United Nations Conference on Trade and Development
Japan Bank for International Cooperation

Blue Book on Best Practice in Investment Promotion and Facilitation

Tanzania

UNCTAD

JBIC

PREFACE

The Blue Book for the United Republic of Tanzania comprises eight measures, actionable over a period of twelve months, that are intended to move the country towards best practice in investment promotion and facilitation.

The project was carried out jointly by the United Nations Conference on Trade and Development (UNCTAD) and the Japan Bank for International Cooperation (JBIC). The contents of this Blue Book were initially developed through consultations with a number of existing foreign investors in Tanzania, professional advisors to foreign investors in Tanzania, industry associations whose members include foreign investors in Tanzania, and relevant Government of Tanzania bodies, including in particular the Tanzania Investment Centre (TIC). An initial draft of the Blue Book was discussed by a group of investors and government representatives at a stakeholder workshop on 4 May 2005 in Dar es Salaam, Tanzania. The workshop was jointly hosted by UNCTAD, JBIC and the TIC.

The Blue Book project in Tanzania was a collaborative effort by Ken Ezuka, Vishwas P. Govitrikar, Khalil Hamdani, Emmanuel Olé Naiko, Mayank Patel, Rohan Patel, Hideyuki Satsuma, Ketan Shah, Samuel J. Sitta, Eibu Suzuki, Katia Vieu and Yukata Yamada.

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ABBREVIATIONS

BIT	Bilateral Investment Treaty
DIS	Destination inspection scheme
EAC	East African Community
EACDTT	East African Community Double Taxation Treaty
BDS	Business Development Services
DTT	Double Taxation Treaty
FDI	foreign direct investment
HIPC	Highly Indebted Poor Countries
IPA	Investment Promotion Agency
JBIC	Japan Bank for International Cooperation
KRA	Kenya Revenue Authority
LSRP	Legal Sector Reform Programme, Tanzania
LSTF	Legal Sector Task Force, Tanzania
PRSP	Poverty Reduction Strategy Paper
PSBS	Public Sector Benchmarking Service, United Kingdom
PSI	pre-shipment inspection
KRA	Kenya Revenue Authority
SME	Small and Medium-sized Enterprises
TIC	Tanzania Investment Centre
TNBC	Tanzania National Business Council
TNC	Transnational Corporation
TRA	Tanzania Revenue Authority
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme

EIGHT-POINT ACTION PLAN

Measure 1. Improve the capacity of administrative support to Commercial Courts.

Measure 2. Develop performance charters for Executive Agencies that administer business regulations and inspections.

Measure 3. Enhance transparency in tax administration.

Measure 4. Establish a strategy for growing agriculture and agro-processing in Tanzania.

Measure 5. Strengthen the monitoring system for tracking measures agreed upon by the Tanzania National Business Council (TNBC).

Measure 6. Amend the Tax Revenue Appeals Act (2000).

Measure 7. Bring into force the East African Community double taxation treaty.

Measure 8. Jointly issue East African Community member state business visas.

INTRODUCTION

Objectives

The Blue Book for Tanzania is intended to guide Tanzania in the process of improving its investment climate. It is intended that these measures, if implemented, will contribute towards a business-public dialogue about investment impediments, the elimination of identified impediments to foreign direct investment and ultimately an increase in foreign-direct investment in Tanzania.

Background

The East African Blue Books for Kenya, Tanzania and Uganda are a part of the efforts of the United Nations Conference on Trade and Development (UNCTAD) and the Japan Bank for International Cooperation (JBIC) to enhance the appeal of Africa as a location for investment. UNCTAD has carried out a number of activities in the region (e.g., investment policy reviews and investment guides), while the Government of Japan has recently announced its effort to promote Japanese investment in Africa (among other things through the facilities of JBIC). The first Blue Books, also a joint UNCTAD-JBIC initiative, were prepared for Cambodia and Lao PDR in 2004, to assist these new members of ASEAN to strengthen their investment climate.

Process

The Blue Book on Best Practice in Investment Promotion and Facilitation for Tanzania contains concrete and measurable initiatives for government to achieve best practice. The following criteria were employed in determining the suitability of initiatives: (1) cause of significant concern to existing foreign investors and therefore, if ameliorated, potential for high impact; (2) ability to implement the measure within a 12 month timeframe; (3) practicality of implementation of the measure; and (4) limited cost of implementation for the government of Kenya.

The measures presented in the Blue Book reflect the views of a number of stakeholders including the Tanzania Investment Centre, several existing foreign investors, several advisers to foreign investors in Tanzania and industry associations whose members include local and foreign investors. The measures included in the Blue Book were initially developed through a series of in-depth consultations with representatives from all these groups. The measures were subsequently discussed at a stakeholder workshop attended by investors and Government of Tanzania representatives that was held in Dar es Salaam, Tanzania on the 4th of May 2005.

Monitoring and implementation

It was agreed that all the measures would become part of the matrix currently in place for the monitoring of actions recommended at the meetings of the Tanzania National Business Council (TNBC), which is chaired by the President. The implementation of the measures would therefore be monitored by the President's Office, Planning and Privatisation, which currently provides the secretariat support to the TNBC.

Measure 1. Improve the capacity of administrative support to Commercial Courts.

(a) Rationale and country context

A Commercial Court was established in Tanzania in September 1999. The Commercial Court is a division of the High Court of Tanzania. While the Commercial Court has helped to speed up some commercial cases, the Commercial Court system continues to be slow in delivering judgements, posing a significant constraint to business in Tanzania. A number of initiatives in legal sector reform have taken place in Tanzania, many of which address the issue of delivery of commercial justice.

The Government of Tanzania established a Legal Sector Task Force (LSTF) in 1993 to identify issues within the legal sector in Tanzania. The Task Force effectively designed a Legal Sector Reform Programme (LSRP) for the country. The implementation of the Programme, has, however been slow. In a mid-term review of the Programme in 2003, it was recommended that the Programme be made congruent with the country's Poverty Strategy Reduction Paper (PRSP) which recognised the need for:

- A reduction is case back-log;
- Enhancing the supervision and division of responsibilities of legal institutions;
- Enhancing the administrative support systems of legal institutions;
- Updating legal frameworks; and
- Improving the physical accommodation of legal institutions.

The mid-term review of the LSRP specified the following key implementation objectives:

- Development of an effective co-ordination mechanism between legal institutions;
- Introduction of strategic management to legal institutions;
- Training of staff in legal institutions;
- Enhanced administrative support in legal institutions;
- Incorporation of inspectorate and supervision services at legal institutions; and
- Introduction of management information systems to legal institutions.

GTZ is also implementing a 3-year programme in the legal sector. The role of the Advancement of the Legal and Institutional Framework for the Economic Development Programme (funded by GTZ) is to promote legal certainty, in particular for economic transactions. The law reforms cover the law and order institutions, the Ministry of Justice, the Judiciary, the Ministry of Home Affairs, legal chambers, NGOs and Community Service Organizations (CSOs). The planned results are: (1) the supported judicial institutions, within their mandate, have the capacity to prepare, implement, and co-ordinate projects for legal and justice reforms, and to ensure monitoring (with a focus on the rural economy, the industrial sector, anti-corruption legislation and the introduction of a monitoring and evaluation (M&E) system); (2) the Ministry of justice increasingly fulfils its responsibility to develop the general conditions for a favourable investment climate (one focus is on better access to legal information in local languages and through the internet); (3) the lower courts (Magistrate's Courts, District Courts, Primary Courts) have the capacity to handle commercial and civil cases according to the rule of law (the introduction of functioning case management systems, advanced training including ethics training, and support for the CSOs that provide legal support to small and informal enterprises); (4) institutions responsible for the reform of commercial law promote the systematic and coordinated reform of laws and regulations for the economic sector (including laws and regulations for the prevention of corruption).

It is imperative that these programmes take on board the need to enhance the delivery of commercial justice through improving administrative support to legal institutions, including Commercial Courts.

(b) An example of best practice

The proposal to investigate means to strengthen institutional case management at commercial courts addresses the particular circumstances of the judiciary in Tanzania and builds upon work recently undertaken by external consultants under the LSRP.

All EAC countries have commenced legal sector reform projects in the last several years that include elements of reform of the commercial legal sectors. For example, the Justice Law and Order Sector (JLOS) programme in Uganda and the Governance, Justice, Law and Order Sector (GJLOS) programme in Kenya were developed to implement specific legal sector reforms in these countries.

In the case of Kenya, the GJLOS programme has financed the development of a strategic plan for the judiciary in Kenya. The plan involved an institutional review of the judiciary, after which it identified the following causes of inefficiency in case management: (1) poor case and record management leading to delays in retrieving records; (2) the lack of an internal case-tracking system leading to delays in disposing of cases; (3) a shortage of judicial staff to handle a heavy case load; and (4) low morale due to poor terms and conditions. The strategic plan has identified several measures to address these issues including: (1) enhancing court recording and case processing by automating court proceedings; and (2) designating case managers in all court registries to monitor all cases in court.

(c) Action plan

The following steps need to be taken:

- An assessment study of administrative constraints in case management needs to be undertaken.
- An action plan to address these constraints needs to be built into the LSRP.

(d) Key performance indicators

	Milestone/Activity	Expected completion date
1	Undertake an assessment study of administrative constraints in case management.	30 September 2005
2	Develop action plan to address these constraints and build it into the LSRP.	30 November 2005

(e) Financial implications

The following costs, which are over and above regular government costs, are anticipated.

	Milestone/Activity	Estimated cost (US$)
1	Undertake assessment study of administrative constraints in case management.	15,000 for technical assistance
2	Develop action plan to address these constraints and build it into the LSRP.	10,000 for technical assistance

Measure 2. Develop performance charters for Executive Agencies that administer business regulations and inspections.

(a) Rationale and country context

It is widely recognised that business regulations and inspections impose a significant burden in time and costs on businesses operating in Tanzania. The World Bank/IFC Investment Climate Assessment (2004) of Tanzania describes how, on average, enterprises in Tanzania reported that senior managers spend 15 per cent of their time dealing with government inspections, regulations and paperwork, compared to 13 per cent in Kenya and 4 per cent in Uganda.

Many of these regulations and inspections are administered by Executive Agencies, which directly derive an income from license fees and penalties. It is widely believed that the absence of performance charters for these Agencies has resulted in the absence of balanced performance measures, with many Agencies basing their performance solely on financial indicators.

(b) An example of best practice

The United Kingdom's Public Sector Benchmarking Service (PSBS), launched in 2000 has been developed with the purpose of promoting effective benchmarking and sharing good practices across the public sector. The PSBS recognises that benchmarking is a fundamental part of developing modern public services and that it enables organisations to share knowledge and learn from the best. The aims of the PSBS are: (1) to promote effective benchmarking and sharing good practices across the public sector; (2) to support public-sector organisations undertaking benchmarking projects; (3) to encourage learning through sharing knowledge and good practices in support of government reform; (4) to provide practical information on benchmarking; and (5) to signpost sources of good practices identified by other quality and improvement initiatives. The PSBS serves all public agencies, including those involved with investors.

(c) Action plan

The following steps should be undertaken to introduce a performance charter in relevant Executive Agencies:

- Document all regulations and inspections that each relevant Executive Agency is responsible for administering.
- Identify performance standards that each Agency should be following.
- Commission an assessment of current performance standards against these standards.
- Establish a process whereby performance can be regularly tracked.

(d) Key performance indicators

	Milestone/Activity	Expected completion date
1	Complete all agency client charters.	31 January 2006
2	Develop a performance monitoring system.	30 April 2006

(e) Financial implications

The following costs, which are over and above regular government costs, are anticipated.

	Milestone/Activity	Estimated cost (US$)
1	Complete all agency client charters.	20,000 for technical assistance
2	Develop a performance monitoring system.	20,000 for technical assistance (one-off cost)

Measure 3. Enhance transparency in tax administration.

(a) Rationale and country context

Anecdotal evidence suggests that a major concern of businesses operating in Tanzania is the level of corruption in the Tanzania Revenue Authority (TRA). The Government has introduced a number of initiatives to combat corruption at various levels but their impact has been limited. Indeed, many believe that corruption is on the increase.

(b) An example of best practice

Whistle-blowing hotlines to combat fraud are widely used in public and private institutions across the world. In Tanzania, the state-owned electricity utility firm TANESCO runs a very successful Fraud Hotline and Fraud Report Centre. Between June 2004 and April 2005, the company received over 3,000 fraud reports.

(c) Action plan

One measure to reduce the level of corruption at the TRA would be to establish a 'whistle-blowing' facility. Whistle-blowing is about 'raising a concern about malpractice within an organisation'. It is as an early warning system to avert possible risks to the organisation. As such, it can be a key tool for promoting individual responsibility and organisational accountability. An effective policy to encourage whistle-blowing enables employers to find out when something is going wrong in time to take necessary corrective action.

To implement a 'whistle-blowing' initiative at TRA, a fraud and corruption 'hotline' would need to be established. This is a simple but highly effective management tool designed to enable concerned employees (as well as third parties) to help put a stop to practices which have a negative effect on the employer's ability to provide a stable and ethical employment environment. The 'hotline' will assist in maintaining an honest work ethic by providing an independent conduit whereby employees can report incidents of unethical practices. The hotline can also serve as a suggestion box to manage a range of unethical practices that do not fall within the specific category of criminal conduct. It can be operated in such a manner as to ensure that a caller wishing to remain anonymous can be guaranteed complete anonymity.

A 'Hotline' works by establishing a toll-free number that would be available during the organisation's normal working hours during week days, for employees and stakeholders to call to report incidents of fraud and/or corruption within an organisation. The service would utilise live operators who field calls and ask relevant questions in respect of the report made. A voice mail system may be utilised after hours. Further, a toll-free 'Hotfax' number can be available 24 hours a day to which incidents of fraud and/or corruption within the organisation may be faxed. Additionally, a 'Hotmail' can be implemented as well. This is a unique e-mail address designed to ensure the confidentiality of the sender of e-mails. Information received from a caller is conveyed to the client by way of a report (Hotline Memorandum). A Hotline Memorandum would be forwarded to the TRA periodically – daily or weekly or monthly as the TRA requires (for daily reports, at the beginning of each work day, providing details of all reports made during the previous day). Details would include the nature of the report being made, the details of the incident and the location where this incident occurred. The organisation would nominate at least 2 persons within the organisation who would be responsible for receiving all reports.

(d) Key performance indicators

	Milestone/Activity	Expected completion date
1	Tender Hotline.	31 August 2005
2	Commission and begin services.	30 September 2005

(e) Financial implications

The following costs, which are over and above regular government costs, are anticipated.

	Milestone/Activity	Estimated cost (US$)
1	Commissioning of Hotline centre.	5,000 for establishment costs and 60,000 for annual running costs.

Measure 4. Establish a strategy for growing agriculture and agro-processing in Tanzania.

(a) Rationale and country context

Tanzania has a number of policy documents and strategies that serve as the overall economic strategy components of the country. These are:

- Vision 2025 – National vision and social and economic objectives to be achieved by the year 2025;

- National Poverty Eradication Strategy – National strategy to eradicate poverty up by the year 2010;

- Tanzania Assistance Strategy – Medium-term national strategy of economic and social development that includes the efforts of the international community; and

- Poverty Reduction Strategy Paper (PRSP) – Medium-term strategy of poverty reduction developed in a highly consultative manner and in the context of the Highly Indebted Poor Countries Initiative.

Overall government policy recognises that agriculture is the foundation of the Tanzanian economy. It accounts for about half of the national income, three quarters of merchandise exports and is the source of food and provides employment opportunities to about 80 percent of Tanzanians. It has linkages with the non-farm sector through forward linkages to agro-processing, consumption and export, and provides raw materials to industries and a market for manufactured goods. The government recognises the pivotal role of the agricultural sector in achieving both economic growth and poverty reduction. Its defined priority actions include:

- The pursuit of macroeconomic policies that will motivate investment in agriculture by smallholders and large-scale commercial farmers;

- The creation of an enabling environment; providing proactive support to private operators, farmers organizations, NGOs and CBOs supplying inputs and credit to small farmers; and ensuring a strong regulatory mechanism;

- The concentration of budgetary allocations in agricultural research and extension services; and

- The provision of special support to investment in agricultural processing particularly in fruits and vegetables, and according top priority to the implementation of the new land Act.

However, the Government does not have a strategy on how to grow Tanzanian agriculture and agro-processing by establishing areas in which the country has, or can create, competitive advantage and subsequently inducing investment in them.

(b) An example of best practice

Malaysia' radical investment promotion drive began in the 1980s when the government decided to promote industrial development as a means to accelerate growth and development, diversify the economy, generate additional employment and create new business opportunities. The Malaysia Industrial Development Agency (MIDA) was then tasked with inducing FDI in manufacturing.

The investment policy is designed to serve the country's industrial development strategy and is thus an integral part of the industrial policy. Malaysia currently has sixteen incentive schemes designed specifically for various industries and activities that it wishes to promote. FDI has played a significant role in industrial development. The contribution of foreign affiliates to total value added in manufacturing increased from 33.4 per cent in 1986 to 44.2 per cent in 1999.

(c) Action plan

In general, the following major activities need to be carried out:

1. Undertaking an assessment of sub-sectors of agriculture and agro-processing in which the country has a competitive advantage and is in need of investment. This would involve undertaking a sectoral SWOT analysis and benchmarking of potential target sectors.

2. Developing a strategy that unifies all activities towards the development of the identified target sectors through public-private dialogue.

(d) Key performance indicators

	Milestone/Activity	Expected completion date
1	Undertake a sectoral benchmarking analysis of agriculture and agro-processing.	30 November 2005
2	Identify sectoral working groups composed of public and private sector representatives.	31 January 2006
3	Draft strategy for target sectors.	30 June 2006

(e) Financial implications

The following costs, which are over and above regular government costs, are anticipated.

	Milestone/Activity	Estimated cost (US$)
1	Undertake a sector benchmarking analysis.	30,000 for technical assistance
2	Draft strategy for agriculture and agro-processing.	50,000 for technical assistance

Measure 5. Strengthen the monitoring system for tracking measures agreed upon by the Tanzania National Business Council (TNBC).

(a) Rationale and country context

The Tanzania National Business Council (TNBC) is a structured forum for continuous public-private consultation on strategic issues related to efficient management and economic development. The TNBC came into formal existence in 2001. The President of Tanzania chairs the TNBC. The institution's specific objectives are:

- To provide a forum for public-private sector dialogue with a view to reaching consensus and/or mutual understanding on strategic issues relating to the efficient management of development resources;
- To promote the goals of economic growth with social equity and even development;
- To review from time to time developments in the external and domestic business environment, the challenges they pose to Tanzania, and propose appropriate courses of action;
- To exchange views on the prevailing operating and regulatory environment, and propose ways to facilitate the public service to improve on service delivery and make the civil service business friendly;
- To review and propose changes in the policy environment to enhance the attractiveness of Tanzania for both domestic and Foreign Direct Investment (FDI), and improve the competitiveness of Tanzanian products in the world market;
- To encourage and promote the formulation of co-ordinated policies on social and economic matters, including consideration of existing and proposed economic legislation, and make appropriate recommendations; and
- To consider any other matter deemed relevant to the achievement of the above objectives.

The TNBC thus plays a critical role in the public-private dialogue in Tanzania. It also has strong support in both Government and the private sector. Currently the TNBC uses a basic action-matrix to track the implementation of its initiatives. However, the current action-matrix suffers from some weaknesses. First, the tracking system does not have clearly defined performance indicators and performance targets. Second, the tracking system does not assign clear responsibility or accountability for the implementation of all the initiatives. These features increase the likelihood that not all initiatives will be fully pursued, and therefore the organisation's effectiveness will be limited.

The TNBC requires an ongoing monitoring and evaluation system that would enable its managers and stakeholders to: (1) assess progress towards defined goals; (2) to make adjustments to the plans and special activities; (3) to determine the most efficient way to utilise resources; and (4) to enhance accountability. It is important to emphasize the 'ongoing' nature of the monitoring system, including mid-term reviews of measures and activities put in place by the public-private sector initiative, because the feedback from a monitoring and evaluation system can assist the managers in adjusting the implementation of the initiative's activities.

(b) Examples of best practice

The Presidential Investors Round Table (PIRT) in Uganda has developed a simple and effective monitoring tool. Reform measures are drafted by theme-based working groups. Each of the reform measures has assigned responsibilities and timelines. These working groups are charged with developing and monitoring the implementation of reform initiatives that fall within their mandate.

In a similar initiative in Vietnam, the issues being addressed are monitored by the working groups which then attempt to assess the extent to which the measures have been successfully implemented.

(c) Action plan

The following steps should be undertaken to strengthen the current monitoring and evaluation system:

- Obtain information on the monitoring and evaluation process in place at the TNBC.
- Consider the ways and means to put in place an enhanced system that alleviates the issues identified above.
- Define the process and criteria by which a reform measure or agreed action enters the monitoring matrix (i.e. priorities).
- Select volunteers to serve as the monitoring board of the TNBC and prepare quarterly or biannual progress reports on reforms contained in the matrix. The monitoring board would make presentations at each TNBC meeting. This would allow government and private sector perspectives on the status of implementation to be exchanged.
- Issue a statement to all stakeholders stating clearly the next steps and expectations of all parties.
- Begin the improved monitoring and evaluation process.

(d) Key performance indicators

	Milestone/Activity	**Expected completion date**
1	Establish a monitoring and evaluation process.	30 November 2005

(e) Financial implications

No extraordinary costs are anticipated for the government of Tanzania.

Measure 6. Amend the Tax Revenue Appeals Act (2000).

(a) Rationale and country context

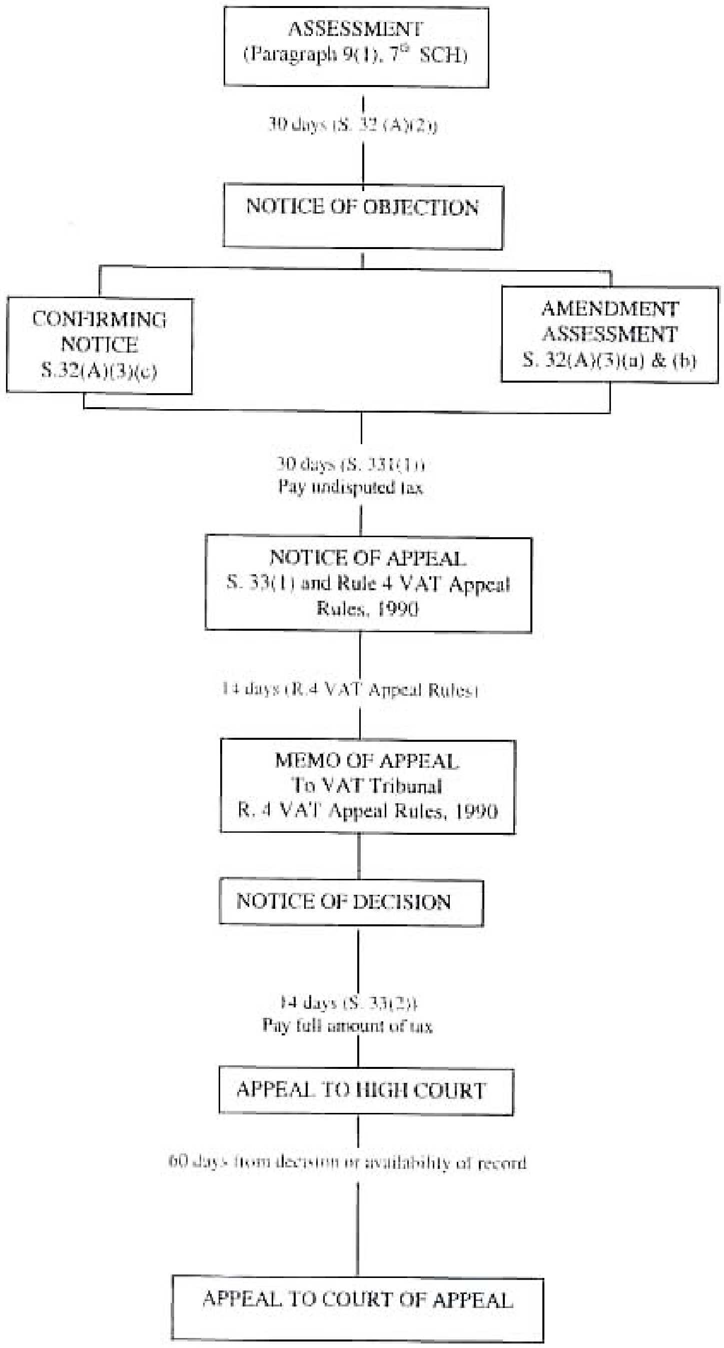
Sub-section 12 (3) of the Tax Revenues Appeals Act (2000) states that 'Where a notice of objection to an assessment is given, the person objecting shall, pending the final determination of the objection to an assessment by the Commissioner General in accordance with section 13 pay the amount of tax which is not in dispute or one third of the assessed tax, whichever amount is greater.'

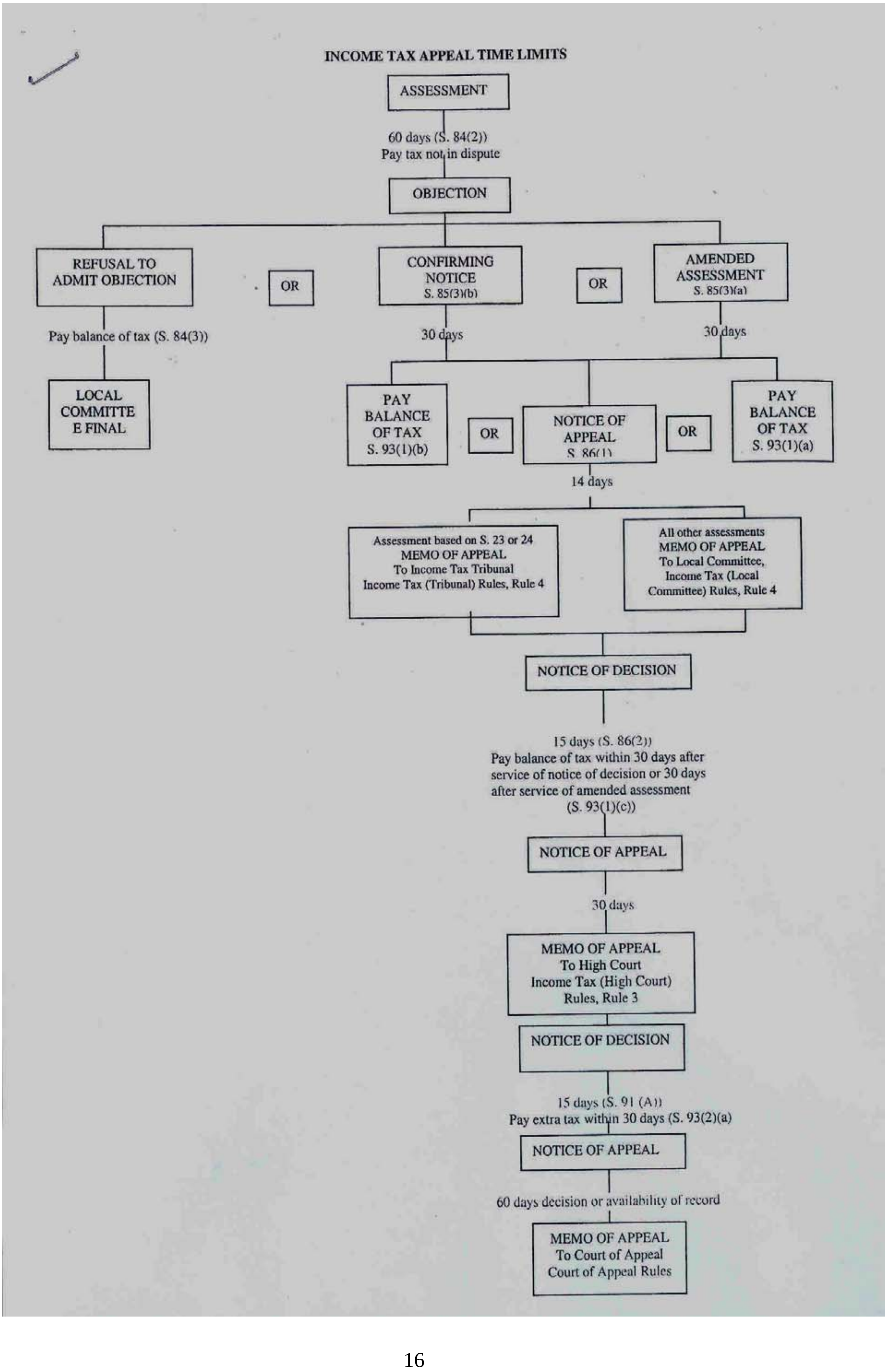
This clause has given rise to numerous cases where businesses are often wrongly assessed and yet are subsequently made to pay one third of the total tax assessment, prior to making an appeal. Businesses claim that not only is the situation unpredictable, it also presents a significant cash flow constraint. Further, many investors believe that unwarranted aggressive and unsubstantiated assessments are made with the intention of meeting revenue targets.

(b) An example of best practice

The Kenya Revenue Authority (KRA) has an effective tax appeal process in place for appeals relating to both income tax and VAT. In both cases, the person or entity objecting to a tax assessment is not compelled to pay the entire disputed amount prior to making an appeal. Further, clear timeframes are provided in which the appeals process will run. The following flowcharts demonstrate how the appeals process works (sections of the relevant Kenya Income Tax and VAT Acts are provided in brackets).

VAT APPEAL TIME LIMITS




INCOME TAX APPEAL TIME LIMITS
ASSESSMENT
60 days (S. 84(2))
Pay tax not in dispute
OBJECTION
REFUSAL TO ADMIT OBJECTION
OR
CONFIRMING NOTICE S. 85(3)(b)
OR
AMENDED ASSESSMENT S. 85(3)(a)
Pay balance of tax (S. 84(3))
30 days
30 days
LOCAL COMMITTE E FINAL
PAY BALANCE OF TAX S. 93(1)(b)
OR
NOTICE OF APPEAL S. 86(1)
OR
PAY BALANCE OF TAX S. 93(1)(a)
14 days
Assessment based on S. 23 or 24 MEMO OF APPEAL To Income Tax Tribunal Income Tax (Tribunal) Rules, Rule 4
All other assessments MEMO OF APPEAL To Local Committee, Income Tax (Local Committee) Rules, Rule 4
NOTICE OF DECISION
15 days (S. 86(2))
Pay balance of tax within 30 days after service of notice of decision or 30 days after service of amended assessment (S. 93(1)(c))
NOTICE OF APPEAL
30 days
MEMO OF APPEAL To High Court Income Tax (High Court) Rules, Rule 3
NOTICE OF DECISION
15 days (S. 91 (A))
Pay extra tax within 30 days (S. 93(2)(a)
NOTICE OF APPEAL
60 days decision or availability of record
MEMO OF APPEAL To Court of Appeal Court of Appeal Rules

(c) Action plan

The Act should therefore be amended as follows: Sub-section 12 (3) of the Act should be amended so that a person objecting should be compelled to pay only the amount of the tax that is not in dispute. In addition, the Act should be amended to introduce a provision that will allow the appeals process to be accelerated, in order to avoid objectors abusing the process by making objections with the sole purpose of delaying the payment of taxes. This could be amended by:

- Requiring the Objectors to file a notice of objection with the Commissioner General within a shorter duration than the current 30 day provision - 12 (2) of the Act.

- Requiring the Commissioner General to admit or refuse notice of objections with a specified time frame as opposed to the current situation where no specified time frame is indicated – 12 (5) of the Act.

- Requiring the Commissioner General to determine the objection as filed or call for additional evidence, within a specified time period, as opposed to the current situation where no specified time frame is indicated – 13 (1) of the Act.

- Requiring the Objector to make a submission in writing to the Commissioner General on his agreement or disagreement with the proposed amended assessment within a shorter duration than the current 30-day provision – 13 (4) of the Act.

(d) Key performance indicators

	Milestone/Activity	**Expected completion date**
1	Draft a Tax Revenue Appeals Act Amendment Bill.	31 July 2005
2	Preparation and submission of a Cabinet memorandum by the Ministry of Finance.	30 September 2005
3	Debate and passing of the Tax Revenue Appeals Act Amendment Bill in parliament.	31 January 2006

(e) Financial implications

No extraordinary costs are anticipated for the Government of Tanzania.

Measure 7. Bring into force the East African Community double taxation treaty.

(a) Rationale and country context

A trilateral tax treaty with Kenya and Uganda to avoid double taxation was signed on 28 April 1997, but has not yet entered into force, as only Kenya and Tanzania have ratified it. The absence of an effective East African Community (EAC) trilateral DTT (EACDTT or 'the Treaty') is a major impediment to cross-border businesses in the region. For example, investors based in Kenya and with subsidiaries or sources of income in either Uganda or Tanzania face double taxation, which can raise the effective tax rate up to over 50% (30% in either Uganda or Tanzania and 30% in Kenya).

(b) Action plan

Domestic ratification of the EACDTT in Uganda is required in order to resolve the concern of double taxation in the EAC. Ratification of the Treaty by Uganda would make the EACDTT immediately effective once all three relevant Ministries of Finance have operationalised it with necessary changes in the tax legislation.

(c) Key performance indicators

	Milestone/Activity	**Expected completion date**
1	EACDTT ratified by Uganda.	31 August 2005
2	EACDTT regulations and procedures drafted by the EAC Secretariat.	31 December 2005
3	Agreement by the three countries on effective date for the EACDTT.	31 January 2006
4	Ministry of Finance in Tanzania to operationalise the EACDTT through legal notice.	31 March 2006

(d) Financial implications

No extraordinary costs are anticipated for the Government of Tanzania.

Measure 8. Jointly issue East African Community member state business visas.

(a) Rationale and country context

Each country in the EAC currently operates its own visa regime. This substantially increases the costs for businesses, in both time and money.

The following single-entry business visa costs currently apply:

- Kenya – US$50 for a single-entry business visa valid for 3 months.
- Uganda – US$30 for a single-entry business visa valid for 3 months.
- Tanzania – US$50 for a single-entry business visa valid for 3 months.

The Committee on Fast Tracking the East African Federation ('the Committee') has recommended the development of appropriate legislation that would allow for the issuing of a joint East African visa, propose modalities for the sharing of visa fees, compile lists of countries whose citizens are subject to visa referral arrangements, computerise visa issuance mechanisms, establish a common reciprocal East African Visa against the rest of the world and agree on joint fee charges.

(b) Action plan

It is proposed that the Committee's proposals on the joint issuance of EAC visas, particularly those related to business visas, be given high priority in implementation.

(c) Key performance indicators

	Milestone/Activity	**Expected completion date**
1	Agreement by three governments on fast-tracking the issuance of joint business visas for single entry in each country.	31 October 2005
2	Design of the EAC joint business visa completed.	31 January 2006
3	Roll out of EAC joint issuance of business visas completed. (This includes agreeing on modalities to share fees and training the relevant Government employees.)	31 May 2006

(d) Financial implications

The following costs, which are over and above regular government costs, are anticipated.

	Milestone/Activity	Estimated cost (US$)
1	Agreement by the three governments on fast tracking the issuance of joint business visas for single entry in each country.	Nil
2	Design of the EAC joint business visa completed.	10,000 for technical assistance
3	Roll out of EAC joint issuance of business visas completed. (This includes agreeing on modalities to share fees and training the relevant Government employees.)	40,000 for technical assistance