

## Corporate Income Tax (CIT) Holiday in Tanzania: Information Sheet 1

- Consider the case of a 10-year corporate income tax holiday (i.e., 0% rate for 10 years) granted to foreign investors).
- The tax holiday was announced on 1 Jan 2012.
- In order to qualify for the tax holiday, the firm had to commit to invest at least US\$5m before the deadline of 1 Jan 2013.
  - The objectives of the incentive (holiday) were
    - (i) Boost FDI into Tanzania:
    - (ii) Create high-quality, well-paid jobs in the economy:

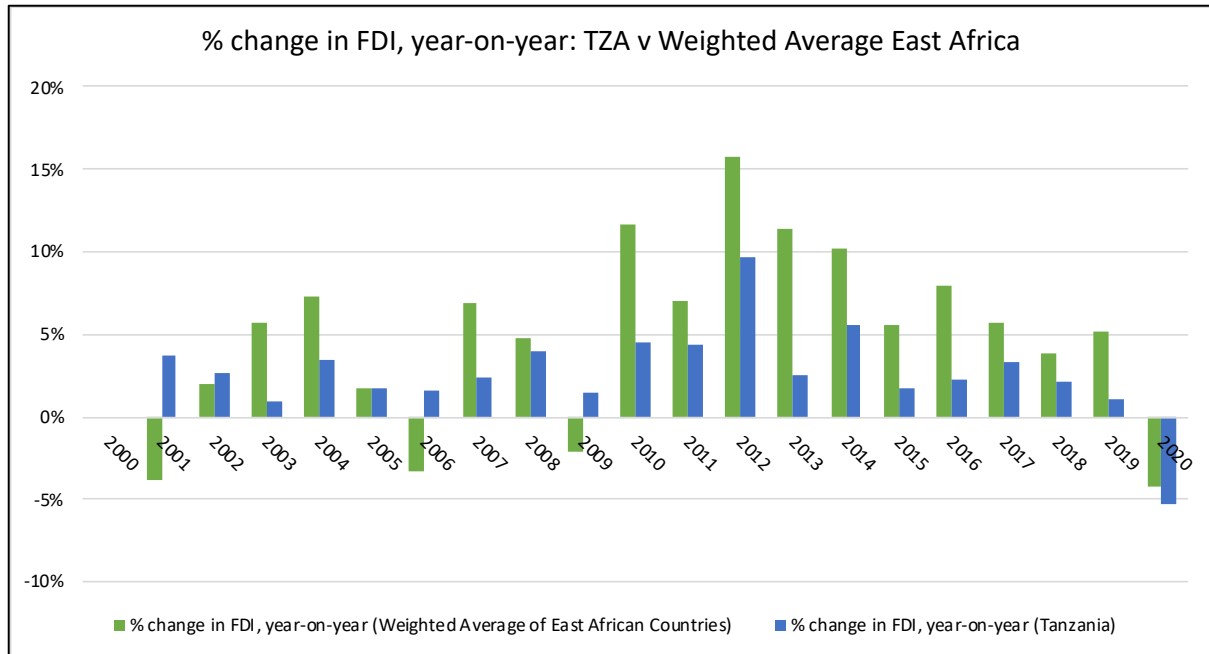
An analyst at the Ministry of Finance has provided the following data, which shows some data on the beneficiaries of the tax holiday.

Firm ID	Tax Holiday recipient	Total amount invested (in US\$) <u>during 2012</u>	# of formal sector employees ( <u>in 2022</u> )
5	Yes	5,125,000	2,160
9	Yes	5,000,000	940
14	Yes	5,250,000	980
24	Yes	7,500,000	650
40	Yes	6,000,000	630
51	Yes	5,250,000	550
55	Yes	5,250,000	860
60	Yes	5,500,000	900
75	Yes	6,125,000	570
88	Yes	4,000,000	2,080
Total Investments (USD):		55,000,000	
Total employees:			10,320

**Using only the information above, what can you conclude about whether the incentive met its objectives?**

## CIT Holiday: Information Sheet 2

A researcher at a local university has written a report which includes the following chart, showing the year-on-year % change in FDI in Tanzania, compared with a weighted average for other East African countries, 2000-2022. The data for Tanzania is shown below the chart.



Year	FDI (US\$ mn) during each year	Change in FDI, year on year (US\$, mn)	% change in FDI, year-on-year (Tanzania)
2000	530		
2001	550	20	3.8%
2002	565	15	2.7%
2003	570	5	0.9%
2004	590	20	3.5%
2005	600	10	1.7%
2006	610	10	1.7%
2007	625	15	2.5%
2008	650	25	4.0%
2009	660	10	1.5%
2010	690	30	4.5%
2011	720	30	4.3%
2012	790	70	9.7%
2013	810	20	2.5%
2014	855	45	5.6%
2015	870	15	1.8%
2016	890	20	2.3%
2017	920	30	3.4%
2018	940	20	2.2%
2019	950	10	1.1%
2020	900	-50	-5.3%

**Does this information change your understanding of whether the incentive met its objective to attract FDI into Tanzania? What can you say about whether other factors might be affecting investment into Tanzania?**

### CIT Holiday: Information Sheet 3

A study of the PAYE returns of all firms in Tanzania was carried out.

The analyst extracted the following information about the 10 beneficiaries of the tax holiday, as of 2022 (10 years after the tax holiday was granted).

Year	Taxpayer ID	Tax Holiday recipient	# of formal sector employees	Average Salary (Monthly, USD)
2022	5	1	2,160	\$4,308
2022	9	1	940	\$3,811
2022	14	1	980	\$4,104
2022	24	1	650	\$3,366
2022	40	1	630	\$4,721
2022	51	1	550	\$3,546
2022	55	1	860	\$3,882
2022	60	1	900	\$4,782
2022	75	1	570	\$3,372
2022	88	1	2,080	\$3,565
Total Employed:			10,320	

For context, GDP per capita is around \$2,350 (annual).

**Recall that one of the two objectives of offering the incentive was to create well-paid, good quality jobs in the economy. What can you conclude from the above information?**

## CIT Holiday: **Information Sheet 4: Excel exercise**

Following the study of PAYE returns summarised in **Information Sheet 3**, a colleague suggested to you that it would be useful to further research the trends shown.

You have been provided with the full salary data of all 10,320 employees of the tax holiday beneficiaries in 2022.

In order to better place this information in context, similar information is provided for ten comparable firms<sup>1</sup>, that operate in the same industry. **These firms all existed *prior* to the offering of the incentive in 2012.**

**Analyse this information. Can you draw any additional conclusions on whether the objective of ‘creating well-paid, good quality jobs in the economy’ has been met?**

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<sup>1</sup> The firms were matched according to the following criteria: same industry, # of employees, value of fixed assets, annual turnover.