



TANZANIA CHAMBER OF MINES

**PRESENTATION TO THE BUDGET COMMITTEE OF
THE PARLIAMENT OF TANZANIA**

17 MAY 2018, DODOMA.



OUR MOTTO: "MINING FOR NATIONAL DEVELOPMENT"



INTRODUCTION



- The Tanzania Chamber of Mines is the same organization which was formerly called “Tanzania Chamber of Minerals and Energy”
- The name change was necessary so as to be in line with the changes brought about by split of the former parent ministry into two new and separate ministries

INTRODUCTION (cont...)



- The organization was formed in 1994 and is registered by the Registrar of Societies under the Ministry of Home Affairs
- The TCM represents 48 members who are made up of Explorers, Miners and service providers to the explorers and miners.
- TCM represents a single voice for its members who according to the TEITI report for 2015/2016 paid a total of TZS 351 Billion to the Government in form of Royalty & Other Taxes.

INTRODUCTION (cont...)

Value of Mineral Exports 2015/16

As Per TEITI Report



- 1,535,056oz of Gold worth US\$1,679,262,684
- 247,299Ct of Diamonds worth US\$83,229,746
- 556,318oz of Silver worth US\$8,616,201
- 15,803,003lb of Copper worth US\$34,841,285
- 15,987kg of Tanzanite worth US\$25,756,431
- 240,773T of Coal worth US\$1,597,126
- 133,727kg of Tin worth US\$1,116,741
- Total mineral export worth US\$ 1,834,420,214.

INTRODUCTION (cont...)

- We aim at bringing harmony between different stakeholders of the extractive industry by supporting a well regulated mineral sector in which our members comply to the country's laws and regulations governing employment, occupational health, safety at work and payment of the right royalties and taxes to the Government.

WHY DO WE PRESENT TO THE BUDGET COMMITTEE?



- The Chamber supports the country's vision 2025 which aims at attaining a GDP contribution of 10% from the Mineral sector
- The Chamber supports the country's vision 2025 which aims at attaining a 'middle class' economy
- The Chamber supports the Industrialization strategy of the 5th phase Government as spearheaded by the President, His Excellency John Pombe Magufuli.

WHY DO WE PRESENT TO THE BUDGET COMMITTEE?



- It's the role of the Chamber to work together with the Government to facilitate positive growth of the Mining sector in Tanzania
- This goal can be achieved if we have sound mining policy and legislation that will attract investment
- Investors need assurance of returns from their investments, noting the fact that not all exploration projects will lead to a new mine

WHY DO WE PRESENT TO THE BUDGET COMMITTEE?



- To achieve our vision 2025 goals as a nation there is a dire need to link all sectors of the economy and ensure they grow together
- The extractive sector is an industry that produces raw materials for its own factories, and utilizes the raw materials to produce new raw materials for other factories
- Our industrialization strategy need most of its input from the extractive sector

MINING Equipment



- Mining projects are capital intensive
- On one part you need heavy investment to acquire equipment for your mining project

MINING Equipment



- On another part you need heavy investment to construct and operate your processing plant.
- With the processing plant in place mining is categorically part of manufacturing and therefore a factory (an industry).

MINING FOR INDUSTRIALIZATION



- Tanzania needs GOLD to make jewellery and other industrial uses (Computers, Cars etc)
- Tanzania need KAOLIN to make Floor Tiles
- Tanzania need LIME & GYPSUM to make Cement
- Tanzania need IRON ORE to make Steel Rods
- Tanzania need SILICA to make Glass
- Tanzania need ALUMINA to make Metal Sheets
- Tanzania need CO₂ to make Coca Cola & Pepsi
- Tanzania need COPPER to make Wires, et cetera.

REQUIRED CHANGES IN INCOME TAX ACT 2004 (THROUGH FINANCE ACT 2018)



- Section 56 of the ITA 2004 has undergone several cosmetic changes between 2012 and 2016
- As it stands now the Section impose a “Change of Ownership” rule which kicks-in in situations whereby ownership of a company changes by more than 50% as compared to that ownership at any time during the previous three years.
- This does not auger well with junior explorations companies as it causes their capital to be taxed! It is a disincentive to exploration.

REQUIRED CHANGES IN INCOME TAX ACT 2004 (THROUGH FINANCE ACT 2018)



- Finance Act 2016 introduced the “Ring Fencing” rule. The new Section 65 under a new division IV has rendered separate Prospecting Licenses (PL) or Mining Licenses (ML & SML) owned by the same company to be different mining operations.
- This is a disincentive not only to exploration companies but to mining companies as well.

REQUIRED CHANGES IN INCOME TAX ACT 2004 (THROUGH FINANCE ACT 2018)



- Under Section 65D a tax deduction is only allowable in respect of rehabilitation once a payment is made into a rehabilitation fund, or if a premium is paid for a rehabilitation bond. Provisions for rehabilitation are not allowable deductions.
- This is a disincentive and unfairly denies a company the right to deduction of a genuine expense.

REQUIRED CHANGES IN INCOME TAX ACT 2004 (THROUGH FINANCE ACT 2018)



- Under Section 65G bonus payments on grant, transfer or assignment of a mineral right are not deductible when calculating income from a separate mining operation unless they are charges paid under the Mining Act or Mining Development Agreement.
- Clarity is required to this section.

REQUIRED CHANGES IN VAT ACT 2014



- The Written Laws (Miscellaneous Amendments) Act, 2017, amended section 68 of the Value Added Tax Act, 2014 by adding a section that removes the right to get an Input Tax Credit for VAT if a tax payer exports “Raw Minerals”.
- This change contravenes international best practice in operationalization of VAT.
- Clarity is required as there is no definition of “Raw Minerals” available.
- Most Miners export minerals processed to over 85% purity, hence can not be termed as raw.

CHANGES REQUIRED IN VAT REFUND REGULATIONS



- According to the TRA VAT refund Manuals, large scale miners qualify to lodge claims and receive VAT refunds on a monthly basis. For the past two years the companies have experienced extended delays in obtaining VAT refunds.
- The outstanding balances have accumulated to unsustainable levels (currently the figure stands at more than **TZS 500 Billion!** This situation discourages further investment.
- There is a dire need for the Government to conduct an urgent review of the process.

CONCLUSION



- It's critically important for the Government to have a clear understanding of how the mining industry operates and how a small change in the laws or regulations can have the potential to cause adverse effects to the industry and its contribution to the economy
- The Chamber of Mines is always ready to provide explanation and clarity where needed
- It's necessary that any changes to legislation is communicated and discussed with stakeholders well in advance of its issuance.
- The Mining Industry supports a "Win-win" investment for all stakeholders.



- **Asanteni Sana**