



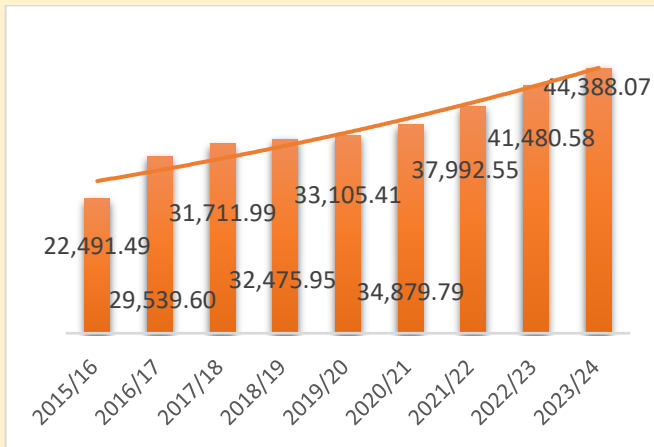
THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF FINANCE AND PLANNING BUDGET HIGHLIGHT 2023/24



**MINISTRY OF FINANCE AND PLANNING
GOVERNMENT BUDGET DIVISION
JULY 2023**

BUDGET TREND



BUDGET THEME

The main theme for the 2023/24 budget as agreed by the East African Community Partner States is “Accelerating Economic Recovery, Climate Change Adaptation/Mitigation, and Enhancing Productive Sectors for Improved Livelihood”.

ECONOMIC GROWTH

Tanzania’s GDP growth slowed down from 4.9% in 2021 to 4.7% in 2022 due to the global downturn caused by the continued COVID - 19 pandemic and Russia-Ukraine conflict.

In 2023, GDP is projected to grow at an average rate of 5.2% compared to the 4.7% growth in 2022.

The projected growth will mainly be driven by mega infrastructure projects such as the implementation of the SGR, Nyerere Hydro-electric power dam, Road Maintenance and Rehabilitation.

MACROECONOMIC POLICY TARGETS - SUMMARY

	2021	2022	2023
GDP growth (percent)	4.9	4.7	5.2
Inflation (percent)	3.7%	4.3%	
Tax revenue collection (% of GDP)	21%	22%	21%
Debt to GDP	50.2%	50.7%	
Budget deficit (including grants as % of GDP)	3.0	3.0	3.0
Tax Revenue to GDP	11%	12%	12%

TAX REVENUE COMPOSITION

	Billion Shillings	
	2022/23	2023/24
Import Duty	1,579.3	1,908.7
Excise Duty	3,203.3	3,447.7
Value Added Tax	6,717.5	7,712.6
Income Tax	7,668.3	8,522.7
Other taxes	4,484.4	5,133.6
	23,652.8	26,725.4

Expenditure Category	2022/23	2023/24	Change
	Billion Shillings		
Recurrent Expenditure	26,474.6	30,310.8	14.5%
Personnel Emolument	9,830.8	10,882.1	10.7%
CFS Others	11,308.4	12,771.5	12.9%
Other Charges	5,335.5	6,657.2	24.8%
Development Expenditure	15,006.0	14,077.2	-6.2%
Development Local	12,306.9	10,795.1	-12.3%
Development Foreign	2,699.1	3,282.1	21.6%
Total Budget	41,448.6	44,388.1	7.1%

POPULATION GROWTH

The 2022 Population Housing Census Results revealed that population has increased to 61.7 million people from 44.92 million in 2012. Equivalent to an average growth of 3.2 percent per annum.

GOVERNMENT FISCAL FRAMEWORK (In Billions)			
	2022/23	2023/24	Change
Domestic Revenue	28,017.9	31,381.0	12.0%
External Grants and Concessional Loans	4,648.6	5,466.2	17.6%
Domestic & External Non-Concessional Loans	8,814.2	7,540.8	-14.4%
Expenditure	41,480.6	44,388.1	7.1%
GROSS DOMESTIC PRODUCT			
	2021	2022	Change
GDP	135,478.18	141,873.73	4.7%

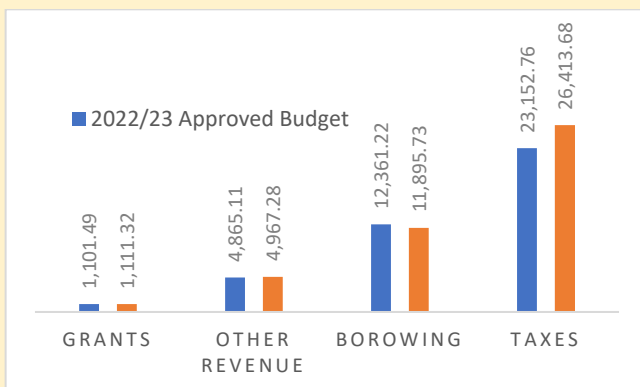
REVENUE COMPOSITION DETAILS

TYPE	DETAILS	2022/23 Approved Budget	2023/24 Estimates
Taxes	Personal Income Tax	7,871.39	8,842.78
	Corporate Income Tax	317.23	427.31
	Taxes on property	43.22	46.34
	Taxes on Goods and Services	10,663.97	12,040.06
	Taxes on international trade and transactions	4,220.38	5,072.39
	Other Taxes	36.57	-15.21
Grants	From Foreign Government	371.75	295.47
	From international organization	729.74	806.38
	United Nations Population Fund	0.00	9.47
Other Revenue	Property Income	758.11	765.35
	Sale of Goods and Services	3,705.78	3,627.35
	Fines, Penalties and Forfeits	93.72	108.58
	Transfers not elsewhere Classified	307.50	465.20
	Premiums, fees and claims related to non life insurance	0.00	0.80
	Borrowing	Receipts from Domestic Borrowing	5,780.15
	Receipts from External Borrowing	6,581.08	6,455.36
		41,480.58	44,388.01

RESOURCE ENVELOPE

The Government expect to collect Tsh. 44,388.1 billion. Out of total collection, domestic revenue is projected to be 31,381 billion which is 70.7 percent of total budget. Tax revenue will stand at 26.73 billion, and non-tax is expected to be 4.66. External Grants and Concessional Loans will stand at 5,466.2 billion, while Domestic & External Non-Concessional Loans 7,540.8 billion.

RESOURCE ENVELOPE COMPOSITION



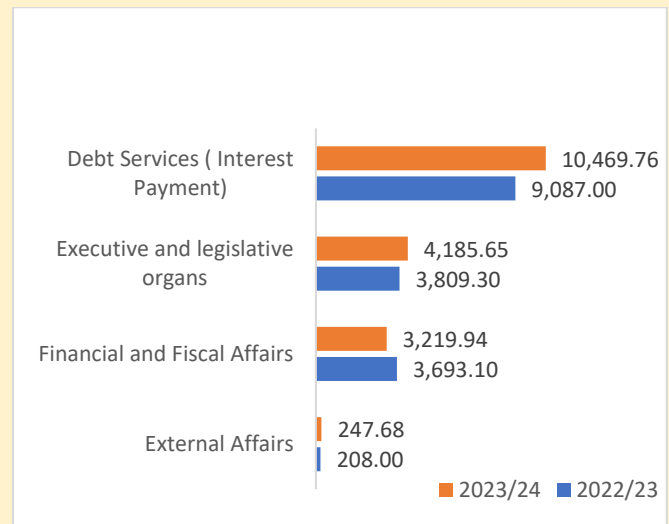
GOVERNMENT EXPENDITURE FOR 2023/24

The Government expect to spend Tsh. 44,388.1 billion in 2023/24 slightly higher by 7.01% compared to 2022/23 approved budget. The current expenditure growth aim at achieving Government objectives of prioritizing Strategic and ongoing Flagship projects. The 2023/24 budget will focus on improving productive sectors which promote growth. These include agriculture, livestock and fishing, energy, construction, transport and tourism.

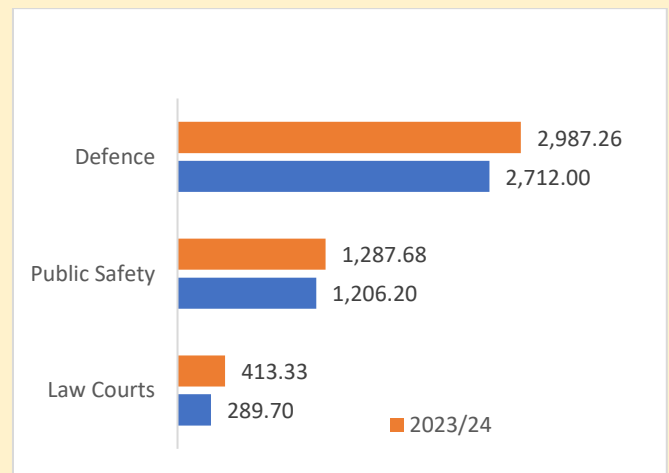
The table below summarizes Government expenditure by major economic classification in 2023/24 as compared to 2022/23 approved budget.

GOVERNMENT EXPENDITURE		
Compensation of Employees	6,461.2	7,584.1
Use of Goods and Services	5,190.3	4,604.0
Consumption of Fixed Capital	0.1	-
Interests	2,871.0	4,164.4
Subsidies	2,588.8	2,809.8
Grants	16,117.6	16,721.9
Social Benefits	558.3	610.8
Other Expenses	177.3	78.9
Acquisition of Non-Financial Assets	1,299.9	1,508.2
Repayment of Debt Principal	6,216.0	6,306.0
Total	41,480.6	44,388.1

General Public Services



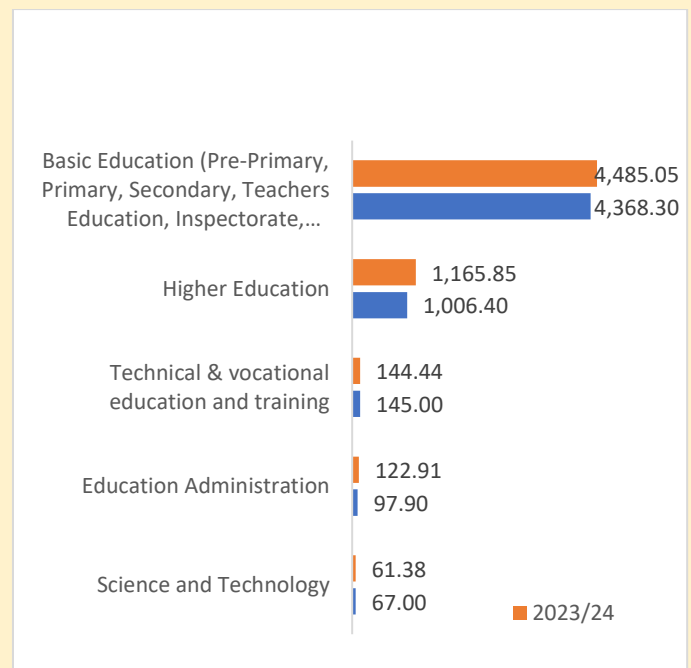
Defence, Public order and Safety



Government Expenditure by Function /Sector

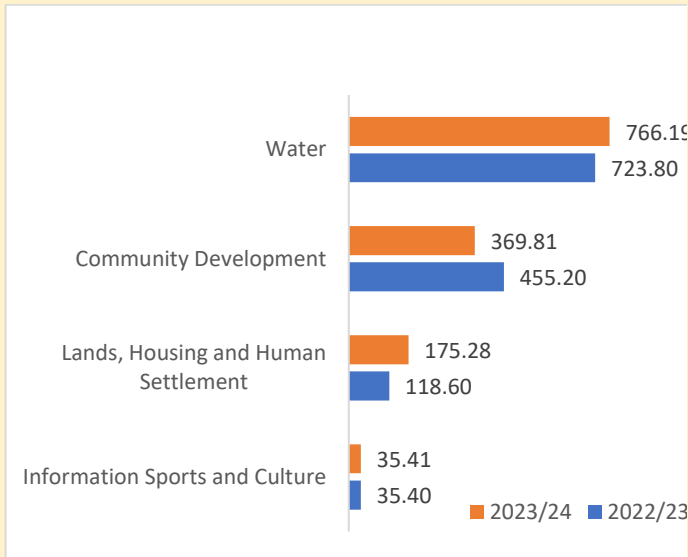
GOVERNMENT EXPENDITURE BY FUNCTION			
Billion Shillings			
	2022/23	2023/24	Change
General Public Services	10,581.4	11,894.6	12.4%
Defence, Public order and Safety	4,208.0	4,682.3	11.3%
Economic Development	9,064.1	9,427.9	4.0%
Education	5,684.7	5,951.6	4.7%
Health	2,149.1	2,435.5	13.3%
Housing and Community Development	1,333.1	1,344.7	0.9%
Social Development	2,244.2	2,345.5	4.5%
Total Sector	35,264.5	38,082.1	8.0%
Debt Service (Principal Repayment)	6,216.0	6,306.0	1.4%
Grand Total	41,480.6	44,388.1	7.0%

Education

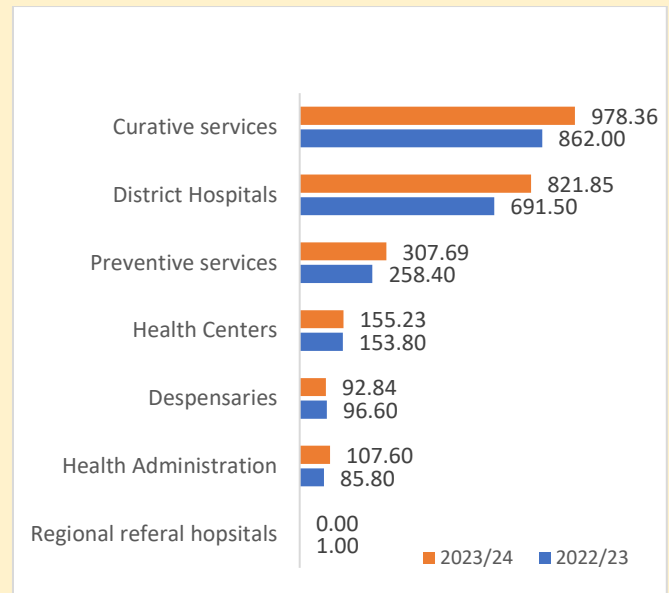


The figures below highlight 2023/24 Government expenditure by functions;

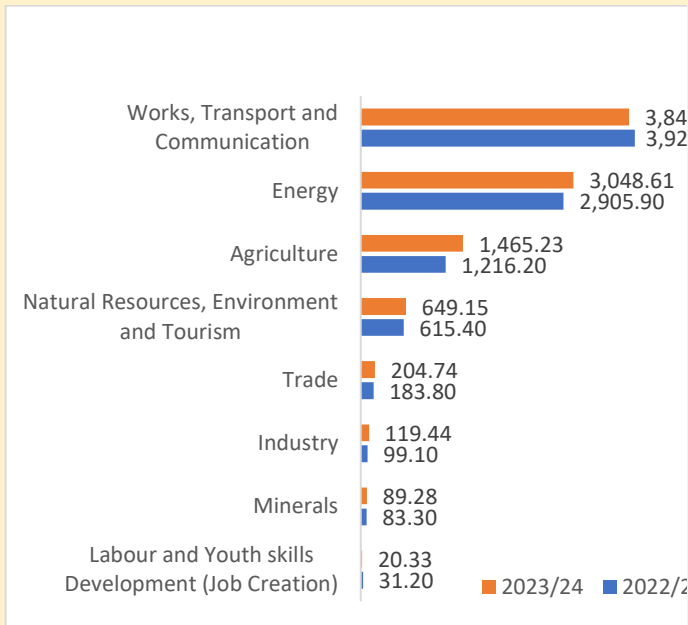
Housing and Community Development



Health

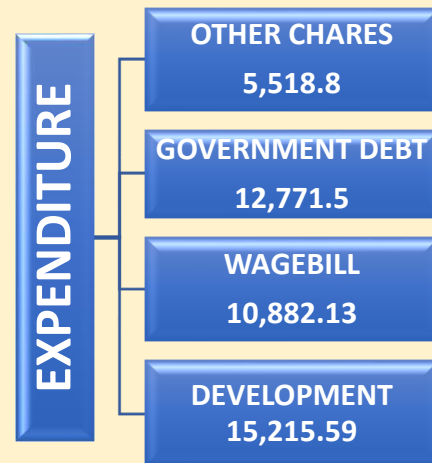


Economic Development

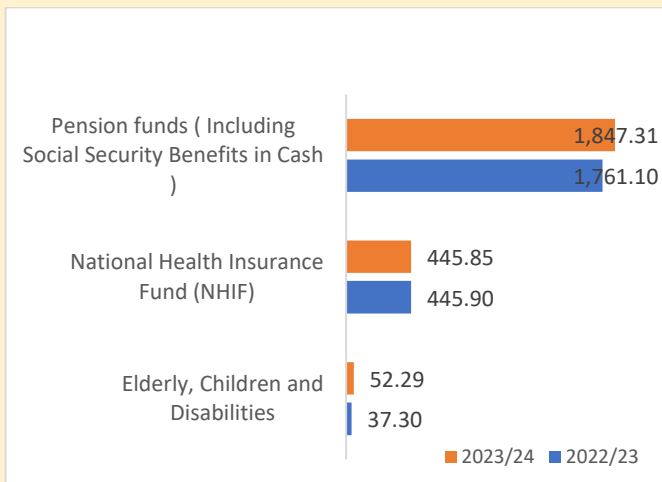


GOVERNMENT EXPENDITURE BY CATEGORY

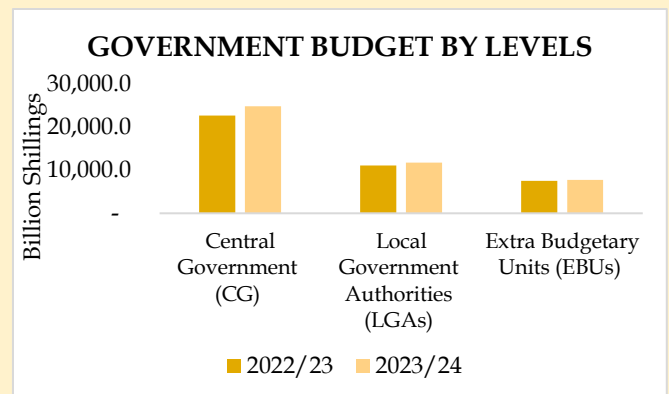
In the 2023/24 the Government plan to spend a total of **44.39 trillion shillings** in the following major areas: -



Social Development



GOVERNMENT BUDGET BY LEVELS



SOVEREIGN CREDIT RATING

In the year 2023, the Government engaged Fitch Ratings Ltd and Moody's Investors Services to assess the Country's sovereign credit ratings.

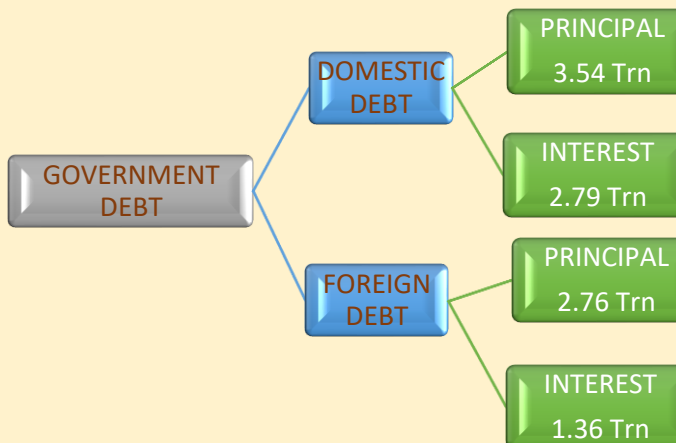
- The result shows a stable and more favourable outlook than many African countries. This implies that our Country will attract more investments and financing at low cost of capital.

Rating Agency Publication	Results
Moody's	B2 Positive
Fitch Ratings	B+

GOVERNMENT DEBT

As at April 2023, total national debt stood at Tsh. 79.01 trillion, representing a growth of 13.8% from the previous year's Tsh. 69.44 trillion as of April 2022.

- Out of total debt, domestic debt is 27.94 trillion shillings, equivalent and 35.3 percent and external debt is 51.16 trillion shillings, equal to 64.7 percent.



WAGEBILL

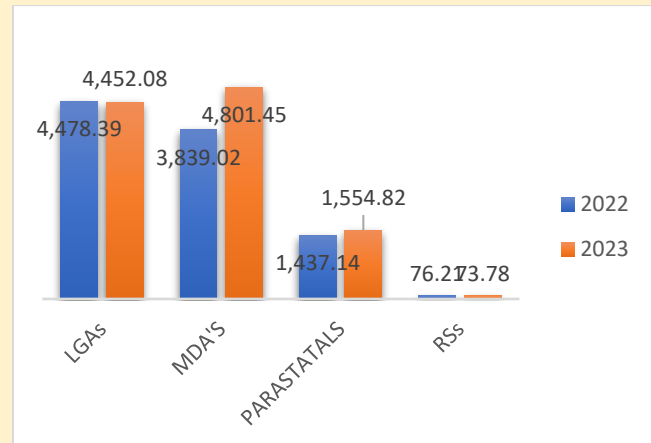
2023/24 wage bill budget of 10.88 trillion shillings, is 24.51 percent of total projected expenditure which is 5.2 percent of Gross Domestic Product (GDP),

2023/24 wage bill budget is 10.69 percent increase from 2022/23 budget. The increase is attributed by new hire of education and health staff.

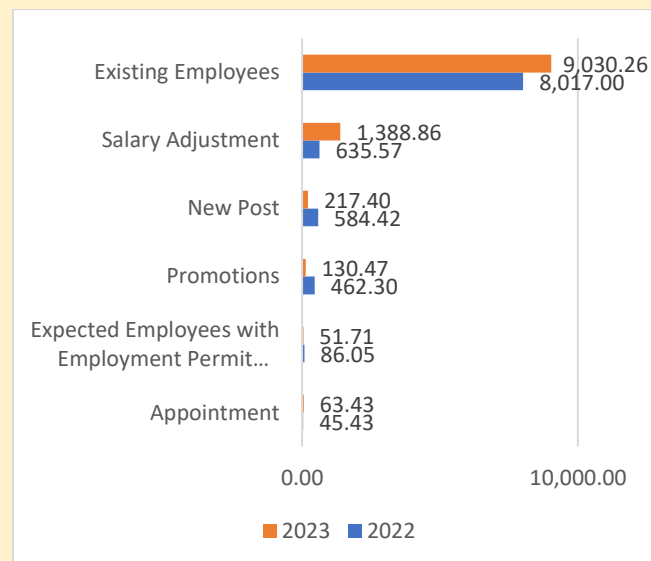
Government wage bill constitute of Appointment; Existing Employees; New Post; and Promotions.

WAGEBILL COMPOSITION

Wage bill allocation between Government Agencies by Organisation type.



Wage bill allocations by Employee Category



DEVELOPMENT EXPENDITURE

Development Budget is projected to be Tsh. 15,215.59 billion in 2023/24.

Development expenditure is expected to account for 34.27% of the total budget in 2023/24. Economic infrastructure, which includes Energy

and transportation infrastructure projects will drive the growth of development expenditure.

The budget for Agriculture has increased by 20.48 percent in 2023/24 compared to 2022/23.

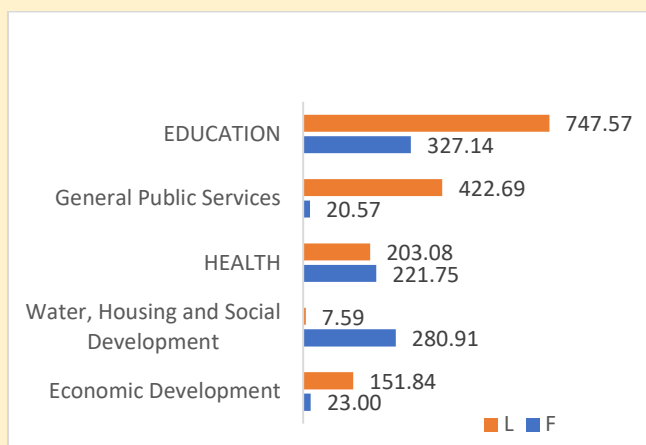
Programme / Project	2022/23	2023/24
Julius Nyerere Hydro Power Project	1,435.0	1,500.0
Road Maintenance and Rehabilitation	1,310.1	1,310.1
Standard Gauge Railway	1,113.0	1,113.0
Higher Education Students Loans	573.0	738.7
LGA Own Source	394.8	454.4
Free Secondary Education Programme	223.5	399.6

Social Services which include Education, Water and Health Sector Budget have also been improved. Health subsector budget is projected to 2.46 trillion, which is 14.63 percent growth compared to 2022/23 budget.

MAJOR SPENDING AREAS

- ✓ Tsh. 1.14 trillion is a Development Grant budgeted for free basic education programme and Higher Education Student's Loan board;
- ✓ Tsh 528 billion is budgted for payment of verified arrears;
- ✓ Tsh. 1,113 billion is budgeted for Standard Gauge Railway (SGR);
- ✓ Tsh. 1,500 billion is budgeted for Julius Nyerere Hydropower Project;
- ✓ Tsh. - for Enhancing Air Tanzania

Out of total development expenditure, transfers to LGA's are expected to be Tsh. 2,406.13 bilion as shown below;



HEALTH AND EDUCATION DEVELOPMENT LOCAL FUND DIRECTED TO LOCAL GOVERNMENT AUTHORITIES

In bilions

Na	Particulars	Health Sector	Education Sector
1	Construction of Health facilities	58.64	-
2	Repair and Maintenance of Health Facilities	27.9	-
3	Purchases of Health Equipment	116.9	-
4	Construction of Classrooms	-	48.09
5	Construction of Hostels, Dormitories and Classrooms	-	10.46
6	Other Education Infrastructures	-	11.26
7	Exams	-	243.62
8	Free Primary and Secondary Education Programme	-	399.64
9	Repair and Maintenance of Education Infrastructures	-	37.49

✓

PROPOSED MAIN TAX CHANGES

- ✓ Exemption of VAT on sale and lease of aircraft, aircraft engine and parts by a local operator of air transportation.
- ✓ Introduction of TZS 20 excise duty per kilogram of imported and domestically manufactured cement.
- ✓ Increase of VAT registration threshold from an annual turnover of TZS 100 million to TZS 200 million.
- ✓ Zero rating of locally manufactured fertilizers for a period of 1 year.
- ✓ Change of Capital Gain Tax from 10% of the gain to 3% of sales value or appraised land value whichever is higher for sellers who do not keep a record of costs incurred for the property.
- ✓ Introduction of 2% income tax on payments to Artisanal and Small Miners.
- ✓ Introduction of 10% income tax on income accrued due to Verified Emission Reduction (verified carbon credits).
- ✓ Increase of excise duty on non-petroleum products with specific duty rates by 10% and on beer and tobacco products by 20%.
- ✓ Exemption of excise duty based on engine capacity on selected electric motor vehicles and condensed natural gas vehicles.
- ✓ Penalty for offence relating to failure to issue EFD receipts or not using EFD machine proposed to be 20% of the tax evaded or TZS 3 million whichever is higher.
- ✓ Penalty for offence relating to failure to claim EFD receipt or report the non-compliance proposed to be 20% of tax evaded or TZS 30,000 whichever is higher.
- ✓ Reduction of billboard fees from TZS 10,000 to TZS 7,000 per square foot and shifting the collection responsibility to PO-RALG from TRA.
- ✓ Increase of road and fuel tolls by TZS 100 per litre of petrol and diesel.
- ✓ Reduction of Skills and Development Levy (SDL) from 4% to 3.5%.
- ✓ Giving the powers to the Minister of Finance to grant SDL exemption upon consultation with the Minister of Education.
- ✓ Issuance of Class B residence permit to Investors who will buy a house of not less than USD 150,000.
- ✓ Proposed prohibition of regulatory authorities from suspending business operations due to violation of various legislations.