



CONTACTS

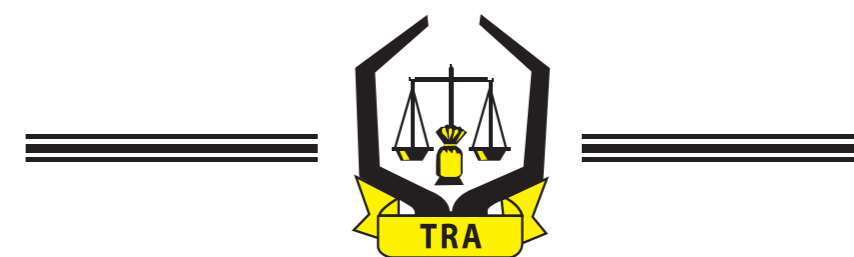
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TANZANIA REVENUE AUTHORITY

ANNUAL REPORT 2014 - 2015

ANNUAL REPORT 2014 - 2015



TANZANIA REVENUE AUTHORITY

ANNUAL REPORT 2014 - 2015

**TRA HEADQUARTERS
DAR ES SALAAM**





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Vision

“To increase domestic revenue through enhancement of voluntary tax compliance”

TRA Mission

“We make it easy to pay tax and make lives better”

TRA Core Values

Accountability: We create and sustain an organization that values and promotes accountability.

Integrity: We believe in being fair and honest in all our dealings with taxpayers and other stakeholders.

Professionalism: We are committed to applying the law consistently, responsibly and with credibility using the skills and knowledge as a prerequisite in administering our requirements



SNAPSHOT OF OUR PERFORMANCE

Actual annual collection for the year 2014/15 for Tanzania Mainland amounted to TZS 9,918.8 billion net of refunds against the annual target of TZS 11,261.7 billion representing a performance of 88.1% and growth of 6.8% compared to actual collections of the same period in 2013/14 which was TZS 9,289.0 billion. Revenue collections for Zanzibar during the year 2014/15 amounted to TZS 143.9 billion which is a performance of 86.7% against the target of 166.1 billion. The collection represents a growth of 5.3% compared to actual collections of the year 2013/14 which was TZS 136.7 billion. A summary of performance for the past ten years is depicted herein below:

(TZS in Billions)

MAINLAND	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/2015
Revenue Target	1,602.90	1,997.10	2,423.00	3,457.80	4,497.10	4,855.90	5,652.60	6,228.80	7,871.40	10,320.10	11,261.74
Actual Collection	1,695.20	2,040.60	2,666.90	3,546.50	4,207.40	4,637.50	5,367.20	6,494.90	7,802.30	9,289.00	9,918.82
Performance	105.80%	102.20%	110.00%	102.50%	93.50%	95.50%	94.90%	104.00%	99.10%	90.01%	88.08%
Average Monthly collections	141.3	170.1	222.2	295.5	350.6	386.5	447.3	541.2	650.2	774.1	826.6
Annual Revenue Growth	20.70%	20.37%	30.69%	32.98%	18.63%	10.22%	15.73%	21.01%	20.12%	19.05%	6.78%
GDP at Market price	13,049.00	15,315.00	19,253.00	23,142.70	27,530.30	30,321.30	35,026.70	41,125.30	49,011.70	55,558.95	84,279.92
Revenue Yield	12.99%	13.32%	13.85%	15.32%	15.28%	15.29%	15.40%	15.91%	15.00%	16.71%	11.76%
ZANZIBAR	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/2012	2012/13	2013/14	2014/15
Revenue Target	28.50	29.20	25.80	36.20	49.20	63.20	69.20	100.60	106.70	147.90	166.1
Actual Collection	20.50	22.40	30.40	39.90	53.90	60.00	76.30	91.60	103.90	136.70	144.0
Performance	72.60%	76.70%	118.00%	110.20%	109.50%	94.90%	110.30%	91.00%	97.30%	92.43%	86.71%
Average Monthly collections	1.7	1.9	2.5	3.3	4.5	5.0	6.4	7.6	8.7	11.4	12.0
Annual Revenue Growth	4.00%	9.26%	35.71%	31.25%	35.09%	11.31%	27.16%	20.05%	13.42%	31.56%	5.34%
FOR ENTIRE TRA	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/2012	2012/13	2013/14	2014/15
Income	50.6	71.1	84.8	93.4	134.8	142	142.5	152.1	217.7	255.0	242.5
Expenditure	49.7	66.5	85.9	95.6	125.6	136.4	145.8	155.5	192.9	229.3	254.8
Net Assets	18.9	45.5	39.7	39.5	48.7	55.1	51.8	48.5	242.7	269.0	258.4
Cost of Collection	2.90%	3.22%	3.18%	2.67%	2.95%	2.90%	2.68%	2.36%	2.44%	2.43%	2.53%
No. of Employee	3,412	3,352	3,324	3,413	3,388	3,430	3,627	3,831	4,006	4,047	4,237

Letter of Transmittal



Hon. Dr Philip I. Mpango (MP)
Minister of Finance and Planning

Hon. Dr Philip I. Mpango (MP),
Minister of Finance and Planning,
P.O. Box 9111,
Dar es Salaam.

In accordance with Section 26 (3) of the (TRA) Act Chapter 399 of the Laws of the United Republic of Tanzania, I have the honour to submit to you the Authority's Annual Report for the year ended 30th June, 2015.

A handwritten signature in black ink, appearing to read 'Bernard S. Mchomvu', is positioned above the name of the Board Chairman.

Mr Bernard S. Mchomvu
Board Chairman

Chairman's Statement



Mr. Bernard S. Mchomvu
Board Chairman

1.0 Introduction

The 2014/15 Report marks the end of the second year of the implementation of the Tanzania Revenue Authority's (TRA) strategically designed five years fourth Corporate Plan (CP4) which commenced in July 2013. As such, the third year of the Plan ended in June 2016 and as of July 2016 we started the fourth year of the Plan.

In brief, the main focus of CP4 is to progressively increase the share of domestic tax generated revenues with the view to comparatively reduce survival dependency on international trade related taxes. To be more specific, the CP4 is pivoted on the three Strategic Themes of Convenience, Compliance and Continual Improvement, elements humbly driven by a number of clearly defined Strategic Objectives and Initiatives. Therefore, this Report is intended to briefly provide the 2014/15 Financial year status of execution of the defined initiatives, performance milestones against the set targets of the Strategic Measures, including Key Performance Indicators.

A total of 42 initiatives were planned for implementation during 2014/15 and up to 30th June, 2015 a total of 14 initiatives had been completed giving a performance level of 33%. The remaining 28 initiatives have been rolled over to 2015/16 and some of them can best be defined as being multi-year projects or undertakings. Cumulatively, a total of 22 initiatives of CP4 had been completed by end of June, 2015 which represents 34% of the overall CP4 initiatives. In total CP4 has 64 initiatives that run up to 2017/18.



Chairman's Statement (Continued)

2.0 Core Functions of Tanzania Revenue Authority

The Authority's core functions are stipulated under Section 5 of the TRA Act cap 399 which include assessment, collections and accounting for Government Revenue; administering effectively and efficiently all revenue laws of the Central Government; advising the Government on all matters related to fiscal policy; promoting voluntary tax compliance; improving the quality of services to taxpayers; counteracting fraud and any other forms of tax evasions, including the generation of trade statistics and publications.

The Fourth Corporate Plan (2013/14-2017/18) focuses on enhancing taxpayer Convenience while interacting with TRA, to enhance tax Compliance and continue adopting innovative practices in tax administration through continual improvements of services and processes to realise the objectives of the fourth Corporate Plan.

3.0 Macroeconomic Environment

The Tanzania economy continued to perform well in terms of economic growth and performance of other macroeconomic variables. Consistent with a steady economic growth of 7.3 per cent in 2014/15, Consumer Price Index inflation continued to decline from 6.4 per cent in 2013/14 to 4.5 per cent recorded in 2014/15. In the outlook, the Tanzanian economy is projected to grow in real terms at 7.5 per cent in 2015/16 from a rate of 7.3 per cent of 2014/15, all supported by an increase in actual production activities and positive improvements covering a range of other enabling macroeconomic variables.

4.0 Implementation Challenges

The original CP4 was prepared and approved by the Board of Directors during the 2012/13 financial year. As already stated, the Plan had a total of 64 strategic initiatives spreading over the entire period of its implementation (2013/14 - 2017/18). After the initial two years of its execution, new developments and challenges emerged which necessitated an improvement review.

For practical reasons, the original CP4 vision was based on a ratio of actual tax revenue collection pegged to the GDP. Under CP4 the 2018 Plan end target was to achieve a collection ratio rate of 19.9 % of the GDP. On the other hand, the Government of Tanzania decided to rebase its GDP from 2001 to 2007, which compelled TRA to change its Vision.

At the same time, the execution of some of the initiatives were behind schedule and hence needed to be re-aligned given the available resources, both human and financial. Consequentially, the resulting revised CP4 has now a total of 70 initiatives, all to be implemented during the period of five years (2013/14 – 2017/18). The current CP4 2018 end target GDP ratio is pegged at 13.9%. In figure terms this is projected to yield Tsh16,391.0 billion during the 2017/18 financial year.

5.0 Major Achievements

TRA continued to undertake fiscal policy measures aimed at improving domestic revenue collection by expanding the tax base. Particularly, this was done through an identification

Chairman's Statement (Continued)

of new sources of revenue as well as through the reduction of unnecessary tax exemptions in order to enable the Government to finance much of its budget requirements own domestic taxes resources. The annual collection for the year 2014/15 was targeted at TZS 11,261.7 billion net of refunds for Tanzania Mainland and TZS 166.1 billion for Zanzibar. Out of the targeted amount, TZS 203.82 billion was associated with new tax measures. The measures comprised also of income tax and excise duty reforms.

In terms of actual collection, TRA was able to collect 9,918.8 billion net of refunds. For Zanzibar actual collection was TZS 143.9 billion. The fact is that we could not meet the set target as per CP4. Despite there being some good reasons for not able to achieve the target, still the Government must get the money it requires to deliver the expected services to the public. As such as a country we had no choice but to double our efforts for the year 2015/16 with the view to do better.

Some of the measures taken were on the Income Tax reforms which comprised of the introduction of a 10% final Withholding tax on Directors' Fees and an increase of the rate of Presumptive Tax from 2% to 4%. On the other hand, excise duty reforms involved the removal of excise duty on money transfer (0.15%); an imposition of excise duty (10%) on Bank Charges or Service Fees in respect of Money Transfers; increase of excise duty from 25% to 30% in respect of imported vehicles aged more than 10 years from the year of manufacture (excluding passenger motor vehicles); increase of excise duty rate from 5% to 10% in respect of imported passenger motor vehicles under specified HS codes; increase of excise duty on tobacco products by 25%; and extension of excise duty on imported furniture which was fixed at 15%.

In the course of reducing exemptions, cement and steel round rods were removed from the List of deemed capital goods under TIC. In the same drive to expand the tax base, all tax exemptions on investments granted to Telecommunication Operators and other investors in Tanzania were removed. There were also few refinements for operational efficiency of the VAT system following the enactment of the New VAT Act in July 2014. Further, streamlining of both the administration and operational processes has been a top agenda in the course of boosting revenue collection. The Enhancement of the Block Management System; working hard on having in place an effective and efficient EFD enforcement mechanism; the use of mobile payment systems; the introduction of TANCIS for customs operations and the tighter control of transit goods have also been instrumental in enhancing revenue collection.

Much as TRA has put in more efforts to enforce the use of EFDs for the proper capturing of volumes of sales and reduction of exemptions, still there is stiff opposition by some business community groups that we continue to plead for the Government's hand. We are happy that in this front the Government is now united in action. As TRA we had our own internal problems to put right and the process continues and we will not stop until the whole house is in order. It is a war that must be won for the good of the Government and the people.



Chairman's Statement (Continued)

6.0 Conclusion

On behalf of the Board of Directors, I thank the Government for the support extended to the Authority, including by way of financing, guidance and direction provided during the year under review and beyond. I would also like to thank the TRA Management and all the hard working staff for their dedication, commitment and consistent focus on the agreed corporate objectives in their day to day activities.

Let me also take this opportunity to extend my sincere gratitude to all our stakeholders especially the Taxpayers, Development Partners, Suppliers and the General Public who have diligently exhibited great trust in us and in our services. Lastly, I would like to extend my much gratitude to my colleagues in the TRA Board of Directors for their valuable participation and contribution in the course of pursuing of our responsibilities as Board members in the spirit of One War One Team. We have to keep moving forward as a credible and respectable institution.

Mr. Bernard S. Mchomvu
BOARD CHAIRMAN

Commissioner General's Statement



Mr. Alphayo. J. Kidata,
Commissioner General

1.0 INTRODUCTION

Tanzania Revenue Authority (TRA) has completed the second year of implementation of the Fourth Corporate Plan (CP4) which commenced in July 2014. The CP4 is mainly focused on increasing share of domestic taxes collection to warrant reduction of dependency on international trade taxes. CP4 is pivoted on the three Strategic Themes of Convenience, Compliance and Continual Improvement which are driven by a number of clearly defined Strategic Objectives and Initiatives.

2.0 CORE FUNCTIONS

The Authority's core functions are stipulated in the Tanzania Revenue Authority Act; Cap 399 which include assessment, collection and accounting for the Government revenues; promoting voluntary compliance; and advising the Government on all matters pertaining to fiscal policy.

3.0 REVENUE COLLECTION

During the financial year 2014/15 the overall revenue collections for Tanzania Mainland amounted to Shs 9,918.8 billion net of refunds. This is equivalent to 88.1% performance against the target of Shs 11,261.7 billion, which reflects a growth of 6.8% over the previous year 2013/14. Revenue collections for Zanzibar were Shs 143.9 billion which is a performance of 86.7% against the target of Shs 166.1 billion. The collection represents a growth of 5.3% compared to actual collections of the previous year 2013/14 which was Shs 136.7 billion.



Commissioner General's Statement (Continued)

4.0 AUTOMATION

TRA continued to enhance electronic services to simplify filing of tax returns, registrations, payments and clearance of goods. During this financial year TRA finalized rollout of Tanzania Customs Integrated System (TANCIS) to all ports, airports and border stations to facilitate speedy clearance of goods. Further, the Authority emphasised on usage of Taxbank interface and mobile payments. The implementation of Taxbank facilitates interface of TRA systems with commercial bank's core banking system. Thus, enables swifter realization of revenue collections and updating taxpayers' accounts in real time.

5.0 ELECTRONIC FISCAL DEVICES (EFDs)

The main objective of introducing EFDs is to increase controls, curb possible loopholes for revenue leakage in the retail and wholesale trade sectors and establish effective strategies for smooth and sustained tax collection. As at 30th June 2015, a total of 32,187 taxpayers have acquired EFDs.

6.0 CHALLENGES

The main challenge that TRA has encountered is the ongoing reluctance to purchase and use Electronic Fiscal Devices (EFDs) by taxpayers on one hand and the public not demanding receipts for goods purchased on the other hand. This denies the Authority the opportunity to assess and collect the correct taxes.

7.0 WAY FORWARD

TRA will continue implementing the remaining CP4 initiatives which aim at creating conducive environment for achieving its focus of increasing domestic taxes. One of the major initiatives to be implemented during the financial year 2015/16 is introduction of a robust Integrated Domestic Revenue Administration System (IDRAS) that will enhance electronic services and simplify taxpayer compliance.

8.0 CONCLUSION

I would like to thank the Government and the TRA Board of Directors for the continued support and guidance. I would also like to thank the staff for their dedication, commitment and diligence in their day to day activities. I would also like to extend my sincere gratitude to all of our stakeholders, especially the Taxpayers, Development Partners and suppliers for their trust and support. Lastly, I would like to extend my gratitude to my colleagues in the TRA Management for their valuable support and cooperation. We look forward to a successful new financial year 2015/16.

"Together We Build Our Nation"

Alphayo J. Kidata.
COMMISSIONER GENERAL

MANAGEMENT REPORT

1.0 INTRODUCTION

During the financial year 2014/15, TRA completed second year of CP4 implementation. The Plan is hinged on the three Strategic Themes of Convenience, Compliance and Continual Improvement which are driven by a number of clearly defined Strategic Objectives and Initiatives. The report contains overview of revenue performance, implementation status of initiatives and areas of assistance by Development Partners (DPs) to CP4 during the year 2014/15.

The annual collection targets target was **TZS 11,261.7 billion** net of refunds for Tanzania Mainland and **TZS 166.1 billion** for Zanzibar. The target is equivalent to an average monthly collection of **TZS 938.5 billion** for Tanzania Mainland and **TZS 13.8 billion** for Zanzibar. This is an increase of **21.2%** from net actual collections for 2013/14 of **TZS 9,289.0 billion** for Tanzania Mainland; and an increase of **21.5%** from the actual collections of **TZS 136.7 billion** for 2013/14 for Zanzibar.

Actual annual collection for the year 2014/15 amounted to **TZS 9,918.8 billion** net of refunds for Tanzania Mainland against the annual target of **TZS 11,261.7 billion** representing a performance of **88.1%** and growth of **6.8%** compared to actual collections of the same period in 2013/14 which was **TZS 9,289.0 billion**. Revenue collections for Zanzibar during the year 2014/15 amounted to **TZS 143.9 billion** which is a performance of **86.7%** against the target of **TZS 166.1 billion**. The collection represents a growth of **5.3%** compared to actual collections of the year 2013/14 which was **TZS 136.7 billion**.

2.0 PERFORMANCE

2.1 TRA Functions

The Act, Cap 399 (Revised 2006) gives the Authority the mandate to perform the following functions:-

- a) Assess, collect and account for Government Revenue;
- b) Administer effectively and efficiently all the revenue laws of the Central Government;
- c) Advise the Government on all matters related to fiscal policy;
- d) Promote voluntary tax compliance;
- e) Improve the quality of services to the taxpayers;
- f) Counteract fraud and other forms of tax evasion; and
- g) Produce trade statistics and publications.
- h) Other functions determined by the Minister responsible for Finance.

2.2 Overall Revenue Collection

2.2.1 Collections in Mainland Tanzania

During the year under review, the overall revenue collection performance for Tanzania Mainland amounted to **TZS 9,918.8 billion** equivalent to **88.1%** against the target of

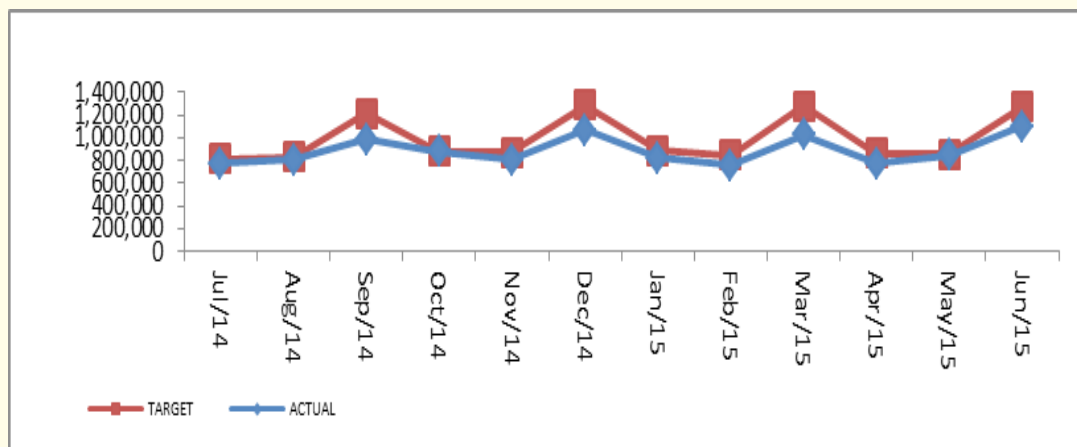
MANAGEMENT REPORT (CONTINUED)

TZS 11,261.7 billion, which reflects a growth of **6.8%** over the previous year 2013/14. The underperformance in revenue collection is attributed to various factors including;

- a) Amendments of corporation tax led to a performance of **61.8%** of the target of **TZS1,503 billion** for LTD and **83.2%** of the target of **TZS 327 billion** for DRD
- b) Taxpayers resistance to pay individual income tax due to increase in presumptive tax rates by almost **100%** led to performance of **77.1%** (Target **TZS 153 billion**)
- c) Non-payment of withholding tax (IRMD) by some companies led to a performance of **50%** (Target **TZS 25 billion**) DRD
- d) Underperformance on Fuel Levy that performed at **86.4%** of the target of **TZS 721 billion** and Excise duty performed at **95.8%** of the target of **TZS 949.7 billion**

Revenue performance during the year under review is summarised and illustrated in **Figure 1** below.

**Figure 1: Monthly Revenue Collection Performance July 2014 – June 2015 - Tanzania Mainland
(Billions TZS)**



	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
TARGET	757.7	775.2	1,158.7	828.1	817.2	1,237.1	831.4	796.6	1,224.4	812.8	805.8	1,216.7
ACTUAL	723.1	737.9	929.6	809.8	738.8	994.8	720.1	736.6	976.6	715.8	795.2	1,040.5

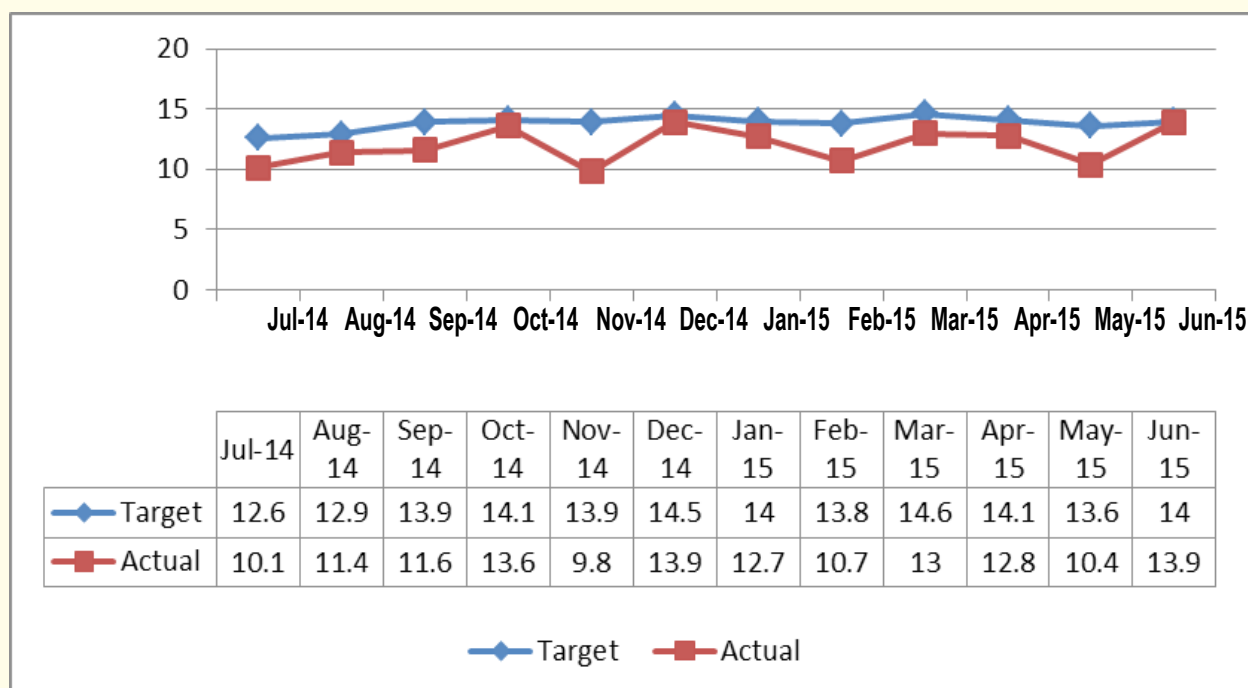
Source: Finance Department

2.2.2 TRA Collections in Zanzibar

During financial year 2014/15 revenue collections for Zanzibar amounted to **TZS 143.9 billion** which is a performance of **86.7%** against the target of **TZS 166.1 billion**. The collection represents a growth of **5.3%** compared to actual collections of the previous year 2013/14 which was **TZS 136.7 billion** as summarized and illustrated in **Figure 2** below.

MANAGEMENT REPORT (CONTINUED)

Figure 2: Monthly Revenue Collection Performance for the Period July 2014 – June 2015 for Zanzibar. (Billions TZS)



Source: Finance Department

2.3 Departmental Performance in Tanzania Mainland

In the financial year 2014/15, revenue growth by departments was **10.53%** for Customs and Excise, **-2.7%** for Large Taxpayers and **23.7%** for Domestic Revenue. Revenue contribution by department to the total tax revenue collected was **40.3%** for Large Taxpayers, **41.1%** for Customs and Excise and **18.6%** for Domestic Revenue **Table 1 and Figure 3** show the summary of the performance and visual presentation for each department respectively.

Table 1: Revenue Collection Performance for the Period July 2014 – June 2015 Tanzania Mainland

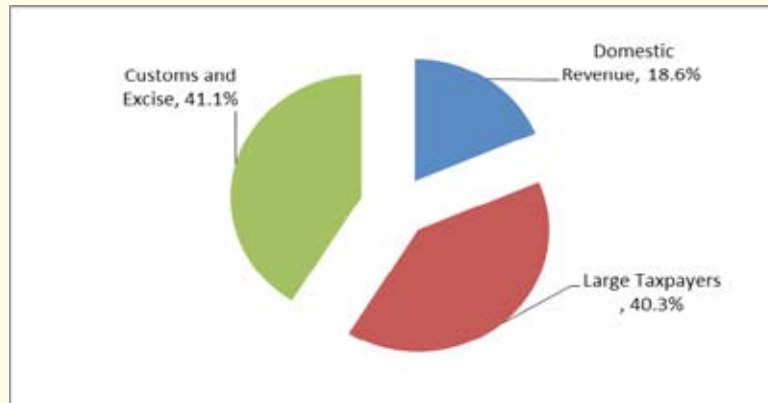
(Billion TZS)

DEPARTMENT	July 2013– June 2014		PERF	July 2014 - June 2015		PERF	GROWTH
	TARGET	ACTUAL		TARGET	ACTUAL		
Domestic Revenue	1,781.7	1,490.9	83.7%	1,994.9	1,845.1	92.5%	23.7%
Large Taxpayer	4,382.0	4,110.8	93.8%	4,891.0	3,998.4	81.7%	-2.7%
Customs & Excise	4,156.3	3,687.3	88.7%	4,375.8	4,075.4	93.1%	10.5%
Total	10,320.0	9,289.0	90.0%	11,261.7	9,918.9	88.1%	6.8%

Source: Finance Department

MANAGEMENT REPORT (CONTINUED)

Figure 3: Departmental Net Revenue Share Contribution for the Year 2014/15



Source: TRA Audited Accounts

2.3.1 Customs and Excise Department

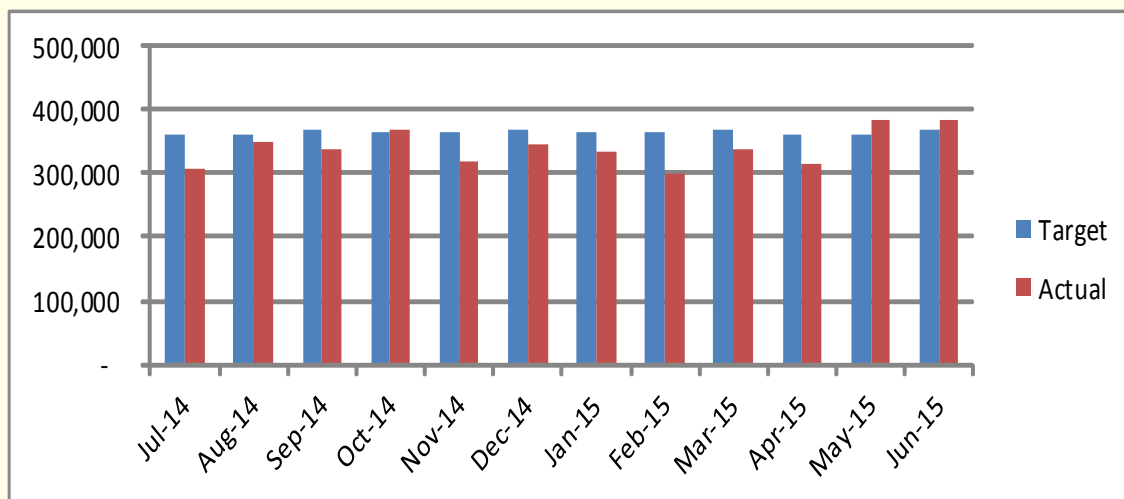
The Department collected a total of **TZS 4,075.4 billion** during the year under review against the target of **TZS. 4,375.8 billion** which represents a performance level of **93.1%**. During the year under review the following tax items performed above **90%** namely Export duty and levy (**135%**), Excise duty imports (**125%**) and VAT imports (**96%**).

During the period under review Customs and Excise Department faced a decline in revenue growth from **23.3%** recorded in June 2014 to **10.5%** recorded in June 2015 due to decline on value of imported dutiable and taxable goods.

The graphical presentation of the total revenue collection by the department on monthly basis for the year 2014/15 is shown in **Figure 4 below**.

Figure 4: CED Monthly Revenue Collection Performance 2014/15

TZS in millions



	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Target	361,024	361,200	367,690	363,744	364,815	368,840	363,041	364,475	369,382	362,652	360,721	368,265
Actual	306,817	348,072	337,225	368,712	319,710	347,186	334,239	298,728	337,956	315,283	383,408	385,961

Source: TRA Audited Accounts

MANAGEMENT REPORT (CONTINUED)

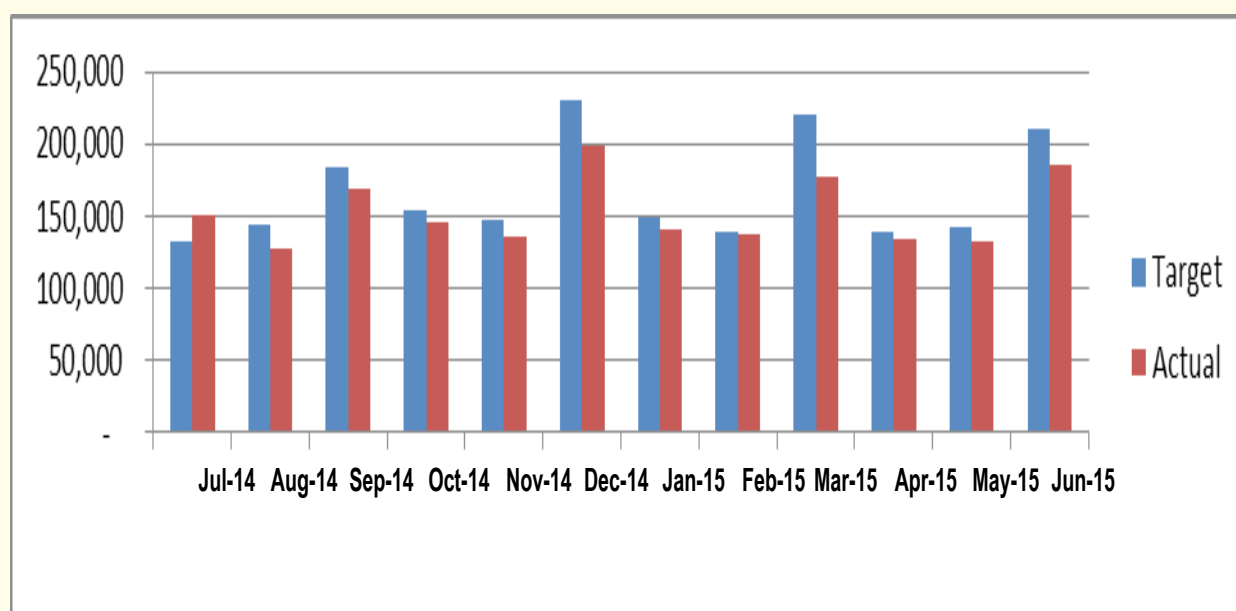
2.3.2 Domestic Revenue Department

During the year 2014/15 the Department collected revenue net of refund **TZS 1,845.1 billion** against the target of **TZS 1,994.9 billion** which is a performance of **92.5%**. The department had a target to collect gross VAT on local consumption of **TZS 431.4 billion** with actual collections being **TZS 448.4 billion**, representing **103.9%** performance rate. The tax revenue collected from stamp duty, departure charges, and motor vehicles taxes were **TZS 240.6 billion** against the target of **TZS 264.8 billion** hence a performance rate of **90.9%**.

Additionally, the direct taxes contributed **TZS 1,195.3 billion** against the target of **TZS 1,322.7 billion** which is equivalent to **90.4%**. The targets of Direct Taxes were attained in the following sectors: Transport **140.2%**, W/Tax (G&S) **105%**, W/Tax Bank Interest **457.5%**, Bed night Levy **282.7%**, and Skills & Development Levy **115.6%**. The Department's performance for the year on monthly basis is shown in **Figure 5** below.

Figure 5: DRD Monthly Revenue Collection Performance 2014/15

TZS in millions



	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Target	132,908	144,833	183,883	154,125	147,497	229,586	149,229	139,741	220,956	139,212	141,782	211,205
Actual	151,568	128,101	169,539	145,147	136,179	199,203	140,912	137,827	177,796	134,084	131,850	185,078

Source: TRA Audited Accounts

2.3.3 Large Taxpayers Department

The Large Taxpayers' Department currently is serving **450** taxpayers countrywide on domestic taxes related services. In financial year 2014/15, the Department collected net revenue amounting to **TZS 3,998.4 billion** against the target of **TZS 4,891.0 billion** which represents a performance rate of **81.7%**. The revenue performances item-wise

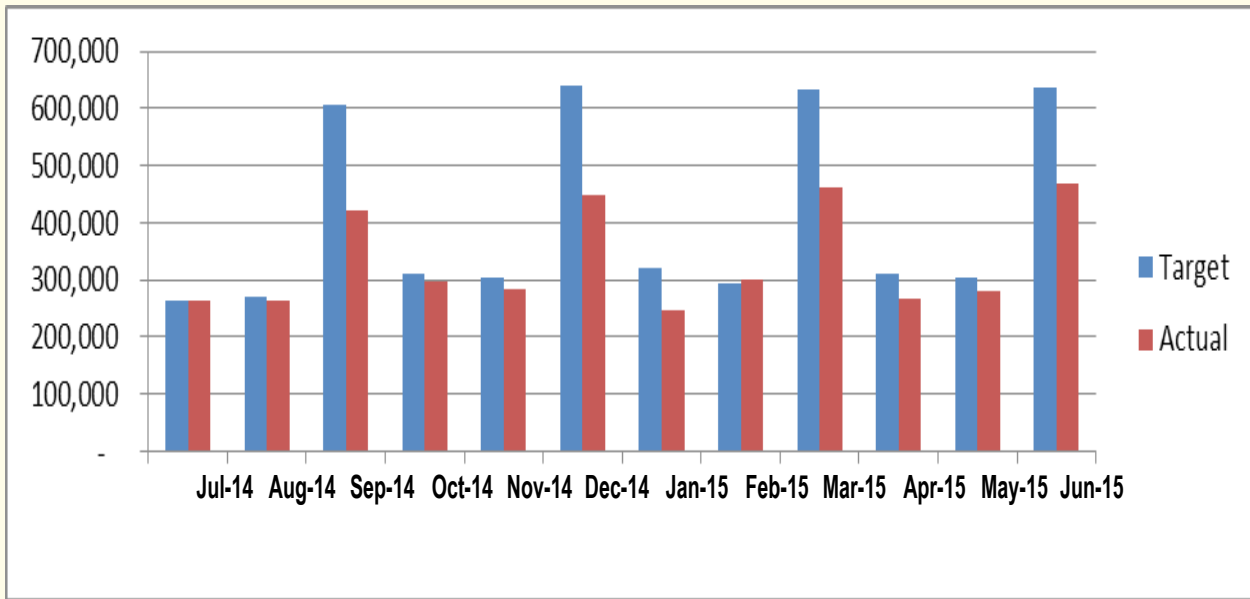


MANAGEMENT REPORT (CONTINUED)

during the period under review were as follows: Corporate Tax **61.8%**, Employment Taxes **92.2%**, W/Tax on Goods & services **84.3%**, and Excise Duty Local **84.3%**. Other item performances include VAT **98.3%**, Withholding Taxes **88.7%**, Stamp Duty **94.4%** and Departure charges **74.5%**. The Department's performance for the year on monthly basis is shown in **Figure 6** below.

Figure 6: LTD Monthly Revenue Collection Performance 2014/15

TZS in millions



	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Target	263,825	269,249	607,143	310,259	304,957	638,717	319,164	292,420	634,130	310,982	303,365	637,222
Actual	264,695	261,767	422,852	295,978	282,874	448,425	244,994	300,036	460,831	266,441	279,992	469,467

Source: TRA Audited Accounts

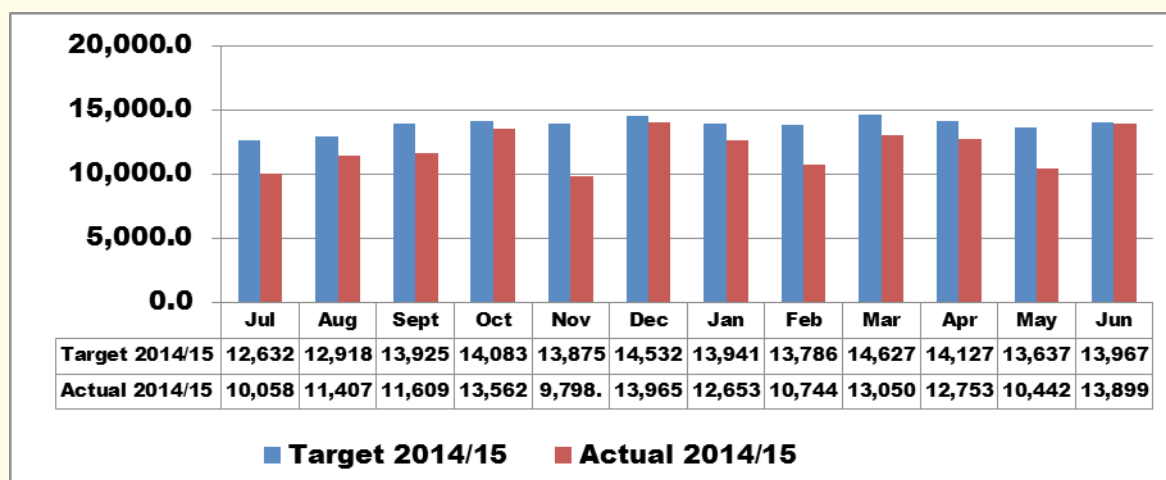
2.4 Revenue Collections in Zanzibar

TRA Zanzibar is mandated to collect Income Taxes and Customs Taxes. Other domestic taxes in Zanzibar are collected by the Zanzibar Revenue Board (ZRB). This report relates to information on taxes collected by TRA Zanzibar. During the year ended 30th June 2015 revenue collection by TRA Zanzibar amounted to **TZS 143.9 billion** compared to **TZS 136.7 billion** in 2013/14 which represents a growth rate of **5.3%**. In terms of meeting targets, TRA Zanzibar performed **86.7%** of the targeted amount **TZS 166.1 billion**. **Figure 7** shows monthly revenue collection against the targets TRA Zanzibar for the year 2014/15.

MANAGEMENT REPORT (CONTINUED)

Figure 7: Monthly Revenue Collection TRA Zanzibar 2014/15

TZS in Millions



Source: TRA Revenue Collection Reports

Revenue collection by the TRA Zanzibar from Customs was **TZS 88.0 billion** against **TZS 87.6 billion** realized in the year 2013/14. This is an increase of **0.5%**. The revenue collected from Customs during the same year represents **61.1%** of the total TRA collections in Zanzibar. The revenue collection from Domestic Taxes for the year under review was **TZS 56.0 billion** against target of **TZS 55.5 billion** thus making a performance rate of **100.8%**. The revenue growth for Domestic revenue in the year under review was **14.1%** compared to revenue collection of the previous year which was **TZS 49.1 billion**.

2.5 Results on Key Performance Indicators and Strategic Measures

Key Performance Indicators measure the nature and scope of efficiency and effectiveness of TRA operations. The target for TIN registered taxpayers up to 30th June 2015 was **2,447,730**, whereas the actual taxpayers registered for TIN was **1,990,032** which is a performance of **81%**. The target for VAT registration by 30th June 2015 was **28,550**; while the actual number of VAT registered was **25,908** by 30th June 2015 which is a performance rate of **91%**. Another indicator was to process **85%** of the total refund claims whereas the actual performance rate achieved was **71%** as at 30th June 2015.

KPIs for Customs operations indicate that TRA has attended to **86%**, **82%** and **64%** of Customs clearance within 24 hours; against annual targets of **94%**, **70%**, and **90%** for land border stations, Dar es Salaam Port and JNIA respectively. On the other hand, Cargo clearance times from arrival to removal at DSM port have improved from 13 days recorded in December 2014 to 11 days recorded in June 2015. The target of effectiveness, in terms of revenue collection performance; DRD was **92%**, LTD was **82.2%** and Custom **91.8%**. For the Strategic Performance Measures 2 Strategic

Measures surpassed or attained the planned targets. Strategic Measures that surpassed or attained target include corruption perception index which is **47%** out of the targeted **46%** and average time taken to accomplish Customs clearance – lodgement to issuance of release order at DSM port which is 0.2 day out of the targeted 1. **Table 2 & 3** below provides Key Performance Indicators and Strategic Measures status as at 30th June 2015.



MANAGEMENT REPORT (CONTINUED)

Table 2: KEY PERFORMANCE INDICATORS REPORT

Department	Area	Particulars	Baseline 2012/13	Target 2013/14	Actual 2013/14	Target 2014/15	Actual 2014/15
Customs and Excise	% Customs clearance made within 24 hours(Lodgement to Issuance of Customs Release Order)	LAND BORDER STATIONS	91	96	81	94	86
	% Customs clearance made within 24 hours(Lodgement to Issuance of Customs Release Order)	DSM PORT	41	95	36	70	82
	% Customs clearance made within 24 hours(Lodgement to Issuance of Customs Release Order)	AIRPORT - JNIA	80	90	78	90	64
	% of Cargo Manifests submitted/registered before arrival of vessel/flight	AIRPORT - JNIA	0	100	0	100	2
	% of Cargo Manifests submitted/registered before arrival of vessel/flight	DSM port	89	100	91	95	93
	Average Time Taken to accomplish Customs Clearance - Lodgement to Issuance of Release Order	LAND BORDER STATIONS	1	0	2	1	0.9
	Average Time Taken to accomplish Customs Clearance - Lodgement to Issuance of Release Order	AIRPORT - JNIA	1	0	1	1	1.4
	Average Time Taken to accomplish Customs Clearance - Lodgement to Issuance of Release Order	DSM Port	3	1	4	1	0.2
	Average Time Taken to clear goods - Arrival to Removal	LAND BORDER STATIONS	1	1	2	1	2
	Average Time Taken to clear goods - Arrival to Removal	AIRPORT - JNIA	3	2	4	2	4
	Average Time Taken to clear goods - Arrival to Removal	DSM Port	9	8	11	7	11
	Revenue Collection Performance (%)		100	100	88.7	100	92.8
Domestic Revenue	Percentage of VAT refunds made within a month		78	85	74	85	71
	Registered Taxpayers	VAT Registered	21,446	28,550	24,346	28,550	25,908
	Registered Taxpayers	TIN Registered	1,609,420	2,128,460	1,783,511	2,447,730	1,990,032
	Revenue Collection Performance (%)		100	100	83.7	100	92.7
	Total Revenue realised from audits/revenue collected		10	10	12	10	13
Large Taxpayers	Number of Taxpayer accounting for 80% of Revenue		50	52	52	54	53
	Registered Taxpayers		450	450	450	450	450
	Revenue Collection Performance (%)		100	100	94	100	82
Internal Affairs	Corruption Perception Index	Stakeholders Perception (%)	50	48	47	46	47
Taxpayer Services and Education	Percentage of Taxpayers awareness on tax education programs	Stakeholders Perception (%)	80	96	95	90	78
	Percentage of written enquires attended within seven days	Website enquiries (%)	95	96	71	97	97

MANAGEMENT REPORT (CONTINUED)

Table 3: STRATEGIC MEASURES

Perspective	Strategic Objective	Measures	Baseline 2012/13	Target 2013/14	Actual 2013/14	Target 2014/15	Actual 2014/15
Financial	Improve efficiency in collection by reducing cost and arrears	% Cost of collection	2.8	3	2.4	2.2	2.5
	Improve efficiency in collection by reducing cost and arrears	% of Arrears to domestic revenue assessed	5	5	1.1	4	3.6
	Increase domestic revenue contribution	% Contribution from large and specialized taxpayers	71	73	73	74	70
	Increase domestic revenue contribution	% Domestic revenue contribution	62	63	62	64	60%
Customer	To be a prompt, technology enabled proactive partner	% Self Service	40	45	45	60	50
	To be a prompt, technology enabled proactive partner	% Voluntary Compliance	45	50		55	96.5*
	To be a prompt, technology enabled proactive partner	Stakeholder perception Index	60	65	68.5	70	**
Internal Processes	Simplify registration, assessment and payment to increase self-service	% Self-assessment	100	100	100	100	100
	Simplify registration, assessment and payment to increase self-service	Average time (hours) to pay tax (Large Taxpayers)	24	18	18	12	12
	Simplify registration, assessment and payment to increase self-service	Average time (days) to register taxpayer	1	1	1	1	2
	Promote prompt clearance to improve trade facilitation	Average time (Days) taken to clear goods (DSM Port)	9	8	11	7	11
	Drive effectiveness in collection, accounting, audit, investigation, and objections	% Objections cases settled	40	40	69.5	40	46
	Drive effectiveness in collection, accounting, audit, investigation, and objections	% of on-time reporting revenue collection (Large Taxpayers)	95	95	100	95	95
Promote segment focused education and service to drive voluntary compliance	% Coverage per Segment	50	60	-	65	50	



MANAGEMENT REPORT (CONTINUED)

Perspective	Strategic Objective	Measures	Baseline 2012/13	Target 2013/14	Actual 2013/14	Target 2014/15	Actual 2014/15
Learning & Innovations	Improve Strategic Human Resource Capacity	% Employees trained as per training needs	50	95	-	95	69
	Develop a culture that drives performance, innovation, collaboration and leadership	% of employees scorecards aligned to corporate objective	10	20	-	40	100
	Improve Strategic Human Resource Capacity	Employees Perception Index	0	0	0	0	0
	Improve Strategic Human Resource Capacity	Skills Index	5	15	-	25	18
	Develop Culture that Drives Performance, Innovation, Collaboration and Leadership	% Implementation of Corporate Plan Initiatives	95	100	22	100	34
	Develop Culture that Drives Performance, Innovation, Collaboration and Leadership	% Key positions with possible successors	0	0	-	20	15
	Increase ICT availability and utilization	ICT Availability (Outreach and Uptime) Index	84	98	95	98	94
	Increase ICT availability and utilization	ICT Utilization Index	60	100	-	100	68
	Enhance good governance capability	% Reduction in integrity cases	2	5	5	15	12

Key: *LTD only ratio of expected returns to filed returns
 **Not conducted during the year 2014/15

3.0 SIGNIFICANT ACHIEVEMENTS IN CP4 IMPLEMENTATION

The Fourth Corporate Plan is based on the three Strategic Themes of **Convenience, Compliance and Continual Improvement** which lay a foundation upon which the strategic direction of TRA is based.

During financial year 2014/15, 42 initiatives were planned for implementation. Out of the planned initiatives, only 14 initiatives were completed by 30th June, 2015 hence making a performance of 33%. Initiatives completed in year 2014/15 are:

- (i). Designing of social media strategy to interact with stakeholders
- (ii). Implementing one stop border post operations
- (iii). Converting tax laws and manuals to be available electronically
- (iv). Establishing taxpayer advocacy services(Tax ombudsman)
- (v). Developing mechanism to improve consistency of responses to taxpayers and first time right across all channels;

MANAGEMENT REPORT (CONTINUED)

- (vi). Developing Formulation of parameters for Legal services involvement in tax operations;
- (vii). Developing Streamlining audit and investigation processes to reduce objections
- (viii). Implementing and monitoring an integrated risk based compliance strategy for domestic taxes;
- (ix). Interfacing IT systems with banks and other government departments/agencies for tax purposes;
- (x). Enhancing forensic laboratories (Dar es salaam and Mwanza);
- (xi). Align training needs analysis to the performance management system
- (xii). Identifying training needs & skills gap for operation and innovative staff and provide training to fill the gaps;
- (xiii). Developing policy and strategy for staff rotation/sharing across the Authority
- (xiv). Designing and implementing an executive dashboard for monitoring and evaluating strategy execution.

In this regard, a total of 22 initiatives out of the entire 64 initiatives of CP4 were completed by 30th June 2015 which represents 34% performance of the overall CP4 initiatives. **Table 4** below provides a summary of planned and completed initiatives status by Themes.

Table 4: Planned and Completed CP4 initiatives for 2014/ 2015

S/NO	Theme	Planned initiatives for 2014/15			Completed Initiatives	
		Planned Initiatives	Rolled Over from 2013/14	Spanned Initiatives	July 2013 – June 2014	July 2014– June 2015
1	Convenience	6	7	4	0	4
2	Compliance	2	5	1	5	6
3	Continual Improvement	7	6	4	3	4
	Sub-Total	15	18	9	8	14
	Total		42		22	

Source: Planning and Modernization Department

3.1 Convenience

The focus of this theme is to deliver cost-efficient, consistent and reliable services to taxpayers. It entails streamlining of processes, optimization of automation opportunities for self-service in order to contribute to shorter service turnaround times and prompt service delivery. There were seventeen (17) initiatives planned for implementation during 2014/15 under this theme. Four (4) initiatives were completed and the remaining thirteen (13) which includes the spanned initiatives were rolled over to financial year 2015/16. Status of implementation of initiatives under this theme is as follows:-

3.1.1 Implement Internal Audit Strategy

The objective of this initiative is to set out Internal Audit's approach for delivery of assurance and consulting services to the Management and TRA Board through its Audit

MANAGEMENT REPORT (CONTINUED)

Committee which will lead to value adding Internal Audit assignments. The Strategy is currently on its second year of implementation and 18 out of 19 activities extracted from this strategy which is 95% have been fully implemented while one activity (Developing Staff Rotation Policy) is awaiting approval. The implementation of the Internal Audit Strategy is expected to be completed in 2015/16.

In line with this, the TRA has requested HMRC to provide assistance in capacity building with the objective of ensuring Internal Audit Department maintains a professional audit function with required skills and competencies that can deliver adequately across the Authority. It is expected that training will focus on Performance Auditing, IT Auditing (Network and Database security), Forensic Auditing tools & digital evidence collection and data mining, Use of automated Audit tools for data analysis (ACL) and Risk Based Auditing.

3.1.2 Identify Skills gap and training needs for Audit, Debt, Investigation, Legal and Taxpayer Service Officers

The objective of the initiative is to enable the TRA to conduct skills gap analysis by accomplishing: assessment of existing employees' skills against work challenges; establishing required skills for each of the targeted job function; developing Skills Map; and designing training programs to address the identified gaps in skills.

This initiative has been merged with the other 'Skills Gap' initiatives to optimize on resource utilization. During the period under review a draft report was presented to Management on 30th June, 2015 for comments. The final draft report will be presented to the management during the first quarter of the financial year 2015/2016.

3.1.3 Implement One-Stop Border Post (OSBP) operations

The objective of this initiative is to facilitate Cross Border Trade through improvement of Customs operations at the border posts for EAC member States and other neighbouring Countries such as Zambia, Mozambique and Malawi. It is expected that when the project is fully implemented it will enable passengers and goods to stop only once at the exit points. The major activity in implementation of this initiative is construction of buildings and the associated infrastructure.

The operations of OSBPs for all EAC member States in Horohoro (Tanzania/Kenya); Namanga (Tanzania/Kenya); Kabanga (Tanzania/Burundi); Rusumo (Tanzania/Rwanda); and Mutukula (Tanzania/Uganda) are expected to start in August 2015 as the construction of most of the OSBPs is to be completed by July 2015. However, Kabanga OSBP is still operating using the existing infrastructure.

Construction of OSBP for other neighbouring Countries such as Zambia, Mozambique and Malawi are at different stages as follows:

- a) **Tanzania/Zambia border (Tunduma/Nakonde)** - The Consultant is finalizing pre-contract design phase whereas finalization of Bills of Quantities and Tender document will be completed by end of July 2015. Preparation for demolition of compensated

MANAGEMENT REPORT (CONTINUED)

structures is to be undertaken by the Office of the Momba District Commissioner, Songwe region by end of July 2015. Also TRA through TMEA are processing procurement of ICT and furniture equipment and prefabricated office structures or extension of the current Customs and Excise building for roll out of the envisaged OSBP pilot operations at Tunduma/Nakonde. The pilot facility is expected to commence by end of November 2015.

b) Tanzania/Malawi border (Kasumulu/Songwe) – The construction of OSBP for Kasumulu/Songwe will be undertaken by TANROADS. By end of the period under review implementation status of the project is at pre-contract design phase. TRA has provided the World Bank with TOR for training of Clearing and Forwarding agents.

3.1.4 Review tax returns and filing procedure to simplify self-assessment

This initiative requires the review and simplification of the tax return forms and filing procedures to enable smooth implementation of self-assessment for all taxpayers.

A working group of nine officers was established in August, 2014 to undertake this task. The team comprises staff from LTD, DRD-HQ, Ilala, Kinondoni and Temeke tax regions. The working group with assistance from the US Treasury Consultant reviewed the existing tax return forms and filing procedures that were presented and approved by the Management by January, 2015. The reviewed forms and procedures will form part of inputs required for the development of e-filing module in the ITAX that will be developed internally by the ICTD staff and is expected to be completed by first quarter 2015/16.

3.1.5 Enhance electronic services (e-filing, e-payments, mobile payment)

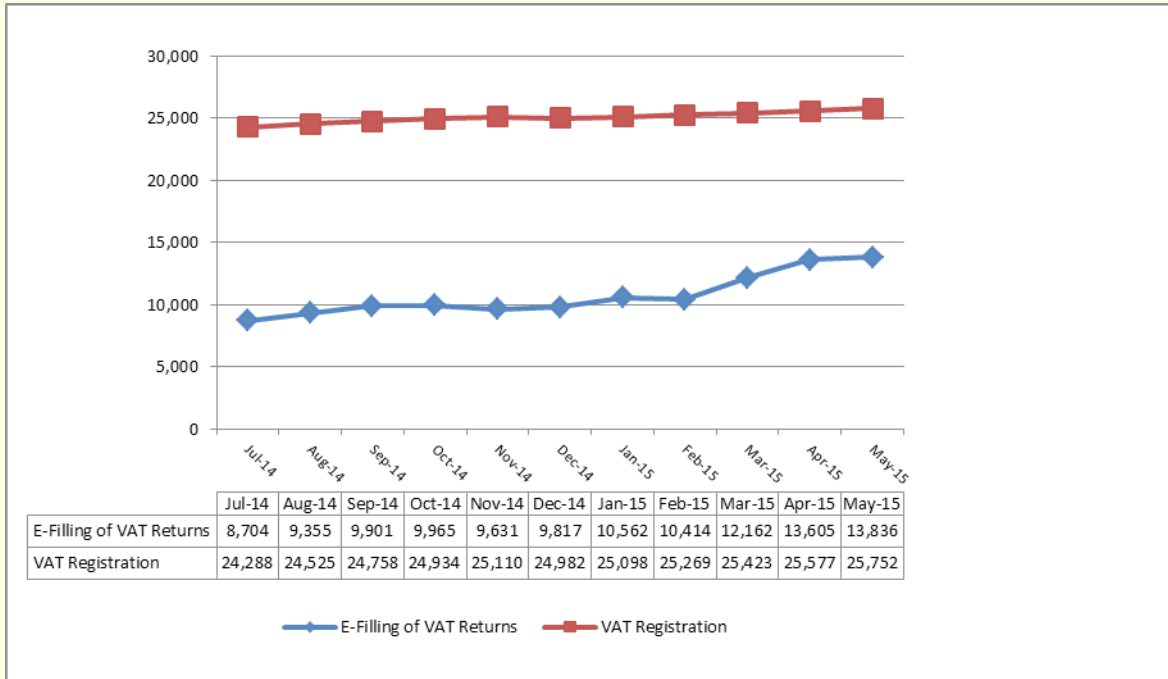
Currently application of e-services is limited to VAT return filing, online TIN/VAT registration and some mobile payments. The initiative requires enhancing electronic services whereby filing of tax returns, registrations and payments are to be done electronically and for all types of taxes. During the period under review, ICTD analysed the user requirement for preparation of System Requirement Specifications (SRS) and System Design Document (SDD) for development of the e-filing of direct taxes. In line with this, the Authority via its technical and business operations teams continued with enhancement of e-payments by emphasising on Taxbank interface and mobile payments. Currently mobile payments are mainly made for motor vehicle taxes payments which include road licenses, transfer of ownership, stamp duties and duplicate motor vehicle registration cards. In future, it will be extended to other types of taxes including driver's licenses. Taxbank is an interface designed by our developers to link TRA revenue systems with commercial bank's core banking system (CBS) to enable transactions to be exchanged between systems for automatic validation of taxpayer's accounts both for customs and domestic revenue in TANCIS and ITAX systems. Taxbank payments are made through bank deposits in special accounts automated to enable straight through processing (STP) of revenue transactions. There are 5 commercial banks which operates live Taxbank operations while 22 banks are at various stages of implementation. The electronic payment methods currently used in revenue collections are mobile, Swift (TISS) and Taxbank.



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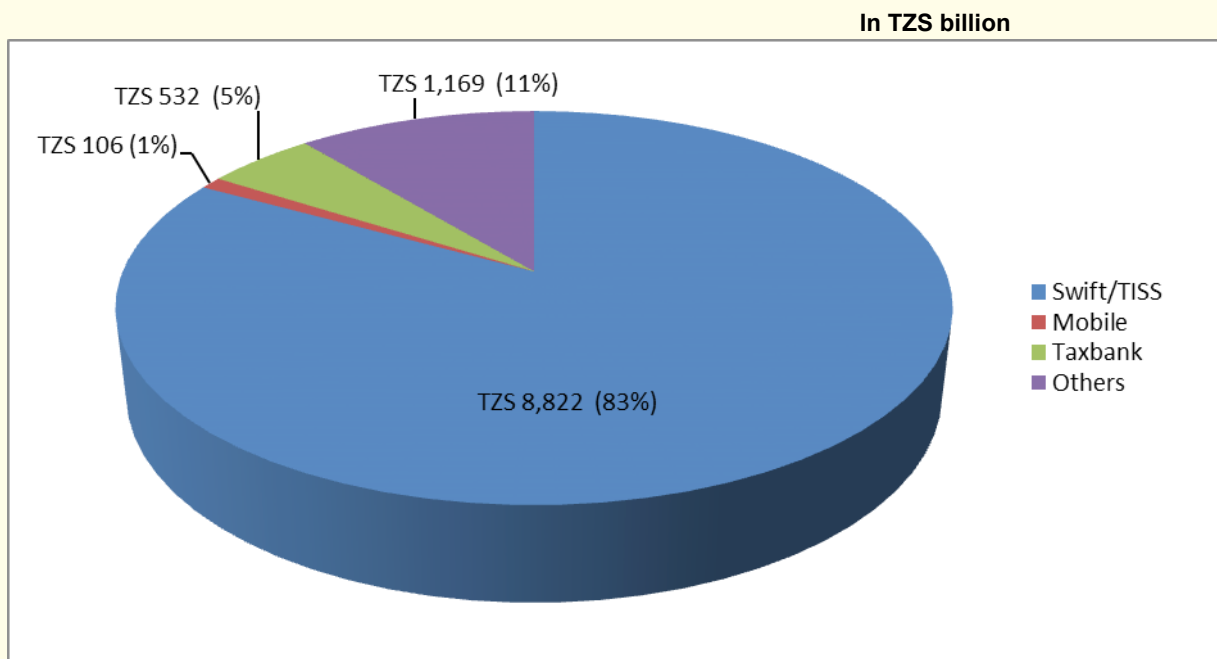
Figure 8 below shows e-filing of VAT returns and registration trend for the period from July 2014 to May 2015 and **Figure 9** shows payment of taxes made through TISS, Taxbank, Mobile and other deposits by percentage during the period from July 2014 to June 2015.

Figure 8: E-Filing of VAT Returns & VAT Registration July 2014 –May 2015



Source: ITAX System

Figure 9: Payment of Tax made through TISS (Swift), Taxbank, Mobile and Other bank deposits June 2014 – July 2015



Source: Finance Department.

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3.1.6 Full implementation of Tanzania Customs Information System (TANCIS)

This initiative entails introduction of a robust Customs Management System to enhance controls, facilitate trade and reduce clearance time at Ports, Airport and Border stations. TANCIS is designed in a manner that facilitates its integration with the internal systems of new Cargo and Risk Management Systems, Revenue Gateway, Electronic Cargo Tracking System, Central Motor Vehicle Registration System, Taxpayer Identification Number system and the anticipated New Integrated Domestic Revenue System (IDRAS). The system will also be integrated with external systems of National Single Window for Trade and the planned Port Community System (Tanzania Port Authority, Internal Container Depots, Tanzania Bureau of Standards, Tanzania Food and Drugs Authority and Clearing agents). Through integration and interface of TANCIS with other operational systems, customs controls are bound to be improved.

During the period under review, implementation of TANCIS Phase II commenced with the development of module for Oil Monitoring, Licensing, Enforcement, and Passenger Clearances followed by deployment of the same in the respective Customs units and stations. TRA Management made a decision to rollout TANCIS alongside the implementation of the Single Customs Territory (SCT) particularly in the stations sharing border with the EAC partner states and later extended to the other stations neighbouring DR Congo, Zambia and Malawi. Rollout to the remaining regions of Kigoma and Rukwa was completed in April 2015 while rollout to Zanzibar will be carried out during financial year 2015/16. In line with this, Modules on Export Processing Zone, Manufacturing Under Bond, Duty free shops, In-flight catering and Online Auction were developed, tested and launched successfully during the period under review. As at 30th June 2015, TANCIS is operational in all major stations Tanzania Mainland.

Furthermore, the pilot clearance of goods under SCT clearance procedures between Tanzania and DR Congo commenced on 6th July 2015 whereby goods to be involved in the pilot would be wheat flour, vegetable cooking oil, motor vehicles, petroleum products and maize flour. Under the SCT arrangements the two countries have adopted destination model of clearance of goods where assessment and collection of revenue is to be done at the first point of entry and goods will enter the DR Congo through Kasumbalesa border (Zambia/Congo). TRA would go for full-fledged SCT in the stations sharing border with the EAC partner states (Kenya, Uganda, Rwanda and Burundi) in the 2015/16 after successful and efficient piloting of the system.

3.1.7 Establish Taxpayer Advocacy Services (TAS)

The initiative requires TRA to establish a framework that could facilitate and be a “go-between” for the public and the government to enhance taxpayer confidence through establishment of tax ombudsman office that act as an independent advocacy mechanism. The TAS will assist taxpayers to resolve problems with TRA and recommend changes to deter recurrence and create conducive environment for fostering voluntary tax compliance. This initiative commenced with support from Her Majesty Revenue & Customs (HMRC) of the United Kingdom who provided consultants to carry out evaluation of the practicability and benefits of establishing Taxpayer Advocacy Services (TAS) in Tanzania.



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During the period under review, a TAS Project Road Map was developed which entails; TAS pilot project; Taxpayer Advocacy Regional Panels (members and compensation packages), Proposed TAS organization structure; Legal framework for the pilot project and project expectations. TAS Road Map and action plan for pilot sites were presented to the Standing Committee of the Board on 26th June 2015. After incorporating comments from the Standing Committee, the revised Road Map will be presented to the Board of Directors for approval during first quarter 2015/16.

3.1.8 Implement filing of personal income returns by all employees (Central Government, Local Government Authorities, Private companies, and NGOs)

The initiative requires employees to file personal income returns electronically to supplement the current practice whereby only employers file consolidated PAYE returns. The objective is to ensure all incomes in addition to employment income are captured and taxed accordingly.

The implementation of this initiative commenced by forming a working team of nine officers from LTD, DRD-HQ, Ilala, and Kinondoni and Temeke tax regions to review legal provisions for filing tax returns by employees. The team reviewed Return forms and proposed legal changes to allow e-filing. Due to the fact that the initiative involves external stakeholders, tax law review/amendment and sensitization to stakeholders, it has been rolled over to FY 2015/16.

3.1.9 Develop and implement Business Continuity Management System

Business Continuity is the capability of the organisation to continue delivery of products or services at acceptable predefined levels following a disruptive incidence. Business Continuity Management System (BCMS) is part of the overall management system that establishes implements, operates, monitors, reviews, maintains and improves Business Continuity.

During the period under review M/S Deloitte & Touche has been contracted by TRA to provide consulting services for developing and implementing Business Continuity Management in TRA following the contract signing on 6th May 2015. The BCM kick-off meeting held on 5th June 2015 was aimed at providing a common understanding between TRA and the Consultant on objectives and deliverables of the project. The meeting comprised the TRA management, Regional Managers from few selected tax regions of Ilala, Arusha, Mwanza, Mbeya, DSM Customs Service Centre, TRA Zanzibar and the Consultant. Following the kick-off meeting, the Consultant presented a draft inception report (work plan) to TRA Management on 16th July 2015. The project will be implemented in a phased approach whereby phase 1 will be for Analysis (Threat Assessment and Business Impact Analysis), phase 2&3 will be for Design and Implementation (Identification of Business Recovery Response Options & Development of Business Continuity Plan (BCP)) while phase 4&5 will be for BCP validation and creating awareness (Management Review, BCP, Testing & Training workshop). BCM project implementation is expected to commence in July 2015 and complete by June 2017.

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3.1.10 Design and Develop Swahili website

This initiative is aimed at providing new communication channel for interacting with taxpayers in Swahili language in order to improve Customer Perception and understanding of the web content thereby increasing voluntary compliance. During the period under review the Consultant M/S TATAKI has been engaged since June 2015 to carry out this task. The website launching is expected in January 2016.

3.1.11 Design a Social Media Strategy to Interact with Stakeholders

This initiative is aimed at increasing channels for interacting with taxpayers through social media that includes; Facebook, Twitter, LinkedIn, You Tube and Instagram in order to improve customer perception and increase in compliance.

During the period under review the social media strategy was designed and approved by the Management on 30th June, 2015. To start with the TSED has been directed to activate Twitter, LinkedIn and YouTube for external stakeholders and a blog for internal use during first quarter 2015/16.

3.1.12 Design a new operating model to drive convenience and efficiency (Head Office and Regional Arrangements)

The initiative requires review of the current operating model based on best practices and challenges. The new operating model will include: Well-defined head office and field operations and lines of reporting; Re-organization of all internal capabilities including people and key processes to support the new operating model; and conducting Change management awareness to implement the new operating model.

During the year under review TRA prepared a summary of IMF recommendations to integrate domestic tax operations that justifies the need for integration and was submitted to the Board for consideration. A detailed document together with an action plan on the way forward for implementation of the initiative as directed by the Board will be re-presented to the Board for approval during financial year 2015/16.

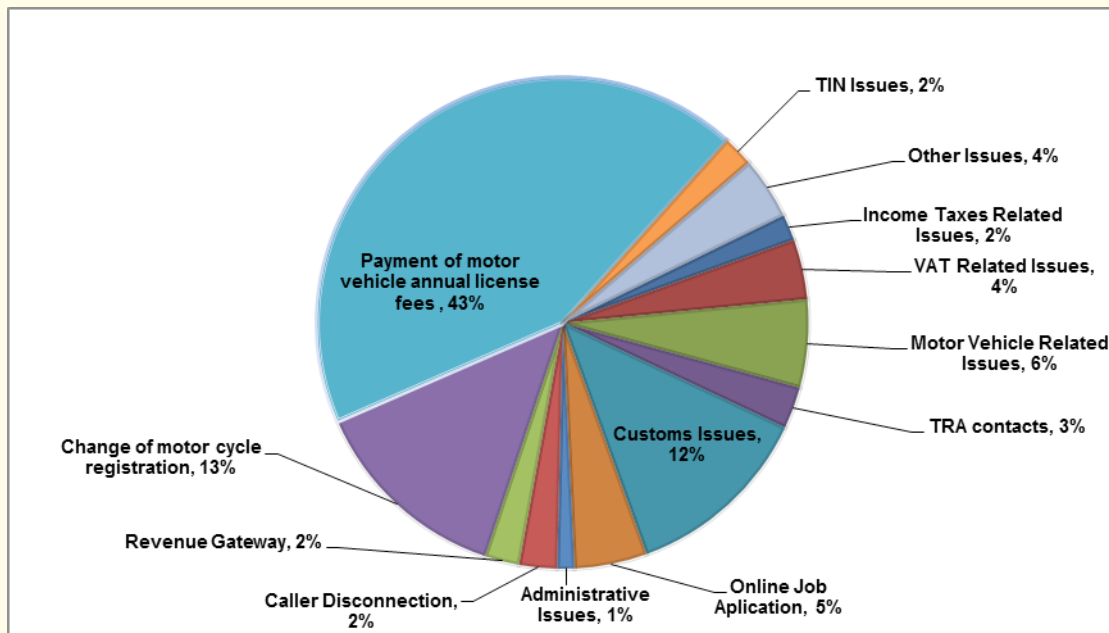
3.1.13 Other Significant Achievements under the Convenience Theme

The TRA Call Centre is among the modes used by TRA to receive customer feedback that complements other means such as contact cards, suggestion boxes, perception cards and email. The Call Centre provides credible and prompt information to customers on inquires and complaints in order to facilitate customers to fulfil their tax obligations swiftly. The enquiries and complaints are gathered in the database for tracking and monitoring service delivery gaps for prompt decision making.

During the period under review, the Call Centre received a total of 18,460 calls which is an average of 1,538 calls per month. Major issues enquired during the period indicates that issues related to Payment of Motor Vehicles annual License fees dominated the calls (43%), change of motor cycle registration (13%), and Customs related issues (12%). Frequency of calls enquiries on major issues attended during FY 2014/15 are illustrated in **Figure 10** below.

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Figure 10: Frequency of Calls/Enquiries Attended on Major Issues for FY 2014/15



Source: Taxpayers Service department

3.2 Compliance

The Compliance theme entails the segmentation of taxpayers to facilitate better allocation of administrative resources and risk-management. The Large, medium and small taxpayers offer very different revenue opportunities and compliance challenges. A comprehensive taxpayer compliance strategy, organization internal capacity particularly on the use of ICT and international best practice will address specific compliance issues for each segment. Under this theme, eight (8) initiatives were planned for 2014/15. Six (6) initiatives were completed and remaining two (2) were rolled over to financial year 2015/16. Status of implementation of initiatives under this theme is as follows:

3.2.1 Streamline Audit and Investigation process to reduce objections

This initiative aims at reorganizing the Tax Audit process and Tax Investigation process in order to improve efficiency through elimination of overlapping activities. This initiative is being implemented in two phases (Phase I audit process and Phase II investigation process) with assistance from NTA and US Treasury.

Testing of the first three audit stages of the audit process started during the NTA visit that was conducted in October, 2014. The working group tested the audit stages which are: Case selection confirmation, case preparation and planning and conducting audit. During the period under review NTA team in collaboration with LTD and DRD conducted testing of four cases (2 cases from LTD and 2 cases from DRD). The testing of the process was successfully completed by NTA as planned and the test results were reported to the CDR and CLT.

The Streamlined Audit and Investigation Process to reduce objections is in place and will

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be operationalized in the 1st quarter 2015/16. The outcome of this exercise will relieve TID from conducting audit and deal with cases of criminal nature only which require prosecution. Additionally the US Treasury Consultant conducted a mission on building capacity to TID staff by ensuring that Investigators are equipped with the knowledge and skills to successfully detect tax fraud and are able to determine potential criminal prosecution as well as develop cases appropriately.

3.2.2 Implement and monitor an integrated risk based compliance strategy for Domestic Taxes

The objective of the initiative is to develop a compliance strategy for Domestic Revenue. The initiative requires development of a mechanism to measure, monitor and report on performance and compliance level of the strategy. Monitoring will be based on sectors and key processes (Registration, Filing of Returns, Audit, Collection & Accounting, Objection & Appeals, Refunds), for each taxpayer segment (large, medium, small). Implementation of the initiative commenced with support from US Treasury to develop a compliance plan for identified sectors. During the period under review TRA Compliance Risk Management Policy and Framework was developed with support of IMF Consultant and final draft of Policy and Framework was presented and approved by the TRA Management on 2nd April 2015. The main objective of this Policy and Framework is to have efficient and effective process for development of a cross-functional compliance strategy and annual action plans through: improved coordination between departments; better use of compliance data and knowledge; focusing resources on key compliance challenges; and emphasizing actions that change taxpayer behaviour. Following this achievement, Compliance Risk Management Strategy working Group (CWG) and Compliance Council which comprises selected Top Management were formed. In line with this Compliance risk management action plan for 2015/16 has been developed and is awaiting Compliance Council approval in July 2015.

3.2.3 Roll-out computer forensic laboratories to additional regions

This initiative aims at rolling out forensic laboratories to additional regions of Mbeya and Arusha to provide them with the ability to use the labs to analyse taxpayer data for the purpose of identifying tax leakages/evasion. TRA was advised by consultants from the US Treasury to use the equipment planned for the proposed roll out in Arusha and Mbeya regions to strengthen the existing Laboratory in Dar es Salaam so as to increase the capacity of the Laboratory to handle cases centrally from all regions. The tender to supply computer hardware and software for Forensic Laboratory was awarded to M/S SANDATA Solutions (T) LTD on 19th June 2015. The supply of the equipment for the laboratory is expected during the first half of Financial Year 2015/2016.

3.2.4 Develop mechanism to improve consistency of responses to taxpayers and first time right across all channels

This initiative entails the following; to assess FAQ and to develop standard answers for all communication channels; Deploy staffs with tax knowledge, communication and interpersonal skills to handle taxpayer enquiries and to maintain enquiries database. It is expected that staff productivity and customer perception will be improved upon completion of this initiative. During the year under review the TSED prepared the first



MANAGEMENT REPORT (CONTINUED)

draft of the Communication strategy which will be presented to Management meeting during the 1st quarter of 2015/16 for deliberation.

3.2.5 Review Performance Management System Criteria for assigning weightage

The implementation of this initiative commenced in April, 2015 by developing a guideline for assigning weightage and conducting performance appraisal. The guidelines reviewed performance management System and proposed weightages to be assigned on each perspective in the Balanced Score Card Performance Management Form cadre-wise. The guidelines for Assigning Weightages and Conducting Performance Appraisal were presented to the Management on 30th June, 2015 and were approved subject to holding consultations with Heads of Departments. It is expected that after consultations and approval of the document by the Board, the Authority will have a robust guide for managing performance and conducting performance appraisal.

3.2.6 Integrate Collection and Accounting Processes to Increase Accuracy in on-time Reporting

Collection and accounting processes are carried out by Finance and Revenue Departments without a robust integrated system to streamline the processes, as a result there had been delays in issuance of revenue collection performance reports. This initiative therefore entails the integration of the two processes in order to increase accuracy and on-time reporting of revenue collection performance.

The Phase I of the project (Revenue Gateway System) was implemented in collaboration between TRA and Bank of Tanzania. The Montran Corporation consultant was engaged in development of an interface system which improved the process of revenue collections and achieved Straight Through Process (STP) between TISS-CBS and PACS at BOT, ITAX and TANCIS at TRA, Commercial Banks and other stakeholders such as Mobile phone operators to enable automation of taxpayer's payment validation in TRA systems.

In increasing automation efficiency, Phase II of Revenue Gateway System was initiated by utilizing internal capacity. The following modules have been developed; fuel levy transaction processing that includes oil payments and deposits by taxpayer and reports

a) Implementation of Computerized Drivers' License System (CDLS)

During the period from 1st July 2014 – 30th June 2015, a total of 402,717 drivers' licenses were issued which generated drivers' license fees amounting to TZS 19.04 billion. Cumulatively a total of 1,497,201 drivers' licenses have been issued since the introduction of the system in September 2010 which generated drivers' license fees amounting to TZS 69.26 billion.

b) Implementation of Electronic Fiscal Devices (EFD) Phase II

The main objective of introducing EFD is to increase controls, curb possible loopholes for revenue leakage in the retail and wholesale trade sectors and establish effective strategies for smooth and sustained tax collection.

MANAGEMENT REPORT (CONTINUED)

The implementation of EFD System to 127,380 Non-VAT traders identified for Phase II continued during the period under review and whereby a total of 11,466 Non-VAT traders have acquired EFD machines as at 30th June, 2015. TRA has a total of 25,908 VAT registered taxpayers out of which 20,721 taxpayers have acquired EFDs machine as at 30th June, 2015 making a performance of 79.98%. A total of 32,187 taxpayers (VAT and Non-VAT registered traders) have acquired EFDs machines as at 30th June, 2015. **Table 5** and **Figure 11** below shows VAT registered traders (cumulatively) and VAT registered Traders with EFD machines (cumulatively) for the period from October 2013 - June 2015 on quarterly basis.

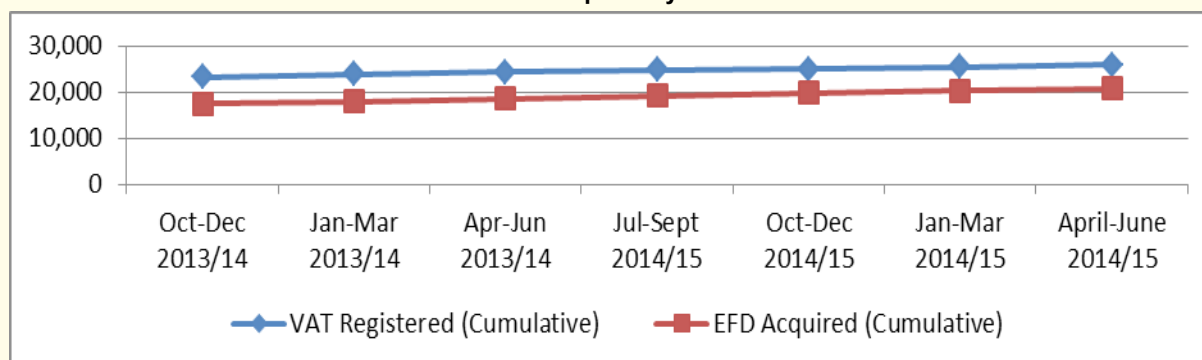
Additionally, the Government has established District, Regional and National Enforcement Committees in order to enhance compliance in acquisition and usage of EFDs. The committees also address challenges which were raised by taxpayers following the introduction of EFDs. The District/Regional committees chaired by District/Regional Commissioners comprise members from TRA and Taxpayers. The National Committee is chaired by the Assistant Commissioner Fiscal Policy from the Ministry of Finance and comprises members from TRA, Ministry of Finance, Ministry of Industry and Trade, Ministry of Home Affairs, Prime Minister's Office and Taxpayers.

**Table 5: VAT registered (cumulative) & EFD Acquired (cumulative)
2013/14 – 2014/15 on Quarterly Basis**

	Oct-Dec 2013/14	Jan-Mar 2013/14	Apr-Jun 2013/14	Jul-Sept 2014/15	Oct-Dec 2014/15	Jan-Mar 2014/15	April-June 2014/15
VAT Registered (Cumulative)	23,163	23,833	24,346	24,758	24,982	25,423	25,908
EFD Acquired (Cumulative)	17,396	17,916	18,546	19,201	19,745	20,201	20,721

Source: Domestic Revenue Department

Figure 11: Cumulative VAT registered Traders with EFD machines against total VAT registered Traders on quarterly basis



Source: Domestic Revenue Department

3.3 Continual improvement

Continual improvement initiatives focus on cultural change and enhancement of operations to minimize administrative costs. A culture of innovation is developed within the organization to incubate new ideas for improvement of operations, building



MANAGEMENT REPORT (CONTINUED)

coalitions with external stakeholders, developing an internal performance culture that is receptive to change and supported by capable leadership that adheres effectively to good governance requirements and is clear on its mandate and accountabilities. Under this theme, seventeen (17) initiatives were planned for 2014/15. Four (4) initiatives were completed and the remaining thirteen (13) were rolled over to FY 2015/16. Status of implementation of initiatives under this theme is as follows:-

3.3.1 Align Training Needs Analysis to the Performance Management System.

The initiative requires training plans to be developed taking into account the training needs extracted from the performance management system as agreed by appraisee and appraiser. Hence the training programme will include the extracted training needs from performance management system and the organizational demand for capacity building.

The department has refined business process which is embedded in ARUTI Human Resources Information System (HRIS) under Performance Management module to allow easy extraction of data generated during performance appraisal exercise. During the period under review departmental training coordinators have been trained on the application of the module and on how it is designed to capture individual Training Needs which will be extracted by them before preparing Annual Departmental Training Plan starting with 2014/2015 performance appraisal which will be implemented during first quarter of 2015/16.

3.3.2 Develop and Implement Succession Planning Program

The objective of this initiative is to identify and develop a talent pool from internal staff with the potential to fill key managerial positions in the organization. The initiative entails: identification of staff with the potential to assume key responsibility in the organization; provision of critical development programmes to those who can move into key roles; building a successor pool database that can be used to make better staffing decisions for key jobs.

This initiative has been aligned to the Corporate Human Resources Policy and Strategy document that covers most of the aspects of developing and implementing succession planning program. The policy and strategy document was approved by the Board in May 2015. The development of Succession Planning and the implementation will be done in collaboration with a consultant during the financial year 2015/16.

3.3.3 Improve ICT Governance and Management Structures and Processes

TRA needs to have clear lines of responsibilities and accountabilities on its ICT management that would ensure among others that, all ICT related security, integrity and risks are properly managed. The initiative entails engaging a consultant to assist in undertaking of the following activities: establishing an effective ICT governance framework to ensure alignment between ICT projects and business objectives, establishing ICT structure and service delivery processes that harmonizes and centrally co-ordinates the management of ICT to achieve economies of scale, and recognizing the unique requirements of each business unit. The process to engage a Consultant to carry out this initiative was initiated during the year under review whereby financial proposals were received and opened on 1st July 2015. Combined evaluation of technical

MANAGEMENT REPORT (CONTINUED)

and financial will be done in the first quarter 2015/16. It is expected that the TRA Tender Board will approve and award contract to the successful bidder during 1st quarter 2015/16.

3.3.4 Implement Administrative Reforms of the TRA Informal Sector Study

This initiative is aimed at bringing the informal sector into tax net. This initiative entails implementation of the administrative recommendations from the informal sector study that was conducted by the TRA previously.

During the period under review the working group comprising members from DRD Head Office, Dar es Salaam Tax Regions and Municipal Councils identified workable areas. To start with unregistered garages in Kinondoni were identified as pilot project. The owners of unregistered garage were allocated with permanent working places by the Kinondoni Municipal council. The Kinondoni tax region has identified a total of **38** unregistered garages and a total of **TZS 3,613,744** was established and collected as tax by 30th June 2015. The exercise will span into other large regions during FY 2015/16.

Other identified workable areas include proposal for review of the current presumptive tax rates which have been effected through Finance Act, 2015 by reducing minimum presumptive tax rate from TZS 200,000 to TZS 150,000. Proposal to introduce GIS System to facilitate monitoring of Taxpayers movement, utilization of Regional EFDs Committees as well as District Tax Advisory Committees to address issues pertaining to informal sector.

3.3.5 Improve ICT Service Delivery

Effective and efficient service delivery through the use of ICT is vital to TRA in order to reduce cost of collection. The initiative aims at providing additional solutions and services that will increase savings across the authority. The initiative will be achieved through; Full implementation of Information Technology Infrastructure Library (ITIL) framework for service management and defined ICT to Business service level agreements (SLAs). The process of engaging a Consultant to carry out this initiative was initiated during the period under review whereby financial proposals were received and opened on 1st July 2015. Combined evaluation of technical and financial will be done in the first quarter 2015/16. It is expected that the TRA Tender Board will approve and award contract to the successful bidder during 1st quarter 2015/16.

3.3.6 Review and Strengthen the Information Security Management Programs (Enterprise Security Architecture)

The objective of this initiative is to describe the activities that relate to the protection of information and information infrastructure assets against the risks of loss, misuse, disclosure or damage; and controls that an organization needs to implement. The initiative entails; operationalizing ICT security policies; implementing security governance and management framework based on ISO 27001 standard and conduct training and capacity building.

TRA has requested HMRC to assist in provision of Technical Assistance in the reviewing and strengthening the information security management programs (Security



MANAGEMENT REPORT (CONTINUED)

Enterprise Architecture). TRA is expected to utilize the experience gained from HMRC in accomplishment of acceptable security levels in Revenue Authorities worldwide. During the period under review, the HMRC visited TRA and conducted a review of the AS-IS Information Security Controls that are in place and recommendations were issued in June 2015. As per recommendations TRA aims at introducing security elements in the on-going Enterprise Application Architecture Initiative. Hence it was mutually agreed that HMRC is to work on the inputs and come up with templates/documents that will assist TRA to instil security elements in the Enterprise Architecture.

3.3.7 **Enhance Practical Nature of ITA Training Programmes**

This initiative is intended to enhance constant interaction between ITA trainers and relevant practice, entrench the Competency Based Education Training (CBET) approach as the primary delivery methodology and introduce internship requirements for trainees.

During the period under review ITA adopted initiatives geared towards enhancing practical nature of programs offered at the Institute. These include the introduction of Instructors' cadre in the Authority's Career Pathway to create an incentive for competent and experienced staff working in various departments to be transferred to ITA horizontally as full time trainers. ITA management presented council paper to the Governing Council during its 106th meeting held on 27th March, 2015. The Governing Council approved the carrier pathway for Instructors carder that was later presented and approved by the TRA Management on 30th June 2015. Additionally, ITA training programmes have been reviewed and Pre-service Graduate Training Programme (PGTP) was introduced in April 2015. A total of 150 new staff are currently undergoing the PGTP.

3.3.8 **Maintaining TRA Quality Management System (QMS) – ISO 9001:2008**

TRA is certified for Quality Management System (QMS) based on the **ISO 9001:2008** International Standard. As a requirement of this Standard, TRA conducts Internal QMS Surveillance Audit twice a year.

During the period under review TRA successfully attained the **ISO 9001:2008** re-certification following an external surveillance audit conducted in November 2014 by Bureau Veritas which was after independent confirmation that TRA meets the requirements of **ISO 9001:2008**. The ISO certificate number **IND15.6179U/Q** which is valid from 11th March, 2015 to 10th March, 2018 was issued to the Commissioner General on 17th March, 2015. As per the requirements of the standard and in line with the Annual QMS Internal Audit Program, TRA conducted the 15th Internal Quality Audit from May – July, 2015 to all tax regions, Zanzibar, Pemba, HO&HQ offices.

3.3.9 **Design and Implement an Integrated Enterprise Application Architecture**

TRA is implementing a number of standalone systems such as TANCIS, ITAX, and ARUTI etc.; which pose a challenge on information sharing. TRA is intending to introduce Integrated Enterprise Application Architecture (EA) that will support information sharing across the organization.

During the period under review, brief awareness training on Enterprise Architecture was presented to the members of TRA ICT Steering committee and other invitees in January

MANAGEMENT REPORT (CONTINUED)

2015 by the Danish Consultant as part of the project implementation. Working sessions on information gathering, analysis and verification was done by the various working groups of the EA project in Morogoro in March, 2015 as preparation for the next steps.

The Danish Consultant conducted workshop on Enterprise Architecture related challenges, Business Strategy Synthesis, IT principles, Rationale and Implications to the working groups of the project from 4th – 8th May, 2015. The workshop was followed by working sessions on documenting operational TRA Business model and AS-IS application, information and Technology Architectures from 22nd June – 3rd July 2015. Working sessions on the TO-BE application, information and Technology Application Architectures and identification of transition projects will be conducted in the first Quarter of 2015/16.

3.3.10 Assess the Possibility of Rebranding TRA

TRA has been viewed as an Authoritative agency by stakeholders. The aim of this initiative is to carry out an assessment for changing the perception of TRA to a service oriented organization and make necessary changes to reflect the desired image and culture.

During the period under review the Consultant from HMRC of the United Kingdom through DFID visited TRA to review the current brand and concluded that there is considerable scope for TRA to rebrand to reflect a more modern and outward-facing image. The rebranding will require a range of activities with a view to creating a long-term brand identity that clearly and consistently communicates the values and core functions of TRA across all touch points. This includes:

- a) production of guidelines to set out the basic principles behind the identity – colours, typeface, imagery and language and tone
- b) application of the identity across stationery, publicity and marketing, digital channels, environmental graphics

In addition the initiative will need to consider how it engages with both its staff and its customers. The review report will be presented to Management for decision and way forward during first quarter 2015/16.

3.3.11 Improve Perception Survey to include Taxpayer Loyalty

Taxpayer Loyalty is measured by ratio of Expectations to Experience by taxpayers. The initiative therefore intends to improve the instruments used in conducting perception surveys so as to measure the level of Taxpayers' loyalty. The survey will be carried by a consultant whose procurement process is expected to be completed by August 2015.

3.3.12 Roll out of Gemba Kaizen Management System – Phase III

The aim of introducing GKMS in TRA is to provide a climate in which creativity and value addition flourish. Continuous Improvement (Kaizen) is one of the core strategies for excellence in service delivery and is considered vital in today competitive environment. Kaizen lead to identify the problems in the working environment, proposing solutions and making positive changes.

During the period under review GKMS roll out phase III was implemented in the remaining regions of Rukwa, Mara, Lindi, Manyara, Kigoma, Singida and TRA Pemba.



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The implementation commenced in 15th December 2014 and came to an end on 26th June 2015. To build continuous improvement and embracing Gemba Kaizen culture in TRA, the roll out exercise involved establishment of GKMS committee/team in each region/department to oversee Gemba Kaizen implementation within the departments/Regions. A consolidated report on the GKMS implementation program for the entire organization will be submitted to the management by 31st July, 2015.

4.0 DEVELOPMENT PARTNERS ASSISTANCE

4.1 TMP Basket Fund

TRA continued to receive financial and technical assistance from Development Partners (DPs) in the support of the implementation of CP4. The DPs include DFID & HMRC, DANIDA, US Treasury, NORAD & NTA, ICF, IMF East Afritac, World Bank Group and JICA. The technical assistance support was mainly on specialized sectors audits, as well as on strengthening overall tax administration and organizational development.

During financial year 2014/15, the Authority planned to utilize TMP Basket Fund supported by Development Partners to procure various Goods and Consulting Services for a total of twenty one (21) packages worth **TZS 22,931,302,500.00**; (**USD 13, 489,001.47**) out of which five (5) packages worth **TZS 17,252,230,700.00** (**USD 10, 148,371.00**) are for Goods while the remaining sixteen (16) packages worth **TZS 5,679,071,800.00** (**USD 3,340,630.47**) are for Consulting services.

Up to 30th June 2015 the DPs had disbursed funds to support budget implementation through the basket fund as delineated in **Table 7 below**.

Table 7: TMP Disbursements as at 30th June 2015

Item	Amount in USD*	Amount in TZS
Basket Fund opening balance	2,375,992.20	4,080,053,805.84
DFID	8,221,004.72	14,117,109,305.18
DANIDA	1,940,343.25	3,331,957,428.90
Norwegian Fund	2,779,047.55	4,772,180,452.86
ICF	327,582.00	562,523,810.40
Total	15,643,969.72	26,863,824,803.18

Source: Bank of Tanzania (*Exchange rate: 1 USD = 1,717.20 as at 31st December, 2014)

During the period under review, **USD 7,655,970.16** has been transferred from Basket fund holding account to TRA Commissioner General Account. The detailed report of the implementation of the same was produced on 15th August 2015.

4.2 Technical Assistance

TRA continued to receive technical support from various Development Partners including Norwegian Tax Administration, US Treasury, DFID/HMRC, DANIDA, IMF East Afritac)

MANAGEMENT REPORT (CONTINUED)

and Investment Climate for Africa (ICF). During the period under review the following Technical Assistance were received.

4.2.1 Norwegian Government

The Norwegian Government through the Norwegian Embassy in Tanzania has been providing technical support to the TRA. The support programme covers the years 2012-2015 and the objective of the support programme is to attain a reduction in the tax gap through improving tax compliance. The support programme was officially completed on 30th June, 2015 and negotiations for extension are on-going.

a) Norwegian Embassy

During the period under review the Embassy provided training support in the following areas: Training on ADAPT II and Vertical integration chain and modelling techniques and practical work; Training on Mining and Petroleum; and Benchmarking visit to Indonesia to acquire practical experience on revenue administration on mining, oil & gas.

b) Norwegian Tax Administration (NTA) support to TRA

NTA signed 3 years (2013 – 2015) agreement with TRA to provide technical assistance in following areas: An integrated risk based compliance strategy for large taxpayers; Transfer pricing; Clearing Backlog of nine companies (for the years 2007 - 2010) and Improved Audit process.

During the period under review Norwegian Tax Administration has assisted TRA in clearance of audit backlog – (Re-assessments for the 7 backlog cases have established taxes of over **USD 50 million** and reduced the declared tax losses by over **USD 500 million**) and has continued streamlining audit process & Objection process; Implementing a risk-based compliance strategy for large taxpayers.

Norwegian Embassy has facilitated Training Workshop, provided Short courses on Mining and Petroleum sub-sectors also facilitated benchmarking visits to TRA staff. It has supported the development and implementation of risk library database for field audit case selection process. Further supported in development of Transfer pricing guidelines which are now operational that has improved audit process as well as improved audit documentation procedure and audit tool kit (APTRA). Also the Norwegian Government has provided Financial and technical support to develop a model for monitoring and evaluation of Oil, Gas and mining. TRA is negotiating with the Norwegian Embassy & NTA on possibility of extending the agreement and entering the Basket Funding arrangement.

4.2.2 US Treasury

The United States Department of Treasury, the Revenue Policy and Administration Advisory Program of the Office of Technical Assistance (OTA) provides technical assistance and cooperation to Ministry of Finance and TRA to assist in the efforts to increase revenue generation, broaden the tax base, and increase compliance in the payment of taxes. The objective of this assistance is promotion of fairness and transparency in taxation and tax systems. OTA provided assistance to TRA in



MANAGEMENT REPORT (CONTINUED)

strengthening effectiveness of tax audits in the specialized sectors (financial services, tourism, construction, and telecommunications); and expertise in the audit of transfer pricing transactions of multinational enterprises. Support is also being given on devising a Compliance Strategy for domestic tax operations and strengthening capacity in Tax Investigation operations.

During the period under review, four deployments were carried out. A mission was conducted to build capacity in Tax Investigation operations in January 2015. During this mission, TRA was assisted Tax investigation department in closing non-criminal potential inventory, developing the fraud referral program and training to TID staff on managing criminal tax organization.

The second deployment was conducted in January-February, 2015 to provide technical support on the development of the final draft of specialized audit guide for the Tourism Industry sector; and other audit guides for construction, telecommunication and financial institutions.

A third mission was conducted in March, 2015 to assist TRA to build capacity in the International Tax Unit. The activities performed during the mission includes: on-job assistance in reviewing cases that have been actively worked (five transfer pricing cases and one with a bank structured loan); utilization of financial database tool for case analysis; developing well prepared transfer pricing reports.

The mission to finalize the 2015 Work Plan and discussing TRA's interest in OTA support beyond this year was conducted between March and April, 2015. It has been agreed that there are six areas where additional technical assistance can be productive and where OTA has appropriate capabilities to provide them. These include;

- a) Enhancing the effectiveness of audits of businesses in key industries (financial services, including financial instruments, tourism, construction, and telecommunications);
- b) Building expertise in the audit of transfer pricing issues on multinational enterprises;
- c) Improving tax forms and related documents used by taxpayers to provide data to TRA;
- d) Developing sector wise Compliance Action Plans and measuring outcomes from these strategies;
- e) Building capacity in Tax Investigations Department;
- f) Developing strategies within the Annual Compliance Action Plan and measuring outcomes from these strategies; and
- g) Reviewing plans and addressing issues that arise in the deployment of the new electronic tax system.

TRA has signed a work plan with US Treasury to continue with assistance/support in 2015/16. Additionally, TRA and U.S. Department of Homeland Security U.S. Customs and Border Protection signed Memorandum of Understanding to facilitate the exchange of customs expertise on 10th March 2015.

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4.2.3 IMF (FAD & East Afritac)

The IMF continued its support to TRA through Technical Assistance Program following the previous FAD missions that had recommended to TRA the need of developing a comprehensive compliance strategy anchored on effective taxpayer service and education, enforcement and collection, and audit and investigation functions.

The TRA recognizes the need to strengthen its audit practice and received technical assistance from IMF on Strengthening Audit practice with a focus on Computer assisted audit. The mission was conducted from March, 2015 to review the current audit procedures and practices and to make recommendations for improvement. The second mission was conducted in April, 2015 on Developing a Compliance Risk Strategy and Plan in Tax administration.

TRA Compliance Strategy Policy & Framework team was established by drawing members from department of Large Taxpayer, Domestic Revenue, Tax investigation, Taxpayer Services and Education, Research and Policy and Planning and Modernisation. With the assistance from IMF technical advisor the team developed TRA Compliance Risk Management Policy and Framework which was presented and approved by the Management on 2nd April, 2015. The policy guides the authority in the management of risks that directly impact the domestic taxes and among others, provide step by step instructions to follow during the identification of risks and Compliance Risk Management Government structure. In line with this, Compliance Risk management Plan for FY 2015/16 has been initiated and upon completion will be used as a basis for development of compliance strategies for domestic taxes starting FY 2015/16. Additionally, IMF East AFRITAC provided support for development of compliance strategy for extractive industry in May 2015.

4.2.4 DANIDA

TRA continued to utilize the support provided by the Government of Denmark during the period under review whereby the Danish Ministry of Foreign Affairs and Tanzania signed an agreement to provide DKK 70m in May, 2015 to support TMP.

The Danish Ministry of Taxation (SKAT) is providing Technical assistance to TRA in the establishment of the Enterprise Architecture as part of Enterprise Application Architecture initiative. During period under review Enterprise Architecture pre-kick off sessions to the departments and stakeholders was conducted on 21st - 23rd January 2015. Four working groups were established and given assignments to work on. The established working groups are: Information and Application; Business; Technology; and Project Management. Then followed by a video conference that was held on 19th March, 2015 at Danish Embassy in Dar es Salaam whereby EA working groups were briefly assigned tasks.

The Danish Consultant conducted workshop on Enterprise Architecture to the working groups of the project from 4th – 8th May, 2015. The workshop was followed by working sessions on documenting operational TRA Business model and AS-IS application, information and Technology Architectures from 22nd June – 3rd July 2015. Working sessions on the TO-BE application, information and Technology Application



MANAGEMENT REPORT (CONTINUED)

Architectures and identification of transition projects will be conducted in the first Quarter of 2015/16.

4.2.5 Department for International Development (DFID)/HMRC

a) DFID

The Government of United Kingdom through Department for International Development (DfID) provides financial and technical assistance support in implementing CP4. The financial support is provided through the basket fund arrangement is worth **£17 million** spread in tranches for the 5 year period and **£3 million** for technical support through Her Majesty's Revenue and Customs (HMRC). HMRC's technical support is provided in the form of short-term deployments into TRA by HMRC experts.

During the period under review, presentation on TANCIS QA to the TRA Senior Management was made on 3rd March, 2015. The presentation highlighted the findings of the QA conducted by Crown Agents and gave recommendations and their implications to TRA. The key focus of the presentation was to give insight into the QA aspects of TANCIS while building internal capacity around QA and the testing process, methodologies and tools in order to enable TRA improve their ability to manage and deliver the System.

The DFID is also assisting TRA through providing Technical Assistance (procurement agent) for procurement of an Integrated Domestic Revenue Administration System (IDRAS) following two failed attempts to identify a suitable supplier of the system through the normal procurement process. This has significantly delayed implementation of a number of CP4 initiatives which have a dependency on IDRAS implementation. Procurement agent to assist the procurement process of IDRAS was engaged in May 2015. The assignment to be carried out by the agent includes working with TRA to understand the reasons for failure of the previous IDRAS procurement and enhance future procurement capacity within the Authority. It is expected that contract for supply and commissioning of IDRAS will be awarded by end of March 2016.

b) HMRC

During the period under review, deployment from HMRC Technical Advisors to support TRA on Physical and Digital Security was carried out in March, 2015. During this deployment the following activities were conducted: Security vulnerability assessment to the new TRA HQ building to identify the security level and provide professional advice to ensure the new building is fitted with modern physical and digital security; Evaluation and advising TRA on how to install a modern and digital security in the remaining offices. The report on situational analysis and proposal for enhancement of TRA physical and digital security was presented to the Management on 24th February 2015. Additionally, HMRC commenced External Transparency and Integrity review (Phase I) by meeting TRA top Management to discuss the existing integrity management system of TRA. Also they met few external stakeholders from Dar es Salaam tax regions. Phase I report was submitted by the Consultants in June

MANAGEMENT REPORT (CONTINUED)

2015 and Phase II of the assignment commenced on 8th July 2015.

TRA is set to get support from HRMC in Automatic Exchange of Information (AEOI). The objective of this initiative is to enable Tanzania to receive and share information automatically (for example, information about bank accounts held by residents overseas). This aspect of information exchange is in addition to any work on on-demand exchanges such as through bilateral or multilateral treaties. Automated exchanges have practical advantage of using relatively little resource input to gather the data once the system is set up.

Furthermore, HMRC and DFID EOI team conducted video conference between key TRA officials and officials from HMRC, DFID UK on 25th March, 2015. The purpose of the meeting was to develop a wider shared understanding of Tanzania's preparedness for AEOI and to discuss support that HMRC might most usefully provide. The meeting agreed that HMRC will play a role in assisting TRA to move towards regular exchanges of information across borders. The support could usefully cover an IT needs/gap analysis as well as practical support on the processes and structures needed to build EOI desk. Additionally, HMRC provided consultancy in assessing the possibility of rebranding TRA and the assessment report will be presented to the Management during first quarter 2015/16.

4.2.6 Investment Climate Facility (ICF)

ICF is committed to improve investment climate in Tanzania by reducing the cost of importing and exporting goods whilst improving customs transparency, control and risk management. In this respect ICF has provided to TRA a counterpart funding grant of US\$2.7 million to support Modernization of Customs (Phase II) and procurement process of TANCIS. During the period under review ICF supported training and sensitization to TRA staff and stakeholders on TANCIS operation as well as financing the Project Management Consultant and Procurement Consultant. Also supported training on Project Management to TRA Management and staff.

4.2.7 Japan International Cooperation Agency (JICA)

As part of the government's efforts to address the challenges faced in collecting revenue from domestic taxes, a three year project, titled "**Project for the Enhancement of Taxation Training in Tanzania**" was agreed with the government of Japan through its agency for international cooperation (JICA). The goal of the project is to enhance capacity of the staff working for tax administration through improved training programs provided by ITA. The implementation of the project commenced in 2012 and through this arrangement five courses were identified and implemented as follows: (a) Taxation Basic Course (55 staff attended), Taxation Advanced Course (21 staff attended), International Taxation (35 staff attended) and Tax Audit in a Computerized Environment (35 staff attended).



MANAGEMENT REPORT (CONTINUED)

5.0 CHALLENGES

The Government decision to change the base year for computation of GDP figures from 2001 to 2007 prices necessitates the review of CP4 and the vision for the Authority. The vision has to be changed because it is a ratio of revenue to GDP and has been directly affected by the rebased GDP figures as well as the revenue forecasts for the duration of the CP4. The review was conducted from February to April 2015 which also entailed thorough assessment of the initiatives implementation in terms of timing and relevance in the current and future operating environment. The revised CP4 initiatives had to be captured into iTRAMED for monitoring and evaluation.

Another challenge that TRA is facing in the course of implementation of Fourth Corporate Plan is delayed procurement brought about not only by procurement regulations but also due to re-tendering of some of initiatives. During the period under review re-tendered initiatives included; Introduction of New Integrated Domestic Tax Administration system (IDRAS); Design and Implementing an Integrated Enterprise Application Architecture and Study on physical asset requirement, performance and utilization. Following the review, it is expected that implementation of the CP4 initiatives will be completed as planned.

6.0 WAY FORWARD

During the year 2015/16, TRA is required to collect **TZS 12,541.52 billion** as well as implement a total of forty five (45) initiatives out of which 30 are expected to be completed by June 2016 while the remaining 15 are spanned and will be completed in the subsequent years. The on-going reforms within the TRA CP4 will significantly contribute in achieving the target and realising the revenue to GDP ratio estimated at 13.1% for 2015/16. Some of the main reforms include; the implementation of Enterprise application architecture; Introduction of the Integrated Domestic Revenue Administration System (IDRAS); Implementation and monitoring of an integrated risk based compliance strategy for Domestic Taxes; Continue with training and capacity building of tax auditors in specialised sectors (oil, gas, telecom & financial); implementation of a comprehensive taxpayer service and education program for each segment.

7.0 CONCLUSION

We wish to thank all our stakeholders for their untiring support and we want to assure them that we are committed to serve them even better in the coming financial year and build a better Tanzania.

“Together We Build Our Nation”

Alphayo J. Kidata.
COMMISSIONER GENERAL

TANZANIA REVENUE AUTHORITY STATEMENT OF DIRECTORS' RESPONSIBILITY FOR THE YEAR ENDED 30TH JUNE 2015

The Authority is required by the Tanzania Revenue Authority Act, Chapter 399 of the Laws, to prepare financial statements for each financial year that give a true and fair view of the Authority at the end of the financial year. In complying with this requirement, TRA Board members wish to state that these financial statements comply with International Public Sector Accounting Standards (IPSAS) and Public Finance Act, 2001 (Revised 2004), and reflect amounts that are based on the best estimates and informed judgment of the TRA Board members with an appropriate consideration to materiality. The financial statements, in this regard, are presented in a manner consistent with International Public Sector Accounting Standards (IPSAS) and Public Finance Act, 2001 (Revised 2004).

The Board of TRA is responsible for establishing and maintaining a system of effective internal control designed to provide reasonable assurance that transactions recorded in the accounts are within the statutory authority and that they contain the receipt and use of all public financial resources by the Authority. Although there are inherent limitations to the effectiveness of any system of accounting controls, TRA Board members believe that the TRA's system provides reasonable, but not absolute, assurance that assets are safeguarded from unauthorized use or disposition and that the accounting and the underlying records are sufficiently reliable to permit the preparation of the financial statements that conform in all material respect with IPSAS and Public Finance Act, 2001 (Revised 2004).

To the best of the Board members' knowledge, the system of internal control has operated adequately throughout the reporting period. Thus, TRA Board members accept the responsibility for the integrity of the Financial Statements for the year ended 30th June 2015, the information they contain, and their compliance with the required reporting framework.

Nothing has come to the attention of the Board members to indicate that the Government of the United Republic of Tanzania shall wind up the operations of the Authority, thus not to remain a going concern for at least twelve months from the date of this statement.



Mr Bernard S. Mchomvu
Chairman of the TRA Board

31st December, 2015

Date



TANZANIA REVENUE AUTHORITY

AUTHORITY INFORMATION

30TH JUNE 2015

REGISTERED OFFICE AND

PRINCIPAL PLACE OF BUSINESS:

Tanzania Revenue Authority (TRA),
Plot No. 126, Sokoine Drive,
P. O. Box 11491,
Dar es Salaam, Tanzania,
Telephone +255 22 2119591/4,
Fax +255 22 212 6908,
Email info@tra.go.tz,
Website: www.tra.go.tz.

BANKERS:

Amana Bank Ltd,
Golden Jubilee Building, Garden/Ohio Street,
P. O. Box. 9771,
Dar es Salaam, Tanzania.

Azania Bank Ltd,
Mawasiliano Towers, Sam Nujoma Road,
P. O. Box 9271,
Dar es Salaam, Tanzania.

BancABC,
Barclays House, Ohio Street,
P. O. Box 31,
Dar es Salaam, Tanzania.

Bank M (T) Ltd,
Barrack Obama Road,
P. o. Box 96,
Dar es Salaam, Tanzania.

Bank of Baroda,
Ohio/Sokoine Drive,
P.O Box 5356,
Dar es Salaam, Tanzania.

Bank of Tanzania,
10 Mirambo,
P.O Box 2939,
Dar es Salaam, Tanzania.

Barclays Bank Tanzania Limited,
Barclays House, Ohio Street,
P.O. Box 5137,
Dar es Salaam, Tanzania.

TANZANIA REVENUE AUTHORITY
AUTHORITY INFORMATION
30TH JUNE 2015 (Continued)

BANKERS (Continued):

Bank of Africa (T) Ltd,
Kivukoni /Ohio Street,
P. O. Box 3054,
Dar es Salaam, Tanzania.

Citibank Tanzania Limited,
Peugeot House, 36 Upanga,
P.O. Box 71625,
Dar es Salaam, Tanzania.

Commercial Bank of Africa Ltd,
Amani Place, Ohio Street,
P. O. Box 9640,
Dar es Salaam, Tanzania.

CRDB Bank PLC,
Azikiwe Street,
P.O. Box 268,
Dar es Salaam, Tanzania.

Diamond Trust Bank (T) Ltd,
Harbour View Towers, Samora Avenue,
P. O. Box 115,
Dar es Salaam, Tanzania.

Ecobank (T) Ltd,
Sokoine Drive,
P. O. Box 20500,
Dar es Salaam, Tanzania.

Exim Bank (T) Ltd,
Exim Tower, Ghana Avenue,
P. O. Box 1431,
Dar es Salaam, Tanzania.

FBME Bank Ltd,
Samora Avenue,
P. O. Box 20500,
Dar es Salaam, Tanzania.

First National Bank,
FNB House, Ohio Street,
P.O Box 72290,
Dar es Salaam, Tanzania.



TANZANIA REVENUE AUTHORITY
AUTHORITY INFORMATION
30TH JUNE 2015 (Continued)

BANKERS (Continued):

Habib African Bank Ltd,
Zanaki/Indira Gandhi Street,
P. O. Box 70086,
Dar es Salaam, Tanzania.

I & M Bank,
Maktaba Street,
P.O Box 9771,
Dar es Salaam, Tanzania.

KCB Bank (T) Ltd,
Harambee Plaza,
Ali Hassan Mwinyi/Kaunda Drive,
P. O. Box 804,
Dar es Salaam, Tanzania.

Mkombozi Commercial Bank Plc,
St. Joseph Cathedral, Mansfield Street,
P. O. Box 38448,
Dar es Salaam, Tanzania.

National Microfinance Bank PLC,
NMB House, Jamhuri/Azikiwe Street,
P.O. Box 9213,
Dar es Salaam, Tanzania.

National Bank of Commerce,
Sokoine Drive,
P. O. Box 1863,
Dar es Salaam, Tanzania.

NIC Bank (T) Ltd,
Harbour View Towers, Samora Avenue,
P. O. Box 20268,
Dar es Salaam, Tanzania.

Peoples' Bank of Zanzibar Ltd,
Darajani Street,
P. O. Box 1173,
Zanzibar, Tanzania.

Stanbic Bank (T) Ltd,
Ali Hassan Mwinyi/Kinondoni Road,
P. O. Box 72647,
Dar es Salaam, Tanzania.



TANZANIA REVENUE AUTHORITY
AUTHORITY INFORMATION
30TH JUNE 2015 (Continued)

BANKERS (Continued):

Standard Chartered Bank Tanzania Limited,
International House,
P.O. Box 9011,
Dar es Salaam, Tanzania.

Tanzania Postal Bank,
Samora Avenue,
P.O. Box 9300,
Dar es Salaam, Tanzania.

Twiga Bancorp Limited,
Twiga House, Samora Avenue,
P.O. Box 10119,
Dar es Salaam, Tanzania.

United Bank for Africa (T) Ltd,
Nyerere Road,
P. O. Box 80514,
Dar es Salaam, Tanzania.

COMMISSIONER GENERAL:

Alphayo J. Kidata,
P. O. Box 11491,
Dar es Salaam, Tanzania

AUDITORS:

The Controller and Auditor General,
National Audit Office,
Samora Avenue/Ohio Street,
P. O. Box 9080,
Dar es Salaam, Tanzania,
Tel: 255 (022) 2115157/8,
Fax: 255 (022) 2117527,
E – Mail: ocag@nao.go.tz,
Website: www.nao.go.tz.



TANZANIA REVENUE AUTHORITY DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE 2015

1.0 INTRODUCTION

Pursuant to the Tanzania Financial Reporting Standard No.1 on Directors' Report, the TRA Board members present this report and the financial statements for the financial year ended 30th June, 2015, which disclose the results of operations and the state of affairs of the Authority.

2.0 TANZANIA REVENUE AUTHORITY PROFILE

The Tanzania Revenue Authority (TRA) was established by the TRA Act Chapter 399 of the Laws which came into effect on 7th August 1995 and became operational from 1st July, 1996.

TRA is an agency of the Government of the United Republic of Tanzania responsible for the administration of Central Government taxes.

The overall Management of TRA is vested in the TRA Board under the supervision of the Minister for Finance. The Commissioner General is the Chief Executive Officer responsible for the day to day operations of the Authority.

TRA Vision

To increase domestic revenue through enhancement of voluntary tax compliance

TRA Mission

We make it easy to pay tax and make lives better

TRA Core Values

TRA core values are handful of moral boundaries within which TRA operates. They define TRA's personality and ethical standards by which TRA would be measured. The values are commitment to stakeholders and are incorporated into all actions taken by members of the organization. In this respect, TRA upheld the following core values:

- **Accountability:** We create and sustain an organization that values and promotes accountability
- **Integrity:** We believe in being fair and honest in all our dealings with taxpayers and other stakeholders.

TANZANIA REVENUE AUTHORITY DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

2.0 TANZANIA REVENUE AUTHORITY PROFILE (Continued)

- **Professionalism:** We are committed to applying the law consistently, responsibly and with credibility using the skills and knowledge as a prerequisite in administering our requirements.

TRA five years' strategic themes

Under the TRA's Fourth Corporate Plan (2013/14 - 2017/18), the Authority focuses on the following strategic themes:

- **Convenience**
The focus of this theme is to deliver cost-efficient, consistent and reliable services to taxpayers. This entails streamlining of processes, optimisation of automation opportunities for self-service in order to contribute to shorter service turnaround times and prompt service delivery
- **Compliance**
The theme focuses on formulation of a comprehensive taxpayer compliance strategy that takes into account the compliance capacity of taxpayer segments, the internal capacity of TRA particularly on the use of ICT and international best practice.
- **Continual Improvement**
The theme focuses on building effective models for on-going organisational change. The theme includes implementation of initiatives that focus on cultural change and integration of operations to minimise administrative costs.

3.0 TRA FUNCTIONS

The TRA Act, Cap 399 (revised 2006) gives the Authority the mandate to perform the following functions:

- Assess, collect and account for all Government Revenue;
- Administer effectively and efficiently all the revenue laws of the Central Government;
- Advise the Government on all matters related to fiscal policy;
- Promote voluntary tax compliance;
- Improve the quality of services to the taxpayers;
- Counteract fraud and other forms of tax evasion;
- Produce trade statistics and publications; and
- Other functions determined by the Minister responsible for Finance.

4.0 COMPOSITION OF THE TRA BOARD

The Chairperson of the TRA Board is appointed by the President of the United Republic of Tanzania, for a term of three years. The Board consists of ten members including the Chairperson, out of which five members are ex-officio, while the Minister for Finance appoints four other members to the Board on the basis of their professional knowledge, experience and competence in relevant areas. The Director for Board Secretariat and



TANZANIA REVENUE AUTHORITY DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

4.0 COMPOSITION OF THE TRA BOARD (Continued)

Legal Services sits on the Board as its Secretary.

The five members, who sit on the Board by virtue of their positions, as stipulated by Section 10 of the TRA Act are:

- Permanent Secretary - Ministry of Finance (Union Government)
- Principal Secretary- Ministry of Finance (Zanzibar Government)
- Governor of the Bank of Tanzania
- Executive Secretary – Planning Commission.
- Commissioner General of TRA

Table 1 below shows a list of TRA Board members and the Secretary who served in the Board during the year. The entire Board was composed of Tanzanian nationals.

Table 1: List of TRA Board members and Secretary

No	Name	Position	Age	Date of Appointment	Qualification/ Discipline	Remarks
1	Mr. Bernard Mchomvu	Chairman	69	August, 2011	Economist	Re-appointed for three years effective from 1 st June 2014
2	Mr. Shogholo C. Msangi	Member	56	June, 2011	Economist	Ex-Officio
3.	Mr. Khamis M. Omar	Member	50	June, 2011	Finance	Ex-Officio
4.	Hon. Josephat S. Kandege (MP)	Member	51	August, 2014	Accountant	1st Appointment
5.	Dr. Suleiman R. Mohamed	Member	54	August, 2011	Finance	His 2 nd term ended on 31/08/2014
6.	Prof. Benno J. Ndulu	Member	65	June, 2011	Economist	Ex-Officio
7.	Dr. Nsubili M. Isaga	Member	38	October, 2014	Finance	1st Appointment
8.	Dr. Phillip I. Mpango	Member	58	June, 2011	Economist	Ex-Officio
9.	Mr. Assaa A. Rashid	Member	48	August, 2014	Lawyer	1st Appointment
10.	Dr. John K. Mduma	Member	45	August, 2014	Economist	1st Appointment
11	Mr. Rished M. Bade	Member	48	May,2014	Finance	Ex-Officio
12.	Mr. L. B. S. Kandege	Secretary	58	August, 2012	Lawyer	Secretary

TANZANIA REVENUE AUTHORITY

DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

5.0 CORPORATE GOVERNANCE

The TRA Act provides for a Board which provides the overall guidance and direction of the Authority. The Board is required by the Act that established TRA to meet at least once every month to deliberate and provide guidance on policy and operations of the Authority. During the financial year, the Board conducted twelve (12) ordinary meetings and seven (7) extra ordinary meetings. The attendance of each Board member during the period under review is as shown in **Table 2**.

During the year, the Board deliberated on the following matters:

- (i) Staff matters.
- (ii) Monthly reports on Revenue collection performance.
- (iii) Revised Plan and Budget for 2014/15.
- (iv) Revenue collection strategies for 2014/15.
- (v) Tax investigation compliance strategies for 2014/15
- (vi) Strengthening organization of Domestic taxes administration
- (vii) Report on implementation of TRA's Fourth Corporate Plan
- (viii) Report on implementation status of TRA Enterprise Wide Risk Management System
- (ix) Matters arising from Standing committee and Audit committee meetings
- (x) Report on tax investigation functions presented by US Treasury Consultant
- (xi) Report on implementation of East African Community Single Customs Territory (SCT)
- (xii) Proposal to lease with an option to purchase one tower at PSPF complex on Plot No. 120/121 Sokoine Drive to accommodate TRA Headquarters
- (xiii) Revised TRA code of ethics
- (xiv) Request for write – off approval and disposal of motor vehicle STK 5639/T673BST for Sale to Mr. Harry Kitillya
- (xv) Request for approval of the Financial statements and Revenue statements for 2013/14 for issue
- (xvi) TRA baseline tax revenue projections for 2015/16
- (xvii) Study to analyze performance of Excisable products in Tanzania 2010/11 – 2014/15
- (xviii) Plan and Budget for 2015/16.
- (xix) Proposals for a review of the Tax structure in 2015/16

TANZANIA REVENUE AUTHORITY DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

Table 2: Attendance of the Board Members – 2014/15

No	Name	MEETINGS																		
		289th	290th	291st	292nd (Extraor dinary)	293rd	294th	295th (Extraor dinary)	296th (Extraor dinary)	297th (Extraor dinary)	298th	299th	300th (Extraor dinary)	301st	302nd (Extraor dinary)	303rd (Extraor dinary)	304th	305th (Extraor dinary)	306th	307th
		11/07/14	07/08/14	08/09/14	09/09/14	03/10/14	07/11/14	05/12/14	12/12/14	22/12/14	14/01/15	06/02/15	05/03/15	06/03/15	13/03/15	20/03/15	14/04/15	28/04/15	07/05/15	10/06/15
1	Mr. Bernard Mchomvu	P	P	P	P	P	P	P	P	P	P	P	P	P	A	P	P	P	P	P
2	Mr. Shogholo C. Msangi	ALT	ALT	P	P	ALT	ALT	ALT	P	P	ALT	P	P	P	P	A	P	P	P	A
3	Mr. Khamis M. Omar	P	P	P	P	P	P	P	A	ALT	ALT	P	P	P	A	P	P	P	P	P
4	Dr. Suleiman R. Mohamed	P	P	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5	Prof. Benno J. Ndulu	P	ALT	ALT	ALT	ALT	P	P	P	ALT	ALT	A	ALT	P	ALT	ALT	ALT	ALT	ALT	ALT
6	Dr. Phillip J. Mpango	ALT	ALT	ALT	ALT	ALT	ALT	ALT	P	P	ALT	A	ALT	A	ALT	P	ALT	ALT	ALT	ALT
7	Hon. Josephat S. Kandege	N/A	N/A	N/A	N/A	N/A	P	P	P	P	P	P	P	P	P	P	P	P	A	P
8	Dr. Nsubili M. Isaga	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	P	P	P	P	P	P	P
9	Mr. Assaa A. Rashid	N/A	N/A	N/A	N/A	N/A	P	P	P	P	P	P	P	P	P	P	P	P	P	P
10	Dr. John K. Mduma	N/A	N/A	N/A	N/A	N/A	P	P	P	P	P	P	P	P	P	P	P	P	P	P
11	Mr. Rished Bade	P	ALT	P	P	P	ALT	P	P	ALT	ALT	ALT	P	P	P	P	P	P	P	P
12	Mr. Ludovic B. S. Kandege	P	P	P	P	ALT	P	P	ALT	P	P	ALT	ALT	ALT	ALT	ALT	ALT	P	ALT	P

KEY

P = Present

ALT = Present through an alternate

N/A = Not a member

A = Absent with apology

TANZANIA REVENUE AUTHORITY

DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

5.0 CORPORATE GOVERNANCE (Continued)

COMMITTEES OF THE BOARD

The Board has two (2) committees namely the Audit Committee and the Standing Committee.

Audit Committee

The Authority's Audit Committee comprised of five (5) members and a secretary as shown in **Table 3** below. The roles and responsibilities of the Audit Committee are stated in the TRA's Audit Committee Charter and in the Financial Regulations. The Audit Committee assists the Board in fulfilling its oversight responsibilities on risk management, financial reporting process, the system of internal control, the audit process, and the Authority's process for monitoring compliance with laws and regulations.

Table 3: Members of the Audit Committee and Secretary

S/N	Name	Position
1	Hon. Josephat S. Kandege (MP)	Chairperson
2	Dr. Philip I. Mpango	Member
3	Mr. Assaa A. Rashid	Member
4	Mr. Shogholo C. Msangi	Member
5	Mr. Rished M. Bade	Member
6	Mr. L. B. S. Kandege	Secretary

During the Financial year 2014/15, the Audit Committee had four (4) ordinary meetings and two (2) extraordinary meetings. The attendance of each member during the period under review is as shown in **Table 4**. During the period under review, the Audit committee deliberated on the following matters:-

- (i). Election of Chairman to the committee
- (ii). Progress report on the implementation of the Controller and Auditor General's (CAG) Management letter
- (iii). Progress Report on the implementation of the Public Accounts Committee (PAC) directives.
- (iv). Request for approval of TRA Procurement plan for 2014/15
- (v). Internal Audit manual
- (vi). Audit Committee charter
- (vii). Internal Audit Plan for 2015/16
- (viii). Draft Financial Statements and Revenue Statements for the year ended 30th June, 2014



TANZANIA REVENUE AUTHORITY DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

5.0 CORPORATE GOVERNANCE (Continued)

Audit Committee (Continued)

- (ix). Quarterly budget performance reports and interim financial statements for 2014/15
- (x). Quarterly Internal Audit reports

Table 4: Attendance of the Audit Committee Members – 2014/15

No.	Name	MEETINGS					
		89th	90th (Extraordinary)	91st	92nd	93rd (Extraordinary)	94th
		31/07/14	30/09/14	30/10/14	29/01/15	13/04/15	14/05/15
1	**Prof. Benno J. Ndulu	P	ALT	ALT	N/A	N/A	N/A
2	Hon. Josephat S. Kandege	N/A	N/A	N/A	A	P	P
3	Mr. Assaa A. Rashid	N/A	N/A	N/A	P	P	P
4	Mr. Shogholo C. Msangi	P	P	P	ALT	P	ALT
5	Dr. Phillip I. Mpango	ALT	A	ALT	ALT	ALT	ALT
6	Mr. Rished Bade	P	P	P	P	P	P
7	Mr. Ludovic B. S. Kandege	ALT	ALT	P	P	ALT	P

** Temporary member

KEY

P = Present

A = Absent with apology

ALT = Present through an alternate

N/A = Not a member

Standing Committee

The Authority's Standing Committee comprised of six (6) members and a secretary as shown in **Table 5** below. The Standing Committee deals with organisational and human capital issues including recruitment, ethics, integrity and staff disciplinary matters.

TANZANIA REVENUE AUTHORITY

DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

5.0 CORPORATE GOVERNANCE (Continued)

Standing Committee (Continued)

Table 5: Members of Standing Committee and Secretary

S/N	Name	Position
1*	Dr. Suleiman R. Mohamed	Chairperson
2**	Dr. Nsubili M. Isaga	Chairperson
3	Prof. Benno J. Ndulu	Member
4	Mr. Khamis M. Omar	Member
5	Mr. Shogholo C. Msangi	Member
6	Dr John K. Mduma	Member
7	Mr. Rished M. Bade	Member
8	Mr. L.B.S Kandege	Secretary

* His term ended on 31st August, 2014

** Appointed on 29th January, 2015

During the Financial year 2014/15 the Standing Committee had four (4) ordinary meetings and five (5) extraordinary meetings. The attendance of each member during the period under review is as shown in **Table 6** below:

Table 6: Attendance of the Standing Committee Members – 2014/15

S/No.	Name	MEETINGS								
		112 th	113 th (Extraord inary)	114 th (Extraord inary)	115 th	116 th	117 th (Extraord inary)	118 th (Extraord inary)	119 th	120 th (Extraord inary)
		01/08/14	06/08/14	24/10/14	30/10/14	30/01/15	30/01/15	28/04/15	29/04/15	26/06/15
1	Dr. Suleiman R. Mohamed	P	P	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2	Prof. Benno J. Ndulu	P	ALT	ALT	P	A	A	ALT	ALT	ALT
3	Mr. Khamis M. Omar	P	P	P	P	P	P	ALT	ALT	P
4	Mr. Shogholo C. Msangi	P	ALT	P	P	ALT	P	P	P	ALT
5	Dr. John K. Mduma	N/A	N/A	N/A	N/A	N/A	P	P	P	P
6	Dr. Nsubili M. Isaga	N/A	N/A	N/A	N/A	N/A	N/A	P	P	P
7	Mr. Rished Bade	P	ALT	P	P	P	ALT	ALT	ALT	P
8	Mr. Ludovic B. S. Kandege	ALT	P	P	P	P	ALT	P	P	P

KEY

P = Present

ALT = Present through an alternate

A = Absent with apology

N/A = Not a member



TANZANIA REVENUE AUTHORITY DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

5.0 CORPORATE GOVERNANCE (Continued) Standing Committee (Continued)

During the period under review, the Standing Committee deliberated on the following matters:

- i) Quarterly reports on ethics and staff integrity;
- ii) Quarterly reports of support departments;
- iii) TRA code of ethics;
- iv) Corporate Human Resources Policy and Strategy
- v) Request for approval of TRA Procurement Regulations, 2015
- vi) Proposal for restructuring of Human Resources and Administration department;
- vii) Request for approval of TRA Asset Replacement and Maintenance Policy, 2015;
- viii) Staff matters;
- ix) Request for approval of commencement of Taxpayer Advocacy pilot project
- x) Taxpayer Advocacy Service (TAS) Project Road Map 2014-2015
- xi) End of contract performance review;

6.0 TRA MANAGEMENT

The day to day operations of the Authority are under the Commissioner General who is assisted by the Deputy Commissioner General and thirteen Heads of Departments. The head of Internal Audit Department in addition to reporting administratively to the Commissioner General, she reports functionally to the Audit Committee. The Authority is organized into Revenue and Support departments as follows:

Revenue Departments:

- Customs and Excise
- Domestic Revenue
- Large Taxpayers
- Tax Investigations

Support Departments:

- Board Secretariat and Legal Services
- Finance
- Human Resources and Administration
- Information and Communication Technology
- Internal Affairs
- Internal Audit
- Planning and Modernization
- Research and Policy
- Taxpayers' Services and Education

TANZANIA REVENUE AUTHORITY

DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

7.0 EXTERNAL ENVIRONMENT

Following evaluation of external environment, TRA has identified the following macroeconomic factors that affected tax revenue collections as well as other administrative reforms implemented during the year.

7.1 General Overview of the economy

The Tanzania economy continued to perform well in terms of economic growth and performance of other macroeconomic variables. Consistent with a steady economic growth of 7.3 percent in 2014/15, Consumer Price Index inflation continued to decline from 6.4 percent in 2013/14 to 4.5 percent recorded in 2014/15.

The Government through the National Bureau of Statistics (NBS) released GDP figures that have been revised and rebased from 2001 base year to 2007 base year, in line with the results of major household based surveys (HBS). The current revision of GDP which has used the UN International Standard Industrial Classification of all economic activities (ISIC rev. 4) has incorporated in new products which include monetary instruments and services that came with the advent of mobile phones; natural gas and arts; entertainment and recreation. Due to such unreported data and information which were exposed through the results of 2007 HBS and other surveys which are now being used in the base year, the revised GDP is much higher than it was before. As such, nominal GDP for the new base year (2007) is 27.8 percent higher compared to the old series. This implies that all indicators reported as percentage of GDP such as tax revenue, imports and money supply have been affected downwards though still portraying increasing trends.

7.2 Inflation

During the period under review the average annual headline inflation is 5.4 percent which has shown a slight decrease by 0.9 percent from that recorded for the same period in FY 2013/14. The slight decrease of Inflation is attributed to imported inflation caused by appreciation of US\$ against TZS, and the economic activities have been supported by lower oil prices, a more neutral fiscal policy stance and improved monetary policy. The annual headline inflation rates have shown a downward trend from August 2014 to January 2015, with the highest and lowest inflation rates at 6.7 percent and 4.0 percent recorded in August 2014 and January 2015 respectively. The decreasing trend of inflation in the country for the stated period indicates that, on average the speed of price increase for goods and services decreased compared to that of 2014.

7.3 Exchange rate

The exchange rate in the Interbank Foreign Exchange Market (IFEM) has constantly depreciated against US\$. The exchange rate at beginning of FY 2014/15 was recorded at **TZS 1,664.2 per US\$**, while **TZS 2,086.7 per US\$** was recorded in June 2015. Depreciation of the **TZS** against the currencies of our major trading partners resulted into price increase of imported goods and services implying that the tax bases of the dutiable products had increased.



TANZANIA REVENUE AUTHORITY DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

8.0 PERFORMANCE FOR THE FINANCIAL YEAR 2014/15

8.1 Revenue Collection Results

Revenue collection during the year under review amounted to TZS 10,062.8 billion net of refunds against a target of TZS 11,427.8 billion, reflecting a performance rate of 88%.

8.1.1 Revenue Collection Results - Tanzania Mainland

Revenue collection during the year under review amounted to TZS 9,918.8 billion net of refunds against a target of TZS 11,261.7 billion reflecting a performance rate of 88% for Tanzania Mainland. The actual collections versus Targets – Tanzania Mainland for the year 2010/11-2014/2015 are shown in **Table 7**:

Table 7
Actual Collections versus Targets-Mainland Tanzania
2010/11-2014/15

(Million TZS)

Years Details	2010/11	2011/12	2012/13	2013/14	2014/15
Target	5,652,590	6,228,833	7,871,428	10,320,155	11,261,741
Actual (Net)	5,367,235	6,494,933	7,802,302	9,288,999	9,918,817
Performance (%)	95	104	99	90	88

Source: TRA Accounts

8.1.2 Revenue Collection Results – TRA Zanzibar

During the year 2014/15, TRA collections in Zanzibar amounted to TZS 144.0 billion against the target of TZS 166.1 billion which is a performance rate of 87%. The actual collections versus Targets – TRA Zanzibar for the year 2010/2011-2014/2015 are shown in **Table 8** below.

Table 8
Actual Collections versus Targets- TRA Zanzibar
2010/2011-2014/2015

(Million TZS)

Years Details	2010/11	2011/12	2012/13	2013/14	2014/15
Target	69,241	100,580	106,730	147,900	166,056
Actual	76,357	91,652	103,879	136,688	143,993
Performance (%)	110	91	97	92	87

Source: TRA Accounts

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FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

8.0 PERFORMANCE FOR THE FINANCIAL YEAR 2014/15 (Continued)

8.2 Expenditure Performance

The actual expenditure for the period ended 30th June 2015 was **TZS 243,784 million** against the budget of **TZS 335,969 million**, thus resulting to a positive variance of **TZS 92,186 million**, which is equivalent to 27.44 %. The summary of TRA actual expenditure against the approved estimates for five consecutive years is shown in **Table 9** below. Detailed expenditure performance for 2014/15 is provided in the Statement for comparison of TRA actual expenditures and approved budget for the year ended 30th June 2015.

Table 9
Summary of TRA actual expenditure against approved estimates for five consecutive years

(TZS Millions.)

Financial Year	Approved Estimates	% of increase	Actual Expenditure	% of Increase	Variance (Amount)	%
2010/11	162,232	(6.3)	157,555	15.5	4,677	2.9
2011/12	167,518	3.3	155,671	(1.2)	11,847	7.1
2012/13	235,714	40.7	205,445	31.97	30,269	12.8
2013/14	289,452	22.8	228,322	11.13	61,130	21.1
2014/15	335,969	16.07	243,784	6.77	92,186	27.43

8.3 Financial Results

During the year ended 30th June, 2015, TRA closed with a deficit of TZS 10,596.71 million (2014: a surplus of TZS 26,360.68 million) as shown in the statement of financial performance. During the year, the operating expenditure of TRA increased by TZS 25,503.84 million. This was mainly attributed by general services, employees' benefits and travelling expenses on the other hand, total income during the period decreased by TZS 12,566.54 million. The decrease resulted mainly from decrease in income from Government.

8.4 Financial position

The financial position of the Authority is as set out in the statement of financial position. During the year total assets of the Authority increased by TZS 826.03 million. This was mainly attributed by decrease in Non-current Assets by TZS 11,142.03 million and increase of current assets by TZS 11,968.07 million. On the other hand liabilities increased by TZS 11,422.75 million. This was mainly attributed by increase in deferred income by TZS 4,618.49 million and increase in Trade and other payables by TZS 6,804.25 million.



TANZANIA REVENUE AUTHORITY DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

8.0 PERFORMANCE FOR THE FINANCIAL YEAR 2014/15 (Continued)

8.5 Cash Flows

The Authority's cash flow is as set out in the cash flows statement. As at 30th June 2015, the Authority closed with cash and cash equivalents of **TZS 72,567.35 million (2014; TZS 72,689.73 million)**. The decrease is mainly attributed by decrease of cash from operating activities by **TZS 5,247.10 million**, utilisation of funds for investing activities **TZS 12,277.70 million**, increase of funds from financing activities **TZS 15,843.13 million** and effect of exchange rate changes **TZS 1,559.29 million**.

8.6 Implementation of the initiatives under TRA's Fourth Corporate Plan(CP4)

During the period under review, TRA was implementing the second year of the Fourth Corporate Plan (2013/14 – 2017/18). The implementation of CP4 is mainly focused on increasing share of domestic taxes collection to warrant reduction of dependency on international trade taxes. CP4 is pivoted on three Strategic Themes of Convenience, Compliance and Continual Improvement which are driven by a number of clearly defined Strategic Objectives and Initiatives. During the two years of execution of CP4, new developments and challenges have emerged which called for the need to review CP4 to incorporate the changes in the plan. The revision exercise took place during the period under review and revised version of CP4 was prepared with a view of bringing on board contemporary issues that need to be part of the TRA strategy execution for the remaining three years of the Plan. Moreover, the urge to review the plan emanated from the fact that attainment of the Vision (to increase revenue to GDP ratio to 19.9% by 2018) of the TRA has been challenged by the revision of the base year for computation of GDP figures for Tanzania. The base has been changed from year 2001 to 2007. As a result of this GDP rebasing, the TRA vision, which is basically a ratio of tax revenue to GDP, has been affected significantly. This necessitated TRA to change its vision to "To increase domestic revenue through enhancement of voluntary tax compliance"

Furthermore, execution of several initiatives were behind schedule hence needed to be re-aligned realistically based on available resources both human and financial. In view of that, a total of 30 initiatives changed their original planned completion dates for various reasons, 6 initiatives changed ownership in line with the recent structural changes in the organization, 3 initiatives have been merged into 1 and another 2 initiatives were combined into 1 initiative as they had the same objective but were initially planned for execution in phases. Another 2 initiatives were removed from the plan because they were considered to be duplicates of other initiatives and 10 new initiatives have been identified to be strategic and added to the revised CP4. The revised CP4 has a total of 69 initiatives to be implemented for the period of five years (2013/14 – 2017/18).

During the financial year 2014/15 TRA continued receiving financial and technical assistance from Development Partners (DPs) who play an important role in the execution of CP4. The DPs supporting TRA include: DFID together with HMRC; DANIDA; Royal Norwegian Embassy and Norwegian Tax Administration (NTA); US Treasury; IMF (HQ and

TANZANIA REVENUE AUTHORITY DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

8.0 PERFORMANCE FOR THE FINANCIAL YEAR 2014/15 (Continued)

8.6 Implementation of the initiatives under TRA's Fourth Corporate Plan(CP4) (Continued)

East Afritag); World Bank Group; ICF and JICA. The assistance which includes financial resources is channeled through the basket fund arrangement to which DFID and DANIDA are currently the main contributors as well as the Norwegian Embassy. Other DPs provide support mainly through Technical Assistancess in areas such as audit of specialized sectors, general tax administration and overall organizational management to ensure successful implementation of CP4. In 2014/15, 42 Initiatives were planned for implementation out of which 14 have been completed by 30th June 2015 hence making a performance of 33%. Implementation status of the CP4 initiatives for 2014/15 by Theme is as shown in **Table 10**.

Table 10
Implementation status of CP4 initiatives for 2014/15 by Themes

Theme	Number of Initiatives Planned	Initiatives completed by June 2015
Convenience	17	4
Compliance	8	6
Continual Improvement	17	4
Total	42	14

Source: Planning and Modernization Department

Implementation status of corporate plan initiatives in year 2014/15 is as described below:

8.6.1 Full implementation of Tanzania Customs Integrated System (TANCIS)

The initiative entails introduction of a robust Customs Management System to enhance controls, facilitate trade and reduce clearance time at Ports, Airport and Border stations. During the period under review, implementation of TANCIS Phase II commenced with the development of module for Oil Monitoring, Licensing, Enforcement, and Passenger Clearances followed by deployment of the same in the respective Customs units and stations. Rollout to the remaining regions of Kigoma and Rukwa was completed in April 2015 while rollout to Zanzibar will be carried out during financial year 2015/16. In line with this, Modules on Export Processing Zone, Manufacturing under Bond, Duty free shops, In-flight catering and Online Auction were developed, tested and launched successfully. As at 30th June 2015, TANCIS is operational in all major stations Tanzania Mainland.



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FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

8.0 PERFORMANCE FOR THE FINANCIAL YEAR 2014/15 (Continued)

8.6 Implementation of the initiatives under TRA's Fourth Corporate Plan(CP4) (Continued)

8.6.2 Implementation of Internal Audit Strategy

The objective of this initiative is to set out Internal Audit's approach for delivery of assurance and consulting services to the Management and Audit Committee of the TRA Board which will lead to value addition on Internal Audit assignments. The Strategy is currently on its second year of implementation and 18 out of 19 activities extracted from this strategy which is 95% have been fully implemented while one activity (Developing Staff Rotation Policy) is awaiting approval. The implementation of the Internal Audit Strategy is expected to be completed in 2015/16.

8.6.3 Identification of skills gap and training needs for Audit, Debt, Investigation, Legal and Taxpayer Service Officers

The objective of the initiative is to enable the TRA to conduct skills gap analysis by accomplishing: assessment of existing employees' skills against work challenges; establishing required skills for each of the targeted job function; developing Skills Map; and designing training programs to address the identified gaps in skills. The assignment was conducted during the period under review and a draft report was presented. Final report will be issued in 2015/16.

8.6.4 Implementation of One Stop Border Posts (OSBP)

The objective of this initiative is to facilitate cross border trade through improvement of Customs operations at the border posts for EAC member States and other neighbouring Countries such as Zambia, Mozambique and Malawi. It is expected that when the project is fully implemented it will enable passengers and goods to stop only once at the exit points. The major activity in implementation of this initiative is construction of buildings and the associated infrastructure.

The operations of OSBPs for all EAC member States in Horohoro (Tanzania/Kenya); Namanga (Tanzania/Kenya); Kabanga (Tanzania/Burundi); Rusumo (Tanzania/Rwanda); and Mutukula (Tanzania/Uganda) are expected to start in August 2015 as the construction of most of the OSBPs is to be completed by July 2015. However, Kabanga OSBP is still operating using the existing infrastructure. Construction of OSBP for other neighbouring countries such as Zambia, Mozambique and Malawi are at different stages.

8.6.5 Review tax returns and filing procedures to simplify self -assessment

The initiative involves review and simplification of the tax return forms and filing procedures to enable smooth implementation of self-assessment for all taxpayers. During the period under review, TRA team in collaboration with a Consultant from US Treasury reviewed the existing tax return forms and filing procedures. The revised forms/

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8.0 PERFORMANCE FOR THE FINANCIAL YEAR 2014/15 (Continued)

8.6 Implementation of the initiatives under TRA's Fourth Corporate Plan(CP4) (Continued)

8.6.5 Review tax returns and filling procedures to simplify self -assessment (Continued)

procedures were approved by TRA management in January, 2015. The revised forms and procedures will form part of inputs required for development of e-filing module in the existing computerised revenue system. The development is expected to be completed in the first quarter 2015/16.

8.6.6 Enhance Electronic services (e-filing, e-payment, mobile payment)

Currently application of e-services is limited to VAT return filing, online TIN/VAT registration and some mobile payments. The initiative requires enhancing electronic services whereby filing of tax returns, registrations and payments are to be done electronically and for all types of taxes. During the period under review user requirement, system specifications and design document for e-filing of direct taxes were developed. It is anticipated that the system will be in place in year 2015/16.

8.6.7 Establishment of Taxpayer Advocacy Services (TAS)

The objective of the initiative is to enhance good governance capability .The initiative requires TRA to establish a framework that could facilitate and be a “go- between” for the public and the government. It involves establishment of tax ombudsman office that act as an independent advocacy mechanism. The TAS will assist taxpayers to resolve problems with TRA and recommend changes to deter recurrence and create conducive environment for fostering voluntary tax compliance. During the period under review, a TAS Project Road Map was developed which entails; TAS pilot project; Taxpayer Advocacy Regional Panels (members and compensation packages), Proposed TAS organization structure; Legal framework for the pilot project and project expectations. TAS Road Map and action plan for pilot sites were presented to the Standing Committee of the Board on 26th June 2015. It is expected to be operational in subsequent periods.

8.6.8 Development and implementation of Business Continuity Management System (BCMS)

The initiative intends to enable TRA to continue with service delivery at acceptable predefined levels following a disruptive incidence. Business Continuity Management System (BCMS) is part of the overall management system that establishes implements, operates, monitors, reviews, maintains and improves Business Continuity. During the period under review, TRA engaged a Consultant for development of BCMS in TRA. The project will be implemented in a phased approach whereby phase 1 will be for Analysis



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FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

8.0 PERFORMANCE FOR THE FINANCIAL YEAR 2014/15 (Continued)

8.6 Implementation of the initiatives under TRA's Fourth Corporate Plan(CP4) (Continued)

8.6.8 Development and implementation of Business Continuity Management System (BCMS) (Continued)

(Threat Assessment and Business Impact Analysis), phase 2&3 will be for Design and Implementation (Identification of Business Recovery Response Options & Development of Business Continuity Plan (BCP)) while phase 4&5 will be for BCP validation and creating awareness (Management Review, BCP, Testing & Training workshop). BCP project implementation is expected to commence in July 2015 and complete in June 2017.

8.6.9 Designing a Social Media Strategy to interact with Stakeholders

The initiative is aimed at increasing channels for interacting with taxpayers through social media that includes; Facebook, Twitter, LinkedIn, You Tube and Instagram in order to improve customer perception and increase in compliance. During the period under review the social media strategy was designed and approved. The social media named Twitter, LinkedIn and You Tube are expected to be activated in year 2015/16 for external stakeholders and a blog for internal users.

8.6.10 Review Performance Management System Criteria for assigning weightage

The implementation of this initiative commenced in April, 2015 by developing a guideline for assigning weightage and conducting performance appraisal. The guidelines reviewed performance management System and proposed weightages to be assigned on each perspective in the Balanced Score Card Performance Management Form cadre-wise.

During the period under review, guidelines for assigning weightages and conducting performance appraisal were prepared. This will enable the Authority to have a robust guide for managing performance and conducting performance appraisal in year 2015/16.

8.6.11 Implementation and monitoring an integrated risk based compliance strategy for Domestic Taxes

The objective of the initiative is to develop a compliance strategy for Domestic Revenue. The initiative requires development of a mechanism to measure, monitor and report on performance and compliance level of the strategy. Monitoring will be based on sectors and key processes (Registration, Filing of Returns, Audit, Collection & Accounting, Objection & Appeals, Refunds), for each taxpayer segment (large, medium, small).

During the period under review TRA Compliance Risk Management Policy and Framework was eloped with support of IMF Consultant and final draft of the Policy and Framework was approved. Following this achievement, Compliance Risk Management

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FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

8.0 PERFORMANCE FOR THE FINANCIAL YEAR 2014/15 (Continued)

8.6 Implementation of the initiatives under TRA's Fourth Corporate Plan(CP4) (Continued)

8.6.11 Implementation and monitoring an integrated risk based compliance strategy for Domestic Taxes (Continued)

Strategy working Group (CWG) and Compliance Council which comprises selected Top Management were formed. In line with this Compliance risk management action plan for 2015/16 has been developed.

8.6.12 Integrate collection and accounting processes to increase accuracy and on-time reporting

Collection and accounting processes are carried out by Finance and Revenue Departments without a robust integrated system to streamline the processes, as a result there had been delays in issuance of revenue collection performance reports. This initiative therefore entails the integration of the two processes in order to increase accuracy and on-time reporting of revenue collection performance. The Phase I of the project (Revenue Gateway System) was implemented in collaboration between TRA and Bank of Tanzania. The Montran Corporation consultant was engaged in development of an interface system which improved the process of revenue collections and achieved Straight Through Process (STP) between TISS-CBS and PACS at BOT, ITAX and TANCIS at TRA, Commercial Banks and other stakeholders such as Mobile phone operators to enable automation of taxpayer's payment validation in TRA systems.

In increasing automation efficiency, Phase II of Revenue Gateway System was initiated by utilizing internal capacity. The following modules have been developed; fuel levy transaction processing that includes oil payments and deposits by taxpayer and reports on such deposits, payments made in instalments; non swift payments that include integration with the commercial banks (Taxbank) and SMS acknowledgement to taxpayers.

Modules for reconciliation of payment transactions between RGS, ITAX, TANCIS, Commercial Banks systems, refunds and withholding taxes are under development, they will be released next financial year. In line with this, M/S Trustlink (Pty) Ltd was engaged by the Authority to upgrade Alliance Lite to Alliance Access software that will increase performance of SWIFT integration for tax collections. The implementation of the system is expected to be finalized at the end of the next financial year.

The implementation of RGS was commended by the Ministry of Finance as it has enabled swifter realization of revenue collection and updating of taxpayers' accounts in real time. Currently the system is managing 89% of total collection by volume.

8.6.13 Formulating parameters for Legal Services involvement in tax operations

The initiative aims at involving legal expertise on complex cases prior to issuance of



TANZANIA REVENUE AUTHORITY DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

8.0 PERFORMANCE FOR THE FINANCIAL YEAR 2014/15 (Continued)

8.6 Implementation of the initiatives under TRA's Fourth Corporate Plan (CP4) (Continued)

8.6.13 Formulating parameters for Legal Services involvement in tax operations (Continued)

additional assessments to reduce the possibility of objections. During the period under review the formulation of parameters for legal service in tax operations has been fully completed and circulars have been issued taking effect from 1st July 2015.

8.6.14 Implementation of Electronic Fiscal Devices (EFD) Phase II

The main objective of introducing EFD is to increase controls, curb possible loopholes for revenue leakage in the retail and wholesale trade sectors and establish effective strategies for smooth and sustained tax collection. The implementation of EFD system was planned to be implemented in two phases, the First Phase covering all VAT Registered traders and the Second phase is for non-VAT registered traders. During the year under review, machines acquired were 2,175 and 11,466 for VAT registered and non – VAT traders respectively. The performance is unsatisfactory mainly due to resistance by most of the traders to acquire and use the EFDs. To address this, the Government established District, Regional and National Enforcement Committees. The Committees focus on addressing challenges which were raised by taxpayers following the introduction of EFDs. The District/Regional committees chaired by District/Regional Commissioners comprise members from TRA and Taxpayers. While the National Committee is chaired by the Assistant Commissioner Fiscal Policy from the Ministry of Finance and it comprises members from TRA, Ministry of Finance, Ministry of Industry and Trade, Ministry of Home Affairs, Prime Minister's Office and Taxpayers.

8.6.15 Align Training Needs Analysis to the Performance Management System

The initiative requires training plans to be developed taking into account the training needs extracted from the performance management system as agreed by appraisee and appraiser. Hence the training programme will include the extracted training needs from performance management system and the organizational demand for capacity building.

During the period, business processes in Human Resources Information System (HRIS) were refined and Departmental training coordinators were trained on the application of the system. The system will be used effective from financial year 2015/16.

8.6.16 Streamline Audit and Investigation process to reduce objections

The initiative aims at reorganizing the Tax Audit process and Tax Investigation process in order to improve efficiency through elimination of overlapping activities. This initiative is being implemented in two phases (Phase I audit process and Phase II investigation process) with assistance from NTA. During the period, audit processes were reviewed and reduced from five (5) to four (4) stages.

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FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

8.0 PERFORMANCE FOR THE FINANCIAL YEAR 2014/15 (Continued)

8.6 Implementation of the initiatives under TRA's Fourth Corporate Plan(CP4) (Continued)

8.6.17 Implementation of Central Motor Vehicle Registration System (CMVRS)

The objective of establishing the CMVRS was to modernize and facilitate registration of motor vehicles by replacing the old documents with new and secured ones, reducing number of fraudulent registrations and maintain reliable data for motor vehicle information in administering road safety. During the period under review 256,125 vehicles were registered .This is equivalent to a decrease of 0.01% compared to 256,171 vehicles registered in 2013/14. The total registered vehicles for 2014/15 yield revenue amounted to TZS 116.4 billion.

8.6.18 New Registration of Motor Cycles and Tricycles

The Government through the year 2014/15 Budget speech of the Minister for Finance announced the new registration system for Motor Cycles and Motor Tricycles with effect from 1st October, 2014. Motor Cycles and Motor Tricycles have separate numbering system from Motor vehicles. During the period under review, a total of 6,924 Motor Tricycle and 128,367 Motor Cycles have acquired new registration number plates.

8.6.19 Developing and implementation of succession Planning program

The objective of this initiative is to identify and develop a talent pool from internal staff with the potential to fill key managerial positions in the organization. The initiative entails: identification of staff with the potential to assume key responsibility in the organization; provision of critical development programmes to those who can move into key roles; building a successor pool database that can be used to make better staffing decisions for key jobs.

During the period under review, the initiative was aligned to the Corporate Human Resources Policy and Strategy document that covers most of the aspects of developing and implementing succession planning program. The policy and strategy document was approved by the Board in May 2015. The development of Succession Planning and the implementation will be done in collaboration with a consultant during the financial year 2015/16.

8.6.20 Review and strengthening information security management programs (Enterprise Security Architecture)

The objective of this initiative is to describe the activities that relate to the protection of information and information infrastructure assets against the risks of loss, misuse, disclosure or damage; and controls that an organization needs to implement. The initiative entails; operationalizing ICT security policies; implementing security governance and management framework based on ISO 27001 standard and conduct training and



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FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

8.0 PERFORMANCE FOR THE FINANCIAL YEAR 2014/15 (Continued)

8.6 Implementation of the initiatives under TRA's Fourth Corporate Plan(CP4) (Continued)

8.6.20 Review and strengthening information security management programs (Enterprise Security Architectur (Continued)

capacity building. During the period under review, the HMRC visited TRA and conducted a review of the AS-IS Information Security Controls that are in place and issued various recommendations. TRA in collaboration with HMRC will work on the recommendations in year 2015/16

8.6.21 Maintaining TRA Quality Management System (QMS) – ISO 9001:2008

TRA is certified for Quality Management System (QMS) based on the ISO 9001:2008 International Standard. During the period under review, TRA successfully attained the ISO 9001:2008 re-certification following an external surveillance audit conducted in November 2014 by Bureau Veritas which was after independent confirmation that TRA meets the requirements of ISO 9001:2008. The ISO certificate number IND15.6179U/Q which is valid from 11th March, 2015 to 10th March, 2018 was issued to the Commissioner General on 17th March, 2015. Additionally, as per the requirements of the standard and in line with the Annual QMS Internal Audit Program, TRA conducted the Internal Quality Audit to all tax regions, Zanzibar, Pemba, and HQ offices.

8.6.22 Enhancing Practical Nature of ITA training programmes

The initiative aims at enhancing constant interaction between ITA trainers and relevant practice, entrench the Competency Based Education Training (CBET) approach as the primary delivery methodology and introduce internship requirements for trainees. During the period under review ITA adopted initiatives geared towards enhancing practical nature of programs offered at the Institute. These include the introduction of Instructors' cadre in the Authority's Career Pathway to create an incentive for competent and experienced staff working in various departments to be transferred to ITA horizontally as full time trainers.

Additionally, ITA training programmes have been reviewed and Pre-service Graduate Training Programme (PGTP) was introduced in April 2015. A total of 150 new staff are currently undergoing the PGTP.

8.6.23 Assessing Possibility of Rebranding TRA

TRA has been viewed as an Authoritative agency by stakeholders. The aim of this initiative is to carry out an assessment for changing the perception of TRA to a service oriented organization and make necessary changes to reflect the desired image and culture. During the period under review the Consultant from HMRC of the United Kingdom through DFID

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8.0 PERFORMANCE FOR THE FINANCIAL YEAR 2014/15 (Continued)

8.6 Implementation of the initiatives under TRA's Fourth Corporate Plan(CP4) (Continued)

8.6.23 Assessing Possibility of Rebranding TRA (Continued)

visited TRA to review the current brand and concluded that there is considerable scope for TRA to rebrand to reflect a more modern and outward-facing image. The rebranding will require a range of activities with a view to creating a long-term brand identity that clearly and consistently communicates the values and core functions of TRA across all touch points. In addition the initiative will need to consider how it engages with both its staff and its customers. The review report will be presented to Management for decision and way forward in year 2015/16.

8.6.24 Implementation of Administrative Reforms of the TRA Informal Sector Study

The initiative aims at bringing the informal sector into tax net. It entails implementation of the administrative recommendations from the informal sector study that was conducted by the TRA previously. During the period under review, the working group comprising members from TRA and Municipal Councils identified workable areas. To start with unregistered garages in Kinondoni were identified as pilot project. The owners of unregistered garage were allocated with permanent working places by the Kinondoni Municipal council. The Kinondoni tax region has identified a total of 38 unregistered garages and a total of TZS 3,613,744 was established and collected as tax by 30th June 2015. The exercise will span into other large regions during the financial year 2015/16. Other identified workable areas include proposal for review of the current presumptive tax rates which have been effected through Finance Act, 2015 by reducing minimum presumptive tax rate from TZS 200,000 to TZS 150,000. Proposal to introduce GIS System to facilitate monitoring of Taxpayers movement, utilization of Regional EFDs Committees as well as District Tax Advisory Committees to address issues pertaining to informal sector.

8.6.25 Designing and implementation of an Integrated Application Architecture

TRA is implementing a number of standalone systems which pose a challenge on information sharing. TRA is intending to introduce Integrated Enterprise Application Architecture (EA) that will support information sharing across the organization. During the period under review, brief awareness training on Enterprise Architecture was presented to the members of TRA ICT Steering committee and other invitees in January 2015 by the Danish Consultant as part of the project implementation. Working sessions on information gathering, analysis and verification was done by the various working groups of the EA project in Morogoro in March, 2015. Further, The Danish Consultant conducted workshop on Enterprise Architecture related challenges, Business Strategy Synthesis, IT principles, Rationale and Implications to the working groups of the project in May,



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FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

8.0 PERFORMANCE FOR THE FINANCIAL YEAR 2014/15 (Continued)

8.6 Implementation of the initiatives under TRA's Fourth Corporate Plan(CP4) (Continued)

8.6.25 Designing and implementation of an Integrated Application Architecture (Continued)

2015. The workshop was followed by working sessions on documenting operational TRA Business model and AS-IS application, information and Technology Architectures. Working sessions on the TO-BE application, information and Technology Application Architectures and identification of transition projects will be conducted in the financial year 2015/16.

8.6.26 Designing and implementation of Gemba Kaizen Management System (GKMS)– Phase III

The aim of introducing GKMS in TRA is to provide a climate in which creativity and value addition flourish. Continuous Improvement (Kaizen) is one of the core strategies for excellence in service delivery and is considered vital in today competitive environment. Kaizen lead to identify the problems in the working environment, proposing solutions and making positive changes.

During the period under review GKMS roll out phase III was implemented in the remaining regions of Rukwa, Mara, Lindi, Manyara, Kigoma, Singida and TRA Pemba. The implementation commenced in December 2014 and came to an end in June 2015. To build continuous improvement and embracing Gemba Kaizen culture in TRA, the roll out exercise involved establishment of GKMS committee/team in each region/ department to oversee Gemba Kaizen implementation within the departments/Regions.

9.0 KEY PERFORMANCE INDICATORS

TRA has key performance indicators to measure its performance in various areas of tax administration. Those indicators include; number of registered taxpayers, number of registered VAT taxpayers, performance of processing VAT refund claims, awareness of taxpayers on tax education programmes, corruption perception, Revenue collection performance for a given period, and average time taken to clear goods at entry points. Definitions, purpose, sources of data and calculation method for each indicator are given in **Table 12** below;

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9.0 KEY PERFORMANCE INDICATORS (Continued)

**Table 12
TRA's Key Performance indicators**

DEPARTMENT	Area	Definition	Purpose	Source of Data	Calculation Method
DOMESTIC REVENUE	Registered Taxpayers	Number of Registered Taxpayers	Determine the number of taxpayers in the tax net	CDR (TIN system)	Physical count
	Revenue Collection performance	Monthly revenue collection performance	Monitor trends of revenue collection against revenue target	Monthly flash reports from DF	Revenue collected/Revenue target
	Total revenue realised from audits/revenue collected	Revenue realised from audits	Determine magnitude of revenue collected from Audit to understand the extra effort required and to increase the level of compliance	CDR (Manual records)	Revenue realised from audits during the period/Revenue collected during the period
	% of VAT refunds made within a month	VAT refund claims made by taxpayers	Ensuring VAT refund to Taxpayers is made within the stipulated timeframe	CDR (Manual records)	Number of days from date of lodgement to the date of refund should be less or equal to one month
LARGE TAXPAYERS	Registered Taxpayers	Number of Registered Taxpayers	Determine the number of taxpayers in the tax net	CDR (TIN system)	Physical count as per registration data
	Number of taxpayers accounting for 80% of revenue	Number of Top Taxpayers accounting 80% of revenue collection in Large Taxpayers Department	Determining the largest taxpayers for specialised services and enforcement actions	CLT (Manual records)	Cumulative sum of revenue collected from large contributors/Taxpayers in descending tax payments from the largest to achieve 80% of total collection
	Revenue Collection performance	Revenue collection performance for a given period	Monitor trends of revenue collection against revenue target	Monthly flash reports from DF	Revenue collected/Revenue target

TANZANIA REVENUE AUTHORITY DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

9.0 KEY PERFORMANCE INDICATORS (Continued)

DEPARTMENT	Area	Definition	Purpose	Source of Data	Calculation Method
CUSTOMS AND EXCISE	Revenue Collection performance	Revenue collection performance for a given period	Monitor trends of revenue collection against revenue target	Monthly flash reports from DF	Revenue collected/Revenue target
	Average Time Taken to clear goods - Arrival to Removal (days)	Average time taken to clear goods from when they enter to when they exit	Ensure clearance time of goods is reduced	CCE (TANCIS System)	Cumulative time (days) from arrival of goods to removal
	Average Time Taken to accomplish Customs Clearance - Lodgement to Issuance of Release Order (days)	Average time taken from when declarations are lodged in TANCIS to when release order is issued	Ensure clearance time of goods is reduced	CCE (TANCIS System)	Cumulative time (days) from Lodgement to issuance of Release Order
	% of Cargo Manifests submitted/ registered before arrival of vessel/ flight	Cargo manifests submitted or registered before arrival of vessels or flight/total manifests registered	Ensure clearance time of goods is reduced	CCE (TANCIS System)	(Manifest submitted before arrival of vessel/Total number of manifest) * 100
INTERNAL AFFAIRS	% Customs clearance made within 24 hours (Lodgement to Issuance of Customs Release Order)	Percentage of Customs clearance attended to within 24 hours	Ensure clearance time of goods is reduced	CCE TANCIS System)	(Clearance made within 24 hours/Total number of Customs clearances)*100
	Corruption Perception Index	Magnitude of abuse of entrusted power for private gain as perceived by stakeholders	Determine the degree to which corruption is perceived to exist among TRA staff	DINA(Survey)	Percentage level of respondents with perception that TRA staff are corrupt
TAXPAYER SERVICES AND EDUCATION	Percentage of taxpayers awareness on tax education programs	Percentage of taxpayers who are aware on tax education programs conducted by the Taxpayers Service and Education Department	Identify the needs of education programs for each category of taxpayers	DTSE (Stakeholders perception surveys)	(Number of taxpayers interviewed and their level of awareness
	Percentage of written enquiries attended within seven days	Percentage of written enquiries through TRA website attended within seven days	Determine promptness in responding stakeholders enquires made through TRA Website	DTSE (TRA Website - enquiries)	(Number of written enquiries attended within seven days/ Total number of written enquiries)*100



TANZANIA REVENUE AUTHORITY DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)



10.0 RESULTS ON KEY PERFORMANCE INDICATORS

TRA has a number of key performance indicators which are important tool for measuring and assessing operations, efficiency and effectiveness of tax administration. **Table 13** below provides status of key performance indicators as at 30th June 2015. Further, the table indicates trend for the previous years.

**Table 13
Status of key performance indicators as at 30th June, 2015**

DEPARTMENT	Area	Particulars	Actual 2013/14	Target 2014/15	Actual 2014/15
DOMESTIC REVENUE	Registered Taxpayers	TIN Registered	1,783,511	2,447,730	1,990,032
		VAT Registered	24,346	28,550	25,908
	Revenue Collection performance		83.7	100	92.7
LARGE TAXPAYERS	Total Revenue realised from audits/revenue collected		12	10	13
	% of VAT refunds made within a month		74	85	71
	Registered Taxpayers		450	450	450
	Number of taxpayers accounting for 80% of revenue		52	54	53
	Revenue Collection performance		94	100	82.2
CUSTOMS AND EXCISE	Revenue Collection performance		88.7	100	92.8
	Average Time Taken to clear goods - Arrival to Removal (days)	Land Border stations	2	1	2
		Airport -JNIA	4	2	4
		DSM Port	11	7	11
	Average Time Taken to accomplish Customs Clearance - Lodgement to Issuance of Release Order (days)	Land Border stations	2	1	0.9
		Airport -JNIA	1	1	1.4
		DSM Port	4	1	0.2
	% of Cargo Manifests submitted/registered before arrival of vessel/flight	Airport -JNIA	0	100	2
		DSM Port	91	95	93
	% Customs clearance made within 24 hours (Lodgement to Issuance of Customs Release Order)	Land Border stations	81	94	86
DSM Port		36	70	82	
Airport -JNIA		78	90	64	
INTERNAL AFFAIRS	Corruption Perception index		47	46	47
TAXPAYER SERVICES AND EDUCATION	Percentage of taxpayers awareness on tax education programs		95	90	78
	Percentage of written enquiries attended within seven days		71	97	97



TANZANIA REVENUE AUTHORITY DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

11.0 IMPLEMENTATION CHALLENGES

Strategic Initiatives lined-up for implementation during the second year of implementation of the TRA's CP4 were 42. However, due to a number of challenges only 14 initiatives have been completed that makes performance of 33%. The remaining 28 have been rolled over to the financial year 2015/16 and some are multi-year projects. The following are some of the challenges faced during the implementation of the TRA's CP4 in the second year:

- a) The Government decision to change the base year for computation of GDP figures from 2001 to 2007 prices necessitates the review of CP4 and the vision for the Authority. The vision has to be changed because it is a ratio of revenue to GDP and has been directly affected by the rebased GDP figures as well as the revenue forecasts for the duration of the CP4. The review was conducted from February to April 2015 which also entailed thorough assessment of the initiatives implementation in terms of timing and relevance in the current and future operating environment.
- b) Delayed procurement brought about not only by procurement regulations but also due to re-tendering of some of initiatives. During the period under review re-tendered initiatives included; Introduction of New Integrated Domestic Tax Administration system (IDRAS); Design and Implementing an Integrated Enterprise Application Architecture and Study on physical asset requirement, performance and utilization. Following the review, it is expected that implementation of the CP4 initiatives will be completed as planned.
- c) Revenue Collection
Revenue collection target for the second year of the Fourth Corporate Plan was set at TZS 11,427,797 million net of refunds against TZS 9,425,687 million realized in 2013/14. During year 2014/15 TRA has collected TZS 10,062,810 million net of refunds in Tanzania Mainland and Zanzibar. This achievement represents a performance of 88%. The performance has been adversely affected by amendments of Corporation Tax, Taxpayers resistance to pay individual income tax due to increase in presumptive tax rates by almost 100%, Non-payment of withholding tax (IRMD) by some companies and underperformance on Fuel Levy. Further, during the year under review there was an over estimation of target for capital gain tax as a result of windfall tax paid in year 2013/14 by Ophir.
- d) Resistance in acquisition and usage of EFDs
During the period under review, most of the traders who were supposed to acquire and use EFDs resisted to do so. This necessitated TRA to halt enforcement of usage of the EFDs to pave way for negotiations with taxpayers through their association. This resulted to unsatisfactory performance of acquisition and usage of EFDs.

TANZANIA REVENUE AUTHORITY DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

12.0 EVENTS SUBSEQUENT TO THE FINANCIAL STATEMENTS' DATE

There were no significant events subsequent to 30th June, 2015 affecting the revenue and expenditure financial statements that require disclosure.

13.0 FUTURE DEVELOPMENT PLANS

During the year 2015/16, TRA is required to collect TZS 12,541.52 billion as well as implement a total of forty five (45) initiatives out of which 30 are expected to be completed by June 2016 while the remaining 15 are spanned and will be completed in the subsequent years. The on-going reforms within the TRA CP4 will significantly contribute in achieving the target and realising the revenue to GDP ratio estimated at 13.1% for 2015/16. Some of the main reforms include; the implementation of Enterprise application architecture Introduction of the Integrated Domestic Revenue Administration System (IDRAS); Implementation and monitoring of an integrated risk based compliance strategy for Domestic Taxes; Continue with training and capacity building of tax auditors in specialised sectors (oil, gas, telecom & financial); implementation of a comprehensive taxpayer service and education program for each segment.

14.0 RISK MANAGEMENT AND INTERNAL CONTROL

The TRA Board is vested with the overall responsibility for risk management and internal control systems of the Authority. Further, the management of TRA is responsible for ensuring that adequate internal financial and operational control systems are developed and maintained on an on-going basis in order to provide reasonable assurance regarding:

- a) The effectiveness and efficiency of operations;
- b) The safeguarding of the Authority's assets;
- c) Compliance with applicable laws and regulations;
- d) The reliability of accounting records
- e) Business sustainability under normal as well as adverse conditions; and
- f) Responsibility behaviours towards all stakeholders.

The key elements of the TRA system of internal control are as follows:

Delegation

The overall objectives of the Authority are agreed by the TRA Board, which delegates the day-to-day operations to Management for execution. There is a clear organizational structure detailing lines of authority.

Budgets

The annual budget is allocated by the Ministry of Finance in accordance with the provisions governing the Medium Term Expenditure Framework (MTEF). TRA uses Activity Based



TANZANIA REVENUE AUTHORITY

DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

14.0 RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Budgets (Continued)

Budgeting approach with an extensive planning and governance process focused on the Corporate Plan to determine its operational and capital requirements. Detailed annual budgets are prepared by the management for review and approval by the TRA Board. Quarterly Budget Performance reports are prepared and evaluated by Management and submitted to the Board to monitor actual performance against budgets.

Risk Management:

TRA Management recognizes that the management of risk is an integral part of a sound management system. Therefore, TRA ensures that effective risk management is embedded in all management processes within the Authority. This has been achieved through adoption of the Enterprise-Wide Risk Management System (ERMS). The system enables Management to deal effectively and efficiently with uncertainties and associated risks and opportunities.

TRA has formulated and adopted the following policy statement:

“TRA shall identify and manage enterprise risks in support of its vision, mission, and objectives as set out in the Corporate Plan by adopting best practices to ensure that risks are minimized to an acceptable level”

TRA's risk profile covers two categories of general risks which are Strategic Risks and Operational Risks. Explanations for each of the risk categories are provided below:

Strategic Risks

These are risks that have a current or potential impact on TRA strategic objectives as outlined in the Corporate Plan. These may arise from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. Strategic Risks among others focus on risks originating from change in legislation and Government policies, sources of funding, and economic conditions which affect TRA's strategic operations.

Operational Risks

These risks are associated with direct or indirect loss resulting from inadequate or failed internal processes. This risk category focuses on among others risks associated with fraud both internal and external, work practices, skills level, workplace safety, performance incentives and employee turnover.

Further, the Authority has identified seven Corporate risks namely;

- a) System unavailability
- b) Inadequate knowledge and skills in project and contract management
- c) VAT refunds – insufficient VAT refund budget and improper management of refunds process

TANZANIA REVENUE AUTHORITY

DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

14.0 RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Operational Risks (Continued)

- d) Improper assessment of correct income and inability to identify sectors with high revenue yield
- e) Inconsistent information through social media
- f) Non adherence to laws, regulations and TRA QMS procedures
- g) Prolonged procurement process

The identified risks have an overall impact on the achievement of the Strategic Themes, Strategic Objectives, and the ultimate goal of attaining the TRA vision as provided for in the CP4. The mitigations for the identified Corporate Risks are implemented in line with the implementation of the Departmental Plans.

On the other hand, operational risks are continually identified at departmental level based on the CP4 initiatives, core processes and other operational processes during the preparation of Annual Departmental Plans. Additionally, the ERMS Procedure has been documented based on the requirements of ISO 9001:2008 Standard. This procedure provides a clear guidance and step by step instructions to follow during the Identification, Monitoring and Communication of risk status to the interested parties such as the TRA Board, Management and staff.

During the period under review, the Authority evaluated all Corporate Risks (CRs). The results suggested that four (4) CRs i.e. System Availability; Inconsistent Information through Social Media; Prolonged Procurement Procedures; and Non adherence to laws, regulations and TRA Quality System Procedures (QSPs), have started to shift to Green zone. The remaining three (3) CRs which are Improper Management of VAT Refunds; Improper assessment of correct income and Inadequate knowledge and Skills in Project and Contract Management have remained stagnant in the red zone. The Authority is continuing to take appropriate measures to address the situation and will re-assess the situation in year 2015/16.

Additionally, TRA has developed Compliance Risk Management Policy and Framework based on the ERMS Policy and Framework. Following this development, a Compliance Risk Management Plan for 2015/16 was developed.

Liquidity Risk Management

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet obligations associated with financial instruments. TRA manages its liquidity risk to ensure it is able to meet estimated expenditure requirements. This is achieved through prudent liquidity risk management which includes maintaining sufficient cash and cash equivalents. TRA's main sources of income are the annual budget allocation from the Ministry of Finance and other sources of income. The income is used to fund TRA's operational and capital requirements. The annual budget is allocated by the Ministry in



TANZANIA REVENUE AUTHORITY DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

14.0 RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Operational Risks (Continued)

Liquidity Risk Management (Continued)

accordance with the provisions governing the Medium Term Expenditure Framework (MTEF). TRA uses Activity Based Budgeting approach with an extensive planning and governance process focused on the Corporate Plan to determine its operational and capital requirements. This is considered to be adequate mitigation for liquidity risk.

Safeguarding of Assets

The Board is responsible for safeguarding the assets of the Authority. The Board approves various policies and regulations including the Financial Regulations, Procurement Regulations and Staff Regulations in order to strengthen the internal control environment. These are reviewed from time to time to align them with the dynamic of the operating environment.

Internal Audit

TRA has internal Audit Department that assesses risks and reviews governance and controls processes. The department reports functionally to the Audit Committee of the Board, and administratively to the Commissioner General. The Department ensures that audit recommendations to improve risk management, controls and governance processes are implemented by management. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Internal Audit Department among other activities is responsible to provide the Board reasonable assurance that the Authority's systems and practices in place on risk management, controls and governance are adequate and effective. The Board assessed the internal control systems throughout the financial year ended 30th June 2015 and is of the opinion that they met the acceptable criteria. The Board carries risk and internal control assessment through its Audit Committee.

15.0 SOLVENCY

The TRA Board confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board has reasonable expectation that Tanzania Revenue Authority has adequate resources to continue in operational existence for the foreseeable future.

16.0 RELATED PARTY TRANSACTION

All related party transactions and balances are disclosed in Note 28 of these financial statements.

TANZANIA REVENUE AUTHORITY DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

17.0 EMPLOYEES' WELFARE

17.1 Management and Employees' Relationship

In line with Employment and Labour Relations Act, TRA has the staff regulations, which elaborate procedures for solving grievances of employees. There is in place an elaborate system of handling disciplinary cases and resolving grievances of employees through their immediate supervisors to highest level. An employee who is discontented shall discuss the matter with his/her immediate supervisor first before going up the ladder. The relationship between management and staff for year 2014/2015 was generally healthy.

However, during the year under review, there were 75 staff cases out of a standing workforce of 4,237 staff, this is equivalent to 1.8%. The disciplinary cases mainly emanated from violation of customs cargo clearing procedures; fraudulent changes of data in motor vehicle registration system; violation of procedures during calculation of capital gain tax; fraudulent access and manipulation of data in revenue tax administration systems. Out of 75 cases, 33 cases were concluded. The remaining 42 cases are in various stages of disciplinary machinery. Results of concluded cases are as shown in **Table 14** below:

Table 14: Results of concluded staff cases for the period ended 30th June, 2015

S/N	Results	Number of Cases
1	Terminated	7
2	Given written warning	3
3	Suspended	2
4	Cleared from the charges	21
5	Total	33

Further, during the period under review, Management approved formation of workers council with the view of involving staff in decision making especially in matters relating to their welfare and motivation. In this regard, TRA in collaboration with the Ministry for Labour conducted sensitization program to about 20 Regions with the view of introducing the concept to employees

17.2 Training Facilities

TRA recognises that human capital is the most important resource and as such it is committed to the training, development and education of its workforce through cost effective programmes so that they gain relevant skills, knowledge and attitude or behaviour necessary to reach their full potential. The Authority believes that in doing so it will be able to produce highly qualified, confident, professional, and competent staff working as an effective and productive team. This will in turn enable effective and efficient delivery of the Authority's Corporate Plan and realisation of its Vision and Mission. In this regard, during the period under review, the Authority carried out training needs analysis and came



TANZANIA REVENUE AUTHORITY

DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

17.0 EMPLOYEES' WELFARE (Continued)

17.2 Training Facilities (Continued)

up with a comprehensive training plan which focuses on the Authority's strategic goals. Some of the identified trainings were conducted at the Institute of Tax Administration (ITA) while others were conducted by other institutions within and outside the country. Also, as part of capacity building, some staff were attached to other Revenue Authorities in order to gain practical experience. Further, the Authority established specific 12 months course for new recruits who will work in operational area. The course is being conducted at Institute of Tax Administration. The purpose of the course is to ensure that new recruits are equipped with necessary tax administration skills before embarking in operations. All these efforts went hand in hand with improvement of training facilities at ITA.

17.3 Financial Assistance to Staff

Loans are available to staff depending on the need and availability of funds. Also, the Authority has signed agreements with commercial banks and other financial institutions that provide loans to TRA staff. Under these arrangements, the Authority guarantees to remit monthly staff salaries to the commercial banks where the staff maintain bank accounts or to recover the agreed instalment from staff salaries and remit the same to respective commercial bank/financial institution. Further, Management continues to influence TRA staff to join TRA Staff SACCOS to promote their welfare.

17.4 Person with Disabilities

TRA is implementing '**an equal opportunity to all**' policy whereby employment opportunities are advertised and follow a competitive process. In the process, the Authority has been getting staff of all calibres including some disabled staff. This is in keeping with the Regulation 21 of the TRA Staff Regulations 2009 (Revised Edition of 2012) which states that *"The Authority is an equal opportunity employer. It will therefore provide equal access to employment and ensure that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribe, religion, political affiliation or disability which does not impair ability to discharge duties"*

In addition, career development and training for the staff is given to all based on needs following training by objective approach. Also, in the event the staff becomes disabled due accidents, Workman's Compensation and Group Personal Accident Policies are provided to the staff.

17.5 Employees Benefit Plan

The Authority contributes to defined contribution plan and pays pension contributions to Parastatal Pensions Fund (PPF), National Social Security Fund (NSSF), Zanzibar Social Security Fund (ZSSF), Local Authorities Pensions Fund (LAPF), Public Service

TANZANIA REVENUE AUTHORITY

DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

17.0 EMPLOYEES' WELFARE (Continued)

17.5 Employees Benefit Plan (Continued)

Pension Fund (PSPF) and Government Employees Provident Fund (GEPF). Also, the Authority operates un-funded Gratuity plan for its Senior Management staff who are employed on fixed contract term. In addition when employment is terminated before the normal retirement date for various reasons, the Authority pays termination benefit. Further, during the period under review, the Authority issued twenty two (22) corrugated iron sheets to each retiree.

17.6 Health and Safety

TRA continues to provide protective gears to its staff where necessary and ensures existence of sound policy and strategies pertaining to HIV and AIDS and installed necessary systems to ensure safety in its operational areas. Further, the Authority is fully complying with health and safety regulations in which relevant regulatory authority – Occupational Safety and Health Administration (OSHA) visits the Authority for inspection and guidance on a regular basis. Also, the Authority maintains insurance cover for Workman's Compensation and Group Personal Accident aimed at providing compensation to staff sustaining injuries in accidents.

18.0 GENDER PARITY

The total summary of employees as at the end of the year 2014/15 was 4,237 compared to 4,047 in 2013/14. The distribution was 1,325 or 31.3% and 2,912 or 68.7% for female and male respectively. **Table 15** below indicates staff position as at 30th June, 2015.

Table 15: Staff Position as at 30th June 2015

S/NO	DEPARTMENT	FEMALE	MALE	TOTAL
1	Customs and Excise	361	1020	1,381
2	Domestic Revenue	583	1192	1,775
3	Finance	80	121	201
4	Human Resources and Administration	162	228	390
5	Information and Communication Technology	15	55	70
6	Internal Audit	7	18	25
7	Large Taxpayers	42	99	1411
8	Research and Policy	5	21	26
9	Board Secretariat and Legal Services	15	19	34
10	Tax Investigations	24	69	93



TANZANIA REVENUE AUTHORITY DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

18.0 GENDER PARITY (Continued)

S/NO	DEPARTMENT	FEMALE	MALE	TOTAL
11	Taxpayers Services and Education	18	29	47
12	Planning and Modernization	5	10	15
13	Internal Affairs	6	24	307
14	Commissioner General's Office	2	7	9
	TOTAL	1,325	2,912	4,237

Source: TRA Human Resources and Administration Department

Further, out of 4,237 staff, 120 staff are in decision making position (From Commissioner General to Managers), 92 are males and 28 are females. Distribution of TRA management team by age is as shown in **Table 16** below.

Table 16: Management Distribution by age as at 30th June 2015

Position	30-40yrs	41-50yrs	51-60yrs	Total
CG/DCG		1	1	2
Heads and Deputy Heads of Departments	1	9	17	27
Managers	3	34	54	91
Total	4	44	72	120

Management distribution by age provided in Table 16 indicates that more than 50% of managerial staff are aged over 50 years. Thus, TRA is in the process of developing and implementing a comprehensive succession planning program. The program is focusing on identification and development of a talent pool from internal staff with potential to fill key managerial positions in the organization.

19.0 CORPORATE SOCIAL RESPONSIBILITY

TRA considers Corporate Social Responsibility (CSR) as one of the activities which arouse public acceptance of the tax administration body in the society. Therefore, during the period under review, TRA was involved in giving donations to schools that included building materials for construction of class rooms, desks, Laboratory equipment, books and stationaries in Dar es Salaam, Tanga, Mwanza, Kagera and Iringa Regions. TRA also donates medical items to hospitals in Zanzibar (Mnazi mmoja Hospital), Iringa and Temeke Hospitals. Further TRA provided donation to orphanage centres in Pemba, Iringa, Ruvuma and Rukwa. Such payments amounted to TZS 444.89 million (2014: TZS 143.36 million). All mentioned donations were aimed at public in general and there were no political donations.

TANZANIA REVENUE AUTHORITY

DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

20.0 ENVIRONMENTAL CONTROL PROGRAMME

The Authority monitors carefully its operations to ensure wastes generated by its operational offices are properly managed and do not affect the environment. This is achieved by ensuring that operational offices have proper facilities for waste management in conformity with Gemba Kaizen principles.

21.0 SERIOUSLY PREJUDICIAL

During the year ended 30th June 2015 there was no serious prejudicial matters to be reported.

22.0 ACCOUNTING POLICIES

A summary of key accounting policies is in **Note 4** to the financial statements.

23.0 CAPITAL MANAGEMENT

Capital includes capital reserve, property, plant & equipment revaluation reserve, retained earnings and deferred income, which stood at TZS 298,339.10 million (2014: TZS 304,317.32 million). The primary objective of the Authority's capital management is to ensure that it maintains a strong asset base in order to support its objectives and optimize achievement of stakeholders' expectations. No changes were made in the objectives during the year ended 30 June 2015.

24.0 RESOURCES

At the end of the year 2014/15, the Authority had 4,237 staff (2014: 4,047 staff). The human capital comprised of competent staff in various operational areas. The position provides the assurance to the Authority for attainment of its key strategic goals. Further, at the end of the period under review, the Authority had sufficient funds to fulfil its financial obligations. In addition, the Authority has reasonable expectation that the Government of Tanzania and Development partners will avail the funds for financing the Authority's planned activities for 2015/16. In that regard, the Authority is considered to have adequate resources to continue with its operations.

25.0 AUDITORS

The Controller and Auditor General is the statutory auditor of the Tanzania Revenue Authority by virtue of Article 143 of the Constitution of the United Republic of Tanzania as amplified under the Public Audit Act No.11 of 2008.



Mr Bernard S. Mchomvu
Chairman of the TRA Board

31st December, 2015

Date





**TANZANIA REVENUE AUTHORITY
AUDITED REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2015**



THE UNITED REPUBLIC OF TANZANIA



NATIONAL AUDIT OFFICE



REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE REVENUE STATEMENTS OF UNDER (VOTE 21) FOR THE YEAR ENDED 30TH JUNE, 2015

The Controller and Auditor General,
National Audit Office, Samora Avenue/Ohio Street,
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DECEMBER, 2015

AR/TRA/VT.21/ 2014/2015



AUDIT REPORT ON THE REVENUE STATEMENTS

To: Chairperson,
Board of Directors,
Tanzania Revenue Authority,
P.O. Box 11491,
Dar es Salaam.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE REVENUE STATEMENTS OF TANZANIA REVENUE AUTHORITY (TRA) FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2015

I have audited the revenue statements of TRA comprising of the Statement of Revenue Collections and Transfers, Statement of Comparison of Revenue Targets and Actual Collections, Statement of Tax Exemptions and Rebates, Statement of Tax Deposits, Statement of Tax Refunds, Statement of Customs Processing Fees and Notes to the Revenue Statements shown as **Annexure II** of this report for the financial year ended 30th June 2015.

Management Responsibility for the Revenue Statements

The preparation of revenue statements is the responsibility of the management of the TRA as per the Statement of Management's Responsibility for the Revenue statements enclosed in this report as **Annexure I**.

Sect. 25(4) of the Public Finance Act (PFA) No. 6 of 2001 (revised 2004), places responsibility on the TRA Management to prepare revenue statements for each financial year, which give a true and fair view of the collections and transfers of the reporting entity as at the end of the financial year. It also, requires management to ensure that the reporting entity keeps proper accounting records, which will disclose with reasonable accuracy its financial position and its responsibility in safeguarding the assets.

The revenue statements should be prepared using appropriate accounting polices supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) cash basis of accounting and in the manner required by Sect 25(4) of the Public Finance Act, 2001 (revised 2004).

In addition, Reg. 28-35 of the Public Finance Regulations 2001 requires the Accounting Officer and the organization's management to establish an effective internal control system, internal



audit unit and audit committee appropriate to the circumstances of TRA.

Responsibilities of the Controller and Auditor General

My responsibility as auditor is to express an independent opinion on the revenue statements based on the audit. I am also, required to satisfy myself that the revenues assessed by TRA were properly collected and accounted for, whether the revenue statements have been kept in accordance with the International Public Sector Accounting Standards (IPSAS) cash basis of accounting.

According to Sect.10 (1) of the Public Audit Act No 11 of 2008, my specific responsibilities are to examine, enquire into, audit and report on the revenue statements of TRA. In addition, Sect. 10 (2) of the PAA No. 11 of 2008 requires me to satisfy myself that the accounts have been kept in accordance with IPSAS Cash Basis of Accounting; reasonable precautions have been taken to safeguard the collection, accounting and transfers of revenue and that the laws, directions and instructions applicable thereto have been duly observed.

Basis of opinion

I conducted the audit in accordance with International Standards on Auditing (ISA), International standards of Supreme Audit Institutions (ISSAI) and such other audit procedures I considered necessary in the circumstances. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the revenue statements are free of material misstatement.

An audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. It also, includes assessing the accounting principles used and significant estimates and judgments made by management, assessing whether the internal control system and the accounting policies are appropriate to the circumstances of TRA and that they have been consistently applied and adequately disclosed in the preparation of the revenue statements, as well as evaluating the overall revenue statements presentation and assessing the extent of compliance with the statutory requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.


Unqualified Opinion

In my opinion, the Revenue Statements present fairly, in all material respects, the results of revenue collections by Tanzania Revenue Authority for the year ended 30th June, 2015 in accordance with International Public Sector Accounting Standards (IPSAS) – cash basis of accounting.

Report on Other Legal and Regulatory Requirements

Compliance with Procurement Legislation

In view of my responsibility on the Procurement Legislation, and taking into consideration the procurement transactions I have reviewed as part of this audit. I state that the Tanzania Revenue Authority has generally complied with the requirements of the PPA No.7 of 2011 and its underlying Regulations of 2013.


Prof. Musesa J. Asaad
CONTROLLER AND AUDITOR GENERAL

10th March, 2016.

Copy: The Chief Secretary,
State House,
P.O. Box 9120,
1 Barrack Obama Road,
11400 DAR ES SALAAM.

Permanent Secretary and Paymaster General,
Ministry of Finance,
P.O. Box 9111,
1 Madaraka Street,
11468 DAR ES SALAAM.

Permanent Secretary,
Prime Minister's Office,
Regional Administration and Local Government,
P. O. Box 1392,
DAR ES SALAAM.





TANZANIA REVENUE AUTHORITY

STATEMENT OF REVENUE COLLECTIONS AND TRANSFERS FOR THE YEAR ENDED 30TH JUNE 2015

	Notes	2014/2015	2013/2014
		TZS	TZS
Revenue Collections:			
<u>Tanzania Mainland</u>			
Domestic Revenue Department	2	1,918,954,405,547	1,696,417,109,556
Large Tax Payers Department	2	4,611,057,733,493	4,491,635,021,613
Customs and Excise Department	2	4,069,759,707,650	3,671,902,349,563
		10,599,771,846,690	9,859,954,480,732
Add: Treasury Vouchers	2	29,459,350,217	30,015,567,704
	2	10,629,231,196,906	9,889,970,048,437
<u>Zanzibar</u>			
Domestic Revenue	2	56,003,184,806	49,073,697,012
Customs and Excise	2	87,989,744,483	87,614,478,978
		143,992,929,289	136,688,175,990
Total Central Government Revenue		10,773,224,126,196	10,026,658,224,427
<u>Property Rates Collections:</u>			
Ilala Tax Region			2,662,989,348
Kinondoni Tax Region			1,222,776,084
Temeke Tax Region			580,094,363
		-	4,465,859,795
Grand Total Collections		10,773,224,126,196	10,031,124,084,222
Revenue Transfers:			
Transfer to Central Government	3	9,325,305,560,116	8,623,912,297,077
Transfers to Government of Zanzibar	3	147,683,343,615	136,471,744,366
Transfer to Municipal Councils	3	-	5,604,404,931
Other Transfers	3	1,341,221,387,275	1,234,761,272,345
		10,814,210,291,007	10,000,749,718,719
Increase (Decrease) in cash		(40,986,164,811)	30,374,365,502
Cash at the beginning of the year		43,102,134,898	12,727,769,396
Cash at the end of the year	4 & 9	2,115,970,087	43,102,134,898

The revenue statements were approved by the Board of Directors for issue on 31st December, 2015 and were signed on its behalf by:

Name : Alphayo J. Kidata Title: Commissioner General

Signature 

Name : Bernard S. Mchomvu Title: Chairman of TRA Board

Signature 

TANZANIA REVENUE AUTHORITY
STATEMENT OF COMPARISON OF REVENUE TARGETS AND ACTUAL COLLECTIONS
FOR THE YEAR ENDED 30TH JUNE 2015



	NOTE	Actual Collections Amounts (A)	Final Approved Target (B)	Original Proposed Target	Difference (A-B)
<u>Tanzania Mainland:</u>		TZS	TZS	TZS	TZS
Domestic Revenue Department		1,918,954,405,547	2,064,560,400,000	2,070,856,200,000	(145,605,994,453)
Large Tax Payers Department		4,611,057,733,493	5,489,128,300,000	5,108,089,300,000	(878,070,566,507)
Customs and Excise Department		<u>4,069,759,707,650</u>	<u>4,358,269,900,000</u>	<u>4,506,838,100,000</u>	<u>(288,510,192,350)</u>
Gross Revenue		10,599,771,846,690	11,911,958,600,000	11,685,783,600,000	(1,312,186,753,310)
Less: Transfers VETA	5	56,480,666,236	56,480,666,236	56,480,666,236	-
Less: Refunds & Transfers to ZRB	8	<u>653,933,741,825</u>	<u>636,915,300,000</u>	<u>631,915,600,000</u>	<u>17,018,441,825</u>
Total (Net of refunds)		9,889,357,438,629	11,218,562,633,764	10,997,387,333,764	(1,329,205,195,136)
Add: Treasury Vouchers		29,459,350,217	43,178,700,000	43,178,700,000	(13,719,349,783)
Net Incl. TVCs (Mainland)		9,918,816,788,845	11,261,741,333,764	11,040,566,033,764	(1,342,924,544,919)
<u>Zanzibar:</u>					-
Domestic Revenue	2	56,003,184,806	55,502,900,000	55,502,900,000	500,284,806
Customs and Excises		87,989,744,483	110,553,000,000	110,553,000,000	(22,563,255,517)
Net Revenue (Zanzibar)		143,992,929,289	166,055,900,000	166,055,900,000	(22,062,970,711)
GRAND TOTAL		10,062,809,718,135	11,427,797,233,764	11,206,621,933,764	(1,364,987,515,630)



TANZANIA REVENUE AUTHORITY

STATEMENT OF TAX EXEMPTIONS AND REBATES

FOR THE YEAR ENDED 30TH JUNE 2015

	<u>Notes</u>	<u>2014/2015</u>	<u>2013/2014</u>
		<u>TZS</u>	<u>TZS</u>
Customs and Excise	6		
DESCRIPTIONS			
Customs and Excise			
Government Institutions		10,907,901,968	10,464,177,448
Parastatal Organisations		200,013,292,660	151,320,063,168
Religious Institutions		157,703,067	409,131,392
Non-Governmental Organisations (NGOs)		507,715,653	365,924,795
Foreign Embassies/UN		15,979,987,089	15,125,464,070
Military duty free shop		1,701,546,597	12,245,651,978
Donor Funded Projects (DFP)		118,969,312,689	124,305,103,132
Private Companies & Individuals		243,401,384,649	371,216,680,897
Mining Sector		30,727,191,173	30,827,470,628
Oil/Gas Exploration		117,838,127,034	103,195,828,832
Tanzania Investment Centre (TIC)		251,198,253,514	330,141,360,717
Total		991,402,416,092	1,149,616,857,056
Domestic Revenue			
VAT relief granted under 3rd Schedule -VAT Act Cap 148		635,609,504,822	684,480,503,300
Total		635,609,504,822	684,480,503,300
Grand Total		1,627,011,920,914	1,834,097,360,356

VAT relief granted under 3rd Schedule - VAT Act Cap 148 include Diplomats, NGO, Investors and others

TANZANIA REVENUE AUTHORITY STATEMENT OF TAX DEPOSITS FOR THE YEAR ENDED 30TH JUNE 2015

	<u>Notes</u>	2014/2015	2013/2014
		TZS	TZS
At the beginning of the year		17,200,543,596	19,071,967,069
Less: Tax Deposits wrongly c/f		(934,318,175)	
Tax deposits added during the year		1,439,576,376,757	1,270,676,954,377
Total deposits		1,455,842,602,178	1,289,748,921,446
Less: Tax recognized during the year		1,288,654,205,808	1,269,584,905,563
Payments and Refunds		2,747,529,926	2,947,931,877
Other Payments		140,120,698,019	14,594,510
Charges		247,500	945,900
		1,431,522,681,253	1,272,548,377,850
At the end of the year	7	24,319,920,925	17,200,543,596



TANZANIA REVENUE AUTHORITY STATEMENT OF TAX REFUNDS FOR THE YEAR ENDED 30TH JUNE 2015

		2014/2015	2013/2014
	<u>Note</u>	TZS	TZS
At the beginning of the year:		30,402,209	39,337,143
Add: Previous year adjustment per BOT CBS		8,769,062	-
Add: Mining Companies Deposits for VAT b/f		2,700,547,172	-
Adjusted Beginning Balance	8	2,739,718,443	39,337,143
Add: Funds received:			
from the Government	8	636,915,666,807	491,996,381,215
from Mining companies (Escrow)	8	82,015,231,396	54,183,668,520
Total funds available for refunds		721,670,616,645	546,219,386,879
Less: Tax refunds made during the year	8	653,933,741,825	546,188,984,669
Balance at the end of the year	8	67,736,874,820	30,402,209

TANZANIA REVENUE AUTHORITY

STATEMENT OF CUSTOMS PROCESSING FEES

FOR THE YEAR ENDED 30TH JUNE 2015

	<u>Note</u>	2014/2015	2013/2014
		TZS	TZS
At the beginning of the year		39,283,982,068	57,036,814,443
Add: Customs Processing fees			
Transferred from Treasury- Dry cargo		48,175,508,242	40,944,535,757
Transferred from Treasury- Wet cargo		1,008,295,646	11,187,033,940
Interest earned net of w/tax		319,812,658	399,865,640
Taxes wrongly paid to PSI		15,833,175	14,980,825
Total Customs processing fees & Interest		88,803,431,789	109,583,230,605
Less: Transfers to TRA expenditure A/C		51,821,058,600	59,097,003,772
Transfer to REA *		1,008,295,646	11,187,033,940
Bank charges		204,000	230,000
Total Transfers		52,829,558,246	70,284,267,712
Balance at the end of the year		35,973,873,543	39,298,962,893
Less: Taxes wrongly paid to PSI A/C		15,833,175	14,980,825
Net amount of Customs Processing fees		35,958,040,368	39,283,982,068

*On 2nd August 2011, Government directed that customs processing fees collected by TRA on petroleum products importation be remitted to Rural Energy Agency (REA). Effective from July 2014, the Government changed the procedure by remitting the funds to REA directly after receiving from TRA collections. However, on 31.7.2014 Permanent Secretary Treasury mistakenly returned TZS.1, 008,295,646.25 to TRA. Consequently, TRA remitted the amount to REA. The change of procedure caused huge change from the year 2013/14 to 2014/15



TANZANIA REVENUE AUTHORITY

NOTES TO THE REVENUE STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1.0 AUTHORITY INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

1.1 AUTHORITY INFORMATION

The Tanzania Revenue Authority (TRA) was established by the TRA Act Chapter 399 of the Laws (Revised 2006) which came into effect on 7th August 1995.

TRA is an agency of the Government of the United Republic of Tanzania responsible for the administration of Central Government taxes.

The major functions of TRA are to:

- (a) Assess, collect and account for Government Revenue;
- (b) Administer effectively and efficiently all the revenue laws of the Central Government;
- (c) Advise the Government on all matters related to fiscal policy;
- (d) Promote voluntary tax compliance;
- (e) Improve the quality of services to the taxpayers;
- (f) Counteract fraud and other forms of tax evasion; and
- (g) Produce trade statistics and publications.

The overall Management of TRA is vested in the Board as the governing board under the supervision of the Minister for Finance. The Commissioner General is responsible for the day to day operations of the Authority.

The registered office of the Authority is situated on Plot No. 126, Sokoine Drive, Dar es Salaam.

1.2 BASIS OF PREPARATION

The revenue statements have been prepared on a cash basis and presented in Tanzanian Shilling (TZS). Based on the kind of business TRA is operating in the agency-principle relationship with the Government. These statements have been modified so as a statement of Cash receipts and payments is represented by statement of Revenue Collections and transfers. Only single column comparison between years has been indicated to cater for tax revenue collections and transfers.

1.3 STATEMENT OF COMPLIANCE

The revenue statements of TRA have been prepared in accordance with Cash Basis IPSAS (*Financial Reporting under the Cash Basis of Accounting*) as issued by the

TANZANIA REVENUE AUTHORITY

NOTES TO THE REVENUE STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (Continued)

1.0 AUTHORITY INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.3 STATEMENT OF COMPLIANCE (Continued)

International Public Sector Accounting Standards Board (IPSASB) and as stipulated by the Public Finance Act, 2001(Revised 2004).

1.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.4.1 Tax Revenue Collections

Tax revenue is the income gained by the Government through taxation. Taxes are economic benefits compulsorily paid or payable to public sector entities, in accordance with laws or regulation, established to provide revenue to the government, excluding fines or other penalties imposed for breaches of laws or regulation.

1.4.2 Functional and Presentation Currency

The Revenue statements items of the Authority are measured and presented using the currency of the primary economic environment which is the Tanzanian Shilling (TZS). This is the Authority's functional and reporting currency.

1.4.3 Cash and Cash Equivalents

Cash and Cash Equivalents are stated in the Statement of Revenue Collections and Transfers and Customs Processing Fees at cost. For the purposes of these Statements, Cash is comprised of cash on hand and deposits held at call with commercial banks. Cash Equivalents are short term deposits with original maturities of three months or less.

1.4.4 Treasury Vouchers

Treasury Vouchers (TVCs) are the payment cheques/TISS instructions issued by the Ministry of Finance (Treasury) to Tanzania Revenue Authority (TRA) for the purpose of paying for tax exemptions issued to eligible entities/persons. Treasury Voucher collections are recognised on receipt from Ministry of Finance.

1.4.5 Property Rates Collections

There is no data for property rates collections for the financial year 2014/2015 because the Government decided to return the mandate of collecting property rates to Dar es Salaam Municipal councils with effect from February 2014.



TANZANIA REVENUE AUTHORITY

NOTES TO THE REVENUE STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (Continued)

1.0 AUTHORITY INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.4.6 Tax Revenue and Property Rate Transfers

Tax revenue transfers are remittance of the collected tax revenues held in TRA Commissioners' Account to the Paymaster General Account. Commercial banks remit funds to TRA accounts at BOT three times a week on Monday, Wednesday and Friday and at the last working day of the month. BOT transfers funds from TRA accounts on daily basis to PMG accounts.

1.4.7 Tax Revenue Collections for Government of Zanzibar

The Authority collects Income Tax and Customs duties for Government of Zanzibar. The collections are monitored through the people's Bank of Zanzibar and Bank of Tanzania Zanzibar Branch.

1.4.8 Revenue Recognition

Revenue is recognised on cash basis. The following types of revenue are being collected by the Authority:

S/N	Revenue Type	Revenue Recognition Point
1.	Excise Duty Local	On Receipt
2.	Value Added Tax Local – Goods	On Receipt
3.	Value Added Tax Local – Services	On Receipt
4.	Value Added Tax – Others	On Receipt
5.	Motor Vehicle Taxes	On Receipt
6.	Corporate Taxes	On Receipt
7.	Individuals Income Taxes	On Receipt
8.	Pay As You Earn (PAYE)	On Receipt
9.	Skills and Development Levy (SDL)	On Receipt
10.	Withholding Taxes	On Receipt
11.	Import Duty	On Receipt
12.	Excise Duty on Imports	On Receipt
13.	Value Added Tax on Imports	On Receipt
14.	Fuel Levy	On Receipt
15.	Customs Processing Fees	On Receipt
16.	Petroleum Levy	On Receipt

TANZANIA REVENUE AUTHORITY

NOTES TO THE REVENUE STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (Continued)

1.0 AUTHORITY INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.4.9 Customs Processing Fees

Customs processing fees are collected by the Authority by charging 0.6% of FOB value for imports on dry cargo while TZS.4.8 per litre charged on wet cargo. Fees for dry cargo were used for servicing customs activities while that of wet cargo were remitted to Paymaster General for subsequent remittance to Rural Energy Authority (REA).

1.4.10 Tax Deposits

Taxpayers with goods temporarily imported or on transit are required by law to make payments upfront pending re-exportation or otherwise the exit of the goods outside the country. In some cases, a taxpayer may apply to the Commissioner for Customs to be allowed to clear goods entering the country before duties are determined. In both cases, the taxpayer is required to deposit a certain amount of money as cover for the import duties and other levies which will be utilized at a later date once the actual duties are established. If a deposit has remained unclaimed for one year or more after the taxpayer is cleared from all the obligations associated with the deposit, such a deposit shall be treated as revenue and shall be transferred to Commissioner's Account.

1.4.11 Tax Exemptions and Rebates

Tax exemptions are reductions or eliminations of the taxes normally imposed on individuals and organizations by the United Republic of Tanzania as provided for by Laws. In order to be tax-exempt, an organization must meet certain criteria that are specifically defined by the Authority (TRA). They are Waiver and Benefits granted to taxpayers for payment of Import Duty, VAT, Excise Duty and Fuel levy under the Tanzania Investment Act, the Mining Act, and relevant Government Notices applicable to Religious and Charitable Organizations, Donor Funded Projects and Investors.

Tax Exemptions are categorised by the Authority as follows;

1.4.11.1 Customs and Excise

- (a) Government Institutions
- (b) Parasternal Organisations
- (c) Religious Institutions
- (d) Non-Governmental Organisations (NGOs)
- (e) Donor Funded Projects (DFP)
- (f) Private Companies & Individuals
- (g) Mining Sector
- (h) Tanzania Investment Centre (TIC)



TANZANIA REVENUE AUTHORITY

NOTES TO THE REVENUE STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (Continued)

1.0 AUTHORITY INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.4.11 Tax Exemptions and Rebates (Continued)

1.4.11.1 Customs and Excise (Continued)

- (i) Oil/Gas Exploration
- (j) Military Duty Free Shops
- (k) Foreign Embassies/UN

1.4.11.2 Domestic Revenue

- (a) VAT Relief granted under the Third Schedule to the Value Added Tax Act Cap 148
- (b) Exemptions under Duty Free Shops

1.4.12 Comparative Figures

Figures for the previous revenue statements have been regrouped whenever necessary in order to make them comparable with current year's figures.

1.5 JUDGEMENTS

The preparation of the Authority's Revenue Statements requires management to make judgments that affect the reported amounts of revenues at the end of the reporting period. In the process of applying the Authority's accounting policies, management has not made any significant judgments.

1.6 ESTIMATES AND ASSUMPTIONS

There are no assumptions concerning the future or other sources of estimating uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1.7 RISK MANAGEMENT OBJECTIVES AND POLICIES

TRA operations are exposed to certain financial risks. Financial risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on TRA's financial performance. The main risks arising from the TRA's operations are currency risk, credit risk, liquidity risk and interest rate risk. TRA reviews and agrees policies for managing each of these risks which are summarized below:

1.7.1 Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. TRA's operations utilize various foreign currencies and consequently, are exposed to exchange rate fluctuations that have an impact on cash flows and financing activities. Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies.

TANZANIA REVENUE AUTHORITY

NOTES TO THE REVENUE STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (Continued)

1.0 AUTHORITY INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.7 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

1.7.2 Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet obligations associated with financial instruments. TRA manages its liquidity risk to ensure it is able to meet estimated outflow requirements. This is achieved through prudent liquidity risk management which includes maintaining sufficient cash and cash equivalents.

TRA's main sources of income are the annual budget allocation from the Ministry of Finance and Economic Affairs and other sources of income. The income is used to fund TRA's operational and capital requirements. The annual budget is allocated by the Ministry in accordance with the provisions governing the Medium Term Expenditure Framework (MTEF). TRA uses Activity Based Budgeting approach with an extensive planning and governance process focused on the Corporate Plan to determine its operational and capital requirements. This is considered to be adequate mitigation for liquidity risk.

Payment of Refunds: The Authority depends on funds from the Treasury to pay out the refunds to taxpayers. The amount of tax refunds received from Treasury during the financial year was TZS 669,488,182,771. The delay in receiving funds, or funds being unbudgeted, exposed the Authority to liquidity risk.

Remittances to Vocational Education and Training Authority (VETA) and High Education Student Loan Board (HESLB):

The Authority collects Skills and Development Levy (SDL) which VETA and HESLB are entitled for one third (1/3) and two third (2/3) respectively. During the financial year 2014/15 TZS 56,480,666,236 was remitted to VETA, while the remaining balance was remitted to the Treasury for subsequent payment to HESLB.

Remittances of VAT to Zanzibar Revenue Board (ZRB):

The Authority collects VAT paid on goods purchased in Mainland but consumed in Zanzibar. The remittances were made to the Revolutionary Government of Zanzibar on monthly basis. During 2014/15 TZS 33,213,527,844 of VAT was remitted.

1.7.3 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. TRA is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments.



TANZANIA REVENUE AUTHORITY

NOTES TO THE REVENUE STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (Continued)

1.0 AUTHORITY INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.8 RESTRICTIONS ON CASH BALANCES

Cash at the end of the year comprises of bank balances, cash on hand and cash in transit as at 30th June 2015. These balances are the Tax revenue collections remaining with commercial banks at year end. Strictly the balances are not used by the Authority in any way; rather the funds are remitted to PMG as per requirement of TRA Financial Regulations. Cash balance (revenue float) at the end of the year on 30th June 2015 was **TZS 2,115,970,087**. This float comprises of Mainland **TZS. 2,087,238,082** which were with various commercial banks and other collecting Agents national wide. Zanzibar revenue float was **TZS. 28,732,006** which remained with commercial bank. The above revenue floats were all transferred to PMG Account in July 2015.

		2014/2015 TZS	2013/2014 TZS
2	OVERALL TAX COLLECTIONS		
2.1	COLLECTIONS BY TAX TYPES:		
	2.1.1 MAINLAND		
	(a) Domestic Revenue Department		
	Excise Duty Local	50,872,549,636	33,344,956,294
	VAT Local-Goods	54,431,948,227	49,569,688,317
	VAT Local -Services	285,217,566,403	255,875,991,803
	VAT- Others	103,319,600,912	62,198,847,190
	Motor vehicle taxes	184,623,046,894	161,223,788,039
	Departure charges	50,126,995,826	39,265,253,294
	Corporate & Individuals Income Taxes	390,032,984,409	371,985,946,846
	PAYE	482,842,502,772	480,392,541,608
	Skills and Development Levy	76,704,896,228	60,795,868,474
	Withholding Taxes and others	240,782,314,240	181,764,227,692
		1,918,954,405,547	1,696,417,109,556
	Treasury Vouchers	7,896,871,152	6,754,271,239
		1,926,851,276,699	1,703,171,380,795

TANZANIA REVENUE AUTHORITY
NOTES TO THE REVENUE STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015 (Continued)

2 OVERALL TAX COLLECTIONS (Continued)
2.1 COLLECTIONS BY TAX TYPES: (Continued)
2.1.1 MAINLAND (Continued)

	2014/2015 TZS	2013/2014 TZS
(b) Large Taxpayer Department		
Excise Duty Local	769,202,387,188	707,871,751,260
VAT Local-Goods	359,020,194,682	312,783,208,178
VAT Local -Services	549,898,165,230	514,746,016,713
VAT- Others	153,002,832,147	121,700,945,487
Stamp duty	4,626,170,025	4,142,038,474
Departure charges	2,946,943,900	3,077,530,487
Corporate Income Taxes	929,058,165,502	1,190,060,555,578
PAYE	1,214,682,531,537	1,120,183,536,428
Skills and Development Levy	134,518,089,613	106,808,951,050
Withholding Taxes and others	494,102,253,669	410,260,487,960
SUB TOTAL	4,611,057,733,493	4,491,635,021,613
(c) Customs and Excises Department		
Import Duty	744,692,330,445	704,774,556,514
Excise Duty on Imports	910,060,773,063	761,901,338,055
VAT on Imports	1,549,802,812,195	1,373,626,990,779
Fuel Levy	623,157,379,378	625,951,887,942
Customs processing fees	50,244,023,120	43,253,330,970
Energy Levy Customs processing fees	14,490,017,175	14,585,182,487
Petroleum Levy	126,723,064,651	123,884,972,723
Export Levy	35,698,784,285	3,499,743,092
Others	14,890,523,339	20,424,347,000
	4,069,759,707,650	3,671,902,349,563
Treasury Vouchers	21,562,479,065	23,261,296,465
Sub Total	4,091,322,186,715	3,695,163,646,028
Grand Total (Mainland)	10,629,231,196,906	9,889,970,048,437



TANZANIA REVENUE AUTHORITY

NOTES TO THE REVENUE STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (Continued)

2.1 COLLECTIONS BY TAX TYPES: (Continued)

		2014/2015	2013/2014
		TZS	TZS
2.1.2 ZANZIBAR			
(d) Domestic Revenue Department			
	Corporate & Individuals Income Taxes	16,177,041,736	13,068,111,969
	Withholding taxes and others	4,537,035,189	3,704,233,122
	PAYE and Skills and Development Levy	35,289,107,881	32,301,351,921
		56,003,184,806	49,073,697,012
(e) Customs and Excise Department			
	Import duty	33,449,569,840	33,771,831,301
	Excise Duty on imports	10,333,910,072	10,894,051,454
	VAT on Imports	38,831,467,954	38,250,528,521
	Trade Levy	4,549,245,565	4,653,483,380
	Others	825,551,052	44,584,323
	Total	87,989,744,483	87,614,478,978
	Grand Total (Zanzibar)	143,992,929,289	136,688,175,990

TANZANIA REVENUE AUTHORITY
NOTES TO THE REVENUE STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015 (Continued)

2.0 OVERALL TAX COLLECTIONS (Continued)
2.2 COLLECTIONS BY TAX REGIONS:



		2014/2015 TZS					2013/2014 TZS				
No.	Regions	Domestic Revenue	Large Taxpayer	Customs	Total	Domestic Revenue	Large Taxpayer	Customs	Total		
1	Arusha	190,076,303,466		12,622,607,049	202,698,910,514	148,549,169,322		25,763,255,919	174,312,425,240		
2	Coast	9,408,966,182		1,799,873,905	11,208,840,086	8,101,368,024		1,431,847,404	9,533,215,428		
3	Dodoma	9,862,148,691		78,862,135	9,941,010,826	21,389,196,137		30,402,044	21,419,598,181		
4	Iringa	21,596,290,619		157,891,964	21,754,182,582	28,487,722,079		216,330,485	28,704,052,564		
5	Kagera	10,236,218,277		14,341,328,003	24,577,546,280	9,472,563,534		14,485,232,117	23,957,795,651		
6	Kigoma	5,083,813,844		1,532,645,482	6,616,459,326	5,244,148,051		3,013,235,259	8,257,383,309		
7	Kilimanjaro	23,332,274,627		27,255,804,180	50,588,078,808	28,713,583,188		31,561,169,436	60,274,752,624		
8	Lindi	3,710,568,880		37,556,234	3,748,125,114	4,287,759,085		45,836,104	4,333,595,189		
9	Mara	10,360,701,044		25,597,737,213	35,958,438,256	9,898,249,941		30,933,683,643	40,831,933,583		
10	Mbeya	28,862,502,837		9,857,894,546	38,720,397,383	23,790,561,744		11,296,206,328	35,086,768,072		
11	Morogoro	18,727,626,002		453,918,570	19,181,544,572	22,606,620,236		433,894,939	23,040,515,175		
12	Mtwara	5,024,791,144		580,918,154	5,605,709,298	6,477,911,986		3,151,330,731	9,629,242,717		
13	Mwanza	73,698,037,967		3,197,654,576	76,895,692,543	77,307,557,088		5,138,737,232	82,446,294,319		
14	Ruvuma	5,168,472,059		95,617,422	5,264,089,480	5,195,885,151		103,714,833	5,299,599,984		
15	Shinyanga	16,691,062,684		842,517,819	17,533,580,502	14,638,949,463		726,506,310	15,365,455,773		
16	Singida	3,285,030,670		42,096,092	3,327,126,762	2,993,079,411		30,319,401	3,023,398,812		
17	Tabora	8,396,230,869		15,505,183	8,411,736,051	11,723,724,960		1,667,991	11,725,392,951		
18	Tanga	20,041,621,623		7,447,130,305	27,488,751,928	25,466,336,275		30,806,485,262	56,272,821,538		

**TANZANIA REVENUE AUTHORITY
NOTES TO THE REVENUE STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015 (Continued)**

**2.0 OVERALL TAX COLLECTIONS (Continued)
2.2 COLLECTIONS BY TAX REGIONS (Continued)**

		2014/2015 TZS				2013/2014 TZS			
No.	Regions	Domestic Revenue	Large Taxpayer	Customs	Total	Domestic Revenue	Large Taxpayer	Customs	Total
19	Rukwa	5,702,144,409		159,501,769	5,861,646,178	4,646,078,518		313,058,204	4,959,136,722
20	Manyara	3,191,204,991		-	3,191,204,991	3,478,536,860		-	3,478,536,860
	Sub-Total	472,456,010,882	-	106,117,060,599	578,573,071,482	462,469,001,053	-	159,482,913,638	621,951,914,693
1		Large Taxpayer	4,611,057,733,493		4,611,057,733,493		4,491,635,021,613		4,491,635,021,613
2	Ilala	741,403,593,281			741,403,593,281	649,102,774,999			649,102,774,999
3	Kinondoni	385,418,532,470			385,418,532,470	326,182,264,896			326,182,264,896
4	Temeke	190,316,848,163			190,316,848,163	163,127,237,605			163,127,237,605
5		Custom S. Centre		3,859,215,155,043	3,859,215,155,043			3,455,737,387,932	3,455,737,387,932
6	Motor Vehicle	116,475,407,170			116,475,407,170	88,095,958,243			88,095,958,243
7	Driving License	19,047,203,000			19,047,203,000	14,194,144,000			14,194,144,000
8	Central Acc.	502,020,310			502,020,310				
9	JNIA			127,221,632,494	127,221,632,494			79,943,344,456	79,943,344,456
	Sub-Total	1,453,163,604,395	4,611,057,733,493	3,986,436,787,537	10,050,658,125,425	1,240,702,379,742	4,491,635,021,613	3,535,680,732,388	9,268,018,133,744
	Grand-Total	1,925,619,615,277	4,611,057,733,493	4,092,553,848,136	10,629,231,196,906	1,703,171,380,795	4,491,635,021,613	3,695,163,646,026	9,889,970,048,437

TANZANIA REVENUE AUTHORITY

NOTES TO THE REVENUE STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (Continued)

3 REVENUE TRANSFERS TO CENTRAL GOVERNMENT AND ZANZIBAR

(a) <u>Tanzania Mainland</u>	2014/2015	2013/2014
(i) Transfers to Central Government	TZS	TZS
Domestic Revenue Department	1,903,331,952,780	1,668,039,908,519
Large Tax Payers Department	4,611,057,733,493	4,492,375,902,934
Customs and Excise Department	3,449,495,887,653	3,001,903,502,031
Sub Total	9,963,885,573,925	9,162,319,313,485
(ai) Less: Transfer for Tax & Other Refunds	638,580,013,809	538,407,016,407 *
Net Transfers	9,325,305,560,116	8,623,912,297,077
(ii) Other transfers		
Fuel Levy	620,626,142,131	623,088,918,000
Tax refunds and transfer to ZRB	587,472,951,375	491,996,381,215 *
Other refunds	2,931,554,192	5,466,099,435 *
Customs processing fees -Dry cargo	48,175,508,242	40,944,535,757 *
Customs processing fees -wet cargo REA		11,187,033,940
Transfers to Otignia		7,624,140,454
Transfer from VAT Mining	82,015,231,335	54,454,163,543
	1,341,221,387,275	1,234,761,272,345

* In year 2013/14, total transfers to Central Government TZS 9,162,319,313,485 included tax refunds, transfers to ZRB and customs processing fees for dry cargo totaling TZS 638,407,016,407. However, for the purpose of providing more clarity and comparison with Central Government reporting structure, tax refunds, transfers to ZRB and customs processing fees for dry cargo have been reduced from transfers to Central Government category and reported separately under other transfers category.

(b) <u>Zanzibar</u>		
Domestic Revenue	57,703,950,591	48,508,907,907
Customs & Excise	89,979,393,024	87,962,836,459
	147,683,343,615	136,471,744,366
(c) <u>Transfers to Municipal Councils</u>		
Ilala Municipal Council	-	3,082,573,658
Kinondoni Municipal Council	-	1,764,098,569
Temeke Municipal Council	-	757,732,703
	-	5,604,404,931
	10,814,210,291,007	10,000,749,718,719

4 CASH AT THE END OF THE YEAR

Domestic Revenue	2,024,971,914	7,171,975,458
Customs & Excise	90,998,174	35,930,159,440
	2,115,970,088	43,102,134,898



TANZANIA REVENUE AUTHORITY NOTES TO THE REVENUE STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (Continued)

5 VETA FUNDS

5.1 FUNDS RECEIVED FROM TREASURY AND REMMITTED TO VETA

Month	2014/2015 TZS	2013/2014 TZS	
July		3,968,600,333	
August	4,795,033,333	3,953,466,667	
September	10,652,166,667	8,828,778,333	
October		9,560,052,811	
November		-	
December	6,237,466,667	9,070,366,667	
January	20,000,000	-	
February		4,829,700,000	
March		14,571,400,000	
April		-	
May	34,775,999,569		
June		-	
	56,480,666,236	54,782,364,811	-

6 TAX EXEMPTION FOR MAINLAND AND ZANZIBAR

	MAINLAND	ZANZIBAR	TOTAL
Customs and Excise			
Government Institutions	9,288,851,069	1,619,050,899	10,907,901,968
Parastatal Organisations	199,198,555,166	814,737,493	200,013,292,660
Religious Institutions	70,703,022	87,000,045	157,703,067
Non-Governmental Organisations (NGOs)	446,749,233	60,966,420	507,715,653
Foreign Embassies/UN	15,357,327,068	622,660,021	15,979,987,089
Military duty free shop	1,699,185,913	2,360,684	1,701,546,597
Donor Funded Projects (DFP)	118,873,116,460	96,196,229	118,969,312,689
Private Companies & Individuals	235,609,041,994	7,792,342,655	243,401,384,649
Mining Sector	30,727,191,173	-	30,727,191,173

TANZANIA REVENUE AUTHORITY
NOTES TO THE REVENUE STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015 (Continued)

6 TAX EXEMPTION FOR MAINLAND AND ZANZIBAR (Continued)

	MAINLAND	ZANZIBAR	TOTAL
Oil/Gas Exploration	117,838,127,034	-	117,838,127,034
Tanzania Investment Centre (TIC)	245,725,804,708	5,472,448,806	251,198,253,514
TOTAL	974,834,652,840	16,567,763,252	991,402,416,092
Domestic Revenue			-
VAT relief granted under 3rd Schedule -VAT Act Cap 148	635,609,504,822	-	635,609,504,822
Sub Total	635,609,504,822	-	635,609,504,822
Grand Total	1,610,444,157,662	16,567,763,252	1,627,011,920,914

7 TAX DEPOSITS BALANCES

REGIONS	2014/2015 TZS	2013/2014 TZS
Customs & Excise - Head Office		
Fuel - Escrow Deposits	10,316,238,199	10,335,304,663
Fuel Deposits	9,047,487,905	695,149,953
Other Deposits	-	934,318,175
Customs & Excise - DSM Service Centre	3,312,795,611	3,939,606,219
Kagera	13,709,313	76,650,316
Mwanza	27,167,837	535,000
Dodoma	192,752	5,000
Tanga	88,556,523	198,567,409
Kilimanjaro	106,979,196	108,406,672
Morogoro	5,513,400	5,093,400
Arusha	19,060,045	33,930,034
Mbeya	249,238,648	263,818,844
Mtwara	7,140,000	2,673,136
Shinyanga	50,000	9,000,000
Mara	609,931,516	215,417,699
Zanzibar	515,859,980	382,067,076
Total	24,319,920,926	17,200,543,596



TANZANIA REVENUE AUTHORITY
NOTES TO THE REVENUE STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015 (Continued)

8.0 TAX REFUNDS

8.1 TAX REFUNDS FROM TREASURY

Month	PAYMENTS							Closing Balance
	Opening Balance	Total Receipts	Domestic Revenue	Customs & Excise	Tax refunds Returned	Total Payments		
	TZS	TZS	TZS	TZS		TZS	TZS	TZS
Jul-14	39,171,272	53,076,305,567	48,065,810,538	3,795,955,859		51,861,766,396	1,253,710,442	
Aug-14	1,253,710,442	53,076,305,567	46,142,904,768	6,706,950,146		52,849,854,914	1,480,161,096	
Sep-14	1,480,161,096	53,076,305,567	49,668,734,850	1,378,669,865		51,047,404,716	3,509,061,948	
Oct-14	3,509,061,948	53,076,305,567	28,950,637,078	13,089,279,473		42,039,916,551	14,545,450,963	
Nov-14	14,545,450,963	53,076,305,567	33,990,247,384	11,173,234,514		45,163,481,898	22,458,274,633	
Dec-14	22,458,274,633	53,076,305,567	38,001,696,932	444,554,572		38,446,251,504	37,088,328,696	
Jan-15	37,088,328,696	53,076,305,567	25,475,990,102	4,821,747,800		30,297,737,902	59,866,896,362	
Feb-15	59,866,896,362	53,076,305,567	43,364,458,091	333,952,624		43,698,410,714	69,244,791,215	
Mar-15	69,244,791,215	53,076,305,567	55,045,543,310	4,581,096,688	49,442,715,432	109,069,355,430	13,251,741,352	
Apr-15	13,251,741,352	53,076,305,567	49,354,567,219	1,944,619,009		51,299,186,228	15,028,860,692	
May-15	15,028,860,692	53,076,305,567	24,505,835,990	2,001,804,215		26,507,640,205	41,597,526,054	
Jun-15	41,597,526,054	53,076,305,567	36,740,005,151	25,886,099,498		62,626,104,649	32,047,726,972	
Sub total		636,915,666,807	479,306,431,413	76,157,964,262	49,442,715,432	604,907,111,107		

Less: Tax Refunds returned

49,442,715,432

Net Receipts

587,472,951,375

TANZANIA REVENUE AUTHORITY
NOTES TO THE REVENUE STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015 (Continued)



8.0 TAX REFUNDS (Continued)
8.2 TAX REFUNDS THROUGH ESCROW ACCOUNT

Month	RECEIPTS			PAYMENTS		
	Opening Balance	Total Receipts	Other Debits	To Depositors	Total Payments	Closing Balance
	TZS	TZS	TZS	TZS	TZS	TZS
Jul-14	2,700,547,172	4,270,316,372	-	-	-	6,970,863,544
Aug-14	6,970,863,544	8,254,031,665		4,826,455,893	4,826,455,893	10,398,439,316
Sep-14	10,398,439,316	6,942,521,412		5,537,391,461	5,537,391,461	11,803,569,267
Oct-14	11,803,569,267	8,278,374,080		734,533,867	734,533,867	19,347,409,479
Nov-14	19,347,409,479	7,311,629,007		4,189,338,318	4,189,338,318	22,469,700,169
Dec-14	22,469,700,169	6,151,805,639	69,988,837	3,225,949,382	3,295,938,219	25,325,567,589
Jan-15	25,325,567,589	8,478,192,276		4,751,639,246	4,751,639,246	29,052,120,619
Feb-15	29,052,120,619	5,842,211,795		-	-	34,894,332,414
Mar-15	34,894,332,414	5,647,844,159		8,289,798,786	8,289,798,786	32,252,377,787
Apr-15	32,252,377,787	5,977,906,333		-	-	38,230,284,120
May-15	38,230,284,120	6,208,273,687		4,145,480,622	4,145,480,622	40,293,077,185
Jun-15	40,293,077,185	8,652,124,970		13,256,054,306	13,256,054,306	35,689,147,849
Sub total		82,015,231,396	69,988,837	48,956,641,882	49,026,630,719	
G. TOTAL	2,739,718,443	669,488,182,771	479,376,420,250	125,114,606,143	653,933,741,825	67,736,874,821

TANZANIA REVENUE AUTHORITY
NOTES TO THE REVENUE STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015 (Continued)

9.0 REGIONAL CASH BALANCES

No.	Region	2014/2015			2013/2014		
		Domestic Revenue TZS	Customs & Excise TZS	Total TZS	Domestic Revenue TZS	Customs & Excise TZS	Total TZS
1	Dar es salaam*	1,498,245,738	28,972,920	1,527,218,657	5,357,617,471	33,934,830,622	39,292,448,093
2	Arusha	4,218,114	20,000	4,238,114	6,613,031	-	6,613,031
3	Manyara	22,000	-	22,000	-	-	-
4	Coast	494,396	-	494,396	-	-	-
5	Dodoma	22,000	-	22,000	-	-	-
6	Iringa	100,000	-	100,000	-	-	-
7	Kagera	-	200	200	(2,959,941)	(818,364)	(818,364)
8	Kigoma	(50,000)	-	(50,000)	-	(1,829,561)	(4,789,502)
9	Kilimanjaro	5,929,351	50,315,478	56,244,829	7,620,264	91,102,127	98,722,391
10	Lindi	6,673,631	-	6,673,631	(300,000)	-	(300,000)
11	Mara	1,350,685	16,315,992	17,666,677	1,886,680	(3,046,242)	(1,159,562)
12	Mbeya	634,956	525,398	1,160,354	8,948,131	(294,890)	8,653,241
13	Morogoro	20,744,932	-	20,744,932	-	-	-
14	Mtwara	98,476,629	(5,975,814)	92,500,815	(13,103,610)	(3,566,470)	(16,670,080)
15	Mwanza	7,405,680	22,000	7,427,680	(20,448)	-	(20,448)
16	Ruvuma	-	-	-	(16,000)	-	(16,000)
17	Shinyanga	352,478,171	-	352,478,171	22,653	-	22,653
18	Tabora	1,516	-	1,516	246,710	-	246,710
19	Tanga	268,710	22,000	290,710	(85,000)	-	(85,000)
20	Singida	3,400	-	3,400	141,403	-	141,403
21	Rukwa	-	-	-	-	-	-
	Sub Total	1,997,019,908	90,218,174	2,087,238,082	5,366,611,343	34,016,377,221	39,382,988,566
22	Zanzibar	27,952,006	780,000	28,732,006	1,805,364,113	1,913,782,219	3,719,146,332
	Total	2,024,971,914	90,998,174	2,115,970,088	7,171,975,455	35,930,159,439	43,102,134,898
			2014/2015	2013/2014			
	DAR ES SALAAM TAX REVENUE FLOAT		TZS	TZS			
	BOT-Fuel Deposits transferred in July 2015		-	33,934,552,922			
	Head office of Commercial Banks		770,970,664	211,771,544			
	Tanzania Driving Licence Escrow Account		385,000	3,703,938,541			
	Other collecting Agents		467,383,731	300,487,279			
	Temeke		17,336,720	31,008,967			
	Ilala		225,301,980	1,042,012,249			
	Kinondoni		45,840,563	68,676,592			
	TOTAL		1,527,218,657	39,292,448,093			

* **DAR ES SALAAM TAX REVENUE FLOAT**
BOT-Fuel Deposits transferred in July 2015
Head office of Commercial Banks
Tanzania Driving Licence Escrow Account
Other collecting Agents
 Temeke
 Ilala
 Kinondoni
TOTAL



**TANZANIA REVENUE AUTHORITY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2015**



THE UNITED REPUBLIC OF TANZANIA



NATIONAL AUDIT OFFICE



REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF TANZANIA REVENUE AUTHORITY FOR THE YEAR ENDED 30TH JUNE, 2015

The Controller and Auditor General,
National Audit Office, Samora Avenue/Ohio Street,
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DAR ES SALAAM

DECEMBER, 2015
AR/TRA/EXP/2014/2015





TANZANIA REVENUE AUTHORITY

AUDIT REPORT ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2015

To: Chairperson,
TRA Board of Directors,
P.O. Box 11491,
DAR ES SALAAM.

RE: REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF TANZANIA REVENUE AUTHORITY FOR YEAR ENDED 30TH JUNE, 2015

Introduction

I have audited the Financial Statements of the Tanzania Revenue Authority (TRA) comprises of the Statement of Financial Position, Statement of Financial Performance, Cash Flows Statement, Statement of Changes in Net assets and Accounting Policies and Notes to the Financial Statements for the year ended 30th June, 2015 as shown in **Annexure I** of this report.

Management Responsibility for the Financial Statements

The preparation of the Financial Statements is the responsibility of the management of the TRA as per the Statement of Management's Responsibility on the Financial Statements enclosed in this report as **Annexure II**.

Sect. 25(4) of the Public Finance Act No. 6 of 2001 (revised 2004) places responsibility on the Accounting Officer to prepare Financial Statements for each financial year which presents true and fair view of the financial position, financial performance and cash flows for the year then ended. It also, requires management to ensure that the reporting entity keeps proper accounting records, which will disclose with reasonable accuracy its financial position of the reporting entity and its responsibility in safeguarding the assets of reporting entity.

Responsibilities of the Controller and Auditor General

My responsibility as auditor is to express an opinion on these Financial Statements based on my audit. I conducted my audit in accordance with International Standards of Supreme Audit Institutions and such other procedures I considered necessary in the circumstances. These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement.



TANZANIA REVENUE AUTHORITY

AUDIT REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessment, I considered the internal control relevant to the Tanzania Revenue Authority's preparation and fair presentation of Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Tanzania Revenue Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements.

In addition, Sect.10 (2) of the PAA No 11 of 2008 requires me to satisfy myself that the accounts have been prepared in accordance with appropriate accounting standards.

Further, Section 44 (2) of the Public Procurement Act No. 7 of 2011 (Revised 2011) and Regulation 269(1) of the Public Procurement Regulations of 2013 requires me to state in Annual Audit Report whether or not the auditee has complied with the provisions of the law and its Regulations.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Unqualified opinion with emphasis of matter

In my opinion, the Financial Statements present fairly, in all material respects, the Financial Position of Tanzania Revenue Authority as at 30th June 2015 and its Financial Performance and Cash Flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) Accrual Basis of Accounting.

Emphasis of matter

Without qualifying my opinion, I draw attention to the management on the following matter(s) that relate to my responsibility in the audit of the Financial Statements: -

1. Non Revaluation of Intangible Assets;

Audit examination of the Intangible assets revealed some assets in this class being presented in the financial statements with zero book value despite the fact that they are


TANZANIA REVENUE AUTHORITY

AUDIT REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

still being used by the Authority in its operations especially for generation of tax revenues. As a matter of emphasis I advise Revaluation of Intangible Assets with historical cost of TZS.3,194,874,314 should be done.

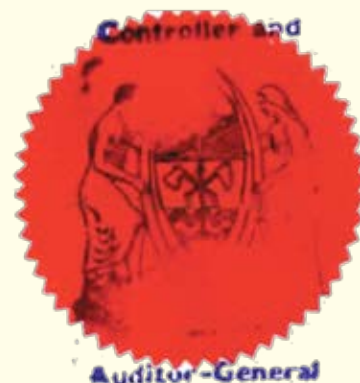
2. Non Revaluation of Property, Plant and Equipment

Audit examination of Property, Plant and Equipment noted some items of assets in this class being presented in the financial statements with zero book value despite the fact that they are still being used by the Authority in its operations and for generation of tax revenues. There were eighty nine (89) motor vehicles and sixty six (66) motor cycles with historical cost of TZS.3,085,975,788. As a matter of emphasis I advise that Revaluation of Property, Plant and Equipment should be done.



Prof. Muzsa J. Assad
CONTROLLER AND AUDITOR GENERAL

March, 2016



Copy to: The Chief Secretary,
State House,
P.O. Box 9120,
1 Barrack Obama Road,
11400 DAR ES SALAAM.

Permanent Secretary and Paymaster General,
Ministry of Finance,
P.O. Box 9111,
1 Madaraka Street,
11468 DAR ES SALAAM




TANZANIA REVENUE AUTHORITY STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2015

	<u>Notes</u>	2014/2015	2013/2014
		TZS	TZS
ASSETS			
Current Assets			
Cash and Cash Equivalents	12	72,567,345,311	72,689,733,237
Receivables	13	5,278,688,607	2,472,406,670
Inventories	14	1,848,009,301	1,412,422,228
Prepayments	15	9,314,865,292	466,281,366
		89,008,908,511	77,040,843,502
Non-current Assets			
Property, Plant and Equipment	10	207,725,007,196	221,437,987,542
Capital Works in Progress	10&11	4,007,586,096	1,655,562,138
Intangibles	11	18,514,042,781	18,295,116,726
		230,246,636,073	241,388,666,406
Total Assets		319,255,544,584	318,429,509,907
LIABILITIES			
Current Liabilities			
Trade and other payables	16	20,916,446,839	14,112,192,128
		20,916,446,839	14,112,192,128
Non-current Liabilities			
Deferred Income	17	39,895,126,275	35,276,635,644
		39,895,126,275	35,276,635,644
Total Liabilities		60,811,573,114	49,388,827,772
Net Assets		258,443,971,471	269,040,682,135
NET ASSETS/EQUITY			
Capital Contributed by Government of United Republic of Tanzania	18	21,723,364,802	21,723,364,802
Property, Plant & Equipment Revaluation Reserve		189,827,854,071	189,827,854,071
Accumulated Surplus		46,892,752,597	57,489,463,262
Total net assets/equity		258,443,971,471	269,040,682,135

The Financial statements were approved by the TRA Board for issue on 31st December 2015 and were signed on its behalf by:

Name: Alphayo J. Kidata Title: Commissioner General :

Signature 

Name: Bernard S. Mchomvu Title: Chairman of the TRA Board :

Signature 

TANZANIA REVENUE AUTHORITY STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2015

		2014/15	2013/14
	<u>Notes</u>	TZS	TZS
Revenue			
Revenue from non - exchange transactions			
Income from the Government		160,280,500,000	173,880,500,000
Grants	19	11,224,636,649	10,361,460,723
		171,505,136,649	184,241,960,723
Revenue from exchange transactions	20	70,972,528,189	70,802,243,252
Total Revenue		242,477,664,837	255,044,203,976
Expenses			
Employees' Benefits	21	142,788,615,840	136,255,154,220
Travelling	22	20,271,432,193	15,259,885,228
Fuel and Lubricants	23	4,016,258,583	3,541,469,473
Repairs and Maintenance	24	12,624,874,711	13,540,542,597
General Services and other expenses	25	46,640,449,403	32,436,366,506
Finance costs	26	4,872,302,402	5,229,405,022
Amortisation of Intangible Assets	11	4,891,720,483	4,430,745,576
Depreciation	10	18,662,066,324	18,570,313,529
Total Expenses		254,767,719,938	229,263,882,152
Other gains/(losses)			
Gain of foreign exchange transactions		1,559,287,446	624,500,411
Gain/(Loss) on Disposal of Non-Current Assets		134,056,991	(44,142,288)
		1,693,344,436	580,358,123
Surplus/(Loss) for the period		(10,596,710,665)	26,360,679,947
Attributable to :			
The Government of United Republic of Tanzania		(10,596,710,665)	26,360,679,947
		(10,596,710,665)	26,360,679,947



TANZANIA REVENUE AUTHORITY CASH FLOWS STATEMENT FOR THE YEAR ENDED 30TH JUNE 2015

	2014/15	2013/14
<u>Notes</u>	<u>TZS</u>	<u>TZS</u>
Cash flows from Operating Activities:		
Receipts		
Income from Government	160,280,500,000	173,880,500,000
Revenue from exchange transaction	71,177,253,411	70,433,782,325
	231,457,753,411	244,314,282,325
Payments		
Employees' benefits	143,441,231,048	136,431,270,410
Other payments	93,263,625,533	65,460,157,141
	236,704,856,581	201,891,427,551
Net Cash from Operating Activities	<u>(5,247,103,170)</u>	<u>42,422,854,774</u>
Cash flows from Investing Activities:		
Acquisition of Property, Plant & Equipment	(4,793,052,630)	(12,872,090,180)
Acquisition of Intangible Assets	(5,080,673,388)	(6,867,556,136)
Additions to Works in Progress	(2,695,873,465)	(2,319,086,597)
Proceeds from sale of Property, Plant & Equipment	291,900,000	7,547,200
Net cash flows used in Investing Activities	<u>(12,277,699,483)</u>	<u>(22,051,185,714)</u>
Cash flows from Financing Activities		
Deferred Income (Received)	15,843,127,280	10,677,772,841
Exchange loss		15,476
Net Cash used in Financing Activities	<u>15,843,127,280</u>	<u>10,677,788,316</u>
Net Increase in Cash and Cash Equivalents	<u>(1,681,675,373)</u>	<u>31,049,457,376</u>
Cash and Cash Equivalents		
<i>At the Beginning of the Period</i>	72,689,733,237	41,015,775,450
<i>Effect of Exchange Rate Changes</i>	1,559,287,446	624,500,411
Cash and Cash equivalent at 30th June	<u>12</u> 72,567,345,311	<u>72,689,733,237</u>

TANZANIA REVENUE AUTHORITY
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEAR ENDED 30TH JUNE 2015



Attributable to the Government of United Republic of Tanzania

	Capital Contributed by Government of United Republic of Tanzania	Revaluation Reserve	Accumulated Surplus	Total net assets/ equity
	TZS	TZS	TZS	TZS
At 01 July 2013	21,723,364,802	189,827,854,071	31,128,783,315	242,680,002,188
Surplus during the year	-	-	26,360,679,947	26,360,679,947
Revaluation surplus during the period	-	-	-	-
At 30 June 2014	21,723,364,802	189,827,854,071	57,489,463,262	269,040,682,135
At 01 July 2014	21,723,364,802	189,827,854,071	57,489,463,262	269,040,682,136
Loss during the year	-	-	(10,596,710,665)	(10,596,710,665)
At 30 June 2015	21,723,364,802	189,827,854,071	46,892,752,597	258,443,971,471

TANZANIA REVENUE AUTHORITY

STATEMENT FOR COMPARISON OF TRA ACTUAL EXPENDITURES AND APPROVED BUDGET FOR THE YEAR ENDED 30TH JUNE 2015

The annual budget of TRA is prepared based on Activity Based Budgeting (ABB) approach. Under the ABB all planned activities for the realisation of Authority's strategic themes are costed and summed up in order to arrive at the annual expenditure budget. The annual budget presented is a consolidated budget for the entire Authority and is classified based on the nature of expenses and covers the same period (1 July 2014 to 30 June 2015) as the financial statements. Further, TRA Financial Regulations allow TRA Management to reallocate approved budget from one activity/code/centre to another within the approved budget. During the period under review, several activities were reviewed and consequently budgets for the activities were reallocated from one code to another. This has resulted into differences between the original approved budget and final approved budget. The actual expenditure for the period ended 30th June 2015 was TZS 243,783,532,615 (2014: TZS 228,321,555,961) against the budget of TZS 335,969,892,886.41 million (2014 : TZS 289,451,812,314), thus resulting to a positive variance of TZS92,186,360,271 (2014: TZS 61,130,256,354). Further, out of the approved budget, TZS 27,615.74 million that was supposed to be released by Treasury was not released. Thus, some of the planned initiatives were not implemented as planned. The comparison of TRA actual expenditure against the approved budget is shown below:

Description	2014/2015			
	Original budget	Final Approved Budget	Actual Expenditure	Variance
		TZS	TZS	TZS
Employees' Benefits	145,023,605,532	145,274,559,231	142,788,615,840	2,485,943,390
Travelling	25,846,501,594	27,733,394,250	20,271,432,193	7,461,962,058
Fuel and Lubricants	5,146,182,439	5,065,592,419	4,016,258,583	1,049,333,836
Repairs and Maintenance	18,728,003,693	19,069,414,034	12,624,874,711	6,444,539,323
General Services and other expenses	68,412,538,848	67,463,872,026	46,640,449,403	20,823,422,623
Finance costs	3,247,412,400	3,862,544,507	4,872,302,402	(1,009,757,895)
Total Recurrent Expenditure	266,404,244,506	268,469,376,466	231,213,933,132	37,255,443,334
Capital Expenditure	69,565,648,381	67,500,516,421	12,569,599,483	54,930,916,938
Total Expenditure	335,969,892,886	335,969,892,886	243,783,532,615	92,186,360,271

TANZANIA REVENUE AUTHORITY
STATEMENT FOR COMPARISON OF TRA ACTUAL EXPENDITURES
AND APPROVED BUDGET
FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

Explanations for variances exceeding 5% of the total variance are provided below:

Travelling (TZS 7,461.96 million equivalent to 8.1% of total variance)

Out of unspent budget, **TZS 2.4 billion** resulted from partial / non implementation of the projects under Tax modernization Programme which involved travelling. Projects involved relate to trainings; implementation of filing of personal income returns by all employees; revision of tax returns and filing procedure to simplify self-assessment; management of mining, oil and gas taxation; revision of performance management system criteria for assigning weightages; enhancement of forensic laboratories; development of investigation guide/ manual; assessment of possibility of rebranding TRA; and establishment of Intelligence and Surveillance section for conducting initial covert fraud investigation. The projects have been rolled over to 2015/16 and their respective funds. Further, the remaining unspent balance (TZS 5.1 billion) resulted from partial/ non implementation of various activities under TRA funds. Following non receipt of Government allocations as planned; some of the activities that involved travelling were not implemented.

Repair and maintenance (TZS 6,444.54 million equivalent to 7.0% of total variance)

The variance resulted mainly from partial utilization of budget set aside for repairs/maintenance of buildings, motor vehicles, boats, scanners and electrical equipment. Further, the variance is contributed by partial utilization of funds set aside for maintenance of drivers' license system/ automatic finger prints identification system and enhancement of ICT data centre. Due to delays in awarding of respective contracts, the projects were not fully implemented during the period as initially planned.

General Service and other expenses (TZS 20,823.42 million equivalent to 22.6% of total variance)

Out of unspent budget, TZS 12.8 billion resulted from partial / non implementation of the projects under Tax modernization Programme. The unspent budget involved engagement of Consultants for provision of technical assistance for conducting study on physical asset requirement, performance and utilization; identification of skills gap and training needs of TRA operational staff; introduction of a new integrated domestic tax administration system; conversion of tax laws /manuals into electronic form; interface of key business operation system and Tanzania Interbank

Settlement System; establishment of taxpayer advocacy services (Tax ombudsman); development and implementation of Business Continuity Plan; Designing a new operating model to drive convenience and efficiency; Designing and implementation of database for mining , oil and gas ; interfacing IT systems with banks and other government departments/ agencies for tax purposes; enhancement of forensic laboratories; Streamlining audit and investigation processes to reduce objections; improvement of perception survey to include taxpayer loyalty; development



TANZANIA REVENUE AUTHORITY

STATEMENT FOR COMPARISON OF TRA ACTUAL EXPENDITURES AND APPROVED BUDGET

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

General Service and other expenses (Continued)

and implementation of programme for service culture plan; development and implementation of succession planning program; designing and implementation of executive dashboard for monitoring and evaluating strategy execution; designing and implementation of an integrated enterprise application architecture; enhancement of ICT Data Centres, service delivery and information security management; and enhancement of auditor's skills in specialized areas. Tenders for some of the projects were advertised and were responsive whereas others were not responsive. This resulted into delays in implementation of the planned projects and consequently non utilization of the budget as planned. The projects have been rolled over to 2015/16 and their respective budgets. Further, the remaining unspent balance (TZS 7.8 billion) resulted from partial/ non utilization of budget for various activities under TRA funds. Activities involved relate to various trainings, engagement of Consultants for provision of technical assistance on carrying out quality assurance review of the TRA's Internal Audit functions; Co-source Internal Audit Assignment; introduction of innovation management structure and framework. Also, the variance is contributed by partial utilization of funds set aside for procurement of staff uniforms and utilities /other necessary services for smooth running of the office.

Capital Expenditure (TZS 54,930.92 million equivalents to 59.6% of total variance)

The variance resulted mainly from non-utilization of budget set for capital projects. The projects relate to designing and implementation of integrated enterprise application architecture; introduction of new integrated domestic tax administration system; enhancement of forensic labs; establishment of a mechanism for management of diplomats exemptions; acquisition of new TRA Headquarters building; construction of office/residential buildings; acquisition of land for expansions of Institute of Tax Administration / TRA offices; and acquisition of vehicles for official use. The projects are in different procurement/ implementation stages. Thus, budgets for some projects and their respective funds have been rolled to financial year 2015/16. Delays in acquisition of integrated domestic tax administration system affect administration of domestic taxes administration whereas delays in delivery of motor vehicles affects tax collection operations.



TANZANIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2015

1.0 AUTHORITY INFORMATION

The Tanzania Revenue Authority (TRA) was established by the TRA Act Chapter 399 of the Laws which came into effect on 7th August 1995.

TRA is an agency of the Government of the United Republic of Tanzania responsible for the administration of Central Government taxes.

The major functions of TRA are to:

- i) Assess, collect and account for Central Government Revenue.
- ii) Administer and enforce laws relating to revenue.
- iii) Advise the Government and other relevant organs on all matters pertaining to fiscal policy.
- iv) Promote voluntary tax compliance to the highest degree possible.
- v) Determine measures to be taken to counteract fraud and other forms of tax and other fiscal evasions.
- vi) Establish, maintain and apply a system for convenient and effectual identification of taxpayers.

The overall Management of TRA is vested in the Board of Directors as the governing board under the supervision of the Minister for Finance. The Commissioner General is responsible for day to day operations of the Authority.

The registered office of the Authority is situated on Plot No. 126, Sokoine Drive, Dar es Salaam.

2.0 BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except for investment properties, land and buildings that have been measured at fair value. The cash flows statement is prepared using the direct method. Financial statements are prepared on an accrual basis. The financial statements are presented in Tanzanian Shillings (TZS), which is the functional and reporting currency of TRA.

Statement of compliance

The financial statements of TRA have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) as issued by the International Public Sector Accounting Standards Board (IPSASB).

3.0 CHANGES IN ACCOUNTING POLICY

New and amended standards and interpretations

The accounting policies adopted by the Authority are consistent with those of the previous financial year except as follows:



TANZANIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

3.0 CHANGES IN ACCOUNTING POLICY (Continued)

Amendments resulting from improvements to IPSAS to the following standards did not have any impact on the accounting policies, financial position or performance of the Authority.

- **IPSAS 32 ‘Service Concession Arrangements : Grantor’**

In October, 2011 IPSASB issued IPSAS 32. The standard focuses on addressing a lack of guidance on how public entities should account for service concession arrangements from a grantor’s perspective. It requires an entity that has previously recognised service concession assets and related liabilities; revenue and expenses to apply the standard retrospectively in accordance with IPSAS 3. Also, the standard requires an entity that has not previously recognized service concession assets and related liabilities, revenues and expenses to apply this standard either retrospectively or prospectively using deemed cost from beginning of the earliest period for which comparative information is presented in the financial statements. The amendment is applicable for the periods commencing on or after 1 January 2014.

4.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Foreign Currency Transactions and Balances

Functional and presentation currency

The financial statements items of the Authority are measured and presented using the currency of the primary economic environment which is the Tanzanian Shillings (TZS). This is the Authority’s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated to Tanzanian Shillings using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities are translated into Tanzanian Shillings using the ruling rate at the Statement of Financial Position date. Non-monetary items are translated using the rate at the date their amount, cost or fair value was determined. Foreign exchange gains and losses resulting from translation of foreign currencies are recognized in the Statement of Financial Performance.

4.2 Cash and Cash Equivalents

Cash and Cash Equivalents are stated in the Statement of Financial Position at cost. For the purposes of Statement of Cash flow, Cash is comprised of Cash on hand and Deposits held at call with banks. Cash Equivalents are short term deposits with original maturities of three months or less.

4.3 Inventories

Inventories are valued at cost or net realizable value/current replacement cost whichever is lower. Cost is comprised of the purchase price of the inventories. Cost is determined

TANZANIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

4.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Inventories (Continued)

using the weighted average method. Net realizable value is the estimated selling price less costs to make the sale. However, where the inventories are specific to the Authority's use and they cannot be disposed to have a net realisable value, *the replacement cost* of the inventories is used as the best available measure of the net realisable value. Inventories are recognised as an expense when deployed for consumption in the ordinary course of TRA's operations. The Authority's inventories at the Statement of Financial Position date are comprised of stocks of stationery and other consumables that will be expensed in the subsequent year.

4.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The Authority assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from exchange transactions

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rendering of services

Revenues from tax consultants' registration fees, destination inspection fees and external stakeholders training fees are recognised as they are received.

Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included as other income in the Statement of Financial Performance.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms.



TANZANIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

4.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Revenue recognition (Continued)

Revenue from non –exchange transactions

Allocations from the Government

These are operational income of the Authority which is comprised of monthly cash allocations from the Government based on previously approved Budgets.

Funds from Donors

These are income received from donors which are accounted for as they are received.

4.5 Grants

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Authority receives non-monetary grants, the asset and the grant are recorded at fair value of the asset on acquisition date and released to the Statement of financial performance over the expected useful life of the relevant asset by equal annual instalments.

4.6 Operating Leases

Authority as a lessee

Operating lease payments are recognised as an expense in the Statement of financial performance on a straight line basis over the lease term. The Authority uses leased properties in some places whereby it is required to pay rent to the property owners.

Authority as a lessor

Leases where the Authority does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. The Authority owns landed properties from which it conducts its business. In some locations the available premises exceed the Authority's requirement and so the excess space is rented out at market rates. Rent received operating lease is recognised as income on straight – line basis over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

TANZANIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

4.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Value Added Tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

4.8 Property, Plant and Equipment.

Property, Plant and Equipment are initially recorded at cost. Cost is the amount of cash paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at 0 its fair value. Subsequently, Property, Plant and Equipment are accounted using Cost and Revaluation Model. Cost Model is applied to land category and revaluation model applies to remaining items of property, plant and equipment. Using revaluation model; the asset is carried at revalued amount, being its fair value at the date of revaluation less subsequent accumulated depreciation and accumulated impairment, if any. Fair value is determined by periodic valuations of the Property, Plant and Equipment.

Any revaluation surplus is credited to the assets revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the Statement of Financial Performance, in which case the increase is recognised in the Statement of Financial Performance. A revaluation deficit is recognized in the Statement of Financial Performance, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on a straight line basis over the estimated useful life of the assets. Management has determined the estimated useful life of the following categories of Property, Plant and Equipment to be as follows:



TANZANIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

4.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Property, Plant and Equipment (Continued)

<u>Category of Property Plant and Equipment</u>	<u>Estimated Useful Life</u>
Office buildings	30-40 years
Residential Buildings	30-40 years
Plant & Machinery, Motor Vehicle/Cycles and Boats & Crafts	4-10 years
Computers, Furniture & Fixtures, Equipment, Office Machinery	4-5 years
Land is not depreciated	

Expenditure for repairs and maintenance of Property, Plant and Equipment are charged to Statement of Financial Performance in the financial period in which they are incurred. However, the costs of major repairs are included in the respective asset's carrying amount.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Financial Performance when the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

4.9 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Where intangible assets are acquired in non-exchange transactions, the cost is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the Statement of Financial Performance in the year in which the expenditure is incurred. Intangible assets comprise of costs that are directly associated with identifiable and unique computer software products that TRA controls.

The useful lives of intangible assets are assessed as finite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

TANZANIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

4.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Intangible Assets (Continued)

The amortization expense on intangible assets with finite lives with useful life of four years is recognized in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset. Intangible assets are amortized and recognized in the Statement of Financial Performance using the straight line method over estimated useful lives.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Financial Performance when the asset is derecognized.

4.10 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

4.11 Related Parties

Related parties are those who have the ability, authority and responsibility for planning, directing and controlling the activities of Tanzania Revenue Authority (TRA) or exercise significant influence in making financial and operating decisions. These are Key Management Personnel, involving members of the Board of Directors, Senior Management and their Deputies. Related party transaction is a transfer of resources or obligations between related parties.

4.12 Impairment of Non – Financial Assets

Assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recovered. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount. Impairment losses are recognised in the Statement of Financial Performance in the period in which they are incurred.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Authority estimates the asset's recoverable amount. A



TANZANIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

4.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Impairment of Non – Financial Assets (Continued)

previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Financial Performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

4.13 Trade and other Payables

Trade and other payables are initially recorded at fair value net of directly attributable transaction costs. After initial recognition, trade and other are subsequently measured at amortised cost using Effective Interest Rate (EIR) method. Gains and losses are recognized in Statement of Financial Performance when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortization is included as finance costs in the Statement of Financial Performance.

4.14 Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are initially recorded at fair value. After initial measurement, such financial assets are subsequently measured at amortized cost using the Effective Interest Rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included as other income in the Statement of Financial Performance. The losses arising from impairment are recognized in the statement of Statement of Financial Performance under finance costs.

4.15 Non-Current Assets Replacement Reserve

The support of the Government of United Republic of Tanzania, World Bank and Development Partners who provide funds to the Authority for acquisition and replacement of assets is for a specific period of time. As a result, there was a need for the Authority to have a comprehensive Non-Current Assets Replacement Strategy. This led to the establishment of the Assets Replacement Fund to provide the Authority with the ability to replace worn out assets and rehabilitate and maintain existing ones. The funds are provided by the Government of United Republic of Tanzania through annual allocations and are utilized against comprehensive annual procurement plans.

TANZANIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

4.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Impairment of financial assets

The Authority assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

4.17 Revaluation Reserve

This is the revaluation surplus from the revaluation of property, plant and equipment. Upon disposal, revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

4.18 Employee Benefits

Short Term Benefits - Salaries and Wages

Salaries and wages for current employees are recognised in the Statement of Financial Performance as the employees' services are rendered.

Post-Employment Benefits - Defined Contribution Plan

The employees of the Authority are members of the Parastatal Pensions Fund (PPF) National Social Security Fund (NSSF), Zanzibar Social Security Fund (ZSSF), Government Employees Pension Fund (GEPF), Local Authority Pension Fund (LAPF) or Public Service Pension Fund (PSPF). These Funds are state owned and are responsible for all staff pension benefits on retirement. The employees contribute 5% to 10% of their basic salaries on a monthly basis while the Authority contributes 10% to 15% of the employees' basic salaries to the Funds. The Authority's contributions are charged to the Statement of Financial Performance as an expense.

Other Long - Term Employment Benefits

The Authority operates un-funded Gratuity Payments Plan for its Senior Management staff who are employed on fixed contract terms. The contract terms range between three and five years. These benefits are paid at the end of the beneficiaries' contracts using the



TANZANIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

4.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.18 Employee Benefits (Continued)

normal operational funds of the Authority. This expense is recognized in the Statement of Financial Performance as and when it is incurred.

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date for various reasons. This expense is recognized in the Statement of Financial Performance as and when it is incurred.

4.19 Comparative Figures

Figures for the previous financial statements have been regrouped whenever necessary in order to make them comparable with current year's figures.

4.20 Budget information

The annual budget of TRA is prepared based on Activity Based Budgeting (ABB) approach. Under the ABB all planned activities for the realisation of Authority's Strategic Themes are costed and summed up in order to arrive at the annual expenditure budget. The annual budget presented in the financial statements is a consolidated budget for the entire Authority.

5.0 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Authority's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Authority's accounting policies, management has made the following judgment, which has most significant effect on the amounts recognized in the financial statements:

Operating lease commitments—Authority as lessor

The Authority has entered into commercial property leases on its investment property portfolio. The Authority has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

TANZANIA REVENUE AUTHORITY NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

5.0 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Judgments (Continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revaluation of property, plant and equipment

The Authority carries its investment properties at fair value, with changes in fair value being recognised in the Statement of Financial Performance. In addition, it measures Property, Plant and Equipment (except) at revalued amounts with changes in fair value being recognised in the statement of changes in equity. For the investment property the valuer used a valuation technique based on a discounted cash flow model as there is a lack of comparable market data because of the nature of the property. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long term vacancy rate. The current value of revalued property, plant and equipment as at 30 June, 2015 was TZS 207,725.01 million (2014: TZS 221,437.99 million)

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Authority is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The impairment of non-financial assets is explained further in **Note 4**. The current value of impaired non-financial assets as at 30 June 2015 was NIL (2014: NIL).

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments



TANZANIA REVENUE AUTHORITY NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

5.0 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Estimates and assumptions (Continued)

include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The fair value of financial instruments is explained further in **Note 8**.

6.0 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following new standards, amendments and interpretations were issued by International Public Sector Accounting Standards Board (IPSASB) but not yet effective up to the date of issuance of the Authority's financial statements. The Authority will adopt them for the purpose of the preparation of the future financial statements, where applicable. Further, the Authority does not currently plan to early adopt them.

IPSAS 33 'First-time Adoption of Accrual Basis IPSASs'

In January 2015, IPSASB released IPSAS 33. The standard addresses the transition from either a cash basis, or an accrual basis under another reporting framework, or a modified version of either the cash or accrual basis of accounting. Consequently, the IPSASB states that the new IPSAS is not aimed at IFRS convergence. The standard grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period. It addresses situations when reliable historical cost information about assets and liabilities is not available. It also addresses the presentation of comparative information in transitional IPSAS financial statements and an entity's first IPSAS-compliant financial statements. Using these comprehensive principles will ensure that an entity's first financial statements using accrual basis IPSASs contain high-quality information and can be generated at a cost that does not exceed the benefits. The standard shall be applied if first-time adopter's first IPSAS financial statements are for a period beginning on or after 1 January 2017. Earlier application is permitted. The standard will have no impact on the financial statements of the Authority.

IPSAS 34 'Separate Financial Statements'

In January 2015, IPSASB released IPSAS 34. The standard prescribes accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. The standard is effective from periods commencing on or after 1 January 2017. The standard will have no impact on the financial statements of the Authority.

TANZANIA REVENUE AUTHORITY NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

6.0 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (Continued)

IPSAS 35 'Consolidated Financial Statements'

In January 2015, IPSASB released IPSAS 35 which supersedes the requirements in IPSAS 6 regarding consolidated financial statements. The standard still requires that control be assessed having regard to benefits and power, but the definition of control has changed and the standard now provides considerably more guidance on assessing control. The definition of control focuses on an entity's ability to influence the nature and amount of benefits through its power over another entity. Also, the standard introduces the concept of "investment entities," which may be applicable to some sovereign wealth funds. In contrast with IPSAS 6, Consolidated and Separate Financial Statements, IPSAS 35 no longer permits an exemption from consolidation for temporarily controlled entities. The standard is effective from periods commencing on or after 1st January 2017. The standard will have no impact on the financial statements of the Authority.

IPSAS 36 'Investments in Associates and Joint Ventures'

In January 2015, IPSASB released IPSAS 36. The standard explains the application of the equity method of accounting, which is used to account for investments in associates and joint ventures. Its requirements are fairly close to IPSAS 7, although the name was changed to reflect mandatory nature of the equity method in case of joint entities. Unlike the previous standard, the new one doesn't permit different accounting methods for temporary investments. The standard is effective from periods commencing on or after 1 January 2017. The standard will have no impact on the financial statements of the Authority.

IPSAS 37 'Joint Arrangements'

In January 2015, IPSASB released IPSAS 37. The standard defines joint control and establishes requirements for classifying joint arrangements and accounting for those different types of joint arrangements. Joint arrangements are classified as either joint operations or joint ventures. In a joint operation, the parties to the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. In a joint venture, the parties to the arrangement have rights to the net assets of the arrangement. These classifications differ from IPSAS 8, which referred to three types of arrangements (jointly controlled entities, jointly controlled operations, and jointly controlled assets). The standard requires that an entity account for its interest in a joint operation by recognizing its share of the assets, liabilities, revenue, and expenses of the joint arrangement. It also requires that joint ventures be accounted for using the equity method. Previously, IPSAS 8 permitted jointly controlled entities to be accounted for using either the equity method or proportionate consolidation. The standard is effective from periods commencing on or after 1st January 2017. The standard will have no impact on the financial statements of the Authority.



TANZANIA REVENUE AUTHORITY NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

6.0 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (Continued)

IPSAS 38 ‘Disclosure of Interests in Other Entities’

In January 2015, IPSASB released IPSAS 38. The objective of this standard is to require entity to disclose information that enables users of its financial statements to evaluate:

- The nature of, and risk associate with its interest in controlled entities, unconsolidated entities, joint arrangements and associates, and structured entities that are not consolidated.
- The effects of those interests on its financial position, financial performance and cash flows

The standard brings together the disclosures previously included in IPSASs 6–8. It also introduces new disclosure requirements, including those related to structured entities that are not consolidated and controlling interests acquired with the intention of disposal. The standard is effective from periods commencing on or after 1 January 2017. The standard will have no impact on the financial statements of the Authority.

7.0 RISK MANAGEMENT OBJECTIVES AND POLICIES

TRA operations are exposed to certain financial risks. Financial risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on TRA’s financial performance. The main risks arising from the TRA’s operations are credit risk, liquidity risk and currency risk. TRA reviews and agrees policies for managing each of these risks which are summarized below:

i) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. TRA is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. However, TRA does not regard there to be any significant concentration of credit risk. TRA mitigates the credit risk by maintaining cash and cash equivalents with reputable financial institutions; and recovering staff debts in terms of the applicable regulations directly from the employee’s salary and/or pension.

TANZANIA REVENUE AUTHORITY NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

7.0 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

i) Credit Risk (Continued)

The maximum exposure to credit risk at the reporting date is as shown in the table below.

	2015 TZS	2014 TZS
Financial Assets		
Receivables	5,278,688,607	2,472,406,670
Cash and Cash Equivalents	72,567,345,311	72,689,733,237
Financial Liabilities		
Trade and other payables	20,916,446,839	14,112,192,128

The Authority evaluates the concentration of risk with respect to trade receivables as low.

Receivables

The age analysis of receivables is as shown below:

30th June 2015 (Amount in TZS '000)

	<i>Neither Past due nor impaired</i>	Past due but not impaired					Over 150 Days
		Under 30 Days	31 - 60 Days	61 - 90 Days	91-120 Days	121 - 150 Days	
Total							
Motor Vehicle Loans	-	71,249	47,349	140	19,577	50,810	
Staff Advances	-	33,570	3,931	6,752	-	90,572	
Staff Imprest	113,810	542,106	107,064	108,730	64,550	480,621	
Sundry Debtors	33,585	1,064,051	31,930	11,614	13,853	89,293	
Rent Receivable	103,477	-	-	-	-	209,045	
Staff Debtors- Medical Expenses	-	40,904	16,483	2,195	14,449	65,802	
Staff Debtors- Telephone Expenses	26,089.94	-	-	-	-	13,508	
Student Debtors	-	1,373	1,527	2,983	2,206	140,217	
Tax Stamp Debtors -	-	418,057	30,327	20,314	521	126,395	
Interest Receivable	-457	-	-	23,712	-	11,318	
Deposits	-	-	-	-	-	1,023,087	
	276,504	2,171,310	238,611	176,440	115,156	2,300,668	



TANZANIA REVENUE AUTHORITY NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

7.0 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

i) Credit Risk (Continued)

30 JUNE 2014 (Amounts in TZS '000)

	Neither Past due nor impaired		Past due but not impaired				
	Total	Under 30 Days	31 - 60 Days	61 - 90 Days	91-120 Days	121 - 150 Days	
Motor Vehicle Loans	78,494	-	-	-	-	-	78,494
Staff Advances	12,415	-	1,560	-	10,072	-	783
Staff Loans	10,672	1,000	1,490	-	350	1,335	6,497
Staff Imprest	366,208	184,010	33,433	12,739	38,985	6,453	90,587
Sundry Debtors	162,295	152,046	1,000	-	-	-	9,248
Rent Receivable	576,849	-	-	-	-	-	576,849
Staff Debtors- Medical Expenses	52,302	32,905	3,595	3,770	-	391.00	11,641
Staff Debtors- Telephone Expenses	18,853	18,635	-	-	-	-	218
Student Debtors	131,000	85,392	-	4,725	-	37,523.10	3,360
Deposits	1,063,319	-	-	-	10,017	-	1,053,302
	2,472,407	473,987	41,079	21,234	59,424	45,702	1,830,979

ii) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet obligations associated with financial instruments. TRA manages its liquidity risk to ensure it is able to meet estimated expenditure requirements. This is achieved through prudent liquidity risk management which includes maintaining sufficient cash and cash equivalents.

TRA's main sources of income are the annual budget allocation from the Ministry of Finance and other sources of income. The income is used to fund TRA's operational and capital requirements. The annual budget is allocated by the Ministry in accordance with the provisions governing the Medium Term Expenditure Framework (MTEF). TRA uses Activity Based Budgeting approach with an extensive planning and governance process focused on the Corporate Plan to determine its operational and capital requirements. This is considered to be adequate mitigation for liquidity risk.

TANZANIA REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

7.0 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

ii) Liquidity Risk (Continued)

The table below summarises the maturity profile of trade and other payables:

30TH JUNE 2015 (Amounts in TZS '000)

	Total	Under 30 Days	31 - 60 Days	61 - 90 Days	91-120 Days	121 - 150 Days	Over 150 Days
Staff Liabilities	1,096,204	-	1,004,516	3,743	992	55,598	31,355
Salary and allowances Payable	21,635	-	14,488	-	-	-	7,147
Social Security Funds Payable	224,173	-	62	-	4,683	17,625	201,803
Creditors - Stationery/Office Supplies	527,821	-	234,595	5,638	4,480	861.3	282,247
Creditors - Utilities / Service	7,413,911	-	6,826,971	454,543	8,805	123,591	
Creditors - Building Contractors	93,352	-	93,352	-	-	-	-
Other Liabilities	6,299,424	-	5,659,859	-	8,533	9,652	621,379
Accrued Expenses	3,617,536	-	1,709,190	344,770	-	27,910	1,535,666
Creditors - Retention Fees	155,059	-	-	-	-	-	155,059
Creditors - Sundry	930,363	-	221,697	-1,508	13,278	22,603	674,292
Creditors - ITA Student Caution Money	104,450	-	-	-	-	-	104,450
Creditors - Student	31,525	-	4,340	300	1,530	6,337	19,018
Students Health Insurance payable	16,740	-	-	1,467	-	2,671	12,601
Cost of goods purchased(Unpaid)	302,246	-	176,251	-	125,995	-	-
Withholding Tax Payable	82,009	-	30,909	13,024	6,679	5,318	26,079
	20,916,447	-	15,976,231	821,977	174,976	272,167	3,671,096



TANZANIA REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

7.0 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

ii) Liquidity Risk (Continued)

30 JUNE 2014 (Amounts in TZS '000)

	Total	Under 30 Days	31 - 60 Days	61 - 90 Days	91-120 Days	121 - 150 Days	Over 150 Days
Creditors for Materials & Supplies	210,509	192,820	5,227	550	11,682	-	230
Accrued expenses	3,076,975	1,329,991	383,559	7,115	29,884	346,342	980,083
Retention Fees	155,059	-	-	-	-	-	155,059
Creditors for utilities & Services	2,251,983	2,203,357	752	131	-	-	47,743
Staff liabilities	327,166	307,069	160	-	198	-	19,739
Salary Payable	993	496	-	-	-	-	498
Other Liabilities	6,629,340	6,358,456	2,820	10,647	821	1,234	255,362
Cost of goods purchased(Unpaid)	49,175	-2,638	-	-	15	-	51,798
Sundry Creditors	1,034,955	222,222	375,527	20,549	348	674	415,634
Social Security benefits payable to Ex-staff	215,598	-	5,668	-	-	11,257	198,673
Student Caution Money	89,600	-	50	200	-	2,450	86,900
Student Creditors Account	50,260	1,850	-	-	50	-	48,360
Student Health Insurance Payable	20,579	50	-	50	50	1,714	18,714
	14,112,192	10,613,674	773,763	39,243	43,048	363,671	2,278,793

iii) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. TRA's operations utilize various foreign currencies and consequently, are exposed to exchange rate fluctuations that have an impact on cash flows and financing activities. Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies, and accepting the local currency invoices only. The loss on foreign currency fluctuation during the year arose from the translation of bank balances.

TANZANIA REVENUE AUTHORITY NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

7.0 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

iii) Currency Risk (Continued)

The foreign currencies bank accounts have been disclosed in **Note 15**. With all other variables held constant, a shift in foreign exchange rate by 5% on all United States Dollar (US\$) and Great Britain Pound (GBP) denominated assets and liabilities which are major foreign currency exposure to the Authority would have resulted in lower or higher deficit of approximately TZS 1,559.29 million (2014: TZS 625 million).

iv) Capital management

Capital includes capital reserve, property, plant & equipment revaluation reserve, retained earnings and deferred income, which stood at TZS 298,339.10 million (2014: TZS 304,317.32 million).

The primary objective of the Authority's capital management is to ensure that it maintains a strong asset base in order to support its objectives and maximize shareholder value. No changes were made in the objectives, policies or processes during the years ended 30th June 2014 and 30th June 2015.

8.0 FAIR VALUE OF ASSETS AND LIABILITIES

Set out below is a comparison by class of the carrying amounts and fair value of the Authority's assets and liabilities that are carried in the financial statements.

	Carrying Value	Fair Value	
	TZS	Level I TZS	Level II TZS
30-Jun-15			
Assets			
Receivables	5,278,688,607	-	5,278,688,607
Cash and Cash Equivalents	72,567,345,311	-	72,567,345,311
Property, Plant and Equipment	207,725,007,196	-	207,725,007,196
Liabilities			
Trade and other payables	20,916,446,839	-	20,916,446,839

	Carrying Value	Fair Value	
	TZS	Level I TZS	Level II TZS
30-Jun-14			
Assets			
Receivables	2,472,406,670	-	2,472,406,670
Cash and Cash Equivalents	72,689,733,237	-	72,689,733,237
Property, Plant and Equipment	221,437,987,542	-	221,437,987,542
Financial Liabilities			
Trade and other payables	14,112,192,128	-	14,112,192,128

Fair value of the assets and liabilities are included at price that would be received to sell an asset or paid to transfer a liability in an orderly transaction by market participants at



TANZANIA REVENUE AUTHORITY NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

8.0 FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

measurement date. The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments. The Authority uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

9.0 CATEGORIES OF FINANCIAL INSTRUMENTS

The categorization of financial instruments as per IPSAS 29 Financial Instruments – Recognition and Measurement is as shown below:

	Carrying Value TZS	Held to maturity TZS	Loans and receivables TZS
30-Jun-15			
Financial Assets			
Receivables	5,278,688,607	-	5,278,688,607
Cash and Cash Equivalents	72,567,345,311	72,567,345,311	-
	77,846,033,918	72,567,345,311	5,278,688,607

	Carrying Value TZS	Held to maturity TZS	Loans and receivables TZS
30-Jun-14			
Financial Assets			
Receivables	2,472,406,670	-	2,472,406,670
Cash and Cash Equivalents	72,689,733,237	72,689,733,237	-
	75,162,139,907	72,689,733,237	2,472,406,670

TANZANIA REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

9.0 CATEGORIES OF FINANCIAL INSTRUMENTS (Continued)

	Carrying Value	Other financial liabilities
	TZS	TZS
<u>30-Jun-15</u>		
Financial Liabilities		
Trade and other payables	20,916,446,839	20,916,446,839
	20,916,446,839	20,916,446,839
<u>30-Jun-14</u>		
Financial Liabilities		
Trade and other payables	16,220,207,464	16,220,207,464
	16,220,207,464	16,220,207,464

**TANZANIA REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)**

10. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Motor vehicles	Motor Cycles/ Cycles	Boats and Crafts	Machinery (Includes scanners for Customs operations)	Furniture & Fixtures	Electrical Equipments	Computers, Printers & UPS	Sub Total	Work in Progress	Total
30th June 2015												
COST												
At 01 st July 2014	4,451,061,738	179,222,759,556	33,255,062,627	304,884,963	1,672,311,336	16,263,176,057	8,344,095,270	2,165,162,490	16,044,869,015	261,723,383,052	1,625,588,987	263,348,972,039
Additions	624,211,040	44,839,999	1,189,174,678			956,096,073	1,065,650,515	59,121,900.00	853,958,424	4,793,052,630	2,695,873,465	7,488,926,095
Disposal			(794,384,713)							(794,384,713)		(794,384,713)
Transfer		313,876,357								313,876,357	(313,876,357)	
At 30th June 2015	5,075,272,778	179,581,475,913	33,649,852,591	304,884,963	1,672,311,336	17,219,272,130	9,409,745,785	2,224,284,390.15	16,898,827,440	266,035,927,326	4,007,586,095	270,043,513,421
DEPRECIATION												
At 01 st July 2014		8,552,117,464	11,036,471,126	201,779,376	246,710,133	7,736,960,004	3,420,999,214	783,465,273	8,306,892,921	40,285,395,510		40,285,395,510
Charge for the year		4,451,529,534	7,493,149,026	28,549,519	167,231,133	1,611,943,870	1,819,375,863	454,678,441	2,635,608,939	18,662,066,324		18,662,066,324
Disposal			(636,541,704)							(636,541,704)		(636,541,704)
At 30th June 2015	-	13,003,646,997	17,893,078,448	230,328,894	413,941,266	9,348,903,874	5,240,375,077	1,238,143,713	10,942,501,860	58,310,920,130	-	58,310,920,130
NET BOOK VALUE												
At 30 th June 2015	5,075,272,778	166,577,828,915	15,756,774,143	74,556,069	1,258,370,070	7,870,368,256	4,169,370,708	986,140,677	5,956,325,580	207,725,007,196	4,007,586,095	211,732,593,291

**TANZANIA REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)**



10. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land	Buildings	Motor vehicles	Motor Cycles/ Cycles	Boats and Crafts	Machinery (includes scanners for Customs operations)	Furnitures & Fixtures	Electrical Equipments	Computers, Printers & UPS	Sub Total	Work In Progress	Total
<u>30th June 2014</u>												
<u>COST</u>												
At 01st July 2013	2,894,395,738	176,099,648,791	26,879,275,000	304,884,963	1,672,311,336	13,431,711,947	8,211,642,239	2,132,028,416	14,587,614,016	246,213,512,445	2,029,613,156	248,243,125,601
Additions	1,556,666,000	400,000,000	6,375,787,627	-	-	2,865,881,100	177,040,288	33,134,074.57	1,463,581,091	12,872,090,181	2,319,086,597	15,191,176,778
Disposal	-	-	-	-	-	(34,416,991)	(44,587,258)	-	(6,326,091)	(85,330,340)	-	(85,330,340)
Transfer	-	2,723,110,766	-	-	-	-	-	-	-	2,723,110,766	(2,723,110,766)	-
At 30th June 2014	4,451,061,738	179,222,759,556	33,255,062,627	304,884,963	1,672,311,336	16,263,176,057	8,344,095,270	2,165,162,490	16,044,869,015	261,723,383,052	1,625,588,987	263,348,972,039
<u>DEPRECIATION</u>												
At 01st July 2013	-	4,124,853,273	5,124,036,375	159,149,714	4,496,759	5,000,250,370	1,561,476,162	414,938,281	5,368,515,418	21,748,722,833	-	21,748,722,833
Charge for the year	-	4,427,264,191	5,912,434,751	42,629,662	251,206,891	2,747,533,298	1,880,042,132	368,526,992	2,940,675,611	18,570,313,529	-	18,570,313,529
Disposal	-	-	-	-	-	(10,823,664)	(20,519,079)	-	(2,298,109)	(33,640,852)	-	(33,640,852)
At 30th June 2014	-	8,552,117,464	11,036,471,126	201,779,376	246,710,133	7,736,960,004	3,420,999,214	783,465,273	8,306,892,921	40,285,395,510	-	40,285,395,510
<u>NET BOOK VALUE</u>												
At 30th June 2014	4,451,061,738	170,670,642,092	22,218,591,501	103,105,587	1,425,601,203	8,526,216,053	4,923,096,056	1,381,697,217	7,737,976,095	221,437,987,542	1,625,588,987	223,063,576,529

Last revaluation was done in the year 2012/13 by an independent licensed and registered asset valuer named M & R Agency Limited. The fair values for buildings, furniture and remaining asset categories (Motor vehicles; cycles; boats; machinery; equipment and computers) were determined using open market value, modern equivalent asset price and depreciated replacement cost respectively. The open market prices were adjusted for differences in the nature, location or condition of the specific item. Fair value measurement disclosures for revalued property, plant and equipment are provided in **Note 8**. Further, no non-current asset has been pledged as security for liabilities.



TANZANIA REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

11 INTANGIBLE ASSETS

	Software	WIP	Total
	TZS	TZS	TZS
<u>30th June 2015</u>			
<u>COST</u>			
At 01 st July 2014	29,488,814,884	29,973,151	29,518,788,035
Additions	5,080,673,388	-	5,080,673,388
Transfer	29,973,150	(29,973,150)	-
At 30th June 2015	34,599,461,422	-	34,599,461,422
<u>AMORTIZATION</u>			
At 01 st July 2014	11,193,698,158	-	11,193,698,158
Charge for the year	4,891,720,483	-	4,891,720,483
At 30th June 2015	16,085,418,641	-	16,085,418,641
<u>NET BOOK VALUE</u>			
At 30th June 2015	18,514,042,781	-	18,514,042,781
<u>30th June 2014</u>			
<u>COST</u>			
At 01 st July 2013	14,938,407,539	7,712,824,359	22,651,231,899
Additions	6,867,556,136	-	6,867,556,136
Transfer	7,682,851,209	(7,682,851,209)	-
At 30th June 2014	29,488,814,884	29,973,151	29,518,788,035
<u>AMORTIZATION</u>			
At 01 st July 2013	6,762,952,582	-	6,762,952,582
Charge for the year	4,430,745,576	-	4,430,745,576
At 30th June 2014	11,193,698,158	-	11,193,698,158
<u>NET BOOK VALUE</u>			
At 30th June 2014	18,295,116,726	29,973,151	18,325,089,877



TANZANIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

11 INTANGIBLE ASSETS (Continued)

TRA maintains various software for management of its operations. Some of the software included are AFIS; Electronic Cargo Tracking ;Dataset Management ;Silent Runner; Identity and Access Management ; Electronic Fiscal Device Management; Disaster Recovery; Storage Based Consolidation; Audit ;Intranet, Portal and Messaging; Human Resource Management; Forensic; Asset Tracking ;Virtualization; Network Monitoring and management; Call center; Central Motor vehicle registration; Library Detection

12 CASH AND CASH EQUIVALENTS

	2014/15	2013/14
	TZS	TZS
TRA HQ - Samora Current Account	35,211,462,537	53,383,980,016
Bank Control Account(NBC) TRA HQ-Euro	1,016,204,707	1,006,632,252
Bank Control Account(NBC) TRA HQ - US\$	2,504,738,774	1,377,429,287
Bank Control Account(NBC) TRA HQ- GBP	4,166,137,572	3,150,118,056
TRA HQ - Film and Music -TZS	155,957,500	5,572,500
Bank Control Account (CITI) TRA Salaries	21,070,401	
Donor Bank A/C Std Chartered - TZS-GOT	263,103,604	271,809,604
Bank Control Account(Citibank) - TZS-BASKET	16,582,264,383	6,569,051,642
Bank Control Account(Barclays) - US\$-BASKET	80,323,467	968,326,890
Bank Control Account(NBC) US\$-NORWAY	2,593,881,515	2,502,244,057
Zanzibar and Regions (See Note 12(b) below)	4,899,200,229	747,982,052
Departments and Institute of Tax Administration (See Note 12(a) below)	5,072,632,421	2,706,586,881
Petty Cash	368,200	
TOTAL - CASH AT BANK AND ON HAND	72,567,345,311	72,689,733,237

12(a) Departments and Institute of Tax Administration (ITA)

	2014/15	2013/14
	TZS	TZS
Customs and Excise Department - NBC	2,826,688,738	1,331,036,330
Customs and Excise Department-CITI BANK	5,027,391	186,315,422
Domestic Revenue Department	222,409,656	206,286,284



TANZANIA REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

12 CASH AND CASH EQUIVALENTS (Continued)

12(a) Departments and Institute of Tax Administration (ITA) (Continued)

	2014/15	2013/14
	TZS	TZS
Large Taxpayers Department (LTD)	1,110,697,664	298,284,711
Institute of Tax Administration (ITA)-CRDB	525,943,149	283,903,415
Institute of Tax Administration (Student ITA)-CRDB	172,975,881	303,720,377
Institute of Tax Administration (ITA)-US\$ (KBC)	208,889,941	97,040,343
TOTAL - DEPARTMENTS AND ITA	5,072,632,421	2,706,586,881

12(b) Zanzibar and Regions

	2014/15	2013/14
	TZS	TZS
Arusha	607,711,031	26,481,356
Coast	9,847,421	1,402,062
Dodoma	22,183,682	638,938
Ilala	273,224,959	6,715,935
Iringa	116,312,080	36,253,102
Kagera	780,733,634	149,263,764
Kigoma	155,351,561	961,012
Kilimanjaro	272,997,388	21,442,960
Kinondoni	168,297,091	43,328,269
Lindi	36,872,691	16,620,602
Manyara	14,962,611	134,180
Mara	354,397,797	31,912,057
Mbeya	547,681,508	246,381,156
Morogoro	142,213,464	4,953,866
Mtwara	1,437,388	481,187
Mwanza	273,580,471	15,685,849
Rukwa	8,105,694	1,510,261
Ruvuma	62,396,485	485,544

TANZANIA REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

12 CASH AND CASH EQUIVALENTS (Continued)

12 (b) Zanzibar and Regions (Continued)

	2014/15	2 013/14
	TZS	TZS
Shinyanga	7,342,571	70,382
Singida	80,023,062	1,048,258
Tabora	57,524,463	1,387,191
Tanga	610,311,160	72,762,229
Temeke	87,914,507	67,611,262
Zanzibar	207,777,508	450,631
TOTAL - ZANZIBAR AND REGIONS	4,899,200,229	747,982,052

13 RECEIVABLES

	2014/15	2013/14
	TZS	TZS
Motor Vehicle Loans	189,126,125	78,494,019
Salary Advances	137,133,112	25,395,304
Staff Imprest	1,425,913,706	375,241,060
Tax Stamps Debtors	602,202,705	6,587,778
Rent Receivable	312,521,229	576,849,090
Interest Receivable	34,573,282	
Sundry Debtors	1,244,325,268	162,294,530
Staff Debtors for Medical Expenses	139,832,788	52,301,702
Staff Debtors for Telephone Expenses	39,598,003	18,852,975
Debtors - ITA Student	192,160,100	174,855,232
Deposits	1,023,086,652	1,063,319,342
Provision for impairment of receivables	(61,784,362)	(61,784,362)
TOTAL	5,278,688,607	2,472,406,670



TANZANIA REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

	2014/15	2013/14
	TZS	TZS
14 INVENTORIES		
Stationery	339,332,733	497,807,175
Materials	861,461,176	168,255,249
Accountable Documents	536,016,749	746,359,804
Stock in transit	111,198,644	
TOTAL	1,848,009,301	1,412,422,228

During the period ended 30th June 2015 TZS 8,346.33 million (2014: TZS 4,378.26 million) was recognised as an expense for inventories carried at net realisable value/current replacement cost.

The amount is recognised as part of general services and office supplies expense.

	2014/15	2013/14
	TZS	TZS
15 PREPAYMENTS		
Advance to Suppliers	8,247,326,565	210,697,308
Prepaid Expenses	1,067,538,727	255,584,059
TOTAL	9,314,865,292	466,281,366

The increase in prepayments resulted mainly from advance payment amount to Tshs 8,216.49 million made to Ununuzi wa Magari kwa Pamoja for procurement of official motor vehicles. The motor vehicles are expected to be delivered in year 2015/16.

	2014/15	2013/14
	TZS	TZS
16 TRADE AND OTHER PAYABLES		
Creditors for Materials & Supplies	527,821,525	210,508,906
Creditors for utilities & Services	7,413,910,806	2,251,982,601
Building Contractors	93,351,995	
Staff liabilities	1,096,203,708	327,165,547
Salary and allowances Payable	21,635,233	993,499

TANZANIA REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

16 TRADE AND OTHER PAYABLES (Continued)

	2014/15	2013/14
	TZS	TZS
Accrued expenses	3,617,534,981	3,076,974,754
Other Liabilities	6,299,423,906	6,629,340,722
Retention Fees	155,059,378	155,059,378
Sundry Creditors	930,362,875	1,034,954,908
Student Caution Money	104,450,000	89,600,000
Student Creditors	31,525,012	50,260,300
Students Health Insurance payable	16,739,700	20,578,900
Social Security benefits payable to Ex-staff	224,172,901	215,597,652
Withholding tax payable	82,008,872	-
Cost of goods purchased(Unpaid)	302,245,948	49,174,960
TOTAL	20,916,446,839	14,112,192,128

17 DEFERRED INCOME

Grants have been received for Recurrent and Capital Expenditure. There are no unfulfilled conditions or contingencies attaching to these grants.

	2014/15	2013/14
	TZS	TZS
Balance at the beginning of the Year	35,276,635,644	34,960,308,051
Received during the year	15,843,127,280	10,677,772,841
Exchange loss		15,476
Amortised during the year (Note 18)	(11,224,636,649)	(10,361,460,723)
Balance at the end of the Year	39,895,126,275	35,276,635,644



TANZANIA REVENUE AUTHORITY NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

18 CAPITAL CONTRIBUTED BY GOVERNMENT OF UNITED REPUBLIC OF TANZANIA

	2014/15	2013/14
	TZS	TZS
Office Buildings	7,372,231,143	7,372,231,143
Non-Current Assets Replacement Reserve	7,000,000,000	7,000,000,000
Residential Buildings	3,221,625,388	3,221,625,388
Motor Vehicles	1,160,909,405	1,160,909,405
Motor Cycles	55,893,620	55,893,620
Office Furniture & fixtures	1,269,253,269	1,269,253,269
Electrical Equipment	332,981,560	332,981,560
Work in Progress - Office	450,000,000	450,000,000
Accumulated Depreciation	(86,900,112)	(86,900,112)
Computers	897,753,223	897,753,223
Other Assets	49,617,307	49,617,307
TOTAL	21,723,364,802	21,723,364,802

19 GRANTS

	2014/15	2013/14
	TZS	TZS
Grants from International Agencies	11,215,973,649	10,323,530,723
Counterpart funding -Government of Tanzania	8,663,000	37,930,000.00
Release from Deferred Grant Income	11,224,636,649	10,361,460,723

During the period under review, TRA receipted technical assistance from development partners/ international insitutions as explained in **Note 27**.

20 REVENUE FROM EXCHANGE TRANSACTIONS

	2014/15	2013/14
	TZS	TZS
Tax Consultants Registration Fees	9,677,489	31,853,156
External Stakeholders' Training Fees	1,686,130,540	1,831,875,368
Consultancy Income	19,430,369	
Miscellaneous Income	25,382,200	45,949,973

TANZANIA REVENUE AUTHORITY NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

20 REVENUE FROM EXCHANGE TRANSACTIONS (Continued)

	2014/15	2013/14
	TZS	TZS
Destination Inspection Fees	51,821,058,600	59,097,003,772
Bank Fines and Penalties	19,881,465	32,505,469
Rental Income	667,110,103	551,962,816
Interest Income	8,323,993,668	9,211,092,698
Drivers' License Income	8,399,863,756	
TOTAL	70,972,528,189	70,802,243,252

21 EMPLOYEES' BENEFITS

	2014/15	2013/14
	TZS	TZS
Basic Salary	93,976,481,413	90,145,682,458
Social Security Funds (Employer's Contribution)	13,691,723,536	13,120,225,308
Housing Allowance	10,648,169,224	10,353,833,019
Transport Allowance	8,779,332,139	8,583,624,959
Guard Allowance	79,742,000	79,879,812
Gardener Allowance	4,172,826	3,576,708
Shift Supplement Allowance	1,842,036,422	1,695,674,249
Acting Allowance	226,920,561	227,554,647
Extra Duty Allowance	952,929,346	833,017,406
Transfer Benefit	2,290,950,778	1,466,287,550
Honorarium	390,791,089	417,923,100
Gratuity	1,397,130,770	1,580,442,882
Furniture Allowance	321,715,500	742,880,859
Leave Travel Assistance	2,623,881,593	2,381,588,062
Medical Expenses (Local)	3,325,658,397	2,743,192,780
Medical Expenses (Foreign)	618,674,437	569,950,959
Funeral Expenses	181,854,842	191,264,897
Employees Insurance	528,667,762	528,683,962
Social Club Membership Fee	40,800,041	26,764,793
Mobile Phones	730,083,165	563,105,812
Foreign Deployment allowance	136,900,000	
TOTAL	142,788,615,840	136,255,154,220



TANZANIA REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

		2014/15	2013/14
		TZS	TZS
22	TRAVELLING EXPENSES		
	Perdiem, Incidental and Day Allowances - Local	10,666,612,600	9,056,331,329
	Perdiem, Incidental and Day Allowances - Foreign	4,624,157,657	3,448,501,081
	Fare - Local	1,656,692,158	1,008,353,582
	Fare and Excess Baggage - Foreign	3,255,270,694	1,708,979,516
	Visa Fee	19,666,087	10,995,775
	Outfit Allowance	33,782,277	24,713,945
	Mileage Allowance	15,250,720	2,010,000
	TOTAL	20,271,432,193	15,259,885,228
23	FUEL AND LUBRICANTS		
	Fuel and Lubricants - Motor Vehicle	3,286,276,008	2,784,637,817
	Fuel and Lubricants - Motor Cycle	3,304,020	11,573,772
	Fuels and Lubricants - Boats	131,449,174	82,989,546
	Fuels and Lubricants - Generators	469,495,684	466,157,595
	Fuels and Lubricants - Customs Scanner	125,733,697	196,110,743
	TOTAL	4,016,258,583	3,541,469,473
24	REPAIRS AND MAINTENANCE		
	Repairs/Maintenance - Office Buildings	1,398,407,052	1,691,589,125
	Repairs/Maintenance - Residential Buildings	320,707,825	357,306,076
	Repairs/Maint- Godown Buildings	679,000	
	Repairs/Maintenance - Other Buildings	140,259,480	3,300,000
	Repairs/Maintenance - Boats	43,131,894	128,853,724
	Repairs/Maintenance - Motor Vehicle	2,269,827,664	2,584,910,341
	Repairs/Maintenance - Motor Cycle	9,659,821	3,639,500
	Repairs/Maintenance - Customs Scanner	2,192,952,950	2,556,080,578
	Repairs/Maintenance - Generators	229,536,893	273,572,174
	Repairs/Maintenance - Office Furniture	89,884,757	187,006,711
	Repairs/Maintenance - Residential Furnit	542,000	13,147,200
	Repairs/Maintenance - Computers and Related Equipments	3,773,001,606	2,942,150,779
	Repairs/Maintenance - Electrical Equipment Residential	15,403,890	9,846,703
	Repairs/Maintenance - Electrical Equipment Office	227,909,936	134,196,261

TANZANIA REVENUE AUTHORITY NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

24 REPAIRS AND MAINTENANCE (Continued)

	2014/15 TZS	2013/14 TZS
Repairs/Maintenance - Air Conditions and Cooling systems		
Repairs/Maintenance - Solar Equipments	77,262,894	9,320,000
Repairs/Maintenance - Photocopy Machines	196,058,098	222,048,684
Repairs/Maintenance - Gymnasium Equipment	14,204,840	270,000
Software License Fee	1,181,614,057	2,074,405,206
Repairs/Maintenance - Lifts/Elevators	11,332,360	19,690,780
Repairs/Maint- Fire Fighting Equipments	108,912,742	
TOTAL	12,624,874,711	13,540,542,597

25 GENERAL SERVICES AND OFFICE SUPPLIES

	2014/15 TZS	2013/14 TZS
Printing and Stationery		
Printing and Stationery Expense	6,772,852,394	3,138,355,895
Sensitive Documents Expense	168,578,883	338,050,706
Office Supplies	1,404,897,407	901,853,634
	8,346,328,684	4,378,260,235
Utilities		
Water	302,103,343	229,148,235
Sewage Disposal Charges	88,662,234	46,990,076
Electricity	2,370,743,361	2,049,975,522
Telephones (Landline) and Fax	506,152,182	491,760,963
Data Lines & Internet Services	6,948,029,066	4,600,980,778
Postage and Courier Charges	400,607,866	387,597,928
	10,616,298,052	7,806,453,502
Cleaning		
Office Cleaning	1,297,047,664	1,147,577,294
Laundry Expenses	34,979,798	4,639,267
Upkeeping of Grounds	28,102,009	32,250,365
Sanitary Services	87,306,811	54,589,006
	1,447,436,282	1,239,055,932
Insurance		
Insurance - Building	399,257,907	453,053,769
Insurance - Boats	44,214,092	44,214,092
Insurance - Plants and Office Machinery	171,138,267	106,004,779
	614,610,266	603,272,640



TANZANIA REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

25 GENERAL SERVICES AND OFFICE SUPPLIES (Continued)

	2014/15	2013/14
	TZS	TZS
Other Expenses		
Staff Refreshment Consumables	1,177,074,463	920,093,177
Security Services	1,304,141,815	1,314,730,474
Legal Compensation Costs	468,876,031	200,000,000
Refreshments and Entertainment	694,403,070	613,645,397
Advertisements	1,672,554,933	1,676,894,513
Staff Uniform	210,844,752	199,745,996
Sitting Allowance	604,719,402	549,043,137
Repatriation Expenses	330,407,829	304,586,430
Donations	444,891,791	143,359,920
Interview Panel Allowances	14,439,850	28,361,190
Library and Periodicals	13,654,665	12,602,540
Office and Godown Rent	2,147,541,518	1,967,404,013
Newspapers and Magazines	326,951,383	336,494,294
Casual Labourers	53,085,931	112,144,360
Catering Expenses	328,662,849	380,071,867
Sensitization Materials - (Caps, Tshirts, leaflets, banners)	385,667,315	588,896,001
Fumigations	304,117,094	141,122,019
Professional Fee Subscriptions	81,790,751	101,109,220
Membership and Access Subscription Fee	390,090,131	313,972,538
Audit Fee & Related Expenses	488,744,942	333,477,200
Rewards to Informers	209,521,794	249,892,361
Protective Gears	12,139,200	
Consultancy Fees	5,982,186,370	2,269,108,211
Equipments Hiring charges	13,638,712	32,345,000
Motor Vehicle Hiring charges	47,115,216	25,776,850
Conference Room Hiring charges	2,448,363,768	1,500,126,404
Advocates Hiring charges	49,460,550	53,448,500
Preliminary Land Acquisition Costs	78,175,000	360,000
Music and Performing Art services	33,763,300	35,109,000
Decorations and Seasonal cards	94,565,850	42,544,147
Gifts, Prizes and Awards	70,635,076	62,921,350

TANZANIA REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

25 GENERAL SERVICES AND OFFICE SUPPLIES (Continued)
Other Expenses (Continued)

	2014/15	2013/14
	TZS	TZS
Journalists Allowance	28,277,114	42,009,500
Still and Video picture	10,088,391	16,518,200
Directors' Fees	73,666,668	91,038,444
Board Secretariate Allowances	412,705,000	382,240,000
Movers Expenses	10,940,000	14,350,000
Sundry Office Expenses	179,869,814	188,049,139
TV/Radio Programmes Airtime Cost	737,864,895	337,893,777
Exhibition Allowances	42,269,000	33,773,290
Entry Fees	285,000	148,000
Editorial Expenses	2,610,000	8,268,966
Court Attire	10,635,354	9,000,000
Police Escort Charges	68,272,697	67,417,260
Pavillions Charges	80,171,920	144,417,093
External Expert Fees	77,239,740	940,000
Tuition Fee - Local	96,656,756	300,364,516
Tuition Fee - Foreign	447,032,545	388,147,650
Accommodation Expenses	404,764,817	439,173,870
Moderation Allowances	17,770,380	62,127,340
Graduation Gowns Expenses	26,229,250	11,525,000
Students Meals Expenses		3,905,328
Workshop and Seminar Fee	1,607,575,648	1,200,829,372
Losses and Write-Offs Account		13,807,137
Tax Expenses	588,094,427	
Councilors' Fees	36,825,000	40,375,000
Council Secretariate Allowances	15,940,000	18,035,000
Other Board Meeting Expenses	157,766,350	84,944,133
Translator Fees		640,000
	25,615,776,119	18,409,324,197
TOTAL	46,640,449,403	32,436,366,506



TANZANIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

26 FINANCE COSTS

	2014/15	2013/14
	TZS	TZS
Tax Collection and Transfer Commissions	4,709,367,502	5,061,910,580
Other Bank Charges	162,434,900	144,399,442
Impairment Loss(Receivables)		23,095,000
TOTAL	4,872,302,402	5,229,405,022

27 TECHNICAL ASSISTANCE

TRA continued to receive technical support from various Development Partners including Norwegian Tax Administration, US Treasury, DFID/HMRC, DANIDA, IMF East Afritac) and Investment Climate for Africa (ICF). During the period under review the following Technical Assistance were received.

Norwegian Embassy

During the period under review the Embassy provided training support in the following areas: Training on ADAPT II and Vertical integration chain and modelling techniques and practical work; Training on Mining and Petroleum; and Benchmarking visit to Indonesia to acquire practical experience on revenue administration on mining, oil & gas.

Norwegian Tax Administration (NTA) support to TRA

During the period under review Norwegian Tax Administration has assisted TRA in clearance of audit backlog – (Re-assessments for the 7 backlog cases have established taxes of over USD 50 million and reduced the declared tax losses by over USD 500 million) and has continued streamlining audit process & Objection process; Implementing a risk-based compliance strategy for large taxpayers.

US Treasury

The United States Department of Treasury, the Revenue Policy and Administration Advisory Program of the Office of Technical Assistance (OTA) provides technical assistance and cooperation to Ministry of Finance and TRA to assist in the efforts to increase revenue generation, broaden the tax base, and increase compliance

TANZANIA REVENUE AUTHORITY NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

27 TECHNICAL ASSISTANCE (Continued) US Treasury (Continued)

in the payment of taxes. The objective of this assistance is promotion of fairness and transparency in taxation and tax systems. OTA provided assistance to TRA in strengthening effectiveness of tax audits in the specialized sectors (financial services, tourism, construction, and telecommunications); and expertise in the audit of transfer pricing transactions of multinational enterprises. Support is also being given on devising a Compliance Strategy for domestic tax operations and strengthening capacity in Tax Investigation operations. During the period under review, four deployments were carried out. A missions were conducted to build capacity in Tax Investigation operations .

IMF (FAD & East Afritac)

The IMF continued its support to TRA through Technical Assistance Program following the previous FAD missions that had recommended to TRA the need of developing a comprehensive compliance strategy anchored on effective taxpayer service and education, enforcement and collection, and audit and investigation functions. TRA recognizes the need to strengthen its audit practice and received technical assistance from IMF on Strengthening Audit practice with a focus on Computer assisted audit. The mission was conducted from in March, 2015 to review the current audit procedures and practices and to make recommendations for improvement. The second mission was conducted in March/April, 2015 on Developing a Compliance Risk Strategy and Plan in Tax administration.

DANIDA

TRA continued to utilize the support provided by the Government of Denmark. During the period under review, The Danish Ministry of Taxation (SKAT) provided Technical assistance to TRA in the establishment of the Enterprise Architecture as part of Enterprise Application Architecture initiative under TRA's fourth Corporate Plan.

DFID

The Government of United Kingdom through Department for International Development (DfID) provides technical assistance support in implementing initiatives under fourth corporate plan. During the period under review , DFID provided technical assistance on Quality Assurance on TANCIS. Also, DFID assisted TRA through providing Technical Assistance (procurement agent) for procurement of an Integrated Domestic Revenue Administration System (IDRAS) following two failed attempts to identify a suitable supplier of the system through the normal procurement process.



TANZANIA REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

27 TECHNICAL ASSISTANCE (Continued)

Her Majesty’s Revenue and Customs (HMRC).

During the period under review, HMRC provided technical assistance on Physical and Digital Security. Further, HMRC commenced External Transparency and Integrity review (Phase I)

Investment Climate Facility (ICF)

During the period under review ICF supported training and sensitization to TRA staff and stakeholders on TANCIS operation as well as financing the Project Management Consultant and Procurement Consultant. Also supported training on Project Management to TRA Management and staff.

Japan International Cooperation Agency (JICA)

As part of the government’s efforts to address the challenges faced in collecting revenue from domestic taxes, a three year project, titled “Project for the Enhancement of Taxation Training in Tanzania” was agreed with the government of Japan through its agency for international cooperation (JICA). The goal of the project is to enhance capacity of the staff working for tax administration through improved training programs provided by ITA. During the period under review, JICA continued with implementation of the courses identified under the project

28 RELATED PARTY TRANSACTIONS

This involves the following:

(a) Board of Directors expenses:

	2014/15	2013/14
	TZS	TZS
Directors Fees	110,491,668	131,413,444
Directors Sitting Allowances	428,645,000	400,275,000
Directors travelling Expenses	115,812,761	56,699,000
Other Board Expenses	157,766,350	84,944,133
	812,715,779	673,331,577

TANZANIA REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

28 RELATED PARTY TRANSACTIONS (Continued)

	2014/15	2013/14
	TZS	TZS
(b) Short-Term Employment Benefits to Senior Management		
Salaries	4,104,223,019	4,092,656,073
Allowances	1,351,741,881	1,350,059,971
Social Security Contribution	542,972,250	536,426,508
	5,998,937,150	5,979,142,552
(c) Other Long-Term Employment Benefits for Senior Management		
Gratuity	1,397,130,770	1,580,442,882
(d) Motor Vehicle Loans to Senior Management		

TRA offers Motor Vehicle Loans to Senior Management and their Deputies as stipulated in their contract. The loans are recoverable within 3 years from the date of disbursement. Outstanding balances at the year-end are interest free and settlement occurs in cash. The position as at the end of the period is shown below:

	2014/15	2013/14
	TZS	TZS
At the beginning of the Year	76,199,019	103,168,672
Additions during the Year	48,000,000	66,000,000
Recovered during the Year	(59,402,614)	(39,030,347)
At the end of the Year	64,796,405	76,199,019
(e) Transaction with related entities		
Subvention from Treasury	160,280,500,000	173,880,500,000

29 EVENTS SUBSEQUENT TO THE FINANCIAL STATEMENTS' DATE

There are no significant events subsequent to 30th June 2015 affecting the financial statements that requires disclosure.



TANZANIA REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

30 ASSETS PLEDGED AS SECURITY FOR LIABILITIES

The amount disclosed as deposit under **Note 12** of these financial statements includes TZS 1,000.00 million which relates to the amount deposited by TRA at National Bank of Commerce in order to obtain a banker's guarantee. The guarantee is aiming at guaranteeing TRA on her notice of appeal for stay of execution of the decision of the High Court (Land Division) at Bukoba in land case No.1 of 2008 Vs M/S Zinunula Corporation Tanzania Ltd as ordered by the Court of Appeal. The guarantee was issued on 5th March, 2012. However, the decree of the high court which gave rise to the furnishing of the banker's guarantee has been quashed by the court of appeal and funds were returned to TRA bank accounts in first quarter of 2015/16. Apart from the asset mentioned above, no other asset has been pledged as security for liabilities.

31 COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Authority as lessee

The Authority has entered into commercial leases on certain buildings. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the Authority by entering into these leases. Future minimum rentals payable under non-cancellable operating leases as at 30th June are as follows:

	<u>2014/2015</u> TZS	<u>2013/2014</u> TZS
Within one year	1,146,247,962	1,504,594,661
After one year but not more than five years	316,983,707	135,656,047
	1,463,231,669	1,640,250,708

Operating lease commitments – Authority as lessor

The Authority has entered into commercial property leases on its landed properties. These non-cancellable leases have remaining terms of between one and three years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	<u>2014/2015</u> TZS	<u>2013/2014</u> TZS
Within one year	84,830,030	452,323,392
After one year but not more than five years		69,266,159
	84,830,030	521,589,551

TANZANIA REVENUE AUTHORITY NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2015 (Continued)

31. COMMITMENTS AND CONTINGENCIES (Continued)

Capital commitments

At 30 June 2015, TRA had Capital Commitments amounting to TZS 39,811.27 million as compared to TZS 29,504.47 million at 30th June 2014. The commitments were relating to the construction of TRA offices and/or residential buildings and other Non-Current Assets. Status of Capital Commitments is as indicated below:

	<u>2014/2015</u> TZS	<u>2013/2014</u> TZS
Approved not contracted for	20,181,217,079	19,179,545,144
Approved and contracted for	19,630,048,380	10,324,922,461
	39,811,265,459	29,504,467,605

Legal claims Contingency

Taxpayers and Ex TRA staff have commenced legal proceedings against TRA in respect of tax issues and termination of employment respectively. The estimated payout is TZS 2,205.38 million should the action be successful. Judgment date has not been set and therefore it is not practicable to state the timing of the payment, if any. The Authority has been advised by its legal counsel that it is only possible, but not probable, that the action will succeed. Accordingly, no provision for any liability has been made in these financial statements.

