

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.

Not a TE: Part of the progressive structure of the tax system

2. Locally grown rice is exempted from VAT, whilst all imported rice is subject to standard VAT rate of 18%.

Could be a TE? If country doesn't treat locally grown food as part of BTS

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%.

TE

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%.

Not a TE – intra-EAC trade

5. Staff of overseas embassies do not pay income tax on their salaries whilst resident in Tanzania.

Probably not a TE but would be good practice to consider it!

6. Equipment and fuel on board aircraft arriving at Julius Nyerere International Airport from overseas are exempted from customs duty and VAT.

Not a TE – considered as part of the BTS under the Chicago Convention of 1944

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?

Could be a TE, depending on how the BTS is defined. If the BTS is defined as an amount *per % of alcohol*, then it could be argued that it's natural that the lower strength beer is charged at a lower rate. Then no TE.

However, if the lower rate was introduced in order to encourage consumption of lower-strength beers, then maybe there is TE here?

8. Firms producing goods for export face a lower CIT rate than other firms.

TE

9. Sales of goods and services by businesses below a certain threshold registration threshold are exempt from VAT.

Not likely to be considered as TE: More akin to structural relief