



TANZANIA REVENUE AUTHORITY

TAXATION OF CHARITABLE ORGANIZATIONS AND TAX COMPLIANCE

Presented by : TRA.

1. COVEREAGE



INTRODUCTION (Con't...)

TRA VISION

- "To increase Domestic Revenue through **enhancement of Voluntary Tax Compliance**"

MISSION STATEMENT

- We make it easy **to pay tax** and make lives better

INTRODUCTION (Con't...)

Tax laws administered by TRA for NGOs, Charitable and Religious Organizations are:-

- Tax Administration Act, Cap. 438 (For all taxes)
- Income Tax Act, Cap. 332 (Corporation, WHT, PAYE)
- Value Added Taxes Act, Cap 148 (VAT)
- Vocational Education Training Act Cap 82 for (Skills and Development Levy) Stamp Duty Act (Stamp duty to authenticate transactions) and
- East African Community Customs management Act, 2004 (Import duty)

OVER VIEW OF TAX COMPLIANCE

Taxpayer's Obligation

- Registration
- Filing Returns –
- Accuracy of Returns
- Timely Payment of Taxes
- Issuance and demand of fiscalized receipts/Tax invoice
- Cooperation with TRA Officers

TAX COMPLIANCE

❑ **Registration-** (*Section 22 of the TAA*)

Application for Taxpayer Identification Number (TIN) –(refer the Tax Administration Act - TAA)

Apply within **fifteen days** from the date of commencing the business

❑ Issue of Taxpayer Identification Number – TIN Certificate - (Section 23 of the TAA)

- **“Religious organization”** means a resident entity of a public character established for the advancement of religion that has been issued with ruling by the Commissioner under Section 11 of TAA Cap 438 currently in force stating that, it is a religious organization.

TAX COMPLIANCE(Con't..)



Registration for VAT

Mandatory to every person :-

- Attaining the registration **threshold of 100 million in the period of six months .Section 28& 29 of VAT Act.**

This condition applies to all types of registration except for:-

- **Professional** service providers,
- Government entity or institution which carries on **economic activity** and;
- An **intending traders** after fulfillment of sufficient evidence such as contracts, tenders, building plans, business plans and bank financing.
- **Compulsory registration-** CG upon satisfaction

TAX COMPLIANCE(Con't..)

- Taxpayer shall be issued with a **Certificate** of Registration stating the name and principal place of business of the taxable person, the date on which the registration takes effect, his Taxpayer Identification Number (TIN) and his VAT Registration Number (VRN).
- Monthly submission of VAT returns. Refer section 66 of the VAT Act on the **20th Day of a month** after the end of tax period to which it relates.

TAX COMPLIANCE(Con't...)

Electronic Fiscal Device (EFD)

- **VAT registered traders – Mandatory**
- **Above 11 million turnover .Refer Sec.36 and 86 of TAA,2015**

Types of Electronic Fiscal Devices (EFDs)

- Electronic Tax Register (ETR) -.
- Electronic Fiscal Printer (EFP)
- Electronic Signature Device (ESD)
- Electronic Fuel Petrol Pump (EFPP)
- Visual Fiscal Devices (VFDs)

TAX COMPLIANCE(Con't...)

EFD OFFENCES

- Fails to **acquire and use** an EFD
- Fails to issue **fiscal receipt or fiscal invoice**
- Issues a fiscal receipt or fiscal invoice that is **false or incorrect** in any material particulars,

Upon conviction:- shall be liable to a fine not less than **100** currency points and not more **than 200** currency points or to **imprisonment** for a term not exceeding **three** years or to both.

Person who fails to demand or report a denial of EFD receipt commits an offence and shall be liable to a fine not less **than 2** or **20%** of amount of tax avoided. The higher will be paid

Note: *1 Currency point is equivalent to TShs. 20,000/=*

TAX/VAT RETURNS (Con't...)

Tax Return

- Declares the **estimated** income and **tax** payable .**Sect 89 of ITA**
- The **final** income and tax payable for **each** year of income.**Sect 91 (1) of ITA**
- Under the ITA a company is required to submit tax returns even if it **has no** taxable income.

Statement of estimated tax payable

- Registered company and individuals required to prepare the **audited** account shall file a statement which shows the **estimated** tax payable in each year of income

TAX/VAT RETURNS (Con't...)

- **PAYE and**
- **SDL .Sect 14 of VETA Act Cap 82 Returns**
- Monthly returns are submitted to TRA Office before the 7th day of the month following the month of payroll

PAYMENT OF TAXES

Due dates for payment of duties and taxes

Income Taxes

- Withholding taxes are payable **within seven (7)** days after the end of calendar month;
- Taxes payable in installments (Provisional assessed tax) payable **on quarterly** basis under section 88 of ITA 2015. e.g. in case of taxpayers whose accounting periods ends on 30th December the installments shall be due by the end of **March, June, September and December.**
- Self-assessed tax is payable on the date of filling **the final return** of income (6 months after the end of the year of income. Under income tax Sec.91(1) of ITA (RE 20219).

PAYMENT OF TAXES (Con't...)

Due dates for payment of duties and taxes

- Jeopardy assessed tax is payable on the **date specified** on the notice of assessment
- **Skills and Development Levy** is payable within **seven (7) days after** the end of calendar month.
- **Penalty /Fine/Interest** .Failure to submit tax return by the due date and pay tax (if any) will attract penalty and interest accordingly under sec.76 &78 of the TAA of 2015.

ACCURATE DECLARATION AND RECORD KEEPING



Accuracy of Returns - Any person who files a tax return, has an obligation to ensure that the return declaration is complete and has true disclosure of the transaction(s) covered in that document.

Maintenance of documents – Every taxable or liable person shall within the United Republic maintain documents in **paper or electronic form**. The taxable person or liable person shall keep records and account in accordance with generally accepted accounting principles and the requirements of a respective tax law.

- The documents referred above shall be retained for a period of **five years** from relevant date or for a further period prescribed in the tax law (**section 35 TAA**)

CHARITABLE ORGANIZATION

PART II

Taxation of Charitable Organization (NGOs)

TAXATION OF CHARITABLE ORGANIZATION

BECOMING A CHARITABLE ORGANISATION

A non profit organization becomes charitable organization after it has been issued with the Commissioner's private ruling under **Section 11** of TAA following his satisfaction that **,the establishment, Objectives and functions** of the entity are of the nature described under **Sec.64(8)** of income tax Act. Under Section 64 of the Act are treated as conducting charitable business when they fulfil conditions provided under Sec.64(8).They are not exempted from income tax but their chargeable income is determined in accordance with provision of Sec.64 (2) of ITA

CONDITIONS FOR CHARITABLE BUSINESS

(a) The entity was established and functions solely as an organization for:

(i) The relief of **poverty or distress** of the public;

(ii) The **advancement** of education; or

(iii) The provision of general public **health, education, water or road construction or maintenance**; and

(1V) Environmental protection

(b) the entity has been issued with a **ruling** by the Commissioner General under **section 11** of Tax Administration Act 2015 No. 438 that it is a **charitable organization**

CONDITIONS FOR CHARITABLE BUSINESS

Public character:

- An entity of a public character” means an entity established and functions solely for a public purpose and which operates in such a way that:
 - (a) its membership is open to the general public or an identifiable group of a community with common interests;
 - (b) it operates for purposes other than deriving profit or gain;
 - (c) it does not allow any distribution or deemed distribution of profit generated out of its charitable business; and
 - (d) its profit is ploughed back and used solely for improving or expansion of the original charitable purpose or function;”

CONDITIONS FOR CHARITABLE BUSINESS



- **Application for Commissioner's ruling**
- An entity seeking Commissioner's ruling as a charitable or religious organization for the purposes of the Income Tax Act, Cap 332, shall lodge an application in writing to the Commissioner through the respective TRA Regional Office.
- The TIN Certificate,
- Certificate of Registration of the Organization,
- Introduction letter from District Commissioner where projects are performed.
- The applicant must make full disclosure of all aspects of the establishment and functioning of the entity.
- Financial statements at least for three years

DETERMINATION OF TAXABLE INCOME

Inclusions:

- Amount from charitable business
- Income from investments
- All gifts and donations received by the organization;

Deductions:

- Amount applied in pursuit of its charitable functions
- 25 percent of the total income from charitable business including Gifts and Donations.
- Other amount required to be excluded

Example: Calculation of taxable Income from Charitable Business

- A Charitable organization during the year of income 2017 ran a dispensary for provision of public health from which it derived gross receipts of Shs. 29,500,000. Moreover it conducted nursing course during the year and earned Shs. 25,000,000. The organization also rented its vacant house for Shs. 3,000,000 and received donations amounting to Shs. 1,000,000.
- During the year the organization incurred expenses including allowances and rebates deductible for tax purposes of Shs. 17,500,000 with respect to its charitable business. It spent Shs. 20,000,000 in pursuit of its charitable activities including maternal and child care education, HIV counseling and provision of free dental services to the village school children

Computation of taxable income

<u>Calculation:</u>		
<u>Revenue</u>		
Dispensary		Shs. 29,500,000
Nursing courses		Shs. 25,000,000
Rent		Shs. 3,000,000
Donations		Shs. <u>1,000,000</u>
Charitable business Income		58,500,000
Less : Expenses		Shs. <u>17,500,000</u>
Net Profit		<u>Shs. 41,000,000</u>
<u>Deductions:</u>		
Charitable activities	Shs. 20,000,000	
Rent	Shs. 3,000,000	
25% of profits	Shs. <u>10,250,000</u>	Shs. <u>33,250,000</u>
Taxable income		Shs. <u>7,750,000</u>

NOTE:

- Rent in computation above is treated in accordance with Section 64(2) (b) (ii) of Income Tax Act Cap 332.
- A charitable organization is not exempt from income tax as it was under the repealed Income Tax Act, 1973 except upon fulfillment of the requirement of the law as provided in the Income Tax Act.
- A Charitable Organization conducting a business or an Investment is obliged to acquire and use the Electronic Fiscal Device (EFD).
- A charitable Organization is obliged to prepare tax returns and audited financial statements in respect of its charitable business.
- Where a charitable organization deals with taxable supplies whose turnover exceeds the VAT threshold will be eligible for VAT registration

**THANK YOU YOUR KIND
ATTENTION**

Contacts



TRA Call Centre

0800 750075

0800 780078

WhatsApp 0744 233333

huduma@tra.go.tz

services@tra.go.tz

[ethics @tra.go.tz](mailto:ethics@tra.go.tz)

maadili@tra.go.tz

To unearth tax evaders Call:

+255 22 2137638

+255 784 210209

For any misconduct by TRA officials:

call: +255 689 122 515

SMS: +255 689 122 516