreign corporations entitled for tax exemption under treaties, like the Special Taxation Measures Law Article 42, although these are rare cases. Regarding VAT, however, there is no tax treaty for VAT. So, in the first place, VAT cannot be exempted by tax treaties. Therefore, introduction of tax refund system can be considered as a quite irregular case of law revision without preceding similar cases. (But it is understood that a few developing countries regulate same treatment like Tanzania.)

In addition, as there is no similar case for legislation of domestic laws regarding tax exemption under treaties, there is a risk that treatment of tax exemption under treaties can be dealt with only by domestic laws of one country. If there is a case of VAT exemption under tax treaties (though it is impossible due to the characteristic of VAT), the interpretation of VAT exemption under such treaties can be expected to be made in harmony between two countries, as a result of the principle of reciprocity that applies to treaties.

## 2-4. Contents of Special Provisions Article 42 (From the View Point of “Entitlement” and “Modality”)

Q5. In Japanese tax system, as an example where “entitlement” and “modality” were separately classified and legislation was conducted based on such concepts, there is a case of Special Provisions Article 42 which aims to prevent tax avoidance by foreign entertainment corporations (the Special Taxation Measures Law Article 42). Please explain the contents of Article 42 more in detail.

A5. If it can be considered that TRA’s view on “entitlement” and “modality” is theoretically almost same as Japanese understanding on tax exemption mechanism under Article 42 displayed above, actual meaning of “entitlement” and “modality” that exists behind the tax refund system introduced by the revision of VAT Act should be considered next. More concretely, what kind of situation and condition can allow amendment from tax exemption to tax refund should be looked into. In other words, if tax refund can be freely chosen without any condition is the discussion point.

It is considered that the purport of Japanese Article 42 is to admit a shift from tax exemption to tax refund system only within a range that is reasonably necessary in some special cases. But answers from the Ministry of Finance and TRA give an impression that tax refund system in the revised VAT Act was introduced without clarifying a reasonable purpose of the revision. The possibility that, as a result, Tanzanian government understands that they can freely choose tax refund system without any conditions cannot be denied.

### (1) Contents of Special Provisions Article 42

The Special Provisions Article 42, regarding a special regulation towards foreign entertainment corporations, will be explained first. This article is complicated with various preconditions and difficult to be read. The following explanation is a concise summary.

In short, with this provision, tax is withheld once (prepayment of corporate tax), but full amount of that withholding tax will be immediately refunded once specific conditions are met. Exempted foreign corporations once pay corporate tax and then have its full amount refunded at the later stage.

i) Purpose of special provision

Purpose of this special provision is mainly to prevent tax avoidance by entertainers and athletes with foreign nationalities. This is a counter measure designed to tackle with the frequent cases occurred in the past, where entertainers and athletes with foreign nationalities came to Japan, temporarily stayed, earned high income during their short stay, and went out from Japan without paying individual income tax. When entertainers and athletes with foreign nationalities earn income in Japan, normally 20% of income is withheld as tax when payment of reward is made, regardless of existence of permanent establishment or duration of their stay in Japan. But to avoid this, they sometimes come to Japan by taking a form where they are dispatched by exempted foreign entertainment corporations. And by receiving personal reward outside of Japan (Upon return to own countries), they can avoid withholding tax and self-assessment tax. Such cases frequently occurred in reality.

ii) Contents of special provision

When a Japanese owner of a performance pays reward for the show to a foreign entertainment corporation without permanent establishment in Japan (exempted from tax under treaties), the owner needs to pay 20% as withholding tax (prepayment of corporate tax) and the foreign entertainment corporation pays corporate tax once (although normally withholding tax is not charged with income that is treated as exemption under treaties). Entertainers go back to own countries and receive payment from the foreign entertainment corporation later. And if the foreign entertainment corporation pays 20% of the reward as withholding tax to Japan, the paid amount of withholding tax is refunded to the foreign entertainment corporations. Thus tax exemption towards income under treaties is secured.

As outlined above, the special provision was introduced to deal with many cases occurred in the past, where foreign entertainers avoided personal income tax in Japan through three step; income tax exemption for foreign corporations under treaties, dispatch by exempted foreign corporations, and payment of personal reward outside of Japan. Withholding tax is charged against income of foreign entertainment corporations who are entitled for exemption under treaties, foreign entertainment corporations are charged with a duty to pay withholding tax on payment of personal reward outside of Japan, and if they pay tax, they can have withheld tax refunded. As a result of these, tax

exemption under treaties is secured.

## 2-5 Different Interpretation of “Entitlement” and “Modality” (Tanzania and Japan)

Q6. If Article 42 of the Act on Special Measures Concerning Taxation is regulated based on the concepts of “entitlement” and “modality”, are such concepts behind Article 42 same in actual meaning or in practical manner as ones behind the idea of tax exemption in the revised VAT Act which TRA claims, even though they are theoretically same? And if they are different, what points makes the difference?

A6.

### (1) Possibility of difference in actual meanings between two countries

Japanese special measure that makes tax exemption towards foreign entertainment corporations, exempted under treaties, realized through “payment of withholding tax and refund” replaces tax exemption with tax refund, to prevent avoidance of personal income tax by foreign entertainers has been outlined. Then, for what purpose was the replacement of tax exemption with tax refund conducted by Tanzanian legislation authorities? Or was it done without a specific purpose, as a mere measure to increase tax revenue?

With regards to this point, the officer of the Ministry of Finance mentioned in the first governmental discussion that the tax refund system was introduced to control tax exemption. But there has been no further explanation. As far as the author has been informed, the Commissioner General of TRA emphasized a basis of introduction with an explanation that tax refund is one of the methods of tax exemption by using the terms “entitlement” and “modality”. But no further concrete explanation has been made so far. Currently there is no unified explanation on the object and purpose of introduction of tax refund system in the revised VAT Act, and on the validity of such a measure.

By taking these current situations into consideration and comparing provisions in domestic tax laws in Japan and Tanzania, which corresponds to tax exemption under treaties, it can be said at this point as follows:

### (2) Purpose and intention of introduction of tax refund

Article 42 of the Act on Special Measures Concerning Taxation in Japan was established and newly introduced a system of tax refund through a process of

“payment of withholding tax and refund” against foreign entertainment corporations (foreign corporations who are not taxed in Japan as they do not have permanent establishment). But the purpose of this article 42 is to secure correct taxation on foreign entertainers etc who perform in Japan. In the past, foreign entertainers avoided taxation on their income in Japan by having foreign entertainment corporations intermediately as a dummy. Therefore, foreign entertainment corporations became charged with a special measure of “payment of withholding tax and refund” and thus withholding tax was realized indirectly against foreign entertainers to prevent their tax avoidance.

In Tanzania, if there is a need to control tax exemption as the executive of the Ministry of Finance referred to, what kind of adverse effects and tax avoidance acts have been occurred? Also can the system of tax refund be considered as a reasonable measure against them? With regards to these questions, if the situation necessitating control over tax exemption refers to mere cases where equipments purchased for a Grant Aid project are used for a normal business purpose, or where accounting classifications between equipments for a Grant Aid project and for a normal business are made incorrectly, it should be rather considered as a matter of administrative authorities. They ought to scrutinize requirements of tax exemption strictly and to correct fraudulent acts by corporations by exercising a right to tax audit more strictly. Such measures are considered to be more vital. Never the less, to charge tax without any specifications at the time of purchase against all local purchases that are main target of VAT needs to be considered whether it is legitimate or not as a measure to correct adverse effects.

Many cases of VAT avoidance are recognized as cases occurring in places where a right to tax audit or a right to taxation by national tax authorities cannot be exercised, such as cross-border transactions overseas. Cases where transactions are all made domestically and transaction parties are present within the country, like this case of VAT on local purchases in discussion, are considered to be a case which can be sufficiently dealt with through tax administration measures. And it can be pointed out that the degree of need for special legislation is quite low.

In any cases, when referring to a control over tax exemption or tax avoidance, if these actual situations are not clarified, the background and purpose of introducing a tax refund system stay unclear. And as a result, there remains an unclear question on if the revision was conducted in order to realize correct taxation or mere to increase tax revenue.

(3) Next point of consideration is whether tax refund should be considered as an ordinary method that can be chosen freely or as a special method that is admitted only within a limited range according to the purpose of legislation.

Here again, it is important to elucidate and clarify what kind of adverse effect and tax avoidance have occurred and to examine what kind of measure is effective. When legislating Article 42 outlined above as a special measure, following situations were acknowledged;

- There were many case of tax avoidance by foreign entertainers and athletes who stayed temporarily, earned high income, and were not charged with self-assessment of tax
- Most of these entertainers in question came to Japan by taking a form of dispatch by foreign entertainment corporations but not individually.
- There found many cases where such dispatched entertainers received rewards outside of Japan upon their refund to own countries in order to avoid tax because if the payment of personal reward against them was made in Japan, withholding tax was charged.

Based on the above background to avoid tax by having foreign entertainment corporations intermediately, following measures were deceived; i) a special measure of “payment of withholding tax and refund” was introduced only towards foreign entertainment corporations, ii) concerning the amount of tax withheld against foreign entertainment corporations, if the foreign entertainment corporations correctly withhold when paying rewards to individual entertainers, the whole amount of withholding tax collected is immediately refunded to the foreign entertainment corporations.

On the other hand, with regards to tax refund system in the revised VAT Act in Tanzania, following points should be noted; i) payment of VAT is required towards all local purchases of goods and services that are main target of VAT at the time of purchase, and it does not specify its targeted people but is applied as an ordinary treatment for all, ii) as the purpose of introducing tax refund system is ambiguous, what kind of conditions to be met and when exactly refund to be conducted are unclear.

In the last, it is normally considered that as tax exemption originally and normally ought to be realized as a form of exemption (modality), when it is changed to tax refund system which impact a lot on business persons, reasonable



purpose and situation necessitating such a shift should exist and tax refund should be admitted as an exceptional and legitimate measure to achieve its purpose. If the VAT Act gives free choice between tax exemption and tax refund, nation becomes easily able to force foreign corporations in actual sense to lend a loan without interest and with unclear repayment date by frequently using the tax refund system.

## 2-6 Tax Exemption and Refunds

Q7. In the first place, what is the concept of tax exemption? And the ideas of tax exemption and tax refund, in their own characteristic, originally related? And concretely how are they different? If tax exemption and tax refund are confused, what will be the consequence?

A7.

### (1) Tax exemption

Concisely, tax exemption is to grant exemption from the time when conditions for tax exemption are met. Neither tax payment afterwards nor refund of tax paid can happen at all in such case. Its idea is as follows;

Originally the concept of terms used in treaties is regulated concisely although their application range is wide, which is different from domestic tax laws. As treaties are agreements between countries which have different domestic laws, various languages, and completely different general concepts of laws, interpretation of terms in treaties often does not match with interpretation of domestic laws in contracting country. Therefore, tax treaties have general regulations to define terms such as “taxation”, “person”, and “corporation”. And if there are terms not defined in treaties, generally treaties regulate as follows to interpret such terms according to the meanings of the terms in domestic laws; “For the purpose of the tax treaty, unless the context otherwise require (in case the terms of the treaty has an objective and clear meaning), the terms of the treaty shall be interpreted based on the internal tax law of the contracting country in which a tax will be imposed ”

Incidentally, the term, “tax exemption”, regulated in EN is not interpreted according to domestic laws as a term not defined in the treaty. Other countries have normally considered the term has clear and complete understanding to an extent that it does not necessitate regulation on its definition in the treaty at all.

And tax treaties among other countries have been concluded based on such thinking. In this sense, the term, “tax exemption”, falls within “in case the terms of the treaty has an objective and clear meaning”

On the other hand, methods of tax exemption exist to implement tax exemption, which are sometimes regulated as special provisions in domestic laws. But this is completely different from the issue of interpreting meaning of tax exemption according to domestic laws. For instance, “tax exemption” can have “method of tax exemption” like the case “taxation” has “method of taxation” that matches to existing situation (for example, tax is withheld at the time of payment and is refunded as definite liquidation at the time of final return). It is considered that this is the meaning of “entitlement (the concept of tax exemption)” and “modality (the method of tax exemption)” which the Commissioner General of TRA was said to have referred to.

## (2) Tax refund

Tax refund occurs for a case where a person who has a tax liability pays tax to perform his/her duty and has mainly two kinds. There are a case where amount of tax that is charged as an interim estimation exceeds final amount confirmed and another case where tax is paid when there is no reason to pay it, which is considered as a kind of repayment of excessive profit. In the case of consumption tax, there are three concrete cases; i) the interim payment amount exceeds the fixed tax amount, ii) refund of excess when the amount of tax paid for purchases during the period exceeds the amount of tax on sales, iii) tax which does not need to be paid.

As such, tax exemption removes a tax liability at the time when tax exemption is granted, but tax refund refers to a case where excess amount is found and refunded as a result of performing a duty to pay tax by a person with a tax liability. As there is a huge difference of such an existence of tax liability between tax exemption and tax refund, they are not related. In Japan, conditions for tax exemption are regulated in each tax law, but tax exemption is regulated in the Act on General Rules for National Taxes as a common rule regarding national tax, separated from each tax law. Therefore, laws on which they are grounded are different.

## <Reference>

For reference, according to the dictionary on terms for tax accounting (issued by

ZAIKEI SHOHOUSYA in 2015), tax exemption and tax refunds are explained as follows;

Tax exemption refers to an exemption from taxation in a case where a tax liability that can be once established under tax laws is removed in the process of fixing or implementing a relationship of tax liability. In concrete manner, tax exemption can be realized when a person with a tax liability fulfills conditions for tax exemption and clarifies his/her will in form of application for tax exemption etc.

On the other hand, tax refund refers to a refund of received money to a payer by a government based on respective laws. Usually tax refund occurs when an interim amount exceeds a fixed amount of tax, and when tax payment becomes unnecessary for a reason arisen subsequently. Concrete examples of tax refund are; refund of withholding tax and refund of estimated tax prepayment.

### (3) Three kinds of tax refund that should not be confused

In the above section, it is explained that, in the case of tax exemption, when the conditions for tax exemption are met, tax cannot be charged afterwards and paid amount of tax cannot be refunded. But there is an exception. That is the issue of “entitlement” and “modality” in discussion. Even when the conditions for tax exemption are met, there are cases where domestic laws allow, as a method of implementing tax exemption in a specific situation, to charge tax once and refund after a specific period.

Therefore, in order to use the taxation term “tax refund” without confusion, different meanings used in the following three situations should be well understood and not be mixed up.

- i) In tax laws, original meaning of “tax refund” is limited to three cases such as a refund of amount paid as an interim payment. This is a claim for tax refund, acknowledged as a legal right, after a payment made based on a tax liability.
- ii) Although tax exemption is implemented through a usual method (modality) of exempting from tax, a method (modality) of “temporary tax payment and refund” can be adopted when domestic laws regulates as special cases. This is a refund case where tax exemption is realized through a special measure.
- iii) In the case of tax exemption for foreign travelers, travelers are refunded for tax paid at the time of purchase when passing the customs. This is mere a refund not based on a legal claim directly towards the nation.

Therefore, tax exemption and refund are originally not related.

(4) Problem that may occur by confusing tax exemption and refund

Tax exemption and tax free are placed in direct opposition to taxation. Therefore, if “entitlement” and “modality” are used ambiguously without clarification of their original meanings, forced temporary collection of tax will be admitted even though one is exempted from tax, which results in domestically creating a medium concept between tax exemption and taxation. If so, original meaning that tax exemption should substantially have, together with tax free, will be denied and this may greatly confuse the system of tax exemption and taxation in VAT. In addition, if Tanzania brings such a concept of tax exemption into interpretation of corporate tax or personal income tax when binding tax treaties in future, it will become difficult to obtain understanding by contracting countries.

Further, if the interpretation that tax exemption granted in EN can allow temporary payment of tax and refund is connived between two countries, the domestic law (the VAT Act) becomes applicable domestically, prevailing over treaties, as a result that direct application of provisions for tax exemption becomes denied. And in such a case, there is a possibility that EN will not be able to perform as a treaty to exempt Japanese corporations from tax. This is against the interpretation of many other tax treaties which Japan and other countries have concluded.

## 2-7 Priority of Treaties over Domestic Laws

Q8. The issue of application and enforcement of tax exemption stipulated in EN, if tax exemption in EN prevails over provisions in the revised VAT Act, has become a matter of discussion since the revision of the VAT Act. It is normally considered that treaties prevail over domestic laws. And what does this imply?

A8. If treaties regulate only external relations among countries and are not related to domestic laws of contracting countries, they will not interfere with domestic laws. However, as targets regulated under treaties expand and become diversified, contradictions and interferences between treaties and domestic laws occur and the issue will be arisen regarding which should be applied preferentially.

Although the view to have treaties prevailing over domestic laws have been adopted in many cases, under such a view, nations are required to install a adjustment measure such as reorganization of domestic laws interfering with treaties (but in the case of tax exemption, nations do not need to have a domestic adjustment measure).

And if such an adjustment measure is not implemented, it is recognized that a state liability under international laws will be pursued.

Many countries including Japan take a stand to have treaties prevailing over domestic laws. And it is understood that treaties, with their own form, can become effective as domestic laws in contracting countries without a special measure to legislate domestic laws. This view is, however, grounded in Japan; Japanese constitution says “sincerely abide by treaties” (the article 98 paragraph 2) and requires a diet approval on conclusion of treaties, like legislation, (the article 73 item 3, proviso). In other words, the theory of having treaties prevailing over domestic laws is decided by nations themselves upon legislation of domestic laws.

Following questions are asked to Tanzanian government but no information has been disclosed; how Tanzanian constitution regulates a relation between treaties and domestic laws, whether a diet approval is required for treaties, and what kind of administrative system to domestically implement treaties Tanzanian government has.

## **2-8 Direct Application of Provisions Stipulating Tax Exemption as Domestic Laws**

Q9. Triggered by the revision of the VAT Act,

- i) The Japanese expert has insisted that tax exemption stipulated in treaties would be directly applied. And what does this mean in concrete manner?
- ii) In the reference section in this work reference material, provisions in each tax law in Tanzania are quoted as laws/regulations related to tax exemption. Does this imply that the basis of tax exemption is not in treaties but in domestic laws?

A9.

(1) Domestic direct application

With a premise that treaties prevail over domestic laws, even if it is considered that treaties with their own forms can automatically take an effect domestically, it should be considered whether treatment of tax issues stipulated in treaties can

immediately be applied directly and administered without legislation and adjustment measures in the contracting country. Normally, to think that treaties prevail over domestic laws is referred to as “self-executing of the treaty” and to consider that tax treatment under treaties are directly applied and administered is referred to as “internal applicability of the treaty”.

Incidentally, when treaties regulate some treatment concerning tax matters, especially when a tax liability is created or expanded, a new measure in domestic laws to embody requirements for the taxation is sometimes necessitated. Especially when they limit rights of the target person and expand liabilities, there are many cases that tax requirements including target persons and transactions, and timing for taxation should be embodied in domestic laws in order to enforce them domestically. And taxation methods such as whether to pay corporate tax at the time of tax return or to charge only withholding tax and finalize it should be regulated in a form that complies with contents and characteristics of tax provisions in treaties. This is because usually treaties are concise and cannot regulate these details directly in most cases. Therefore, even if treaties are considered to take an effect as domestic laws, provisions in treaties, as they are, cannot be directly applied and administered as domestic laws. In an exceptional case, even when a treaty stipulates tax exemption, if its target persons and transaction are complicated and in large scale, sometimes requirements for tax exemption are reorganized according to the real situation and embodied in domestic laws in order to enforce it domestically, as a case of tax exemption for a US Force in Japan based on the Japan-US Security Treaty (Special Tax Law concerning the Japan-US Security Treaty).

On the other hand, when tax treatment stipulated in treaties is reduction of or exemption from tax (tax exemption, tax free, relief of tax rate), it is considered that they can be directly applied and enforced as domestic laws without special measures such as enactment or revision of domestic laws in the contracting countries because they regulate omission by the contracting countries and are considered to have clarity and integrity (they merely necessitate not to apply domestic laws that regulates taxation concerned and does not entail measures in domestic laws). Tax treaties among other countries including Japan are concluded based on such a view.

In more detailed manner, for instance, whereas Tanzanian corporate tax rate is 30%, a treaty stipulates that corporate tax rate for Japanese corporation operating in Tanzania is uniformly 5%. When there is no regulation in Income Tax Act to

comply with such a treaty, corporate income tax rate of 5% will be directly applied to Japanese corporations without a revision of the domestic law by Tanzanian government to amend the tax rate (although they can also conduct a law revision). This is because the term “tax rate of 5%” has clarity and integrity and there is no space to regulate more details in the Tanzanian domestic law. As tax exemption is considered to be a clarified concept as tax rate of 5%, it can be directly applied, excluding the application of taxation rules in the Income Tax Act.

## (2) Whether treaties or domestic laws are the basis for tax exemption

As explained, since tax exemption under treaties can be considered to be directly applicable as domestic laws, treaties themselves constitute the basis for tax exemption provided that tax exemption is regulated in treaties. To clarify this point, each domestic law that regulates tax exemption under treaties is intentionally referred to as “basis laws” but as “related laws” in this work reference material. In other words, even if Tanzanian domestic laws, in each tax law, regulate issues that are regulated in treaties and complied with as domestic laws, this is understood as mere confirmation provisions to receive tax exemption under treaties as domestic laws on the premise that treaty provisions for tax exemption are directly applied as domestic laws.

Therefore, if the list that domestic laws regulate as targeted treaties to be complied as international laws does not happen to include a treaty stipulating tax exemption, it is considered that it can be applied directly as a domestic law as long as it is effectively established as a treaty.

This issue could be one of the biggest differences in thinking between Tanzania and Japan.

## **Reference 3 (Other Discussion Points on Domestic Application of Provisions for Tax Exemption under EN)**

### **3-1 Tax Exemption Systems for Foreign Travelers and Tax Exemption under EN**

Q10. There have been various discussions regarding tax refund in the revised VAT Act. There is an example that tax is paid once and refunded in the system of tax exemption for foreign travelers. So can it be considered not a big problem even if the revised VAT Act regulates tax refund?

A10. Views will be provided regarding the discussion point that tax exemption in EN can be enforced through payment of tax and receipt of refund because tax exemption for foreign travelers is realized through payment of VAT and receipt of refund afterwards.

#### 1. Tax exemption system for foreign travelers and refund

With regards to a method to grant tax exemption on goods which foreign travelers purchase, there are countries like Japan who sell goods as tax free, whereas other countries like England sell taxed goods and refund taxes when travelers leave the country. There seems to be a view that, since such a refund system exists for foreign travelers, even if the revised VAT Act which regulates a method to charge tax once and refund later is applied to tax exemption stipulated in EN, such regulation in the VAT Act does not violate EN because it still ensures “tax exemption” in one way or another.

However, tax exemption for travelers and tax exemption under EN are independent and separate systems and cannot be compared in the same line in parallel, as domestic laws necessitate various modes of tax exemption system according to the purport and purpose of exemption, concerning tax exemption for VAT.

In other words, first of all, because as regards to tax exemption for foreign travelers there are some countries like England who charge VAT once at the time of purchase and refund when travelers leave the country after confirming conditions for tax exemption are met, and other countries like Japan which complete affirmation of conditions to be met at the time of purchase, temporary payment of tax and refund are mere a matter of when to confirm conditions for tax exemption are met. Therefore, tax exemption does not inherently accompany tax refund. Second, even if travelers are refunded, it is, in precise manner, a mere receipt of tax that is temporarily paid upon leaving countries, and is inherently different from tax refund for business entities which are taxed. And, therefore, they cannot be compared. While tax refund is a legal right of taxed business entities towards states, foreign travelers (normal consumers) do not have a right to claim tax refund against states. As a result of sales at duty free shops being exempted as export tax exemption, foreign travelers are not charged with VAT by the shops and do not need to pay tax indirectly. Tax refund originally refers to a case that when tax payers submit a tax return at the closing of accounts and an excess payment of tax is found, they can receive refund on the amount overpaid. To



charge tax unnecessary to be paid through sellers and to make such tax payers claim for tax refund at the time of tax return as an overpayment, regardless of VAT being exempted, are sometimes considered as a loan to states without interest and due.

## 2. Normal tax exemption system for VAT

Characteristics of tax exemption system for VAT and positioning of tax exemption for foreign travelers and for business entities stipulated under EN in it are further explained as follows; there are mainly four categories of tax exemption for VAT. And the purport and standard characteristic should be organized. Tax exemption for foreign travelers is categorized in the following case iii) (tax exemption for duty free shops) , and tax exemption under EN is in the case iv) (tax exemption by a special act). As such, if each original system of tax exemption is mixed up, tax exemption system itself may lose its meaning and VAT system may become largely confusing, which can result in charging unexpected tax.

It should be noted that both the case ii) export tax exemption and ii) exemption for duty free shops (indirect tax exemption for foreign travelers) are common in having foreign consumption as their basis of tax exemption.

### (1) Various systems of tax exemption

#### i) Exemption from a tax liability for small scale business

Business entities with small scale of sales are exempted from a liability to pay VAT in order for such small business entities to reduce a burden of paper works for paying tax and in order for tax administration not to generate a large number of tax payers. Therefore, these small business entities are not charged with VAT when they sell goods and services and cannot receive refund for VAT which they paid on their purchase of goods and services. Being discharged from tax liability, they cannot claim for tax refund, whereas they are not required for tax return.

#### ii) Export tax exemption (tax rate of 0%)

In Europe, it is normally said to be zero tax rate. The reason why exempting exports from tax is firstly because the characteristic of VAT is to charge a burden on goods and services consumed in the country and the principle of taxation at the place of consumption is adopted worldwide. Next, by having export prices removed from tax, difference in tax rate of VAT will not be able to impact on export prices and on export competition among countries. Thus

neutrality of tax can be secured. Therefore, when exporting goods, sales will be exempted from tax, whereas VAT charged on purchased goods will be refunded. If a business entity's sales is only an export sales, it needs to pay VAT when purchasing goods but will not be charged with VAT on its export sales. As such, it always claims for refund as a result of full amount of VAT paid at the time of purchase being refunded.

Condition for exempting export transactions from tax is to certify that transactions are export transactions or similar. To explain it concretely, certification is granted through a submission of documents which certify exports such as an export permit. It should be noted that there are some countries like China who set a percentage of tax refund in a domestic law and limit the amount of refund.

iii) Tax exemption for duty free shops

In duty free shops, sales for foreign travelers are treated same as export, with some specific conditions. Like export tax exemption, it is a system of tax exemption which focuses on foreign consumption.

Foreign travelers themselves seem to be directly entitled with a right for tax exemption through this system at a first glance. But from the structure of consumption tax, the collection of VAT becomes unnecessary by treating sales at duty free shops as export tax exemption and foreign travelers consequently become not charged with VAT.

The methods to exempt goods which foreign travelers purchase from tax are: a) to sell goods as tax free, b) to sell goods with tax and to refund tax when they leave the country, c) to combine both methods. Japan normally takes the first method, while England adopts the second one.

For instance, the procedures for tax exemption in England are as follows:

When a foreign traveler buy goods at a price including VAT at a duty free shop, a tax exemption document (form) will be issued. As a condition for tax exemption, the traveler needs to show the purchased goods as unused at the customs office when leaving the country and to have the document sealed with a stamp to approve exportation. In actual manner, at the Heathrow Airport, there is a Travelex Bureau, a repayment service agent which deputizes refund and customs business. Travelers who prefer to have VAT refunded on site can receive cash by submitting a tax exemption document and paying commission.

When receiving a refund in form of a check or in credit card, the traveler has to have the document sealed with a stamp by the customs office and to

drop it into a mailbox at the airport. After two to three months, the refund will be made.

iv) Tax exemption by a special act

The typical case of this type of tax exemption is the one which treaties with other countries or international customary law stipulate and then domestic law briefly admits. Provision of tax exemption in EN in discussion also falls within this category. Such treaties, in many cases, are ones contracted based on policies to aid developing countries or for states security. As the scale of tax exemption is big and the targeted persons and transactions are complex under some treaties, domestic laws sometimes exceptionally embody some of conditions for tax exemption in order to facilitate domestic administration of such treaties. For instance, a treaty between Japan and US (Status of Forces Agreement for a US Force in Japan) exempts goods used for a US Force from consumption tax and detailed conditions for tax exemption are regulated in Act on Temporary Special Provisions of the Income Tax Act, etc. and in the Special Taxation Measures Law.

In addition, treaties for diplomatic relations and customary law exempt goods purchased for official duties including diplomatic and consular affairs by diplomatic establishments abroad from consumption tax (Article 86 in the Special Taxation Measures Law).

It should be noted that tax exemption granted under grant aid agreements such as EN and the Japan- US Security Treaty is unilateral as they characteristically exempt foreign business entities in Japan, whereas tax exemption for diplomatic establishments abroad is bilateral. Further, tax exemption is often regulated in tax treaties, but tax treaties characteristically target taxes related to income and no tax treaty concerning VAT has been contracted.

3. Tax exemption for duty free shops and tax exemption for business entities under EN

(1) The reason why tax exemption for foreign travelers and tax exemption under EN should not be confused (Part 1)

First of all, as regards to tax exemption for foreign travelers, some countries like England charge tax at the time of purchase and refund it when travelers leave the country. In this case, the condition for tax exemption is to take the purchased goods out of the country since the purchased goods by foreign travelers can be

exempted based on the condition of overseas consumption as export tax exemption. Therefore, check by the customs office at the time of departure from the country completes a confirmation of the condition for tax exemption.

On the other hand, tax exemption under EN is judged by whether the purchased goods and services are used only for specific grant aid projects. To confirm if this condition for tax exemption is met, invoices, specifications, and contracts of goods and services and also goods themselves are checked and tax exemption certificates are issued at the time of purchase.

In other words, although there is a case in some countries where temporary tax payment and refund are conducted like England, this is because timing to confirm if conditions for tax exemption are met is different, but not because tax exemption inherently means temporary tax payment and refund.

(2) The reason why tax exemption for duty free shops and tax exemption under EN should not be confused (Part 2)

As for the term “refund”, it should be treated with an attention when using as a term for tax laws aside from as a word for ordinary conversation. If it is used as a term for ordinary conversation, this will lead to a misunderstanding to think that tax refund for taxable business entities is same as one for foreign travelers (ordinary consumers).

In other words, refund, the term for tax laws, is a legal term to be used at tax return in the process of taxable transactions by business entities with a tax liability and cannot be used for ordinary consumers (foreign travelers) who originally do not have a duty for tax return of VAT. Ordinary consumers have neither a tax liability to pay VAT or a right for tax refund. That is, when taxable business entities fill tax return, they deduct tax charged for the purchase from tax on the sales. If the difference is plus, they pay tax and if is minus, they claim for tax refund. This is mere a form of tax return at the time of filling it. On the other hand, foreign travelers are final consumers and not business entities. Therefore, they inherently do not have a right to claim for refund of VAT paid at the time of purchase, whereas they do not have a tax liability for VAT. When they purchase goods at duty free shops, as a special case, as a result that sales at duty free shops are handled with a treatment equivalent with export tax exemption, they are not claimed for payment of VAT. As such, foreign travelers can indirectly buy goods exclusive of VAT.

As outlined above, tax refund for “tax exemption for foreign travelers” is mere a

refund of the amount temporarily paid during a short period between the time of purchase and the time of departure when conditions for tax exemption are confirmed. On the other hand, tax refund granted for taxable business entities is a claim for refund against a state as a legal right, which is made at the time of tax return, because the paid tax upon meeting conditions for taxation, which complies with a tax law, is found to be an overpayment at the end of accounting period. Since refund, the term for tax laws, is inextricably linked to a tax liability, it cannot be discussed by comparing refund for business entities and one for foreign travelers who are ordinary consumers unrelated to a tax liability for VAT.

**TANZANIA REVENUE AUTHORITY**  
**VALUE ADDED TAX FORM**  
*(Under Regulation 33)*

Complete In Quadruplicate

Serial No.....

To: Regional Manager  
 P. O. Box  
 .....

**TIN:**

**VRN:**

**APPLICATION FOR UTILIZATION OF VAT RELIEF GRANTED TO EXPLORERS AND PROSPECTORS OF MINERALS, GAS OR OIL, AND TO INVESTOR LICENSED UNDER THE EXPORT PROCESSING ZONES ACT OR SPECIAL ECONOMIC ZONES ACT**

**PART A:** (To be completed by applicant)

The (name of the Organisation).....

is applying for VAT relief on supplies of goods/services as detailed below:

Details of the goods/services		Value exclusive of VAT (in shs.)	VAT Amount	Supplier
Description	Quantity			

**NB:** \*In case the space provided above is not sufficient please attach the list of additional items in the same format/ for motor vehicle give the following details for each vehicle or attach the detailed Schedule of all vehicles applied for.

Make..... Engine No.....

Chassis No..... Type..... Cubic Capacity..... Tare weight.....

Year of Manufacture..... Propulsion Petrol/Diesel/Other.....

The goods/services are going to be used by the (Name of the project or undertaking) .....

...

Which is a project/undertaking pursuant to PSA / EPZ or SEZ license .....

.....

dated.....for (state the use of the goods/services) .....

.....

.....

.....

**WE DO CERTIFY** that the above information/data are correct. We undertake not to sell, transfer or dispose of in any way the said goods unless and until VAT is fully paid.

.....

**Date** (Name of Authorized Officer) **Signature** **Official Stamp**

**PART B:** B(To be completed by the recommending Organisation/Ministry).

This is to certify that (Name of project/undertaking)..... is project/ undertaking which is under our Ministry/Organisation (name).....under the agreement/lisence .....

We do confirm that the above goods/services are project materials/services and we request that they be supplied free of VAT.

.....

**Date**                      **(Full name of endorsing Executive)**

**Signature and stamp of  
Permanent Secretary/  
Chief Executive Officer**

**PRECAUTION NOTE:**

- (i) This Authority is only valid when tendered in its original form.
- (ii) Payment should be made strictly by recipient's cheque(s).

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**FOR OFFICIAL USE**

**(a) Comments and Recommendation(s) by the Verification Officer:**

.....  
.....  
.....  
.....  
.....

.....  
**Date**

.....  
**Name and Signature of the Verification Officer**

**(b) Commissioner General's Decision**

Approval has been/not been granted for VAT relief

to: .....  
.....  
.....  
.....  
.....

.....  
**Date**

.....  
**Signature and Stamp of the Commissioner General**

**NOTE: This authority is valid for 30 days from the date of approval**

Distribution: Original – Supplier of goods/services {To be retained for your record/  
Verification by TRA}



Duplicate – Applicant

Triplicate – TRA Office

Quadruplicate – recommending Ministry/ Organisation.

**TANZANIA REVENUE AUTHORITY**

**VALUE ADDED TAX FORM**

Complete In Quadruplicate

Serial No.....

To: Regional Manager  
P. O. Box  
**DAR ES SALAAM**

TIN:

VRN:

**APPLICATION FOR UTILIZATION OF VAT RELIEF GRANTED  
UNDER THE THIRD SCHEDULE TO THE VALUE ADDED TAX ACT CAP 148  
(EXCLUDING DIPLOMATS/DIPLOMATIC MISSIONS)**

**PART A:** (To be completed by applicant)

The (name of the Organisation).....under Ministry.....  
is applying for VAT relief on supplies of goods/services as detailed below:

Details of the goods/services		Value exclusive of VAT (in shs.)	VAT Amount	Supplier
Description	Quantity			

**NB:** \*In case the space provided above is not sufficient please attach the list of additional items in the same format/ for motor vehicle give the following details for each vehicle or attach the detailed schedule of all vehicles applied for.

Make..... Engine No..... Chassis No.....

Type..... Cubic Capacity..... Tare weight.....

Year of Manufacture..... Propulsion Petrol/Diesel/Other.....

The goods/services are going to be used by the (Name of the project) .....

Which is a project aided pursuant to the agreement/memorandum of understanding/GN between the .....

and the Government of the United Republic of Tanzania dated.....for (state the use of the goods/services).....

We do certify that the above information/data are correct and that we are entitled to VAT relief under item ..... of the Third Schedule to the Value Added Tax Act, CAP 148. We undertake not to sell, transfer or dispose of in any way the said goods unless and until VAT is fully paid.

.....  
**Date**

.....  
**(Name of Authorized Officer)**

.....  
**Signature**

.....  
**Official Stamp**

**PART B:** (To be completed by the Recipient Organisation/Ministry/Parastatal/Company).

This is to certify that (Name of project).....  
is a technical assistance/Religious/charitable project which is under our Ministry /Organisation  
(name).....under the agreement  
between.....and.....which was confirmed  
by the Treasury/Ministry as per the letter Ref. No.....we do  
confirm that the above goods/services are project materials/services and we request that they be supplied free of VAT  
as per the stated item(s) of the 3<sup>rd</sup> Schedule to the Act.

..... <b>Date</b>	..... <b>(Full name of endorsing Executive)</b>	..... <b>Signature and stamp of Ministry/ Permanent Secretary/Parastatal Organisation/Administrative Secretary/General Manager</b>
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**PRECAUTION NOTE:**

- (i) This Authority is only valid when tendered in its original form.
- (ii) Payment should be made strictly by recipient's cheque(s).

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**FOR OFFICIAL USE**

(a) **Comments and Recommendation(s) by the Verification Officer:**

.....  
.....  
.....

..... <b>Date</b>	..... <b>Name and Signature of the Verification Officer</b>
----------------------	--

(b) **Manager's decision**

Approval has been/not been granted for VAT relief to:.....

.....  
.....  
.....

..... <b>Date</b>	..... <b>Signature and Stamp of the Manager</b>
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**NOTE: This authority is valid for 30 days from the date of approval**

Distribution: Original – Supplier of goods/services {To be retained for your record/ Verification by TRA}  
Duplicate – Applicant  
Triplicate– TRA Office  
Quaduplicate–Recipient Organisation/Ministry/Parastatal{For Donor funded projects}



**TANZANIA REVENUE AUTHORITY**

Complete  
In Quadruplicate

To: The Commissioner of Customs & Excise,  
P.O. Box 9053,  
**DAR ES SALAAM.**

**APPLICATION FOR UTILIZATION OF CUSTOMS DUTY AND VAT REMISSION GRANTED TO  
TECHNICAL ASSISTANCE PROJECT MATERIALS AND EQUIPMENT**

**PART A:** (to be completed by applicant) .....

The (name of the Organisation) .....  
is applying for duty and VAT remission on importation of the materials/equipment/motor vehicle(s) as detailed below.

The goods are going to be used by the (name of the project)

.....  
which is a project aided pursuant to the agreement/memorandum of understanding between  
the .....

.....  
and the United Republic of Tanzania dated .....for  
(state the use of the goods) .....

Details of the goods		CIF (in Shs)	Importer/ Supplier	Bill of Lading No.
Description	Quantity			

In case of a motor vehicle give the following details (in separate set for each vehicle):

Make ..... Type .....

Engine No. .... Chassis No. ....

Tareweight ..... Cubic Capacity .....

Year of Manufacture ..... Propulsion: Petrol/Diesel/Other .....

C.I.F. Value ..... Bill of Lading No. ....

We do certify that the above information/data is correct and that we are entitled to import the above-named goods free of duty and/or VAT. We undertake not to sell, transfer or dispose in any way the said goods unless and until the Customs Duties and/or VAT are paid.

Date .....

.....  
Signature and Stamp of Applicant

**PART B:** (to be completed by the Recipient Organisation/Ministry/Parastatals).

This is to certify that (name of project) .....

..... is a technical assistance project which is under our Ministry/Organisation (name) ..... under the agreement between ..... and ..... Treasury letter Ref. No. .... of ..... which was confirmed by the Treasury as per and/or as per Govt. Notice No. .... of ..... We do confirm that the above materials/equipment/motor vehicle(s) are project materials as referred to under article No. .... of the said agreement and they are going to be used in the said project. We therefore recommend that they be imported duty and/or VAT free as article No. .... We hereby undertake not to sell, transfer, or dispose in any other way the said goods unless and until the Customs duties and/or VAT are paid.

Date .....

Signature and Stamp of Ministry/  
Parastatal Organisation  
Principal Secretary/General Manager

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**FOR OFFICIAL USE ONLY:**

**PART C:** (To be completed by a Proper Officer)  
To the Commissioner of Customs & Excise.

I, ..... (full names of officer) do hereby declare that I am satisfied/not satisfied that the above mentioned goods which have been imported by ..... in accordance with article No. .... of the agreement referred to in Treasury's letter Ref. No. .... of ..... filed in ..... (quote Register/File) at ..... (folio or No. of entry) are exempted under Government Notice No. 192 of 1970 and the Third Schedule to the VAT Act, 1997. I therefore recommend/do not recommend that you authorise the release of the goods. If unrecommended for release briefly state reason hereafter.

Reference No. ....

Register No. ....

Date .....

Signature and Stamp of Proper Officer

**PART D:** (To the Proper Officer Releasing the Goods):

You are authorised/not authorised to release the same duty and VAT free, after being satisfied the goods are those described in Part A above.

Date .....

Signature and Stamp of  
Commissioner of Customs & Excise

**PART E:** (To be completed by the Proper Officer releasing the goods):

Certified that the articles stated above have been cleared as per Single Bill of

Entry No. .... dated ..... and accompanying this declaration.

The duty not paid is Shillings ..... The VAT

not paid is Shillings .....

Full Names of the Proper Officer .....

Date .....

Signature and Stamp of  
Proper Officer

Distribution: Original & Duplicate - Commissioner of Customs & Excise  
Triplicate - Commissioner for VAT.  
Quadruplicate - Applicant

**APPLICATION FOR REFUND OF DEPOSIT/CANCELLATION OF BOND**

Port of ..... Country ..... \*Voucher No / Bond security No. ....

CLAIMANT: Name and Address .....

Entry Date	No. /	No. of packages	Description of goods	Quantity	Value (USD)	Amount deposited	Amount : (a) of bond or (b) allocated against general bond.
<b>DETAILS OF RE-EXPORTATION OR PERFORMANCE OF UNDERTAKING</b>							
Entry No / Date	No. of packages	Description of goods	Quantity	Value (USD)	Place and Date of re-exportation or performance of undertaking		
			Total				

I hereby certify that the above particulars are correct, that the goods have been correctly dealt with, in the period of ..... Months allowed by the Proper Officer.

*\*Delete whichever is inapplicable*

\* I claim a refund of USD. ....paid by me *vide* Receipt No..... date .....

\* I request cancellation of the amount of USD .....given under Bond security No. ....dated.....

Place ..... Date .....

.....  
*Owner or Agent*

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**For Official Use Only**

(a) Refund of USD ..... Authorized.

Checked and endorsed on entry

.....  
*Refund Officer*

Date .....

Received this ..... Day .....Month..... Year .....The sum of USD (in figures).....

(in words ) Dollars .....in payment of the claim above.

Date .....

.....  
Signature of Authorized receiver

(b) Check and noted on entry. Adjustment of security made on line No.....in Bond Allocation Register No. ....

.....  
*Checking Officer*

.....  
*Proper Office*

Date.....