

Benchmarking Session: Group Exercise

Listed below are 9 provisions in the tax laws.

Discuss in groups whether you think these constitute tax expenditures.

Provide reasoning why or why not.

1. Employees earning below \$500 per month face 0% Personal Income Tax. All other personal income is taxed at graduated rates.
2. Locally grown rice is exempted from VAT, whilst all imported rice is subject to standard VAT rate of 18%.
3. Imports of solar batteries from China into Tanzania by certain Gazetted firms are allowed at 0% customs duty. The EAC common external tariff rate for solar batteries is 25%.
4. Imports of solar batteries from Kenya to Tanzania are charged 0% customs duty. The EAC common external tariff rate for solar batteries is 25%.
5. Staff of overseas embassies do not pay income tax on their salaries whilst resident in Tanzania.
6. Equipment and fuel on board aircraft arriving at Julius Nyerere International Airport from overseas are exempted from customs duty and VAT.
7. The excise duty rate for beer is Tzs1000 per litre. The government is considering introducing a rate of Tzs750 per litre for beer containing <5% alcohol content. Would this constitute TE?
8. Firms producing goods for export face a lower CIT rate than other firms.
9. Sales of goods and services by businesses below a certain threshold registration threshold are exempt from VAT.