



FOLLOW-UP TECHNICAL MEETING ON TAX EXPENDITURES

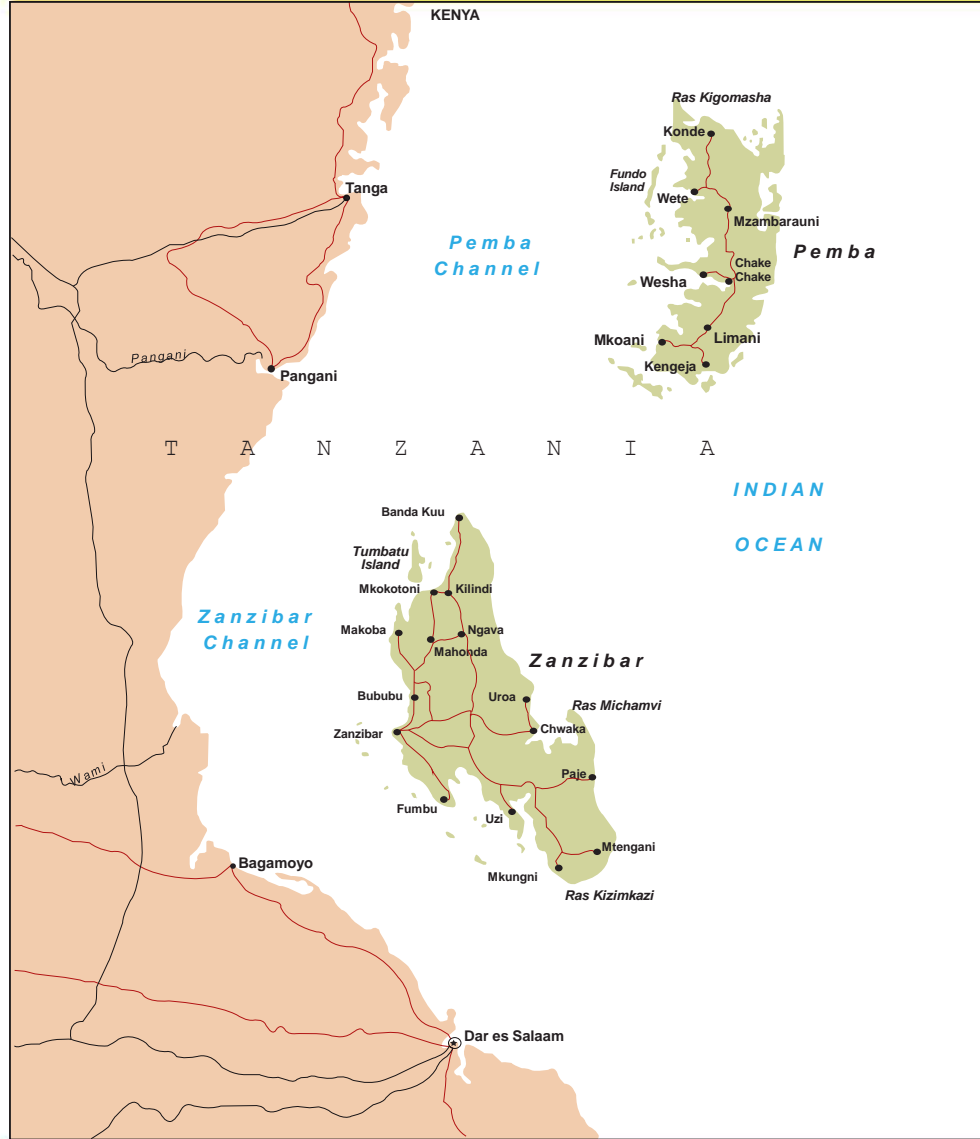
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DAR ES SALAAM, TANZANIA**

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- ▣ ESTIMATING REVENUE FORGONE FROM INDIRECT TAXES:
- ▣ Zanzibar Revenue Authority (ZRA) experiences

- 1) Introduction
- 2) Zanzibar Tax System
- 3) Tax Expenditure Management in ZRA
- 4) TE Estimating Methodology
- 5) VAT Relief Application Process
- 6) Data Collection
- 7) Calculation of Tax Expenditures
- 8) Challenges

Introduction



Objectives of the Presentation

To share Zanzibar
Revenue Authority
Experiences on
Estimating Tax
Expenditure
(Domestic VAT)

Zanzibar Tax System

Zanzibar
Revenue
Authority
(ZRA)

Tanzania
Revenue
Authority
(TRA)

Two Tax Administrative Organs

1. Tanzania Revenue Authority (TRA), (Administer taxes under Union matters as stipulated in the First Schedule of the United Republic of Tanzania Constitution)
2. Zanzibar Revenue Authority (ZRA) (Administration of Non-Union Taxes in Zanzibar)

General Regime: Domestic VAT Exemptions (VAT Relief)

- ❑ Sect. 11 of VAT Act No. 4 of 1998 mandates the provision of VAT Special Relief.
- ❑ Beneficiaries: persons and organizations
- ❑ The beneficiaries of the VAT Relief (Religious institutions, Non for Profit Institutions, Government Projects, Foreign Government-Diplomats, etc.)

General Regime: Domestic VAT Exemptions (VAT Relief)

- ❑ Special relief is given within the limit set out in the Third Schedule of the VAT Act.
- ❑ The beneficiaries has to follow the set **procedures.**
- ❑ **Application:** to the Minister responsible for Finance in Zanzibar or Commissioner General Zanzibar Revenue Authority.

The Revenue Loss Method

- ❑ Is the only method used by ZRA in Estimating revenue forgone.
- ❑ By using this method we simply estimate the revenue forgone.
- ❑ It is a Simple Method
- ❑ It requires a smaller quantity of data

- ❑ Beneficiary collect Profomer Invoice from the taxpayer.
- ❑ Beneficiary Apply the relief to ZRA CG using manual form.
- ❑ ITTU verify and prosses the Application and put information in the VFMS System.
- ❑ Beneficiary given the Certificate to buy the goods/services to the Taxpayers with VAT Relief.

- ❑ the analysis of tax expenditures generally depends directly on the quantity and quality of the data.
- ❑ VAT Relief data are generated from the Tax Relief Approval Certificate- manually.
- ❑ Data are kept in Excel format.
- ❑ Data are kept on monthly/quarterly bases.

- ❑ DRP collected data from the International Taxation and Technical Unit (ITTU).
- ❑ Data for analysis are collected on quarterly based.
- ❑ Data are collected using prepared form-manual.

- ❑ **The Estimates for Tax Expenditure:** calculations is not systematic and automated.
- ❑ The estimates are direct mathematical calculation generated in excel to produce the tax revenue foregone for the scope of the reporting period.
- ❑ Data are kept and analyzed in Excel format
- ❑ Data are kept on monthly bases and analyzed in annual basis.

- ❑ There is difficulties involved in obtaining some Information on individual taxpayers within ZRA.
- ❑ Lack of proper coordination and information exchange between government stakeholders.
- ❑ The TE data are generated manually.
- ❑ Evaluating & monitoring of the beneficiaries is a serious challenge



THANK YOU