

TANZANIA ECONOMIC PERFORMANCE OUTLOOK 2022-2023

Focus on mobile sector business in Tanzania

What's next for Tanzania Economy?

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Tanzania Economy Overview

Mobile sector is the one of the most heavily taxed sector in Tanzania: operators subject to 10 different taxes, plus regulatory fees and charges

Tanzania is the one of the **fastest growing economy in Africa**, currently Tanzania total population expected to be more than **64 Million**, with more than **17% of the potential young generation** with age more than 18 years old.

- Tanzania GDP growing rates is **4.3% GDP**, per capital rates is **1.3% 2021**.
- In 2022 we expect poverty line to increase due increase of the price of goods and services cause **inflation rate** to hit **4.6% in 2022**.
- **Corporate tax** is charged at rates of **30%** on the income of a resident's corporation and PE of a nonresident corporation.

How does the corporate tax and government levy affect long-term economic growth?

- The discussion will mainly focus on **corporate tax and the government levy** and how does it affect corporate business from **building sustainable capital** in Tanzania.
- But also what **measure** should be taken to allow economic growth.



Why corporate taxes.....

- ✚ Heavy taxes and duties imposed in businesses and investment activities, the government of Tanzania through its authorities imposed a lot of taxes and duties something which **hinder the business growth, investment and project development.**
- ✚ Many businesses especially new or small businesses **fail due to cost inquired** for corporate taxes and duties hence stagnation of national economy.

Mobile Sector Taxation in Tanzania

1. **Mobile sectors one of the most heavily taxed sectors** in Tanzania: **operators subject to 10 different taxes, plus regulatory fees and charges**
2. **Operators in Tanzania contribute over 11% of total tax revenues** generated in Tanzania.
3. **Consumers are subject to taxes on subscription, devices and usage** – making total cost of mobile ownership (35%) comparatively high & raising the barriers to affordability
4. **Taxes account for about 35% of cost of mobile ownership** by consumers in Tanzania – on same scale as “sin taxes” imposed on services recognised to create negative social & environmental impacts (*tobacco 32%, alcohol 27%, petrol 35%*)



TELECOM SUBSCRIPTIONS

Number of Telecom Subscriptions and Subscription Market Shares			
Operator	JANUARY	FEBRUARY	MARCH
Airtel	13,854,798	13,951,284	13,825,207
Halotel	6,990,239	7,218,269	7,402,864
Smile	12,300	11,779	11,505
Tigo	13,265,870	13,623,180	13,530,281
TTCL	991,736	1,037,503	1,088,452
Vodacom	15,545,038	15,629,772	15,973,809
Zantel	1,028,242	1,045,203	1,053,125
TOTAL	51,688,223	52,516,990	52,885,243

Mobile Taxes on Consumers in Tanzania

- ✚ Airtime excise of about 17% charged on calls, SMS & data in addition to 18% VAT
- ✚ Monthly tax of TZS1000 in addition to VAT (being considered for re-introduction)
- ✚ 10% excise tax on Mobile Money transfer fees, in addition to VAT



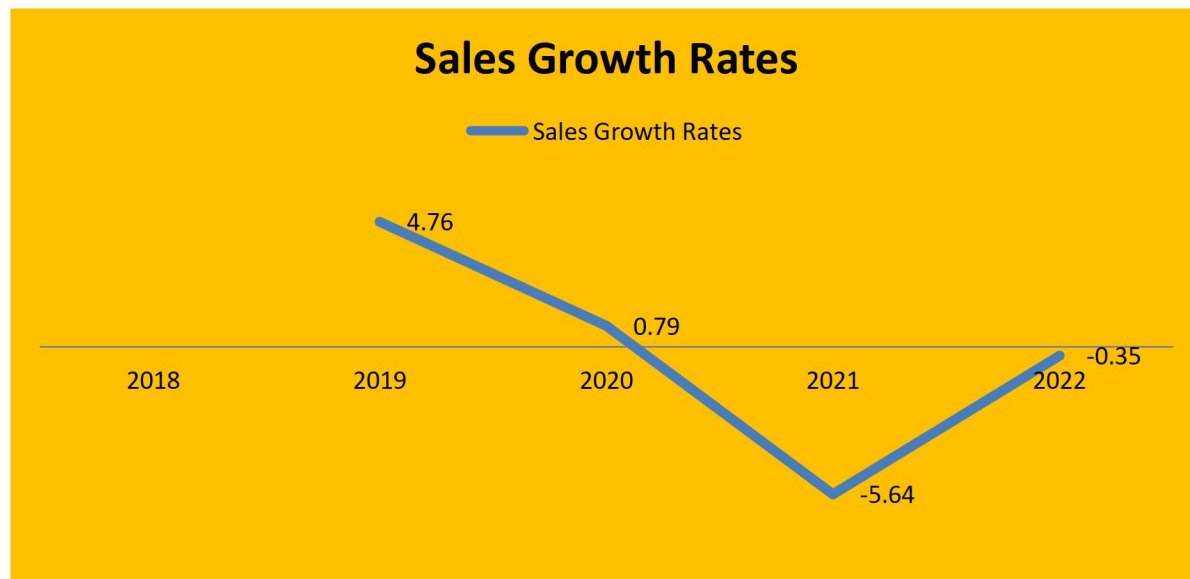
Mobile Taxes on Operators in Tanzania

- ✚ Corporate tax at 30% of annual profits
- ✚ VAT & customs duties
- ✚ Local operating levy of 0.3% of annual revenues (before tax)
- ✚ Universal Service Obligation of 0.3% of annual revenues
- ✚ Surcharge of 48% on international incoming call revenues

Case study-Vodacom Tanzania

years	Sales/Revenues(Tsh. Millions)	Sale growth Rates	Corporate taxes(Tsh. Millions)
2018	977,994.00		46,096.00
2019	1,024,587.00	4.76%	44,126.00
2020	1,032,667.00	0.79%	14,588.00
2021	974,391.00	-5.64%	36,433.00
2022	971,025.00	-0.35%	23,442.00





So how does the Tanzania tax rates and government levies affects corporate business investment regarding of having inflation rates hits 4.6% to 4.7%.

Corporate businesses in Tanzania fight three things:

1. High corporate taxes rates (30% plus other charges)
2. Government levies which affects money circulation by decreases.
3. Inflation rate which tend to increase to 4.6%.



What can we expect....

1. Effects of government levies contribute to shortage of 103.8 Billion Tsh 2022 which is equal to 9.8% from the target to collect due to the impacts of mobile money transaction levies, which seems to be one of the main source of Vodacom revenues.
2. If the government managed to reduce corporate taxes rates to 20%, the company like Vodacom will be able to save more than 54,895 Tsh Millions annually.
3. But also larger tax burdens are associated with lower GDP growth rates.



Main Proposals to Drive Mobile Sectors Business Growth in Tanzania

Mobile sector in Tanzania is the leading sectors with heavily taxes, operator's subjected to more than 10 different taxes plus regulatory fees and charges. Leads operation cost becoming higher every day, this including the cost of MOBILE DATA purchases.

Currently it is difficult to prevent the use of mobile data and use of mobile data increasing every day. Most of us we use mobile data for business purpose to earn income, but also for students they use mobile data and internet for self-study.

Mobile sectors company are the only corporate company in Tanzania that has more than 53 million subscribers, compare to currently Tanzania population which is approximately to reach more than 64 million.

So you can see how much it can affect the economy of many people at once, **the mobile sector in Tanzania pays taxed more than 35% including 30% of the corporate taxes**, which leads cost of operations increasingly rapidly, and the entire burden falls on to the customers and hence leads buying small mobile data at a high cost.

The data that a person has bought to use for a period of 7 days finds him/her using it within one day and perhaps that day does not last and the mobile data is expire.

Therefore, If the government reduce corporate taxes, charges and other fees this will lead to a decrease in mobile company operations costs and bring relief to communication and mobile data usage costs. But also the removal of other charges like Government levies-TOZO will reduce the cost of mobile money transactions, example **Vodacom's sales growth rates for the year 2021 have been seen to decrease by -5.64% and -0.35% for 2022, this is due to the increase in government charges which has led to a decrease in Sales/Revenues because people have reduced the use of mobile money transaction.**



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