

ZANZIBAR REVENUE AUTHORITY: A NEW DIMENSION ON TAX ADMINISTRATION AND COLLECTION IN ZANZIBAR

The vision of the President of Zanzibar His Excellence Dr. Hussein Mwinyi is to take Zanzibar to the blue economy. A friendly fiscal regime, fair and effective administration of revenue laws is an integral component in making this vision a reality.

In a bid to create a friendly administration of its fiscal regime on 13 January 2023, the Revolutionary Government of Zanzibar passed the Zanzibar Revenue Authority Act, 2022 (ZRA Act) into law which is now operational. This Act establishes the Zanzibar Revenue Authority (ZRA), replacing the Zanzibar Revenue Board (ZRB), that was functional since 1996. ZRB was established by Zanzibar Revenue Aboard Act (ZBRA) to administer revenue laws and tax collection. ZRB functions are now taken over by the ZRA.

The establishment of ZRA has come with several changes which set a new dimension for tax administration and collection in Zanzibar. This updaters highlights the major changes brought by the ZRA Act in tax administration and collection in Zanzibar through the establishment of ZRA.

Seal and logo of the ZRA

ZRA Act has introduced an express requirement that any document purporting to be issued by ZRA be sealed with the seal of ZRA and authenticated by the signature of the Commissioner General of ZRA or any other Commissioner of the ZRA authorized by the Commissioner General. This means that a document short of these requirements will not have a force of law.

Functions of the ZRA

Most of functions of the ZRA are similar to the functions of the then ZRB. However, there is a clear statement in the Act that the ZRA will ensure fair, effective, and efficient administration and enforcement of law administered by ZRA. The other functions of ZRA which points to the new direction include taking measures to improve standard of services given to taxpayers. And capacity building to its officers and ensuring compliance with revenue laws by its officers to the highest possible degree. These functions did not feature in the ZRBA.



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Powers of the ZRA

ZRA Act empowers ZRA to take effective steps to counteract tax evasion, tax avoidance and loss of Government revenue. This is something new. It did not feature in the ZRBA which established ZRB. This sends a clear message on the Zanzibar's direction in terms of ensuring that the Government gets its fair share of tax. What is not clear is what are the effective steps envisaged in the ZRA Act given that there are anti-avoidance provisions in the respective revenue laws.

Another positive move by the ZRA Act is the power given to ZRA to promote better understanding of taxation to the taxpayers. This is very crucial in promoting voluntary compliance.

ZRA Act also empowers ZRA to establish and maintain convenient and effectual systems for identification of taxpayers and revenue collection. It also allows the Minister of finance to assign ZRA with administration of any revenue imposed under a non-tax law. This is a replica of what was introduced in 2016 to the Tanzania Revenue Authority Act where TRA was given mandate to administer collection of revenue imposed under non-tax laws. This indicates a desire by Zanzibar Government to have a proper system of revenue collection.

In the previous regime, ZRBA gave powers to ZRB to do what it considered necessary for effective discharge of its functions and ZRB was required to act will all general or specific directions of the Minister. The Act has done away with such provisions, and it seems that there will be less/no directives by the Minister in administration of tax law in the new regime.

Administration and Management of ZRA

ZRA Act has established a Board of Directors of the ZRA to administer and manage ZRA. The Board of Directors is composed of a chairperson (president's appointee), Commissioner General, Head of Tanzania Revenue Authority (TRA) based in Zanzibar (or his representative), Principal Secretary of the Ministry of

Finance, one member from Attorney General's Chamber (AG) and two other members with professional knowledge and experience in accountancy, business administration, finance, commerce, economics, taxation, laws or information and communication technology.

The Board of Directors shall appoint a Vice Chairperson, Secretary (a public servant from ZRA).

In the previous regime ZRB was administered by a Governing Body constituted by a Chairperson, Principal Secretaries of the Ministry of Finance and Ministry for Planning, Commissioner General, Zanzibar, a representative from the AG, two members from public and a secretary appointed by the Board.

The administration of ZRA is more inclusive in the sense that it has a representative from TRA. This will ensure smooth administration of tax issues on union and non-union matters. And it must be said that Board of Directors gives ZRA a corporate look and therefore nothing less than good governance is expected.

Functions and Powers of the Board of Directors of ZRA

ZBRA did not have specific provisions relating to powers and functions of the Governing Body. ZRA Act has specific provisions relating to powers and functions of the ZRA's Board of Directors. Apart from the general function and power to supervise all matters concerning with the administration of the ZRA and revenue collection ZRA Act gives the Board of Directors specific functions to supervise ethics, professionalism, and morality of the ZRA's staffs including taking actions against ZRA's staffs who are not compliant to the applicable laws, rules, code of conducts and best practices standards.

To make the Board of Directors functions meaningful the Board of Directors is given powers to give lawful instructions to the Commissioner General relating to management and performance of the ZRA – the key words being lawful instructions; to take corrective

measures to erring ZRA employees subject to the laws; and to enforce work ethics, discipline, and professional standards of the ZRA employees.

Importantly, ZRA Act says the Board of Directors shall not have a power to intervene in determination of tax liability of taxpayers and access to any information concerning with the tax liability or otherwise of any person. This instills confidence in taxpayers.

The Board of Directors is allowed to form committee for better performance of its functions. These committees shall be composed by Board members only.

Commissioner General of ZRA

ZRA Act establishes the office of the Commissioner General of ZRA who is appointed by the president of Zanzibar. The Commissioner General shall be the Chief Executive Officer accountable for the supervision of day-to-day functions of the ZRA.

ZRA Act gives mandate to the Commissioner General to delegate its powers to any Commissioner, Director, Manager or Officer of ZRA.

A person authorized in writing to act on behalf of the Commissioner General may appear in any court of law on behalf of the Commissioner General and may conduct any prosecution for any offence subject to the direction by the Director of Public Prosecution.

ZRA Departments

The Act gives powers to ZRA to establish departments as may deem necessary. The Commissioner and Directors of the departments shall be appointed by the Board based on competitive procedures set up by the Board.

Financials

According to the ZRA Act all revenue collected or payable to ZRA must be credited to the Government Accounts. The Commissioner General shall submit a monthly report to the Board on revenue collected and periodic reports in respect of revenue collected by different departments.

All money received and paid on ZRA behalf must be accounted for and controlled. The heads of Internal audit shall be responsible of internal audit of ZRA and submitting reports of every three months annual financial audited to the Commissioner General.

Immunity from personal liability

The Commissioner General and any other person acting on behalf of ZRA will not be personally liable for actions or omissions done in good faith in performance of his duties under the Act or any other law.

Assistance from other institutions

In performing his duties, the Commissioner General may seek assistance from any relevant institution to perform specific assignments relating to administration of the Government revenue.

Confidentiality

The Commissioner General, member of the Board of Directors or any other person carrying out the provisions of the Act is mandatorily required to regard and deal with all documents and information of a taxpayer as confidential.

Conclusion

In our view, enactment of the ZRA Act is a reinforcement of the President of Zanzibar Hon. Hussein Mwinyi vision to take Zanzibar to blue economy. In his special interview on blue economy in Zanzibar last year, President Mwinyi indicated that one of the areas that needs improvement is tax collection and administration. In his speech during the meeting with ZRB and stakeholders/businesses last year President Mwinyi urged ZRB not to use coercion and force in revenue collection and administration. It is noticeably clear that the establishment of ZRA reinforces the President's vision of having fair and effective revenue collection and administration.

Further, there is a clear message that Zanzibar is committed to providing good service with professionalism in revenue collection and administration. This is fortified by the express provisions in the ZRA Act about,

fairness, effectiveness, efficiency, capacity building on ZRA staffs, ethics and professionalism by ZRA staffs, improving standard of services and taking actions/measures against ZRA staffs who are not complying with the law in performing their duties.

The Tanzania Revenue Authority Act (TRA Act) which established TRA does not have similar provisions. There is only a provision which says TRA must promote fairness in revenue collection and administration.

Although TRA's officers are expected to conduct themselves ethically and uphold professionalism the express provisions in that regard would make a strong statement of TRA's vision.

There are so many expectations following the establishment of ZRA in terms of fair administration of tax laws and revenue collection. It is also expected that this will attract more investment especially on tourism sector and ultimately increase Government's revenue.