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**SUBSIDIARY LEGISLATION**

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THE VALUE ADDED TAX ACT  
(CAP. 148)

REGULATION

*(Made under sections 94)*

THE VALUE ADDED TAX (GENERAL) (AMENDMENT) REGULATIONS, 2018

- Citation
- GN. No. 225 of 2015
- Interpretation
- Amendment of
1. These Regulations may be cited as the Value Added Tax (General) (Amendment) Regulations, 2018 and shall be read together with the Value Added Tax Regulations, 2015, hereinafter referred to as the “principal Regulations”.
  2. The principal Regulations are amended in regulation 2, by inserting in their appropriate alphabetical orders the following new definitions -  
““payment service” means service of money transfer through a payment system;  
“payment system” has the meaning as ascribed to it under the National Payment System Act, 2015;  
“supplier of financial services” means a person who provides any of the services prescribed in the definition of “financial services” under section 2 of the Act;”.
  3. The principal Regulations are amended in regulation 5,

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regulation 5

by-

- (a) designating the contents of regulation 5 as subregulation (1);
- (b) deleting the word "twenty" appearing between the words "capital goods is" and "million" and substituting for it the word "ten";
- (c) by adding immediately after subregulation (1) as designated the following:

“(2) The tax exemption granted under items 17, 18, 19, and 20 of part II of the Schedule to the Act shall not apply to a taxable person who qualifies for value added tax deferment granted under section 11 of the Act.”.

Amendment of regulation 20

by-

- 4.The principal Regulations are amended in regulation 20,
- (a) deleting subregulation (1);
  - (b) renumbering subregulations (2),(3),(4) and (5) as subregulations (1),(2),(3), and (4) respectively; and
  - (c) deleting the figure "33" appearing in subregulation (3) as renumbered and substituting for it the figure "32".

Amendment of regulation 27

5.The principal Regulations are amended by deleting regulation 27 and substituting for it the following:-

“Apportionment of input tax

27.-(1) A taxable person who supplies both taxable and exempt supplies shall apportion input tax in accordance with the provisions of the Act.

(2) In addition to the formula for input tax apportionment provided for under section 70 of the Act, a taxable person shall identify the input tax which is subject to apportionment I for which the partial input tax credit is sought by taking into account input tax attributable to both taxable and exempt supplies.

(3) For purposes of determining

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apportionment I, a taxable person shall allocate total input tax into the following categories-

- (a) input tax directly attributable to taxable supplies in a given tax period;
- (b) input tax directly attributable to exempt supplies in a given tax period; and
- (c) input tax attributable to both taxable and exempt supplies in a given tax period.

(4) A taxable person-

- (a) may claim the whole of input tax under subregulation (3) (a);
- (b) shall not claim input tax under subregulation (3) (b); and
- (c) shall apportion input tax under subregulation (3)(c), according to the formula provided for under section 70 of the Act.

(5) The accounting year referred to under section 70 of the Act may include a lesser period for the purpose of annual adjustment of input tax credit where a taxable person has, in a given year, conducted an economic activity for a period of less than twelve months.”.

Amendment of  
regulation 35

6. The principal Regulations are amended by deleting regulation 35 and substituting for it the following-

“Value Added Tax  
on financial  
services

35.-(1) Value Added Tax shall be imposed, in accordance with section 3 of the Act, on a fee charged for supply of financial services.

(2) For avoidance of doubt-

- (a) a supply made in relation

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to a payment system or for a payment service is not exempt if consideration is based on a fee.

(b) financial service does not include the following services-

- (i) legal, accounting, record packaging services and tax agency services including advisory services;
- (ii) safe custody for money or documents;
- (iii) brokerage services; and
- (iv) debt collection or factoring services.

(3) For purposes of subregulation (2)(b)(i), legal, accounting, record packaging services and tax agency services including advisory services are services which may be provided to a supplier of financial services rendering exempt financial services.

(4) Notwithstanding subregulation (3), the accounting and record packaging services referred to in subregulation (2)(b)(i) may include-

- (a) services related to a financial clearing system that may be part of the settlement process;
- (b) posting of a financial transaction or the maintenance of the account of customers of supplier of financial service; or

- (c) rendering of services ancillary to the services under sub paragraph (a) and (b)".

Addition of regulations 35A and 35B

7. The principal Regulations are amended by adding immediately after Regulation 35 the following new regulations:-

"Periodic statement

35A.-(1) A supplier of financial services shall issue a periodic statement to customers which shall be deemed to be a tax invoice.

(2) The periodic statement issued under subregulation (1) shall have the following particulars-

- (a) name, address, Taxpayer Identification Number (TIN) and VAT registration number of the service provider and the customer;
- (b) date of the periodic statement;
- (c) the description and the value of each transaction listed on the periodic statement;
- (d) total consideration, excluding value added tax for the listed transactions;
- (e) applicable VAT rate (standard, exempt, or zero) and total VAT charged; and
- (f) the total price payable by the recipient of the service.

(3) Without prejudice to the conditions stipulated under section 86 of the Act, the periodic statement issued under subregulation (1) may not bear the following-

- (a) the words "tax invoice" in the header; or
  - (b) sequential numbering.
- (4) Where a supplier of financial

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services transacts with a non-taxable person the supplier shall issue a normal statement which may not necessarily contain the particulars prescribed under subregulation (2).

(5) The periodic statement shall be issued within ten days of the month following the month to which the tax period relates.

(6) For purposes of this regulation a "periodic statement" means a statement issued on monthly basis by a supplier of financial services.

(7) A taxable person who has incurred input tax in relation to a supply of financial services in a particular tax period shall not claim such tax unless the taxable person possesses, inter alia, a periodic statement at the time of filing the return.

Apportionment  
of input tax by  
supplier of  
financial  
services

35B.-(1) Subject to section 70 of the Act and regulation 27, a supplier of financial services who makes both taxable and exempt supplies shall apportion input tax in accordance with the formula provided for hereunder:

$I \times \frac{T}{A}$

A

T: total value of taxable supplies (standard + zero rated) excluding VAT

A: total value of all supplies (standard rated + zero rated + exempt) excluding VAT

I: total input tax to which section 70 refers for which credit is sought in the tax period.

(2) A supplier of financial services shall, when calculating the value of taxable and total supplies-

(a) use gross figures for supplies

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9) or Single Administrative Document for transfer of goods from Tanzania Zanzibar to Mainland Tanzania accompanied by tax invoice, transire and any other document as the Commissioner General may require; and

(b) the goods to be transferred shall be subjected to normal customs procedure for clearance of the consignment and payment of taxes.

(2) For purposes of this regulation “transfer” means transfer of goods manufactured in Tanzania Zanzibar to Mainland Tanzania.

Zero rating  
locally  
manufactured  
goods

36B. For purposes of proving that locally manufactured goods have been supplied to a person registered under the value added tax law administered in Tanzania Zanzibar to warrant zero rating in terms of section 55A of the Act, the manufacturer shall produce the following documents-

- (a) tax invoice generated by electronic fiscal device (EFD);
- (b) landing certificate;
- (c) Single Administrative Document;
- (d) transire; and
- (e) certified copy of VAT registration certificate of the customer.”.

Dodoma,  
1<sup>st</sup> October, 2018

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*Minister for Finance and Planning*

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other than financial intermedia-  
tion services; and

- (b) use net interest amounts (interest  
income less interest expense) for  
financial intermediation services.

(3) A taxable supply which is treated  
as made by the recipient of imported services  
shall not be taken into account when  
determining any allowance of input tax for  
apportionment purposes.

(4) For avoidance of doubt, the value  
of taxable supplies (T) shall not include  
taxable supplies which are treated as made by  
the recipient of the imported services.

(5) A taxable person rendering  
financial services which deliver more than  
ninety percent of its total supplies in a tax  
period from taxable supplies may apply the  
minimum amount rule and deduct the entire  
input tax allowable on taxable purchases and  
imports.

(6) The Commissioner General may  
apply the minimum amount rule referred to in  
subregulation (5) to a business that renders  
financial services only ancillary to its  
business of supplying taxable goods or  
services.”.

Addition of  
regulations 36A  
and 36B

8. The principal Regulations are amended by adding  
immediately after regulation 36 the following:-

“Procedures  
on goods  
transferred to  
Mainland  
Tanzania

**36A.**-(1) Where goods are locally  
manufactured in Tanzania Zanzibar and  
transferred to Mainland Tanzania the  
following procedure shall apply-

- (a) the consignee shall process the  
Customs Declaration Form (IM