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2016

# Speech of Government Budget for the year 2016-2017

Tanzania, United Republic

Ministry of Finance and Planning

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**SPEECH BY THE MINISTER FOR FINANCE AND  
PLANNING, HON. DR. PHILIP I. MPANGO (MP),  
INTRODUCING TO THE NATIONAL ASSEMBLY,  
THE ESTIMATES OF GOVERNMENT  
REVENUE AND EXPENDITURE  
FOR FISCAL YEAR 2016/17**

## I. INTRODUCTION

1. **Honourable Speaker**, I would like to request your esteemed House, now resolves to receive, debate and approve Government proposals for Revenue and Expenditure estimates for 2016/17. Together with this speech, I submit four volumes of budget books with detailed explanation of the budget estimates. **Volume I** presents Revenue Estimates; **Volume II** presents recurrent expenditure estimates for Ministries, Government Departments, Public Institutions and Agencies; **Volume III** provides Recurrent Expenditure Estimates for Regions and Local Government Authorities; and **Volume IV** presents Development Expenditure Estimates for Ministries, Government Departments, Public Institutions and Agencies, Regional Secretariats and Local Government Authorities. In addition, there are two Bills namely the Finance Bill for the year 2016 and the Appropriation Bill for the year 2016, which are part of this Budget.

2. **Honourable Speaker**, first and foremost, I would like to thank God for the peace that has continued to bless our country and enabled me to stand before the Parliament of the United Republic of Tanzania to present the Government Budget for 2016/17. I would like to

respectfully take this opportunity to congratulate His Excellency, Dr. John Pombe Joseph Magufuli, for being elected the President of the United Republic of Tanzania and Her Excellency, Samia Suluhu Hassan for being elected the Vice President and the first woman for that position in our country. I also congratulate His Excellency, Dr. Ali Mohamed Shein, for being re-elected the President of the Revolutionary Government of Zanzibar. Further, I congratulate Right Hon. Kassim M. Majaliwa for being elected a member of parliament for Ruangwa constituency and thereafter, appointed by the President and endorsed by the Parliament to become the Prime Minister of the United Republic of Tanzania. I would also like to congratulate you, Honourable Speaker, and the Honourable deputy Speaker, for being elected by the Members of Parliament to lead our House. Likewise, I take this opportunity to congratulate His Lordship Mohammed Othman Chande, the Chief Justice for leading the Judiciary in a professional manner.

3. ***Honourable Speaker***, allow me to take this opportunity to express my sincere appreciation to the spouses of our honourable leaders, Mama Janeth Magufuli, Mr. Ameir Hafidh Ameir (H.E. Vice President's spouse), Mama Mwanamwema Shein, Mama Mary

Majaliwa, Mama Fatuma Ramadhani Mganga (Hon. Speaker's spouse) and Mr. James Andilile (Hon. Deputy Speaker's spouse) and Mama Saada El-Maamry Othman (Chief Justice's spouse) for their care and support to our leaders. I thank you all and God bless you.

4. **Honourable Speaker**, once again, I extend my special thanks to His Excellency, Dr. John Pombe Joseph Magufuli, the President of the United Republic of Tanzania for appointing me to be a Member of Parliament and thereafter the Minister for Finance and Planning. I recognise that I am indebted to Tanzanians! On 29<sup>th</sup> February 1968, the father of the nation, the late Mwalimu Julius Kambarage Nyerere, contended, I quote: "*What is it then, that we require of those in our societies who have education? We require services to the community and services in geometric progression according to the amount they have received*", end of quote. Therefore, I would like to reassure His Excellency and the public at large that with diligence and integrity, I will discharge my duties and responsibilities as a Minister for Finance and Planning for my country. Further, I would like to congratulate all Members of Parliament for being elected to be part of this House. In addition, I would like to congratulate my fellow Honourable Ministers and Deputy Ministers for

being entrusted by His Excellency President to serve the Tanzanians. I also congratulate Dr. Thomas Kashililah, the Clerk of the National Assembly and Mr. Hussein Kattanga, the Chief Court Administrator for their excellent coordination of the House and Judiciary, respectively. Moreover, I would like to congratulate Prof. Mussa Assad, the Controller and Auditor General, for his excellent job on auditing public funds and providing reports on time.

5. **Honourable Speaker**, similarly, I would like to extend my special gratitude to the Parliamentary Standing Committee for Budget under the leadership of the Chairperson Hon. Hawa Abdulrahaman Ghasia, Member of Parliament for Mtwara Rural Constituency and Deputy Chairperson Hon. Josephat Sinkamba Kandege, Member of Parliament for Kalambo Constituency for their comprehensive scrutiny of the budget proposals, constructive recommendations and advice. Likewise, I would like to extend my sincere appreciation to other sectoral standing committees' chairpersons for their advice and recommendations provided during the preparation of this Budget. Moreover, I would like to thank Hon. George Mcheche Masaju, the Attorney General, for preparation of

the Finance Bill 2016 and Appropriation Bill 2016 which are an integral part of this budget.

6. **Honourable Speaker**, I would like to congratulate Hon. Dr. Ashatu Kachwamba Kijaji, Member of Parliament for Kondoa Constituency for being appointed Deputy Minister for Finance and Planning. I also thank her for the support she is giving me in fulfilling my responsibilities. In addition, I would like to thank Dr. Servacius B. Likwelile, Permanent Secretary, Ministry of Finance and Planning and Paymaster General for his excellent supervision and coordination during the preparation of this Budget. Moreover, I would like to thank Deputy Permanent Secretaries; Governor of the Bank of Tanzania; Commissioner General of the Tanzania Revenue Authority; Treasury Registrar; Director General of the National Bureau of Statistics; Heads of Institutions under the Ministry of Finance and Planning; Heads of Departments, Units and all members of staff for their active participation in the preparation of this Budget.

7. **Honourable Speaker**, this budget has taken into consideration advice and recommendations provided by various stakeholders including, among others, industry owners and business community. I thank them all for their suggestions and advice. Further, I

would like to thank the Task Force on Tax Reforms and the National Committee on Tax for their constructive advice.

8. ***Honourable Speaker***, in concluding my appreciation, I would like to extend my special thanks to Prof. Benno J. Ndullu, Governor of the Bank of Tanzania, my mentor and my role model. He has been helpful in my academic and professional carrier at the University of Dar Es Salaam, the World Bank and the public service. I thank him for his patriotism and humbleness and wish him and his family all the best. I am also indebted to thank my friend, beloved wife Mbonimpaye, for her special care and more importantly her prayers with our children, family members and friends. Thank you and peace be with you! Moreover, I would like to take this opportunity to extend my gratitude to religious leaders and all Tanzanians who have responded to the call of our President, His Excellency, Dr. John Pombe Joseph Magufuli to pray for him and for us so as to commit ourselves to work tirelessly for the Tanzanians, especially the poor. God bless you all. Further, I thank the residents of Kasumo Village in Buhigwe District where I was born, as well as the people of Kasulu District and Kigoma Region at large. Thank you for your care and love.

9. **Honourable Speaker**, this speech presents the first Budget of the Fifth Phase Government under His Excellency, Dr. John Pombe Joseph Magufuli, the President of the United Republic of Tanzania with the motto “*Hapa Kazi Tu*”. The Government presents this Budget with sincere intention of implementing its commitments under the CCM Election Manifesto (2015-2020); Five Years Development Plan (2016/2017 – 2020/2021); and the National Development Vision 2025 in order to fulfil wishes and expectations of Tanzanians. This budget has two main economic objectives: **First**, to address challenges facing Tanzanians so as to bring new hope for better life to our people, especially to low income earners. This objective will involve major reforms in Government’s undertakings particularly restoring discipline and accountability and to get rid of the culture of doing business as usual, as well as strengthening integrity and management of public expenditure and national resources. **Second**, to transform the economy into real middle income status through sustaining macroeconomic stability and developing industries that will foster job creation particularly for the youths, and enhancing agricultural productivity in order to increase income for the majority who depend on this sector.

10. **Honourable Speaker**, in his parliamentary inaugural speech on 20<sup>th</sup> November, 2015, His Excellency President gave an extensive recount on public complaints and directed respective Ministries and Public Institutions to come up with right measures to address them in collaboration with various stakeholders. May I recall them in brief. First is corruption in all public service delivery; Second is revenue losses, poaching, outright theft, embezzlement, misuse of public funds, negligence, and unnecessary bureaucracy in various areas; Third is inadequate services in water, education, and health sectors; and Fourth is Land disputes between famers and pastoralists, villages and reserved areas, citizens and investors, citizens and owners of undeveloped farms and non compliance to land laws.

11. **Honourable Speaker**, the fifth area is poor transport and transportation services due to dilapidated railways, roads and maritime infrastructure; and the poor state of our national airline. Sixth is inadequate dispensation of justice including backlog of cases in courts, false accusation of citizens by police, poor housing and shortage of working facilities for security forces. Seventh, is nuisance levies and fees in

agricultural produce; shortage of agricultural, livestock and fisheries inputs and implements; unreliable markets; shortage of warehouses and extension services. The eighth area is less empowerment of designated groups such as the elderly, people with disabilities, women, children, youths, employees, artists, sportsmen, artisanal miners, and members of security forces.

12. **Honourable Speaker**, in view of the foregoing, I would like to reiterate that the main emphasis of the 2016/17 Budget is to implement aspirations of the fifth phase government in resolving challenges facing citizens. Moreover, the Government is determined to develop industries which are the basis for a sustainable economy towards attaining middle income status by 2025 hence improving the living standards of the majority.

13. **Honourable Speaker**, the Government budget for 2016/17 aims at improving the basic infrastructure for the provision of water, power and transportation for industrial development, as well as raising production of agricultural produce which are used as industrial raw materials. In order to achieve this, the main emphasis will be on improving domestic revenue collection and allocating resources to key areas

that attract industrial investment. Efforts will be directed at reducing tax evasion and plugging loop holes for tax avoidance, to create new sources of revenue, and insist the use of Electronic Fiscal Devices (EFDs) in order to increase revenue collection and in the same spirit to control unnecessary expenditure. Thus, the theme for 2016/17 budget of the East African Community Partner States is **'Industrial Growth for Job Creation'**. Based on this, development budget for 2016/17 has been significantly increased to 40 percent of the total budget compared to an average of 25 percent in previous years. The Budget also focuses on creating conducive environment for business and investment so as to attract domestic and foreign investors in industrial and agricultural development.

## **II. REVIEW OF BUDGET IMPLEMENTATION FOR 2015/16**

14. **Honourable Speaker,** Government plans and budget for 2015/16, aimed at mobilizing shillings 22.49 trillion from domestic and foreign sources. Out of that amount, shillings 13.99 trillion were estimates for domestic revenue including Local Government Authorities (LGAs) own sources, shillings 2.32 trillion were grants and concessional loans from

Development Partners; shillings 4.03 trillion were domestic commercial loans and shillings 2.14 trillion were external non concessional loans. Moreover, shillings 16.57 trillion were estimates for recurrent expenditure and shillings 5.91 trillion were for development expenditure.

## **Revenue**

15. **Honourable Speaker**, in ensuring effective collection of domestic revenue, policies for 2015/16 aimed at minimizing unproductive tax exemptions; increasing the use of electronic systems in revenue collections; and widening revenue base. The policies aimed at collecting shillings 12.36 trillion from tax revenue, shillings 1.11 trillion from non-tax and shillings 521.9 billion from LGAs own sources.

16. **Honourable Speaker**, during the period between July 2015 and April 2016, actual domestic revenue collected, including LGAs own sources, was shillings 11.48 trillion equivalent to 99 percent of the period estimate of shillings 11.55 trillion. Tax revenue amounted to shillings 10.17 trillion, equivalent to 100 percent of the target; non-tax revenue was shillings 967.2 billion equivalent to 105 percent of the target; and LGAs own sources amounted to shillings

344.1 billion, equivalent to 79 percent of the period estimates.

17. ***Honourable Speaker***, the good performance of tax and non-tax revenue was championed by the leadership of the fifth phase government in revenue collection and minimizing losses from tax, levies and various fees. However, LGAs own sources were below the target due to inefficiency revenue collection systems and low property tax collection compared to the available potential.

### **Grants and concessional loans**

18. ***Honourable Speaker***, the Government expected to mobilize grants and concessional loans amounting to shillings 2.32 trillion from Development Partners (DPs). During the period ending April, 2016 the actual amount received as grant and concessional loans was shillings 1.15 trillion, equivalent to 65 percent of the period estimates. Under performance was due to introduction of new conditionalities by some DPs and change of foreign policies regarding support to developing countries.

### **Non concessional loans**

19. ***Honourable Speaker***, during the year 2015/16, the Government planned to borrow

shillings 6.18 trillion, of which shillings 4.03 trillion from domestic sources and shillings 2.15 trillion from foreign sources to finance development projects and rollover of Treasury bills and bonds. As of April, 2016 the Government borrowed from domestic sources shillings 3.94 trillion equivalent to 97.8 percent of the target. Out of this amount, shillings 2.56 trillion was for rollover of matured Treasury bills and bonds and shillings 1.39 trillion for financing development projects. With regard to foreign borrowing, the Government concluded financing agreements with African Development Bank (AfDB) amounting to USD 674.3 million for implementation of transport sector projects, second phase of the Dar es Salaam Bus Rapid Transport (BRT) and Arusha sustainable urban water and sanitation project. However, the unfavourable global capital markets led to increase in the cost of borrowing and thus affecting realisation of external loans.

## **Expenditure**

20. **Honourable Speaker**, the 2015/16 Budget aimed at financing among other things, general election for the year 2015; implementation of ongoing projects; and to sustain achievements attained in education, health and water sectors as well as community

development. As of April, 2016 the Government released shillings 16.86 trillion to all votes equivalent to 89.9 percent of the total estimated expenditure for the period. Out of that, shillings 13.65 trillion was for recurrent expenditure and shillings 3.21 trillion for development expenditure. Development projects financed through domestic sources include: rural electrification; construction and rehabilitation of roads and bridges; rehabilitation of central railway line; construction of Kinyerenzi I and II power generating plants; and supply of water in urban and rural areas.

### **Payments of Arrears**

21. ***Honourable Speaker***, the Government continued to pay verified arrears owed to contractors, consultants, employees, and suppliers of goods and services based on funds availability. As of April, 2016, the Government paid shillings 1.13 trillion, of which: shillings 689.5 billion were for contractors and consultants; shillings 27.9 billion for teachers and other Government employees salaries arrears; shillings 10.0 billion for Police Force; shillings 211.0 billion for Military contracts; and shillings 194.0 billion for electricity bills for Ministries, Independent Departments and other Government Institutions.

## **Achievements and Challenges in Budget Implementation for 2015/16**

22. **Honourable Speaker**, during the ten months of implementing the 2015/16 budget, the Government recorded several achievements notwithstanding the challenges encountered. These achievements include: increased tax revenue collection from an average of shillings 904.0 billion per month in 2014/15 to shillings 1.02 trillion per month during the same period in 2015/16; financing the 2015 general elections with domestic resources; and financing free education programme for primary and secondary school.

23. **Honourable Speaker**, other achievements recorded include: increase in number of students accessing higher education loans from 99,069 in 2014/15 to 123,798 in 2015/16; payment of verified arrears owed to contractors, suppliers of goods and services and Government employees.

24. **Honourable Speaker**, Notwithstanding the aforementioned achievements, several challenges are still prevalent and these include; tax evasion involving collusion between businessmen and unethical tax collectors; low

awareness of the new Value Added Tax Act of 2014; low compliance by businessmen in the use of EFDs coupled with citizens' culture of not demanding EFD receipts upon purchase of goods or services; complex environment in collecting tax from the informal sector; ghost workers and illegitimate students accessing higher education loans; and mismatch between revenue and expenditure arising from increased demand for improvement of infrastructure such as water, railway, ports, airport and roads.

## **National Debt Management**

25. ***Honourable Speaker***, the Government continued to manage public debt in accordance with the Government Loans, Guarantee and Grants Act CAP 134. In ensuring effective management of national debt, the Government is finalizing the preparation of National Debt Management Policy and thereafter review the Government Loans, Guarantee and Grants Act CAP 134 in order to conform with the proposed Policy. The proposed Debt Management Policy will provide vision for sound debt management. Moreover, the policy will be followed by the issuance of guidelines to develop and increase domestic financial market efficiency and facilitate implementation of the Government Loans, Guarantee and Grants Act CAP 134.

26. **Honourable Speaker**, as of March, 2016 the national debt stock amounted to USD 20.94 billion compared to USD 19.69 billion recorded in June, 2015 which is equivalent to an increase of 6.34 percent. Out of this amount, public debt was USD 17.93 billion and private external debt was USD 3.01 billion. In addition, the public debt increased by 6.01 percent compared to USD 16.92 billion in June, 2015. This increase was mainly caused by Government borrowing to finance development projects. Among the projects financed include: construction of roads and bridges, strategic cities development project, construction of 400 kV transmission line from Iringa to Shinyanga, the Dar es Salaam Bus Rapid Transport, Natural Gas Processing Plants and Pipeline, construction of Julius Nyerere International Airport terminal three and Upper Ruvu and Lower Ruvu Water Projects.

27. **Honourable Speaker**, despite the observed increase in national debt stock, the debt is still sustainable. This is supported by the Debt Sustainability Assessment conducted in September, 2015 which revealed that the national debt is sustainable in the medium and long term.

## **Government Arrears to Social Security Funds**

28. *Honourable Speaker*, in 2015/16, the Government committed to pay arrears owed to Social Security Funds through issuance of Non Cash Special Bond. However, when the Government was about to finalize contractual agreements with the Funds on issuance of Non Cash Special Bond, several irregularities emerged which included variations in computation of the actual debt and ghost workers' contributions. In view of these variations, the Government through the Internal Auditor General conducted verification exercise to all Social Security Funds. So far, the Internal Auditor General has completed verification of PSPF and once all the claims in other Funds are verified, the Government will issue Non Cash Special Bond to all Social Security Funds. The Government will also undertake pension reforms with a view to ensure efficiency and productivity.

## **III. BUDGET FOR 2016/17**

### **Basis and Objectives of the 2016/17 Budget**

29. *Honourable Speaker*, based on the review of economic developments and macroeconomic outlook in the medium term, as guided by the financial programming tool,

macroeconomic projections and policy targets for 2016/17 will be as follows:

- (i) Real GDP is projected to grow by 7.2 percent in 2016 from real growth of 7.0 percent in 2015;
- (ii) Containing inflation at single digit in the range of 5.0 to 8.0 percent in 2016;
- (iii) Domestic revenue including LGA's own sources is projected at 14.8 percent of GDP in 2015/16 and maintain an upward trend to 16.9 percent of GDP in 2016/17;
- (iv) Tax revenue is projected at 13.8 percent of GDP in 2016/17 from an estimate of 12.6 percent of GDP in 2015/16;
- (v) Total expenditure is estimated to increase from 23.2 percent of GDP in 2015/16 up to 27.0 percent of GDP in 2016/17;
- (vi) Fiscal deficit is projected at 4.5 percent of GDP in 2016/17 from an estimate of 4.2 percent of GDP in 2015/16;
- (vii) The ratio of current account deficit to GDP is projected at 7.9 percent in 2015/16 and narrow down to 7.5 percent in 2016/17; and

- (viii) Maintain gross official reserves sufficient to cover at least 4.0 months of projected imports of goods and services by June 2017.

30. **Honourable Speaker**, the policy targets specified above will be achieved under the following assumptions:-

- (i) Continued peace, security, stability and tranquillity in the country, regionally and globally;
- (ii) Stability of oil prices in the world market;
- (iii) Favourable weather conditions in the country and the region;
- (iv) Sustaining macroeconomic stability and social economic gains including GDP growth, external trade, money supply, domestic revenue, expenditure and social services;
- (v) Pursuing prudent monetary and fiscal policies to ease inflation and reduce interest rate spread;
- (vi) Stability in the global economy; and
- (vii) Enhanced private sector participation in the economy particularly in industrial investment.

## **Revenue Policy for 2016/17**

31. ***Honourable Speaker***, the fifth phase Government is determined to increase and strengthen domestic revenue collection through several measures. In 2016/17 Government revenues are projected to increase and therefore reduce budgetary dependency. In achieving this, the revenue policies for 2016/17 will focus on the following areas:

- (i) Ensure effective use of electronic systems and devices in revenue collection so as to increase efficiency and minimize revenue losses;
- (ii) Continue widening tax base including formalization of the informal sector;
- (iii) Strengthening monitoring of revenue collection in Government institutions and agencies;
- (iv) Continue with measures to control and reduce tax exemptions; and
- (v) Continue strengthening management and undertake frequent inspections at the ports, airports, and border posts to ensure appropriate tax collection.

## **Tax Exemptions**

32. ***Honourable Speaker***, the Government will continue to control tax exemptions to

religious institutions and investors to ensure they are productive and beneficial to the nation. In view of this, the Government will amend relevant legislations in order to address tax exemption abuses. These amendments will be incorporated in the Finance Bill 2016. Among other things, the amendments will require beneficiaries to pay taxes and apply for refunds which will be reimbursed upon verification.

33. **Honourable Speaker**, the Government will continue publishing tax exemption reports on quarterly basis to inform the public on the beneficiaries and areas benefited. This arrangement will help to control abuses of tax exemptions by respective beneficiaries and unethical public servants.

### ***Non Tax Revenue***

34. **Honourable Speaker**, with effect from 2016/17, administration and collection of non-tax revenue including property tax will be under the Tanzania Revenue Authority (TRA). This decision is based on TRA's experience in revenue collection, existing tax collection systems and coverage across the country as well as lessons learned from other countries like Ethiopia and Rwanda. Moreover, the Government will continue to enforce the use of electronic systems

in non-tax revenue collection in order to enhance efficiency and control revenue losses. The targeted non-tax revenue sources include: levies, fees and fines such as court and traffic fines, entrance fees to national reserves and sports grounds as well as permits for natural resources harvests.

35. **Honourable Speaker**, the Government has been using retention scheme, which allows institutions to retain part of the revenue collected. This arrangement has consistently affected collection of Government revenues into the Consolidated Fund while benefiting few institutions. Evaluation of institutions involved in the retention scheme has revealed that:

- (i) They are more focused on collecting revenues rather than concentrating on their core functions. For example, Tanzania Forest Service Agency and Tanzania Police Force - Traffic Department;
- (ii) They collect a lot of funds and retain over and above their basic institutional needs while other Ministries, Independent Departments, Agencies and other public institutions are faced with shortage of funds. This has attracted other institutions to apply for such arrangement;

- (iii) Their salaries are still fully paid from the Consolidated Fund; and
- (iv) Other institutions that were contributing to the Consolidated Fund through this arrangement have ceased to contribute, as a result it has negatively affected the collection of non-tax revenue.

36. **Honourable Speaker**, in view of the aforementioned, the Government has decided that, with effect from 1<sup>st</sup> July, 2016 all revenues will be collected and remitted to the Consolidated Fund and disbursement to each Vote will be based on the approved budget. This decision is in line with Section 58 (a)-(c) of the Budget Act No.11 of 2015, which requires all Government revenues to be deposited in the Consolidated Fund. The Ministry of Finance and Planning will ensure timely disbursement of funds to the Votes based on availability of resources.

### **Expenditure Policy for 2016/17**

37. **Honourable Speaker**, for 2016/17, the Government will continue to prudently manage the use of public funds in line with existing legislations as well as other directives. The aim is to control expenditure, leakages and

misappropriation of public funds with a view to direct savings to development projects. In addressing these measures the Government will take the following actions:

- (i) To match monthly expenditure with actual revenue collected to avoid accumulation of arrears. All Accounting Officers are required to adhere to accounting instructions issued including entering into commitments only after receiving exchequer;
- (ii) To ensure that payments to contractors and suppliers are supported by Local Purchased Orders-LPOs generated from the IFMS;
- (iii) To table before the Parliament amendments of the Public Procurement Act 2011. The amendments aim at fixing loopholes leading to misappropriation of public funds and ensure value for money in public procurement;
- (iv) To control expenditures in public institutions, regularly monitor operational costs and take appropriate actions;

- (v) To ensure that all LGAs are connected to the Tanzania Inter-Bank Settlement System (TISS);
- (vi) To ensure that public institutions operating commercially, do not depend on Government subventions; and
- (vii) To strengthen management of public funds including monitoring and evaluation of development projects.

### **Priority Areas**

38. **Honourable Speaker**, in my speech on State of the Economy 2015 and the Annual Development Plan 2016/17, I spelt out four main priority areas:

- (i) Interventions for fostering Economic Growth and Industrialization;
- (ii) Integrate Economic Development and Human Resources;
- (iii) Enabling Business Environment; and
- (iv) Implementation effectiveness.

In order to achieve these goals, the Government intends to pursue the following strategies: to create enabling environment to attract private sector to invest in industries and other investment opportunities especially through Public Private Partnerships (PPP); to address

bottlenecks related to investments and hurdles in doing business; and to strengthen, monitor and evaluate implementation of the Annual National Development Plan.

### ***Increase Industrial Production***

39. ***Honourable Speaker***, as spelt out earlier, the 2016/17 Budget theme is "***Industrial Growth for Job Creation***". In order to implement this, the Government intends to undertake various strategies that will stimulate industrial investment. Among the strategies to be undertaken include: valuation of land and property in strategic investment areas, and effect compensation thereof; carrying out industrial research through TIRDO, TEMDO, CAMARTEC and COSTECH; developing infrastructure for small scale industries through SIDO; developing industrial clusters; and facilitating availability of simple and affordable industrial technology. In 2016/17, the Government has budgeted shillings 50.9 billion through Votes 44 and 46 to implement these strategies.

40. ***Honourable Speaker***, following the directive by H.E. The President when inaugurating the Parliament, the Government intends to ensure that all privatized industries are operational. In the year 2016/17, the

Government will finalise the evaluation of privatised industries and put in place strategies to revamp them. To begin with, the Government will start with the following industries: textiles, livestock products, agro-processing including rubber products, cashewnuts, tobacco, sugar cane, tea and paddy. In implementing these, the Government has budgeted funds in various votes in order to develop commercial farms; and to improve production of agricultural and livestock produce. Much as the Government intends to promote private sector investment, appropriate action will be taken against those who do not comply with the privatisation agreements.

41. **Honourable Speaker**, in order to improve the environment for industrial investment, the Government has budgeted funds for improvement of infrastructures related to power, water, roads, ports and railways. Accordingly, the Government intends to address unnecessary bureaucracy and expedite decision making, propose tax incentives, facilitate availability of credit through TIB Development Bank and other financial institutions in order to attract investors and private sector.

42. **Honourable Speaker**, the Government through our Embassies, High Commissions and

Diaspora, will strengthen economic diplomacy in order to attract more investors from both developed and emerging economies including China, India, South Korea, South Africa and Brazil. The focus is to use economic diplomacy to promote Tanzania's investment opportunities abroad. In addition, the Government will continue to appeal to foreign investors who are currently in the country to be our good ambassadors in their respective countries.

### **Steps to Address Public Concerns**

43. **Honourable Speaker;** the 2016/17 budget intends to address public complaints as mentioned earlier on. The budgetary and administrative measures to be taken are as follows:

#### ***Corruption in Delivery of Public Service***

44. **Honourable Speaker;** in order to prevent and combat corruption the Government has budgeted shillings 2.5 billion for the establishment of corruption and economic crimes Court. Likewise, the Government has budgeted shillings 72.3 billion in 2016/17 for Prevention and Combating of Corruption Bureau (PCCB) to undertake its operations. In addition, shillings 44.7 billion has been budgeted for

Controller and Auditor General to facilitate oversight role.

***Measures to Prevent Loss of Revenue***

45. ***Honourable Speaker***, the Government will strengthen control measures against loss of revenues by conducting spot follow ups in all business areas, ports, airports, border posts and illegal entry points. The Government will continue to build capacity of public servants to enable them to carry out specialized audits in natural resources including minerals, land, oil and gas. Further, emphasis will be given on the use of electronic systems in collection of tax and non tax revenues as well as enforcing measures to control tax exemptions.

46. ***Honourable Speaker***, the Government commends businessmen who have been complying with the Tax Administration Act, which requires them to use EFDs with exception of those exempted by the Commissioner for Income Tax. However, there are some few unscrupulous businessmen who do not comply with the requirement of the law on the use of EFDs. I urge them to start using the same with immediate effect or else legal actions will be taken against them, this will include forfeiting their business licences and also banning them from carrying out business

within the country for a period of not less than two years. Moreover, on the side of the Government, in order to have better management of public finances and ensure that they are spent as intended, by virtue of powers vested upon me by the Public Finances Act, CAP 348 and its Regulations, all payments must be accompanied by tax receipts generated by the EFDs. In view of this, with effect from 1<sup>st</sup> July, 2016 it is prohibited for Ministries, Independent Departments, Agencies, Local Government Authorities and Public institutions to do business with Suppliers, Service Providers and other businessmen who are not using EFDs. Furthermore, all payments which will be made without receipts generated by EFDs must be accompanied with evidence showing that the said businessmen have been exempted by the Commissioner General from using EFDs.

### ***Measures to Control Expenditure***

47. ***Honourable Speaker***, the Government will take appropriate measures to control expenditure without compromising the quality of service delivery and thus ensure efficiency in public expenditure. The measures are elaborated in the Plan and Budget Guidelines for 2016/17 which was tabled in the Parliament in February, 2016. Those measures include:

- (i) Use of Government and institutions' facilities in conducting meetings including board meetings, training and seminars;
- (ii) Use of Government institutions for procuring services such as insurance, courier, advertisement, transport etc;
- (iii) Control the use of utilities (water, telephone and electricity) to avoid unnecessary expenditure;
- (iv) Control payment of salaries and take measures to avoid inelligible employees;
- (v) Control payment of students loan in higher learning institutions and take measures to avoid inelligible beneficiaries;
- (vi) Use of bulk procurement of vehicles and direct purchase from manufacturers in order to minimize costs;
- (vii) Control running costs of motor vehicles especially in fuel, lubricants and maintainance;
- (viii) Minimize expenditures and cut unnecessary costs such as national ceremonies, sitting allowance, printing of t-shirts, caps, bags, diaries, calendars, foreign travels and overseas short term training;

- (ix) Use of soft copies in dissemination of various publications; and
- (x) Control expenditures in public institutions and corporations and direct them to focus on their core functions.

### **Concerns in Agriculture, Livestock and Fisheries Sector**

48. **Honourable Speaker,** Government emphasis is to transform and strengthen agriculture, livestock and fisheries sector so as to ensure value addition, promote industrialization as well as commercialization. However, the sector is facing a number of challenges including: nuisance levies and fees; shortage of farm implements and inputs; reliable market; and inadequate extension services.

49. **Honourable Speaker,** in order to address the above challenges, the Government has budgeted shillings 1.06 trillion equivalent to 4.9 percent of the total budget excluding public debt service to finance various activities in the agriculture, livestock and fisheries sector including purchase of farm implements and inputs; improve and ensure availability of reliable market; and increase the number of extension officers.

50. **Honourable Speaker**, the Government intends to minimize or abolish nuisance taxes affecting the sector. In an effort to empower small scale farmers, the Government will continue to strengthen the Tanzania Agriculture Development Bank (TADB) in order to provide affordable loans to transform the current subsistence agriculture into commercial farming. In the year 2016/17, the TADB will extend its services to regional level across the country.

### ***Land Disputes***

51. **Honourable Speaker**, the Government will continue to address challenges in the land sector including disputes between farmers and pastoralists, villages and national reserves, investors and residents, non compliance with land laws, and failure to develop farms and plots. In order to address those issues, the Government has budgeted shillings 5.0 billion for establishing Land Compensation Fund; shillings 13.0 billion for land demarcation; and shillings 8.8 billion for acquisition of land survey equipments. In addition, a three years program to address land ownership issues including establishing an effective land registry has been designed and shilling 33.4 billion has been budgeted for implementing the program.

## ***Inadequate Transport and Transportation Services***

52. ***Honourable Speaker***, the Government will continue to address concerns and challenges arising from dilapidated infrastructure of railway, roads, ports and airports. In 2016/17, the Government has budgeted shillings 5.47 trillion equivalent to 25.4 percent of the total budget excluding public debt service for infrastructure projects. The allocation of funds per sector is as follows:

- (i) Works - Total of shillings 2.18 trillion for construction and rehabilitation of roads that open up economic opportunities;
- (ii) Transport – Total of shillings 2.49 trillion for: construction of a standard gauge railway line; acquisition of three new passenger aircrafts; acquisition and rehabilitation of passenger ships in lake Victoria and Tanganyika; improvement of port infrastructure; and rehabilitation of airports. Moreover, shillings 161.4 billion has been budgeted under Railway Fund for rehabilitation of central railway line and procurement of locomotives and wagons.

## ***Electricity***

53. ***Honourable Speaker***, the Government has budgeted a total of shillings 1.13 trillion equivalent to 5.3 percent of the total budget excluding public debt services to ensure availability of reliable power supply for industrial and domestic uses. Among the projects to be implemented include rural electrification and completion of other ongoing projects such as Kinyerezi I (installation of additional 185MW plant) and Kinyerezi II gas fired electricity generation plants. The Government will ensure that Tanzania Electricity Supply Company (TANESCO) is financially independent and it is competitive in power generation by using affordable sources so as to minimize costs to consumers.

## **Access to Clean and Safe Water, Health, and Education**

54. ***Honourable Speaker***, there are various challenges in the mentioned areas including: access to clean and safe water for industrial and domestic use; availability and access to quality health services; availability of quality education; and timely access of loan facility for higher

education students. In 2016/17 budget, the Government intends to do the following:

### ***Education***

55. ***Honourable Speaker***, a total of shillings 4.77 trillion has been budgeted for the education sector equivalent to 22.1 percent of the total budget excluding public debt service. The allocation has been made to address among others: free basic education; operational costs for schools including capitation, food, purchase of books and examinations expenses; higher education students' loans; construction and rehabilitation of infrastructures at all levels.

### ***Health***

56. ***Honourable Speaker***, in recognising the importance of quality health services to the people, the Government has budgeted shillings 1.99 trillion equivalent to 9.2 percent of the total budget excluding public debt service. The areas allocated funds among others include: shillings 180.5 billion for purchase of medicines, medical equipment and reagents; shillings 71.0 billion for settlement of the outstanding Medical Stores Department debt; and improvement of health services' infrastructure at all levels.

## ***Water***

57. ***Honourable Speaker***, in order to increase accessibility to clean and safe water for industrial and domestic use, the Government has budgeted shillings 1.02 trillion equivalent to 4.8 percent of the total budget excluding public debt service, for construction and rehabilitation of water infrastructure for both rural and urban areas; settlement of the contractors' outstanding claims and implementation of the Water Fund Program.

## **Enabling Environment for Private Sector Participation**

58. ***Honourable Speaker***, as mentioned above, the 2016/17 Budget intends to improve the business environment including investment in railways, roads, ports and water infrastructures; and increase availability of reliable power supply to attract private sector investment in the country. Further, the Government will continue to review various taxes, levies and fees in order to reduce or remove those nuisance ones. The Government will continue to improve investment environment in the country in order to attract private sector

to invest in our industries and other sectors. To facilitate this, the Government will improve services relate to accessibility of loans to private sector; enhance the capital market; strengthening coordination of public private partnership – PPP; improve doing business environment through various incentive packages and removal of red tape measures.

### ***Empowerment and Rights of Specified Groups***

#### **(i) Rural Development**

59. ***Honourable Speaker***, the fifth phase Government intends to empower its people as part of the implementation of the 2015 CCM Election Manifesto which promises each village will get shillings 50.0 million through Savings and Credit Cooperative Society (SACCOS) and other formal economic groups to be able to establish and develop productive activities. In 2016/17, the Government has budgeted shillings 59.0 billion to implement the aforesaid program in phases.

#### **(ii) Youth, Elderly, People with Disabilities, Women and Children**

60. ***Honourable Speaker***, the Government has considered various requirements for

specified groups namely elderly, women, youth, vulnerable children and physically challenged people. In the 2016/17 shillings 2.4 billion has been budgeted for improving infrastructure for the elderly homes and juvenile detentions centers; purchase food, medicine and other requirements for vulnerable children. Likewise, the Government has budgeted 5.0 percent of each council's total revenue sources for youth. In addition shillings 1.0 billion has been budgeted under Vote 65 (Prime Minister's Office) for youth development. Further, shillings 5.0 billion has been budgeted for skills development for unemployed youth under the same vote.

61. **Honourable Speaker**, in 2016/17 the Government has budgeted 5.0 percent of each Council's total revenue for empowering formal women groups. Likewise the Government has budgeted shillings 1.95 billion to boost capital for Tanzania Women's Bank and Women's Development Fund under Vote 53 (Ministry of Health, Community Development, Gender, Elderly and Children). Moreover, the Government will ensure that support gear for physically challenged people are tax exempt and made available at affordable prices. In addition, the Government will ensure that schools for the disabled are well equipped and learning environment is improved.

(iii) **Artists, Designers and Sportsmen**

62. **Honourable Speaker**, in 2016/17, the Government has budgeted shillings 3.0 billion for the implementation of various projects under Ministry of Culture, Arts and Sports (Vote 96) these include: coordinate and manage establishment of Arts and Design Development Fund; oversee formalization of arts related activities; supervise and control films before released to the market and coordinate arts activities in the country.

(iv) **Artisanal Miners**

63. **Honourable Speaker**, the fifth phase Government intends to empower artisanal miners in order to increase productivity and efficiency, thus creating employment, augment their income and the surrounding community. In 2016/17, the Government intends to implement the following: provide subsidies; training; designate areas for artisanal miners; improve market; and capacitate inspection and safety institutions so as to minimize mining accidents. Shillings 900 million has been budgeted for provision of subsidies to artisanal miners.

(v) **Employees**

64. **Honourable Speaker**, in an effort to improve employees' remuneration, H.E. The President, in his address on Workers' Day directed a reduction of PAYE from 11 percent to 9 percent with effect from 1st July, 2016. Moreover, as from next financial year, the Government will start contributing 0.5 percent of the employees' gross salary to the Workers' Compensation Fund. The funds will be used for compensation of employees in an event of accident. In addition, the Government will continue to facilitate employees to construct or buy houses through the Revolving Housing Loan Fund and Watumishi Housing Company.

(vi) **Armed Forces**

65. **Honourable Speaker**, the Government commend our armed forces for their discipline and remarkable services. In view of this, Accounting Officers of the respective institutions are urged to emulate the same in managing public funds. On the other hand, in 2016/17, the Government will abolish tax exemption granted to armed forces' shops and I will explain the new modality shortly. In addition, the Government will continue to construct residential houses for armed forces with a view to address shortage of housing.

#### **IV. REFORMS OF THE TAX STRUCTURE, FEES, LEVIES AND REVENUE MEASURES**

66. **Honourable Speaker**, I would like to present proposals on revenue measures reforming the tax regime, imposing new taxes, varying tax rates, reviewing fees, levies and charges imposed through various legislations. Moreover, I also propose some measures in order to enhance revenue collection systems, administration and promote voluntary compliance. The proposed measures are addressed through the following laws:

- (a) The Value Added Tax, CAP 148;
- (b) The Excise (Management and Tariff) Act, CAP 147;
- (c) The Income Tax Act, CAP 332;
- (d) The Vocational Education and Training Act, CAP 82;
- (e) The Motor Vehicles (Tax on Registration and Transfer) Tax Act, CAP 124;
- (f) The Tanzania Revenue Authority Act, CAP 399 (*in conjunction with, The Urban Authorities (Rating) Act 289, The Local Government Finance Act, CAP 290; The Tax Administration Act, 2015; and The Tax Appeals Act, CAP 408*);

- (g) The Treasury Registrar (Powers and Functions) Act, CAP 370;
- (h) The East African Community Customs Management Act, 2004;
- (i) Minor amendments in tax laws and other laws;
- (j) Amendment of fees and levies imposed by Ministries, Regions and Independent Departments.

**(a) The Value Added Tax, CAP 148**

67. **Honourable Speaker**, I propose to amend the Value Added Tax Act, CAP 148 as follows:

- i) To exempt VAT on Raw Soya Beans. It was noted that this commodity was erroneously omitted under the exemption schedule in item 3, which comprises livestock, basic unprocessed agricultural products and foods for human consumption;
- ii) To exempt VAT on all un-processed vegetables and unprocessed edible animal products which are classified under EAC Common External Tariff, 2012, Chapter 2 and 3 (Un-processed edible animal products including Live

Fish), Chapter 7 ( fruits and nuts), Chapter 8 (Cereals), Chapter 10 (Cereal flour) and Chapter 11 (seeds). This measure is intended to provide exemption to all unprocessed foodstuff and ensure availability of basic nutritional necessities at affordable prices.

- iii) To include vitamins and food supplements (micronutrient compound) in the list of exempted items which have been approved by the Minister for Health Community Development, Gender, Elderly and Children. The Minister has declared these micronutrient compounds in the list of essential drugs, medicines and equipment that will be used in the fortification to the food vehicle in order to improve nutritional content as an effective way to improve community health.
- iv) To include water treatment chemicals in the list of exempted items which have been approved by the Minister responsible for Health. These are important for human health protection through provision of safe water.

- v) To impose VAT on tourism services including supplies of tourist guiding, game driving, water safaris, animal or bird watching, park fees and ground transport services. This measure was put in abeyance during the inception of the new VAT Act in July 2015 in order to provide for the operators to conclude their contractual obligations entered with tourists in a year. The Value Added Tax is imposed on similar services in the neighbouring countries like Kenya, Rwanda and South Africa.
  
- vi) The goods manufactured in Mainland Tanzania and sold to Zanzibar will attract VAT in Zanzibar while those goods manufactured in Zanzibar and sold to Mainland Tanzania will attract VAT in Mainland Tanzania. The measure intends to resolve the issues of refund claims to Zanzibar Treasury since the new VAT law does not provide for refund as it was the case in the repealed VAT Act. In this case, Value Added Tax will be imposed at the place of consumption in line with the destination principle. Under this arrangement the Government of Zanzibar will collect VAT on the supplies

from Mainland Tanzania to Zanzibar, and Mainland Tanzania will collect VAT on the supplies from Zanzibar to Mainland Tanzania;

- vii) Make corrections in the exemption list of petroleum products provided under item number 15 in the Exemption Schedule of the VAT Act, Cap 148 in order to include bitumen products under HS Code 27.13, 27.14 and 27.15;
  
- viii) To provide for VAT exemption on Aviation insurance. This measure takes into consideration that aviation industry in the country is still at infant stage and needs to be supported in order to be able to cover insurance risks without additional costs due to taxation. There is a need to promote aviation industry and subsequently tourism industry. This measure will allow operators to acquire insurance covers from within the country instead of offshore market;
  
- ix) To introduce VAT on fee based financial services. The measure is intended to

widen the tax base and increase Government revenue. However, this measure will not apply on interest paid on loans.

The VAT measures altogether will increase Government revenue by Tshs. **136,140.3 million.**

68. **Honourable Speaker,** I further propose to make various administrative measures under the Tanzania Revenue Authority in order to improve revenue collections and widen tax base. The Government proposes the following specific measures; -

- (i) To effectively keep and up-date taxpayer register and maintain accurate taxpayers records and information;
- (ii) To ensure that all active VAT registered taxpayers are provided with Electronic Fiscal Devices (EFDs) and are effectively using them in business transactions;
- (iii) To enhance audits of taxpayer's business records and develop a

comprehensive compliance programme to ensure the attainment of the revenue target collection;

- (iv) To establish EFD Units in Dar es Salaam Tax Regions and all new taxpayer's service centres in order to improve compliance rate and hence improve VAT collection.

69. **Honourable Speaker**, I propose to review the Tanzania Investment Act to be consistent with the Value Added Tax Act with a view to effectively control and reduce exemptions which are not productive.

The VAT administrative measures are estimated to increase Government revenue by Tshs. **268,607.2 million.**

**(b) The Excise (Management and Tariff) Act, CAP 147**

70. **Honourable Speaker**, I propose to amend the Excise (Management and Tariff) Act, CAP 147 as follows:

- (i) To adjust for inflation rate of 5 percent the specific excise duty rates on non-petroleum products. The primary objective of this adjustment is to keep pace with inflation and thus preserve the real value of Government revenue from these sources. However, the adjustment will not include bottled water. The adjustment of specific excise duty rates are as follows:
- (a) Excise duty on soft drinks from shillings 55 per litre to shillings 58 per litre;
  - (b) Excise duty on locally produced fruit juices from shillings 10 per litre to shillings 11 per litre;
  - (c) Excise duty on imported fruit juices from shillings 200 per litre to shillings 210 per litre;
  - (d) Excise duty on beers made from local un-malted cereals e.g Kibuku, from shillings 409 per litre to shillings 430 per litre;

- (e) Excise duty on Other beers from shillings 694 per litre to shillings 729 per litre;
- (f) Other Non-alcoholic beer (including energy drinks and non-alcoholic beverages), from shillings 508 per litre to shillings 534 per litre;
- (g) Excise duty on Wine produced with domestic grapes content exceeding 75 percent, from shillings 192 per litre to shillings 202 per litre;
- (h) Excise duty on Wine produced with more than 25 percent imported grapes from shillings 2,130 per litre to shillings 2,237 per litre;
- (i) Excise duty on Spirits from shillings 3,157 per litre to shillings 3,315 per litre;
- (j) Excise duty on bottled water will not be affected by these adjustments;
- (k) Cigarettes without filter tip and containing domestic tobacco more than 75 percent from shillings

11,289 to shillings 11,854 per thousand cigarettes;

- (l) Cigarettes with filter tip and containing domestic tobacco more than 75 percent from shillings 26,689 to shillings 28,024 per thousand cigarettes;
- (m) Other cigarettes not mentioned in (k) and (l) from shillings 48,285 to shillings 50,700 per thousand cigarettes;
- (n) Cut rag or cut filler from shillings 24,388 per kilogram to shillings 25,608 per kilogram;
- (o) The excise duty rate on “cigar” remains at 30 per cent;
- (p) The excise duty rate on lubricating oils from shillings 665.50 per litre to shillings 699 per litre;
- (q) The excise duty rate on lubricating greases from cent 75 per kilo to cent 79 per kilo;

- (r) The excise duty rate on Natural Gas from cent 43 per cubic feet to cent 45 per cubic feet.
- (ii) To increase excise duty rate of imported furniture from 15 percent to 20 percent under HS Code 94.01 and HS Code 94.03. This measure is intended to promote local production of furniture using locally available timber. It will also increase Government revenue, promote employment, and assimilate technology;
- (iii) Due to the difficulties experienced in the management and protection of environment against the usage of plastic bags, the Government has decided to abolish the manufacturing, selling, buying and use of plastic bags of less than 50 microns.
- (iv) To extend the excise duty of 10 percent on charges or fees payable by a person to a telecommunication service provider in respect of money transfers to cover all commission received in the provision of mobile money services. Under the current arrangement, the main component of fees received by any telecommunication service

provider in the money-transfer-related service is outside the tax net; as it is contained in money withdraw service;

The excise duty measures together are expected to increase Government revenue by **shs. 63,639.4 million.**

**(c) The Income Tax Act, CAP 332**

71. *Honourable Speaker*, I propose to amend the Income Tax Act, CAP 332 as follows:

- (i) To remove the income tax exemptions on the final gratuity to members of parliament in order to promote equity and fairness in taxation to all individuals;
- (ii) To remove exemption on non-investment assets (shares), hence increase the tax base as the same item which enjoy a reduced rate of 5 percent on dividend. This will be done by deleting paragraph (d) under section 3 in the definition of “investment asset” on shares or securities listed in the Dar es Salaam

Stock Exchange that are owned by a resident person or a non resident person who either alone or with other associate controls less than 25 percent of the controlling shares of the issuer Company;

- (iii) To reduce the minimum PAYE rate from 11 percent to 9 percent. The measure is taken to implement the Government intention to reduce the tax burden progressively by adjusting the PAYE rate to a single digit. In essence, the Government has been reducing PAYE rates from 18.5 percent in 2006/07 to 9 percent which is being proposed now. The government will continue making salary adjustments in line with economic performance without undue compromise of tax revenue for provision of social services. The current rates and the proposed rates are as follows:

## The current PAYE rates

<b>Class</b>	<b>Monthly Income Threshold</b>	<b>Tax Rate</b>
1.	Where total income does not exceed TShs. 170,000/=	NIL
2.	TShs. 170,001/= to 360,000/=	11% of the amount in excess of TShs. 170,000/=
3.	TShs. 360,001/= to 540,000/=	TShs. 20,900 + 20% of the amount in excess of TShs. 360,000/=
4.	TShs. 540,001/= to 720,000/=	TShs. 56,900+ 25% of the amount in excess of TShs. 540,000/=
5.	TShs. 720,001/= and above	TShs. 101,900 + 30% of the amount in excess of TShs. 720,000/=

**The proposed PAYE rates for the year 2016/17**

<b>Class</b>	<b>Monthly Income Threshold</b>	<b>Tax Rate</b>
1.	Monthly Income Threshold	NIL
2.	Where total income does not exceed TShs. 170,000/=	9% of the amount in excess of TShs. 170,000/=
3.	TShs. 170,001/= to 360,000/=	TShs. 17,100+ 20% of the amount in excess of TShs. 360,000/=
4.	TShs. 360,001/= to 540,000/=	TShs. 53,100+ 25% of the amount in excess of TShs. 540,000/=
5.	TShs. 540,001/= to 720,000/=	TShs. 98,100+ 30% of the amount in excess of TShs. 720,000/=

- (iv) To impose withholding tax on payments made to approved reteriment funds arising from investment incomes to be in line with the taxation principles of fairness and equity. This measure will enable the companies to impose withholding tax on payments made to the fund relating to leasing and lending;
- (v) I propose to grant the Commissioner General of TRA powers to determine rental income based on the minimum market value to charge withholding tax on rental income.

The Income Tax measures together are expected to decrease Government revenue by **shs. 71,586.9 million.**

72. **Honourable Speaker,** in line with the above Income tax adjustments, I propose to undertake other administrative measures within TRA which will include developing a comprehensive compliance programme to enhance revenue collection. Other measures will include establishing various Units in Dar es Salaam Tax Regions as well as new taxpayer's service centres in order to register more new eligible taxpayers.

The Income Tax administrative measures will increase Government revenue by **shs. 80,108.18 million.**

**(d) The Vocational Education and Training Act, Cap. 82;**

73. *Honourable Speaker*, I propose to amend the Vocational Education and Training Act, Cap. 82 by reducing the Skills and Development Levy from 5% to 4.5% in order to provide employers with relief from the tax burden and enhance compliance for more revenue.

The Vocational Education and Training measures are estimated to increase Government revenue by Tshs. **28,403.35 million.**

**(e) The Motor Vehicles (Tax on Registration and Transfer) Act, CAP 124;**

74. *Honourable Speaker*, I propose to make various amendments in the Motor Vehicles (Tax on Registration and Transfer) Act, CAP 124 as follows:

- (i) Adjust Motor Vehicle Registration fee upwards from the current rate of Shs. 150,000 to Shs. 250,000 per motor

vehicles and from Shs. 45,000 to Shs. 95,000 per motor cycle and tricycles;

- (ii) To increase the Personalized Registration Number fee from Shs. 5,000,000 to Shs. 10,000,000 for every three years to reflect the true value of money.

The Motor Vehicle Registration and Transfer measures are estimated to increase Government revenue by Tshs. **26,915.9 million**.

- (f) The Tanzania Revenue Authority Act, CAP 399; The Local Government Finance Act, CAP 290; The Urban Authorities (Rating) Act 289; The Tax Administration Act, 2015; and The Tax Appeals Act, CAP 408**

75. **Honourable Speaker**, I propose to amend the Tanzania Revenue Authority Act, CAP 399; The Urban Authorities (Rating) Act 289; The Local Government Finance Act, CAP 290; The Tax Administration Act, 2015; and The Tax Appeals Act, CAP 408. The aim of this amendment is to facilitate transfer of mandate to collect property tax from Local Government

Authorities to the Tanzania Revenue Authority. Furthermore, the amendment is intended to facilitate the following undertakings;

- (i) To enable Tanzania Revenue Authority to estimate tax and make valuation of the properties;
- (ii) Tanzania Revenue Authority to collect property tax under its laid down procedures by using the relevant tax laws;
- (iii) To institute proper procedures for remittance of property tax collected by Tanzania Revenue Authority in the respective local governments;
- (iv) To set procedure for dispute resolution arising from collection of property tax by using prevailing tax laws; and,
- (v) To review property tax exemptions to ensure that more properties are brought into the tax structure.

**(g) The Treasury Registrar (Powers and Functions) Act, CAP 370;**

76. *Honourable Speaker*, I propose to amend the Treasury Registrar (Powers and Functions) Act, Cap 370 to require all Agencies

and Regulatory Authorities under the Treasury Registrar to remit 15 percent of their gross income to the consolidated fund. The institutions will be gazetted in the Government Notice. Furthermore, I also propose to remove AICC from the list of the public institutions that contribute 15 percent and instead, it will be required to provide dividends due from business operations.

**(h) The East African Community Customs Management Act, 2004**

**77. Honourable Speaker,** The Ministers responsible for Finance from the EAC partner states held their meeting “*Pre-Budget Consultations*” in Arusha, Tanzania from 2<sup>nd</sup> – 5<sup>th</sup> May, 2016. During the meeting, they agreed to effect changes in the Common External Tariff (CET) and amend the EAC Customs Management Act, 2004 for the Financial Year 2016/17 as follows:

**78. Honourable Speaker,** The changes in the Common External Tariff (CET) which were recommended and agreed have to the great extent focused on economic growth through industrial development in the East African

Community Region. The Ministers decided to undertake the following:-

- (i) Tanzania to increase import duty rate on cement from the current rate of 25 percent to 35 percent which is classified under HS Code 2523.29.00 for one year. The proposed measure is aimed at encouraging and protecting local production of cement in the country against stiff competition from imported cement in the country;
  
- (ii) Increase the CET rate on flat rolled products of iron or non-alloy steel from 0 percent to 10 percent under the following HS Codes: (HS Code 7208.54.00; HS Code 7208.90.00; HS Code 7208.52.00; and, HS Code 7208.53.00). This measure is intended to protect local production of the product and will increase Government revenue. The study conducted in the region revealed a substantial production to cater for demand. However, there has been unfair competition from inferior and subsidized products imported from outside the country;

- (iii) Increase the import duty rate on Bars and rods of iron and steel from 10 percent to 25 percent on the following HS Codes: HS Code 7213.10.00; HS Code 7213.20.00; HS Code 7213.99.00; HS Code 7227.10.00; HS Code 7227.20.00; HS Code 7227.90.00; HS Code 7308.20.00; HS Code 7308.40.00; and HS Code 9406.00.90. This measure is intended to protect domestic production of iron and steel against cheap and inferior iron products imported from outside the country;
  
- (iv) Grant stay of application of CET rate of 25 percent on iron and steel products which are used in construction of bridges and bridge sections, classified under HS Code 7308.10.00 and instead apply duty rate of 0 percent for one year;
  
- (v) Grant the stay of application of CET rate of 25 percent on “automotive bolts and nuts” classified under HS Code 7318.15.00 and apply duty rate of 10 percent for one year. The rationale for reducing the CET rate is that manufactures of these products use high tensile bars which are not manufactured in the region;

- (vi) Grant duty remission to manufacturers of “bolts and nuts” classified under HS Code 7228.30.00 and 7228.50.00 by charging a duty rate of 0 percent instead of 10 percent. This measure will enable manufacturers to obtain raw materials at reasonable price since they are not manufactured in the region;
- (vii) Increase the import duty rate from 10 percent to 25 percent on made up fishing nets of HS Code 5608.11.00. This proposal is taken because Fishing nets are manufactured locally and are therefore readily available in the region;
- (viii) Increase the import duty rate from 10 percent to 25 percent on “oil and petrol filters” of HS Code 8421.23.00, and intake air filters of HS Code 8421.31.00. The measure is intended to protect production by local producers against cheap or subsidized imported products;
- (ix) Grant duty remission of 0 percent to local manufacturers of motorvehicle “air filters”. The type of raw material for manufacturing

air filters will be gazetted in the East African Community Gazette;

- (x) Grant import duty remission of 0 percent on splints which are raw materials used in the manufacture of matches under Hs Code 4421.90.00. This measure takes into account that there is lack of adequate matured forests which can produce splints for production of matches in the region;
- (xi) Reduce progressively import duty remission levels on sugar and sugar confectionery from the current rate of 10 percent. Reduction of import duty rate will be as follows: 2016/17 the rate will be 15 percent; 2017/18 the rate will be 20 percent, and 2018/19 the rate will be 25 percent. The current duty rate of 10 percent undermines local production and promotes importation of the product and abuse in the usage of the product;
- (xii) Increase the CET rate on Aluminium milk cans under HS Code 7612.90.90 from 10 percent to 25 percent. Aluminium cans are finished products and therefore attract import duty at 25 percent. The measure is

aimed at protecting local manufacturers who have sufficient capacity to manufacture these products in the region;

- (xiii) Grant duty remission to manufacturers of “Aluminium cans” on raw materials classified under HS Codes 7606.12.00 and HS Codes 7606.92.00 by charging a duty rate of 0 percent. This measure is aimed at encouraging production of “Aluminium cans” in the region;
- (xiv) Grant stay of application of EAC CET rate of 35 percent on Wheat (Wheat grain) under HS Code 1001.99.10 and HS Code 1001.99.90 and instead apply duty rate of 10 percent for one year. The stay of application is being done due to lack of capacity in the region to produce wheat to satisfy the demand;
- (xv) Increase the specific duty rate on worn clothes and shoes from 0.2 USD/Kg to 0.4 USD/kg. The measure is intended to gradually phase-out importation of used clothes and footwear in the region. Moreover, the EAC Partner States have agreed to strategically focus on promotion of textile and shoe making industries to cater the demand in the Region. The

Ministry of Industries, Trade and Investment of the United Republic of Tanzania has already prepared such a strategy;

- (xvi) Continue application of import duty rate of 25 percent or charge specific duty rate of USD 200 per metric tons, whichever is higher, for one year on Flat-rolled products of iron or non-alloy steel under HS Codes: HS Codes 7210.41.00; HS Codes 7210.49.00; HS Codes 7210.61.00; HS Codes 7210.69.00; HS Codes 7210.70.00; HS Codes 7210.90.00; HS Codes 7212.30.00; and HS Codes 7212.40.00. The measure is aimed at protecting domestic industries against importation of inferior products from outside the region. The Study that was done by the EAC Partner States indicates that there has been an excessive production and supply of the product in the world market which led to the fall in prices, hence an influx of these products into the region. In this case, there is a need to protect iron and steel production in the region;
- (xvii) Continue application of import duty rate of 25 percent or charge specific duty rate of

USD 200 per metric tons, whichever is higher, for one year on Flat-rolled products of bars, rods, sections, angles, shapes, and related products under HS Codes: HS Codes 7214.10.00; HS Codes 7214.20.00; HS Codes 7214.30.00; HS Codes 7214.91.00; and HS Codes 7214.99.00. The antidumping measure on imports of this nature will protect our domestic industries against importation of inferior products from outside the region;

(xviii) Continue application of CET rate of 25 percent or charge specific duty rate of USD 200 per metric tons whichever is higher for one year on steel reinforcement bars, angles, sections under HS Codes: 7216.10.00; HS Codes 7216.21.00; HS Codes 7216.22.00; and HS Codes 7216.50.00. The antidumping measure on imports of this nature will protect our domestic industries against importation of inferior and cheap products from outside the region;

(xix) Grant stay of application of CET rate under HS Code 1511.10.00 to manufacturers of crude edible oil and apply 10 percent instead of 0 percent for one year. This measure is aimed at promotion of local

production of oil seeds and growth of edible oil industries. The Ministry of Industry, Trade and Investment has also prepared a strategy to achieve the same objective;

(xx) Increase Import Duty rate from 10 percent to 25 percent for one year on paper products falling under the following HS Codes: HS Codes 4804.11.00; HS Codes 4804.19.10; HS Codes 4804.19.90; HS Codes 4804.21.00; HS Codes 4804.29.00; HS Codes 4804.31.00; HS Codes 4804.39.00; HS Codes 4804.41.00; HS Codes 4805.59.00; HS Codes 4805.11.00; HS Codes 4805.12.00; HS Codes 4805.19.00; HS Codes 4805.24.00; HS Codes 4805.25.00; HS Codes 4805.30.00; HS Codes 4805.91.00, and HS Codes 4805.92.00;

(xxi) Continue applying CET rate of 25 percent or charge specific duty rate of USD 200 per metric tons whichever is higher on bars and rods of iron or steel for one year on the following HS Codes: HS Codes 7228.10.00; HS Codes 7228.20.00; HS Codes 7228.30.00; HS Codes 7228.40.00; HS Codes 7228.50.00; HS Codes 7228.60.00; HS Codes 7228.70.00; HS

Codes 7228.80.00. The aim of this measure is to protect domestic production in the region against unfair competition from imported products;

- (xxii) To apply CET rate of 25 percent or specific duty rate of USD 200 per metric tons whichever is higher on products of iron and steel for one year on the following HS Codes: HS Codes 7212.40.00; HS Codes 7215.10.00; HS Codes 7215.50.00; HS Codes 7215.90.00; HS Codes 7216.61.00; HS Codes 7216.69.00; HS Codes 7216.91.00; HS Codes 7216.99.00.

79. **Honourable Speaker**, The Ministers for Finance also agreed to make amendments in the EAC Customs Management Act, 2004 as follows:

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- (i) Amend the 5th Schedule to EAC-CMA to include Refrigeration equipment for human dead bodies under HS Code 8418.69.90 for use in Hospitals, city councils or funeral homes;
- (ii) Amend the 5th Schedule to EAC-CMA (Chapters 84 and 69) to include incinerator's equipments and materials used in hospitals to burn waste.

- (iii) Amend the 5th Schedule to the EAC-CMA to remove import duty exemption on uniforms for hospital staff. The uniforms are not specialized products and can be acquired locally and therefore they should attract CET rate.
- (iv) Grant duty remission to the manufacturers of Inputs for the manufacture of deep cycle batteries. This measure is intended to boost local industries since the imported deep cycle batteries are exempt under the 5th Schedule. This move will facilitate industries to set up shops in the region.
- (v) Amend the 5th Schedule to the EAC-CMA to include blood collection tubes. This measure is in line with the products catered for under item 13 part B, for hygienic bags.
- (vi) Grant duty remission for inputs or raw materials for use in the manufacture of solar equipments.

The import duty measures altogether will increase Government revenue by **Shs. 42,850.6 million.**

**(i) Minor amendments in tax laws and other laws;**

80. **Honourable Speaker**, I propose to make minor amendments to various tax laws and other legislations with a view to simplifying revenue collection. The proposed amendments will be made through The Finance Bill 2016.

81. **Honourable Speaker**, in order to effectively implement the Budget Act, 2015 and ensure accountability in the execution of the National Assembly Fund and the Judiciary Fund, I propose to undertake the following amendments:

- (i) To amend Section 29 subsection 3 of the National Assembly Administration Act, Cap 115 in order to state that the budget for the National Assembly Fund shall be presented to the Parliament by the Minister responsible for Parliamentary Affairs. Currently, the law provides for the Minister responsible for Finance to present the National Assembly Fund budget to the Parliament;
- (ii) To amend section 59 sub-section 3 of the Judiciary Administration Act, Cap 237 and stipulate that the budget for the Judiciary

Fund shall be presented to the Parliament by the Minister responsible for Judiciary Affairs. The law is currently providing for the Minister responsible for Finance to present the budget for the Judiciary Fund to the parliament.

**(j) Amendment of Various Fees and Levies Imposed by Ministries, Regions and Independent Departments**

82. *Honourable Speaker*, I propose to amend various rates of fee and levies charged by Ministries, Regions and Independent Departments with a view to rationalize with the current economic development. Furthermore, I propose to abolish some fees and levies which are considered to be undermining the Government efforts to improve business environment. The respective fees and levies to be abolished are as follows:

**(i) Tanzania Food and Drugs Authority (TFDA)**

- (a) Export Permit for food – Tsh. 50,000;
- (b) Retention fees for Human and Veterinary medicines from

- domestic manufacturers – Tsh. 100,000;
- (c) Duplicate Certificate for Human and Veterinary medicines from domestic manufacturers – USD 50;
  - (d) Duplicate Certificate for Human and Veterinary medicines from foreign manufacturers – USD 100;
  - (e) Evaluation of product promotional materials – Domestic – USD 50;
  - (f) Abbreviated Advert – Domestic – USD 25;
  - (g) Duplicate certificate for foreign food, medicines medical devices – USD 100;
  - (h) Duplicate certificate for foreign Medical devices domestic – USD 30;
  - (i) Duplicate certificate for Medicines Domestic – USD 50;
  - (j) Retention fees for imported In Vitro Diagnostics (IVD) – USD 150;
  - (k) Retention fee for domestic manufactured cosmetic manufactured cosmetics – Tsh. 30,000;

- (l) Pre-registration GMP inspection fees for domestic pharmaceutical manufacturing sites – USD 250;
  - (m) Medical representative foreign per company – USD 1,000;
  - (n) 1% FOB value for cosmetics raw materials;
  - (o) 0.5% FOB for importation of pharmaceutical raw materials;
  - (p) Hospital permit for Psychotropic and Narcotics – Tsh. 10,000;
  - (q) Import permit for Psychotropic and Narcotics – Tsh. 50,000;
  - (r) Export certificates for pharmaceuticals – Tsh. 50,000;
  - (s) Certificate of Pharmaceutical Product – Tsh. 50,000;
  - (t) Inspection of new food processing facilities – small – Tsh. 100,000;
  - (u) Disposal certificates;
  - (v) Health certificates – Tsh. 50,000; and
  - (w) Trade fair fees – Tsh. 200,000.
- (ii) **Cotton Board**
- (a) Uhuru touch contribution – Tsh. 450,000; and
  - (b) Fee for District Council to deliberate on cotton buyers – Tsh. 250,000;

- (iii) **Tea Board**  
Fire and rescue levy – Tsh. 800,000.
- (iv) **Coffee Board**  
Cherry Processing License – USD 250
- (v) **Cashewnut Board**
  - (a) Cooperative Union levy – Tsh. 20/- per kg;
  - (b) Transportation Fee – Tsh. 50/- per kg;
  - (c) Task Force on Various Issues – Tsh. 10/- per kg;
  - (d) Storekeeper costs – Tsh. 10/- per kg.

83. **Honourable Speaker**, the above-proposed measures are initial steps towards rationalization. The Government has just embarked in this process with a view to review the fees and levels imposed by Agencies and regulatory Authorities, including those imposed by the Local Government Authorities. The major objective is to improve business environment so that our business are competitive and we attract investment opportunities in Tanzania. Furthermore, the measures are intended to provide relief to various economic activities.

84. **Honourable Speaker**, I propose to amend various rates of fees and levies which will be reflected in the Finance Act, 2016 and others will be amended through the Government Gazette by respective Ministers.

**(k) Taxes and Levies imposed on Petroleum Products**

85. **Honourable Speaker**, as you are aware, for sometime, the World Market price of oil has been declining reasonably. The situation has an impact in reducing the cost of doing business and particularly the poor community, given that the oil price affects every economic activities and individuals. The Government has decided to maintain the current levels of taxes and levies on fuel so that we maintain price stability and provide economic stability.

**(l) Tax Exemptions Granted to the Armed Forces**

86. **Honourable Speaker**, the Government has been providing tax exemptions (Excise Duty, VAT and Import Duty) through armed forces canteens and shops to provide the necessities to the armed forces. The Management of such

exemption has faced some challenges including the abuse of tax exemptions. In view of that, the East African Partner States are no longer providing such exemptions except the two countries namely Rwanda and Tanzania.

**87. Honourable Speaker,** during the pre-budget meeting of the EAC Ministers for Finance held in 2015/16, the Government of Tanzania was urged to look into an alternative way of providing the basic necessities to the armed forces. In order to continue with the Government intention to provide such necessities to our armed forces, I propose to abolish exemptions to the armed forces and instead, provide allowances as an alternative and suitable way to deliver the goods to them. The allowance will enable the armed forces to procure their own requirements according to their preferences. The intention is to make sure that they all benefit from the allowances given and avoid loss of Government revenues.

**(m) Effective Date for Implementation of New Revenue Measures**

**88. Honourable Speaker,** unless otherwise stated, the new measures shall become effective on 1<sup>st</sup> July 2016.

## **V. BUDGET STRUCTURE FOR THE YEAR 2016/17**

89. **Honourable Speaker**, consistent with macroeconomic and fiscal policy objectives, the budget frame for 2016/17 will be as follows: the Government intends to raise shillings 29.54 trillion to finance recurrent and development expenditures. In view of this, the budget for 2016/17 is expected to increase by shillings 7.04 trillion equivalent to 31.1 percent compared to the budget for 2015/16 of shillings 22.49 trillion.

90. **Honourable Speaker**, the Government intends to collect domestic revenue including LGAs own sources amounting to shillings 18.46 trillion, equivalent to 62.3 percent of the whole budget. Out of this amount, tax revenue is estimated to be shillings 15.11 trillion, equivalent to 13.8 percent of GDP. In addition, non-tax revenue and revenue from LGAs own sources is shillings 2.69 trillion and shillings 665.4 billion respectively. The increase in estimates of tax and non-tax revenue signifies the available capacity in TRA and other public institutions in collecting revenues. Therefore, the Government will closely manage and plug all loopholes leading to tax and non-tax revenue losses in order to ensure that the collection targets are achieved.

91. **Honourable Speaker**, Development Partners are expected to continue providing grants and concessional loans amounting to shillings 3.6 trillion, equivalent to 12 percent of the total budget. Out of this, shillings 2.75 trillion is for development projects; shillings 372.1 billion is sector basket funds and shillings 483 billion is General Budget Support (GBS).

92. **Honourable Speaker**, in order to finance the budget deficit, in the year 2016/17 the Government intends to borrow shillings 7.48 trillion from domestic and external sources. Out of this, shillings 5.37 trillion is expected to be raised from domestic sources for financing rolling over of maturing Treasury bills and bonds, including new loans for financing development projects and payment of verified claims. Moreover, in order to speed up infrastructure construction and ensure that the second Five Years Development Plan is fully implemented, the Government expects to raise shillings 2.10 trillion from external non-concessional borrowing.

93. **Honourable Speaker**, the Government has made significant efforts in mobilizing domestic revenues for financing development projects, among others. These projects are partly financed through external non-concessional loans whose availability largely depends on the

global financial market conditions. In 2016/17, major projects to be implemented include upgrading the central railway to standard gauge and port improvement. Preparation of these projects requires adequate time and careful scrutiny especially in ensuring availability of additional financing. In this regard, implementation of these projects is expected to start during the second half of 2016/17 after thorough analysis of availability of additional financing and establishing basic prerequisite including procurement of the contractor and signing of the contract. The plan is to hand over the site to the contractor within nine months after commencement of 2016/17 financial year.

94. **Honourable Speaker**, With regard to expenditure, the Government plans to spend shillings 29.54 trillion for recurrent and development expenditures in 2016/17. Out of this, shillings 17.72 trillion is set aside for recurrent expenditure and development expenditure is shillings 11.82 trillion, equivalent to 40 percent of the total budget whereas shillings 8.70 trillion is local funds and shillings 3.12 trillion is foreign funds.

95. **Honourable Speaker**, consistent with the budget frame I have explained above, the budget structure for 2016/17 is as shown in the table, page 83 of the Budget Speech:

## Budget Frame for 2016/17

	Shillings Million
	<b>2016/17</b>
<b>Revenue</b>	
<b>A. Government Domestic Revenue</b>	<b>17,798,118</b>
(i) Tax Revenue (TRA)	15,105,100
(ii) Non Tax Revenue	2,693,018
<b>B. LGAs own source</b>	<b>665,415</b>
<b>C. External Loans and Grants</b>	<b>3,600,807</b>
(i) General Budget support	483,002
(ii) Projects Loans and Grants	2,745,659
(iii) Basket Loans and Grants	372,147
<b>D. Domestic &amp; External Non Concessional Borrowing</b>	<b>7,475,264</b>
(i) External Non Concessional Borrowing	2,100,995
(ii) Domestic Non Concessional Borrowing (1.5 of GDP )	1,597,157
(iii) Domestic Non Concessional Borrowing (Rollover)	3,777,112
<b>TOTAL REVENUE (A+B+C+D)</b>	<b>29,539,603</b>
<b>Expenditure</b>	
<b>E. Recurrent Expenditure</b>	<b>17,719,100</b>
o/w (i) National Debt Service	<b>8,000,000</b>
- Domestic Interest	1,089,150
- Domestic Amortization (Rollover)	3,777,112
- External Interest and Amortization	1,586,640
- Government Contribution to Pension Funds	1,141,144
- Other Expenditure under CFS	405,954
(ii) Wages and Salaries	<b>6,600,000</b>
(iii) Other Charges	<b>3,119,100</b>
- Protected expenditure	2,492,934
- LGAs expenditure	266,166
- MDAs operational costs	360,000
<b>F. Development Expenditure</b>	<b>11,820,503</b>
(i) Domestic Financing	8,702,697
o/w LGAs Expenditure	399,249
(ii) Foreign Financing	3,117,805
<b>TOTAL EXPENDITURE (E+F)</b>	<b>29,539,603</b>
<b>BUDGET DEFICIT</b>	<b>4.5% of GDP</b>

## VI. CONCLUSION

96. **Honourable Speaker**, majority of our people are tired of poverty: Tanzanians need adequate income to subsist their basic needs. They also need better services such as water, education, health, electricity and housing; women are tired of walking long distances while carrying buckets of water on their heads; our school children are tired of sitting on the floor and scrambling for few available pit latrines; our youths need employment; public outcry due to brutal killings of people with albinism is shameful to our country; our people's rights are denied due to rampant corruption. Tanzanians wish to have a prosperous life in their country; Tanzanians want an efficient Government; Tanzanians want clean and sustainable environment; Tanzanians want modern and safe transport infrastructure; Tanzanians want surveyed and planned towns and residences; and also, Tanzanians desire peace, tranquility, unity and happiness. However, I would like to emphasize that, the destiny of a new Tanzania which we wish lies in our hands!!

97. **Honourable Speaker**, I would like to emphasize to my fellow Tanzanians on the secret of development. The secret of reaching a new Tanzania we desire is as follows: Development is

not given for granted! Development requires determination, will, efforts and knowledge; development need actions and not mere rhetoric! Development requires a defined vision to guide where we are going. In order to succeed, we need to understand better our existing environment and our path through especially opportunity and threats ahead. Development requires direction, priorities, goals and indicators of stage reached; Development requires high level of discipline especially in the utilization of resources (people, funds, time, working equipment and assets). Development requires effective management in its implementation. Therefore, development requires taking appropriate actions against anyone hindering and sabotaging our efforts on corruption, not fulfilling duties, laziness, embezzlement etc. Development require sacrifice and in view of this Tanzanians need to contemplate on widespread culture of making a lot of contributions for extravagant ceremonies and instead direct ourselves in helping each other on development issues such as contributing for school fees, medical expenses etc. Moreover, development needs consistency of actions; development is achieved through hard work. Therefore, development can never be achieved by playing pool and drinking spirit packed in sachets commonly known as *Viroba*

all the time; development is achieved through boldness and self-confidence and thereafter decide to be self-reliant.

98. **Honourable Speaker**, allow me also to talk about assistance from development partners. Since independence development partners have continued to provide assistance which has contributed a lot to development of our nation. However, apart from the aim of assistance in complementing the nation's ability to implement development projects or to counter catastrophies, it is better for my fellow Tanzanians to understand on the other side that assistance may become toxic to our development. Assistance may be the conduit for bad policies and projects, it may lead to loss of confidence and conditionalities attached to the assistance that reduce ability to make choices. Assistance may also perpetuate corruption and may slacken internal efforts especially on revenue collections etc. A scholar named Sebastian Edward in his book titled "*Toxic Aid: Economic collapse and Recovery in Tanzania (2014)*", he has revealed the following words, I quote:-

*"After analyzing in great depth Tanzania's history during its first two decades as an independent nation, it is*

*clear to me that the official aid community had a major responsibility in one of the most colossal collapses of a poor country in the history of the modern world. When one adds and subtracts everything – the misguided policies, the blunders, the growing corruption, and the socially worthwhile projects - the balance is hugely negative. The inescapable conclusion of that exercise is that during 1961 – 81 aid was worse than ineffective; it was toxic”! End of quote.*

Therefore, it is important as a nation to recognize this factor and do all that we can to reduce dependency by safeguarding the stability of the economy, building our own capacity especially in developing industrial sector in order to expand the base for collecting domestic revenue and in the most efficient manner. It is very important to focus most on developing and attracting local and foreign investments together with strengthening the trade relations with friendly countries.

99. **Honourable Speaker**, the last and most important thing is that, sustainable development is achieved faster in an environment of peace and security. Therefore, it is important that, the existence of peace in our country is safeguarded.

100. **Honourable Speaker**, my plea to Tanzanians is that God has endowed us with a lot of natural resources; our mothers gave birth and are still bearing intelligent children, innovative and with capability to solve challenges and obstacles to the development of new Tanzania. Therefore, being led with patriotism, passion for this country and boldness of our President His Excellency Dr. John Pombe Joseph Magufuli, we must now be determined to change Tanzania to become economic power house of this region of Africa within a period of the next ten years. With one determination, we can do and surely God is on our side.

101. **Honourable Speaker**, I would like to take this opportunity to remind my fellow leaders and the public in general on the importance of time management as a fundamental resource to national development. Some of us spend time on unproductive activities and fail to discharge our duties timely. Regarding public servants, there has been a tendency of spending too much time in meetings instead of performing their core functions of serving the public. Likewise, the general public, especially the young people who are the labour force spend most of their time on unproductive

activities such as taking alcohol, playing pool, loitering, gambling and social media. Therefore, my plea to all Tanzanians should make better use of time by working hard for their individual developmet and the nation at large.

102. **Honourable Speaker**, as I conclude this speech, I wish to emphasize the following issues which are aimed at strengthening revenue collection and expenditure management in order to implement the budget as planned:

**First**, the Government will put more emphasis in the use of EFDs in order to ensure that every businessman issue receipts generated by EFDs and citizens are urged to demand such receipts whenever they purchase goods or services. In achieving this, my Ministry will form a Special Team to monitor the implementation of this directive countrywide and ensure that all who are not complying with this directive face legal actions. My plea to all leaders, especially Honourable Ministers, Members of Parliament, Councilors and Religious leaders to become role models to the citizens by ensuring that they demand EFD receipts whenever they buy goods or services. Moreover, all leaders are requested to sensitize citizens to demand EFD receipts. Those who do not issue or do not demand receipts should know that they are breaking the

law and they are going against our efforts to build a new Tanzania.

**Second**, all petrol selling stations in the country are directed to finalize installation of EFDs to the pumps used to dispense fuel by 1<sup>st</sup> October, 2016 in order to ensure that the Government collects relevant taxes. The Government will inspect all fuel selling stations and take legal action to those who have not complied with this directive.

**Third**, in order to control tax exemptions granted to businessmen, public servants, religious institutions and non-governmental organizations, with effect from next financial year they will be required to pay tax in advance on goods ordered. The tax will be refunded to beneficiaries after making inspection and satisfied that the said goods have been used on intended purpose. Moreover, the Government will require all beneficiaries to submit their applications to the Ministry of Finance and Planning before placing orders on the said goods in order to get the permit to import them.

**Four**, all Accounting Officers are directed to use electronic systems and devices to collect revenue in Central Government, Local Government

Authorities, Public institutions and corporations in order to increase efficiency and control revenue leakage. Moreover, taxes and levies collected should be deposited to banks within 24 hours.

**Five**, with effect from the next financial year, all Government institutions that were operating under retention scheme are instructed to submit all revenues collected to the Consolidated Fund. The release of funds to those institutions will follow the normal procedures based on the approved budget.

**Six**, all Accounting Officers are instructed to abide to the Government instruction on cutting unnecessary expenditures in the areas specified which include: overseas travels, foreign training, sitting allowances, seminars and workshops, celebrations and national festivals, procurement of furniture, procurement and maintenance of vehicles etc, in order to get more funds and direct it to the development projects aimed at solving citizens' problems.

**Seven**, employers are required to timely submit income tax on employees' salaries – PAYE together with contributions to Social Security Funds. In addition, all those with outstanding

PAYE and contribution deductions are instructed to submit them to the relevant institutions by 31<sup>st</sup> December, 2016 or else appropriate actions will be taken against them. Accounting officers, Heads of institutions, Corporations and private companies are urged to oversee the implementation of this instruction.

**Eight,** all Accounting Officers are instructed to use electronic system in the distribution or dissemination of various Government documents exceeding fifty pages with the exception of Votes which are required to distribute hard copies due to legal/regulations requirements. This measure is aimed at reducing huge expenditure associated with the printing and photocopying of those documents and also conserves the environment.

**Nine,** in the next financial year 2016/17, all outstanding claims relating to utilities, such as electricity, water and telephone bills will be paid centrally by the Ministry of Finance and Planning by using the budget of respective Votes. In addition, Accounting Officers are instructed to pay timely electricity, water and telephones bills to avoid accumulations of new claims.

**Ten,** Accounting Officers are instructed to procure using Local Purchase Order (LPO) generated by IFMS. Moreover, suppliers and service providers are instructed to ensure that they only receive LPOs generated from IFMS. Therefore, with effect from year 2016/17 the Local Purchase Order which will be generated out of this procedure will not be honoured.

103. **Honourable Speaker,** the achievements in implementing the budget presented will depend upon cooperation from every one of you in order to achieve the intended objectives. As I have pointed out earlier, the budget for 2016/17 will depend more on domestic revenue, therefore, every Government institution is urged to play its role in managing revenue collection in order to achieve the revenue target and hence provide quality services to our citizens. I beg everyone to cooperate and be accountable in our respective capacities in order to build industrial Tanzania.

104. **Honourable Speaker,** to conclude, may I take this opportunity to thank the citizens of Tanzania, especially farmers, pastoralists and fishermen, businessmen, public servants and those in private sectors, and the Diaspora who are working hard to contribute to the development of the national economy. You are

the pillar of a self-reliant nation. For those in schools and colleges, please study hard to achieve knowledge and skills for building your nation. And for others please use your energy and innovations in growing high value crops, animal husbandry and services in the fields of innovation, music, film, comedy, designs where there are plenty of opportunities to earn lawful income in order to meet their needs.

105. **Honourable Speaker**, finally may I recognize and express my appreciation to our Development Partners who are going to contribute to the Government Budget for the year 2016/17 as follows: Canada, People's Republic of China, Denmark, Finland, Spain, India, Ireland, Italy, Japan, Republic of South Korea, United States of America, Norway, Poland, Sweden, Belgium, France, the Netherlands, United Kingdom, Germany and Switzerland and international organizations which include: the Arab Bank for Economic Development in Africa (BADEA), African Development Bank, World Bank, Global Fund, United Nations, Organization of the Petroleum Exporting Countries (OPEC Fund), Saudi Fund, Kuwait Fund and European Union. May I also recognize the existing good relationships with the International Monetary Fund (IMF) through

the Policy Support Instrument (PSI) Program. My plea is that continue to support us especially in our efforts to build an industrial economy by attracting investors from your countries and availing markets opportunities for our commodities. Kindly fulfill your pledges timely and we promise to use your contributions efficiently and transparently.

**HAPA KAZI TU!**

**GOD BLESS TANZANIA!**

106. *Honourable Speaker*, I beg to move.