

INTERVIEW QUESTIONS – TAX OFFICER, REVENUE OFFICER & CUSTOMS OFFICER

1. As a tax officer, tell me, what do you think is expected of you by your prospective employer – Tanzania Revenue Authority (TRA)?

Answer:

In this question a candidate is expected to mention, relatively, duties of a tax officer such as verification of VAT returns; administering taxpayers compliance and use of EFD and other devices connected to day-to-day business transactions and issuance of electronic receipts – Z- and X-reports; carry out over-the desk tax assessments and field visits e.tc. However, this list is not exhaustive a candidate may mention more than that.

2. Can you describe one of the event/activity in your carrier, which demonstrates your integrity to fit for the post you are aspiring for?

Answer:

In this question a candidate is expected to narrate any vivid example, depending on his/her background, which demonstrates his/her ability not be trapped or engaged in irregularity. This question aims at understanding the candidate integrity against possibility of being corrupt.

3. What challenges are you looking forward to encounter as a tax officer and how will you overcome it?

Answer:

A candidate is expected to explain possible difficulties he/she is expected to come across in the process of carrying out his/her duties such as coping with the new organization culture, procedures and interaction with new people with different background as in knowledge and skills. And specifically, for those without tax background, are expected to mention difficulties relating to adoption of new field of practice.

4. Why do you want to work with the TRA as a tax officer?

Answer:

In order to answer this question a candidate is expected to mention any thing interested him/her to aspire for the job that ranges from switching employer(s) to face new job challenges, to good salary and curiosity to practice his/her ones-acquired knowledge and skills.

5. What do you understand by the following terminologies: “tax” and “taxation”?

Answer:

Tax is a compulsory levy or charge imposed by government to a person (taxpayer) on income or consumption in order for the government to finance public services.

Taxation is one of the modes used by government to extract revenue by imposing charges to economic activity of its citizens to finance its expenditure

6. Can you tell the difference(s) between the two terminologies (Qn.5) above?

Answer:

Tax is a levy/charge (burden) that a taxpayer bares, whereas taxation is a modality through which taxes are imposed.

7. Please, explain how will you determine residential status of an individual/entity taxpayer.

Answer:

A candidate is expected to explain the following criteria:

- a. Number of days criteria (individuals)
- b. Legislation requirement criteria (entities)
- c. Facts and circumstances criteria

8. What is/are the impact(s) of tax residential status of a taxpayer on his tax liability/burden?

Answer:

A candidate should explain "subject to tax" and application of tax rates as well as demonstrates his/her ability to differentiate taxation of income sourced in Tanzania and that sourced outside Tanzania.

9. Can you identify two categories taxes based on impact and incidence in Tanzania tax system; and mention the corresponding statutes govern each specific taxes in each category.

Answer:

- a. Direct taxes: the Income Tax Act 2004 and the Tax Administration Act 2015
- b. Indirect taxes: the Value Added Act 2014, East African Customs Management Act, etc

10. What do you understand by the phrase "Presumptive tax system"? and mention/describe categories of taxpayers are covered by this system in Tanzania and Why?

Answer:

A candidate is expected to mention the following:

- Tax system to net small scale taxpayers who do not keep records

11. What do you understand the phrase "Alternative Minimum Tax (ATM)"?

Answer:

A tax levied to taxpayers (entities) who declare loss for three years consecutive due to tax incentive. Tax rate applied is 0.3% of the turnover.

12. Describe a scenario in which a taxpayer resident in Tanzania may be levied or qualify for ATM.

Answer:

- Taxpayer should be resident in Tanzania for tax purpose.
- Taxpayer should have been declared losses for three years consecutively.
- The loss should be due to tax incentive granted under tax laws or Tanzania Investment Center (TIC).

13. Define deferred tax liability and mention any item(s) of income/expenditure under deferred tax liability.

Answer:

A tax liability that a company has to pay but does not pay at that current point and it will be responsible for paying it in future.

An example could be depreciation

14. What is TIN and why should every taxpayer, except employees only earn income from employment, be issue a TIN?

Answer:

TIN (Taxpayer Identification Number) is a unique number given to a taxpayer for identification after being registered in a taxpayer register.

It is given for record keeping and trucking purposes of a taxpayers business and other transactions of economic nature.

15. What is the difference between Value Added Tax (VAT) and exercise duty?

Answer:

VAT is tax charged on an additional value of goods or services in a supply chain, whereas excise duty is levied on a manufactured good to be consumed domestically.

16. What are the most important personal values – personality and ethics –you (as a tax officer) should have to be employed by the TRA?

Answer:

- Professionalism
- Accountability
- Integrity

17. In addition to the knowledge (assumption is taxation) you already have, what do you think is the most important knowledge and skills, as a tax officer should have to deal with taxpayers to enhance voluntary and effective tax compliance?

Answer:

A candidate is expected to mention issues relating to customer care such as being friendly and cooperative to taxpayers but stick to the rules; and being calm, loyal and organized to enforce tax laws appropriately.

18. Tanzania has a good number of taxpayers who are tax-illiterate, tell me what would you do to solve taxpayer's incompliance challenges (fines, penalties and interests) resulting from his illiteracy, given the fact that the taxpayer is facing cash-flow difficulties and you are under pressure to meet tax revenue collection targets.

Answer:

In this question a candidate is expected to demonstrate his ability to integrate his both hard skills and soft skills to solve day-to-day problems of taxpayers and administrative challenges.

19. As a tax officer, assume that you are in a process to service a taxpayer, and the taxpayer shares completely new information or asks you a question that you have never come across. In such a situation, what will be your reaction?

Answer:

A candidate is expected to demonstrate his communication skills and his teamwork ability to receive challenges and be able to process such information with senior employees to seek for a solution. Also expected to show his ability to manage dynamic working environment especially when dealing with taxpayers at different levels of both understanding and interaction.

20. From your life or work experience, tell me any specific example of an event or activity that you were engaged or requested to do or participate to which you did not agree. Why?

Answer:

A candidate is expected to demonstrate his level of integrity and the extent that he is capable to identify situations or working environment where he may be tempted to be corrupted or work against his employers codes of conducts and quickly overcome such situation inline with his employment codes of conducts.

21. There are general procedures which can be applicable by most of tax authority worldwide before undertaking taxpayers for field tax audit. Explain

Answer:

1) Record the case in the field audit register

This can be in a softy copy, hard copy or any program

- In this case the audit is made formal
- It also maintain ethics in the tax operations

2) Notice to the tax payer

- Tax payer should be notified on the date of visit
- The number of officer to be involved in the exercise
- The task to be undertaken

3) Scrutinize the file of a tax payer

- Re-visit all document in the tax payers file
- Re-arrange it if possible
- This helps the tax auditor not to be embarrassed by the tax payer when asking the already existing information in the taxpayers records
- Prepare the questions relating to the audit work

4) Initial interview

Taking all the above, an initial interview can be conducted to the tax payer basing on other procedures above.

22. Briefly explain the procedures for gathering tax audit information.

Answer:

1. Inquiry

Consists of asking questions and seeking information from tax payers and other knowledgeable persons within and from outside the entity.

2. Inspection

Consists of examining records, documents and physical examination of tangible assets

3. Observation

Involve looking at a process or procedures being performed by tax payers and others.

4. Computation

Consist of checking the arithmetical accuracy of sources of documents and accounting records.

5. Analytical review

Comparison and study of relationships of financial information, prior record budgets, elements of financial statements etc

23. Clearly explain the purpose of conducting tax investigation

Suggested solutions

Tax investigation

Is the critical examination of financial statements and other taxpayer's records where there is assumption that fraud or wilful non compliant is being practiced. The distinction of tax investigation and tax auditing is that in tax investigation we go rather deeper and more time is consumed.

Reasons

1. To identify all illegal practices by taxpayers leading to minimization of taxes.
2. To detect dubious and complex method used by taxpayer to evade taxes.
3. To recommend prosecutions for offenders
4. To enforce statutory sanctions applicable to tax laws.

24. Briefly elaborate the duties/responsibilities of tax auditor in revenue collection

Suggested solutions

1. Professionalism

Apply all necessary skills and various training relevant to the case, in short he must be competent.

2. Knowledge

Must have enough knowledge when undertaking a certain task

3. Cooperativeness

He must be cooperative and willing to advise the tax payers and guide them

4. Ensure that auditing is conducted smoothly with minimum disruption to the taxpayers

25. Is Tax avoidance punishable under the tax laws? If yes why? And if no why?

How does tax avoidance exist?

Suggested solutions

Tax avoidance is the deliberate actions/techniques used by taxpayer to minimize his/her tax liability or not to pay tax at all without contravene the tax laws.

Tax avoidance is not punishable under the law.

The following is how tax avoidance exists:-

- Through the tax deductions
- Abusing the tax incentives
- Using ambiguous tax provisions
- Other loopholes in the tax laws
- Existence of other who avoid tax

26. Substantiate techniques used in tax planning

Suggested solutions

Tax Planning

This is the techniques of arranging the business transaction so as to realize tax savings. The process aimed at minimizing tax burden through tax avoidance. The process starts from the process of formulation of the business and is the continuing process to remain within the ax laws and minimize the tax

What re the techniques for tax planning?

The common techniques in the process are

- Keep income stable to avoid high marginal tax rates
- Distribute the income among several taxpayers

- Transform ordinary income into capital gain income i.e. they mostly prefer owning shares or stock at discount instead of cash so as to avoid normal tax rate
- Take full advantages of exemptions and deductions
- Choose investment that provide tax shelter

27. Clearly discuss the causes of tax frauds in Tanzania.

Suggested solution

Define tax frauds

Causes

- High tax rate
- Multiplicity of taxes
- Misuse of the public fund
- Inefficient staffs
- Poor working tools
- Complicated tax laws and regulations
- Weak penalties and fines
- The habit of the society
- Low tax morale

28. Briefly substantiate the consequences of tax frauds in an economy of a country like Tanzania.

Suggested solutions

Definition of Tax frauds

Consequences of tax frauds

- a) Reduce public fund
- b) Insufficient budget
- c) Increase public debt and interest
- d) Income inequality

e) Failure of government in provision of public services

29. Explain the strong measures that can be used by tax administrators to curb tax frauds in Tanzania.

Definition of tax frauds

Ways to solve the problems

- Staff should be given enough skills
- Tax laws and procedures should be simplified
- Proper working tools should be given to staff
- Government expenditure should meet the public needs
- Low marginal tax rate
- Penalize the actions
- Amendments of tax laws
- Proper taxpayer education

30. Tax is one among the major sources of government revenue in Tanzania.

With vivid examples discuss the characteristics of taxes in Tanzania.

Suggested solution

Characteristics of Taxes

- Taxes are mandatory charges; not contributions, donations or gifts to the state, they are legally imposed, and therefore non-compliance will result into statutory civil and criminal penalties.
- Only government or other taxing body has power to levy taxes, therefore other non government bodies like sports clubs, churches, political parties can not charge taxes.
- There is no 'quid pro quo' relationship. Tax payers should not expect equal returns from the tax paid.
- Taxes are usually paid and collected in monetary terms either coins or paper money.

- The government does not have any an obligation to provide to an individual account of how tax is utilized, however in most cases the government account to parliaments on behalf of the taxpayers.

31. Briefly discuss the possible causes of tax arrears in Tanzania

Suggested solutions

Definition of tax arrears

Causes

Reasons for Tax Arrears

- Objectives and appeals
- In efficient tax administration
- Death
- Bankruptcy
- Untraceable taxpayers

32. Discuss the advantages of self assessment in tax administration

Suggested solutions

Definition self assessment

Advantages

- Steady flow of revenue on due dates.
- Taxpayers will be aware with the provision of the tax laws because they are empowered to make their own assessment and instill more confidence and responsibility.
- Facilitate book keeping – improve accountability
- Speed up the relationship between taxpayers and tax authorities
- Reduce administration cost

- Objections and appeals would be reduced at maximum as tax payers make their own assessment.
- Evasion technique might be reduced

33. Briefly explain different taxpayer's obligation in the process of revenue collection in Tanzania.

Suggested solutions

Every taxpayer has the following obligations:

- **Registration**

Any person who is eligible to register for tax purposes must register in accordance with the laws.

- **Filing Returns**

Any person who is registered for tax purposes must file a tax return within the periods prescribed and pay the tax assessed within the due dates stipulated under the tax laws.

- **Accuracy of Returns, Customs Declaration and Refund Claim**

Any person who files a tax return, makes a customs declaration or lodges a refund claim, has an obligation to ensure that the return, refund claim or customs declaration is a complete and has true disclosure of the transaction(s) covered in that document.

- **Timely Payment of Taxes**

Every taxpayer has a duty to pay taxes promptly as they fall due for a taxpayer to avoid the penalties and/or interest prescribed under the tax laws.

- **Issuance and demand of fiscalized receipts/Tax invoice**

Every taxpayer (seller of goods and/or service) has a duty to issue fiscal receipts/tax invoice likewise every buyer has a duty to demand fiscal

receipts/tax invoice for possession of goods or services obtained in accordance to the laws.

- **Cooperation with TRA Officers** Every taxpayer has a duty to cooperate adequately with TRA officers by disclosing or producing relevant information or documents when required. Every person has duty to cooperate with TRA officers and provide adequate freedom to carry out their lawful duties without intimidating, abusing, mistreating, threatening or influencing them in any manner whatsoever.

34. Briefly explain different taxpayer's rights in the process of revenue collection in Tanzania.

Suggested solutions

TAXPAYER'S RIGHTS

- **Impartial treatment**

Taxpayer has a right to an impartial application of the tax laws when fulfilling his/her tax obligation, so as to enable the taxpayer pays the required amount of tax.

- **Privacy and Confidentiality**

Taxpayer has a right to privacy and confidentiality for private and business information supplied to TRA unless the law allows the exposure of such privacy and or confidentiality.

- **Presumption of Honesty**

The taxpayer has a right to be presumed honest unless evidence to the contrary exists.

- **Objection of Tax Assessment**

Taxpayer has a right to object to an assessment or any other decision made by TRA to the extent of which that right is restricted by the law.

- **Tax incentives and Exemption under the Tax Laws**

Taxpayers have the right to plan their tax affairs so as to obtain incentives and exemption allowed under the tax laws. TRA shall apply the tax laws in a consistent manner to all taxpayers.

35. In discharging his responsibility of collecting Government Revenue, a TRA tax officer is committed to observe several obligations to taxpayers/stakeholders. Briefly explain the obligations.

Suggested solutions

- To issue correct tax assessment in accordance with tax laws.
- To collect taxes according to the existing tax laws, regulations and procedures
- To provide high quality services to taxpayers and other stakeholders.
- To handle all enquiries from taxpayers and other stakeholders so as to enable them fulfill their obligations.
- To manage all complaints from taxpayers and stakeholders with a view to providing solutions and enable the TRA to improve service delivery.
- To recruit competent staff who shall ensure quality service delivery to taxpayers and stakeholders.
- To educate taxpayers and other stakeholders on their rights and obligations.
- To issue tax forms and provide timely and accurate information in a simple language.
- To facilitate effective communications to taxpayers and other stakeholders.
- To cooperate with taxpayers and other stakeholders in a manner that shows respect, dignity and a customer focused attitude.
- To cooperate with the Tax Appeals Board/Tribunal and Courts of Law by ensuring timely attendance and provision of evidence in order to resolve tax disputes. In the process TRA will respect judicial decisions.

- TRA will provide advice to the Government and other government organs on matters pertaining to fiscal policy and its implementation.
- To offer professional training on tax matters to stakeholders.
- To provide feedback for tax evasion information provided by taxpayers and the public, and in case of tax recovery, the provider of information will be awarded 3 percent of tax collected provided that the amount of reward will not exceed Tsh. 20 million.
- TRA officers have an obligation to show respect when they are performing their duties or when the taxpayers need any service from TRA.

36. Briefly explain inevitable circumstances where an authorized officer may disclose information or documents collected from taxpayers as instructed under the provisions of the income tax Act 2004.

Suggested solution

- a) To the extent required in order to perform the officer's duties under this Act
- b) Where required by a court or tribunal in relation to administrative review or proceedings with respect to a matter under the income tax act
- c) To the Minister or the Chief Secretary of the President's Office.
- d) Where the disclosure is necessary for the purposes of any law administered by the Tanzania Revenue Authority.
- e) To any person in the service of the Government of the United Republic or the Revolutionary Government of Zanzibar in a revenue or statistical department where such disclosure is necessary for the performance of the person's official duties.
- f) To the Auditor-General or any person authorised by the Auditor-General where such disclosure is necessary for the performance of official duties.
- g) To the competent authority of the government of another country with which the United Republic has entered into an international agreement, to the extent permitted under that agreement.

37. In taxation withholding payments are classified into two groups. Name the groups and briefly differentiate them.

Suggested solutions

Define withholding payments

- a) Final withholding payments
- b) Non final withholding payments

38. Discuss factors that affect the taxable capacity of taxpayers in any country.

Suggested solutions

Taxable capacity

This is the maximum amount which a nation can contribute towards the support of the government without inflicting damage on the power and willing to produce or it is the maximum amount of tax burden which the citizen of the country are ready to bear.

Factors determining Taxable capacity

- Quality of tax system

A good tax system might increase taxpayer's perception of fairness and probably compliance might increase and accordingly increase the taxable capacity.

- Purpose of taxation

The taxpayers are more willing to pay taxes when their taxes are used in improving public goods than when taxes are misused.

- Psychological factor

When the taxpayers trust their government are likely to pay their share of tax band easily thus improve taxable capacity

- Living standard of citizens
- Inflation

39. Despite tax audit being the main influential factor in voluntary tax compliance, there exist other factors that affect the voluntary tax compliance. Discuss those factors.

Define voluntary tax compliance

- Proper taxpayers Education
- Tax rates
- Uses of public fund
- Treatment to taxpayers
- Tax laws

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60. Mention and explain the purposes of taxation

Answer:

- Redistribution of income
- Promoting growth
- Allocation of resources
- Stabilization of economy

61. Mention types of direct taxes

Answer:

- Income tax
- Corporate tax
- S.d.l

62. Mention types of indirect taxes

Answer:

- Import duty
- Excise duty
- Value added tax

63. What is the difference between tax evasion and tax avoidance?

Answer:

- Tax avoidance is the technique used by taxpayer to minimize tax liability without breaking the laws.
- Tax avoidance is legal
- Tax evasion is technique used by the taxpayer to minimize tax liability by breaking the laws
- Tax evasion is illegal

Eg, preparing two books of accounting

64. (a) Explain the residential status of the persons

(b) What are the advantages of being resident of URT

Answer:

Person is divided into two that means

- Individual four condition
 - An officer of the government posted abroad

- If has permanent home should present in any part during the year of income
- If has no permanent home should be present in the united republic of Tanzania for at least 183 days during the year of income.

➤ Entity means

i) Partnership one of the partner should be resident during the year of income.

ii) Corporation should be incorporated in United Republic of Tanzania

Management and control should be exercise in URT

iii) Trust: One of the trusts must be a resident of URT

Senior Management are exercise by a resident person

Advantages of being resident is that tax payers get relief in terms of taxation

e.g section 90(2) resident is taxed at rate which is lower than nonresident 10% while nonresident is 20%

65. What are inclusion and exclusion under business income?

Answer

Inclusion

- i) Service fees
- ii) Incomings for trading stock
- iii) Gain from realization of business assets and liability of the business
- iv) Amount derived as consideration for accepting a restriction on conducting business.
- v) Gift and other ex gratia payment received by the person in respect of the business.

Exclusion

- i) Exempt amount
- ii) Final withholding payment.

- iii) Amount that are included in calculating a person income from employment.
- iv) Amount that are included in calculating income from investment
- v) Any amount that has been incurred wholly and exclusively in the production of income from business.

66. States the general principles deductions and outline the exclusion from the principles

Answer

General principles of deduction states that for any expense to be deductions must be incurred wholly and exclusively in the production of income during that year of income.

67. What is defer for value added tax

Answer

Means postponed payment of value added tax as per value added tax act 2014 section 11

68. States principles of taxation as propounded by Adam smith.

Answer

Principles of taxation

- Economy
- Simplicity
- Certainty
- Convenient
- Legality
- Equity

69. What is tax point?

Answer:

The value added tax imposed on a taxable supply shall become payable at the earlier of-

- (a) The time when the invoice for the supply is issued by the supplier;

- (b) The time when the consideration for the supply is received, in whole or in part; or
- (c) The time of supply.

70. Apart from taxation, customs and other technical skills, what other attributes or qualities should a tax officer or custom officer possess?

Answer:

- (i) Integrity
- (ii) Honest
- (iii) Confidentiality
- (iv) Trust worth
- (v) Creative
- (vi) Innovative
- (vii) Hardworking

71. According to “Customs”, what is smuggling?

Answer: Smuggling is the movement of goods through any of the four fields of customs (importation, exportation, carriage coastwise and translet) with the intention to defraud the customs revenue or going contrary to the provisions of the customs law.

72. Smuggling may broadly be classified into two classes. What are these classes?

Answer:

- Through approved places of loading and unloading example mispacking, misclassifying, mislabeling, undervaluing, under declaring etc
- Through unapproved places of loading and unloading example through borders, land and water etc.

73. The customs officers are required to perform their duties with integrity in mind.

As you are going to be employed by the TRA, can you briefly explain to us, what you should not be required to do for integrity purpose.

Suggested reply;

They are forbidden to the following;

- i. *To take or ask for, direct or indirect payments or rewards*
- ii. *Enter to any agreement to do or abstain from doing a thing whereby the customs revenue may be defrauded*
- iii. *Discloses any information acquired by them in the performance of their duties except when required to do so as a witness in any court or with approval of the authority*
- iv. *Any other attractive arguments.*

74. Can you explain to us any five functions to be undertaken by the customs department?

Suggested reply;

1. *Controlling the goods under customs area (customs control)*
2. *Collection and accounting for the government revenue*
3. *Facilitation of international trade*
4. *Enforcement of laws on the restrictions and prohibitions.*
5. *Prevention of smuggling*
6. *Production of trade statistics*
7. *Promote voluntary tax compliance*
8. *Licensing of customs agents, transporters of goods in transit*
9. *Improve the quality of services rendered to taxpayers*

75. Point out any five legislation that govern the importation and exportation of goods in Tanzania. Briefly explain how are they used?

Suggested reply;

- (a) Value Added Tax Act
- (b) Customs Tariff Act (H.S Codes)
- (c) East African Community Customs Management Act
- (d) TFDA Act

- (e) TPA Act
- (f) Foreign Vehicle Act, etc.
- (g) Tax Administration Act

76. In order for the customs department to undertake its revenue collection function, valuation of goods is a crucial element. Can you explain to us, any three principles governing Customs Valuation in Tanzania?

Suggested reply;

1. *Customs agreements, rules and arrangements issued by the international organizations such as W.T.O, W.C.U, etc. (example GAAT)*
2. *Provisions provided in the customs laws and regulations such as EACCMA*
3. *Other domestic laws employed for the goods imported such as TFDA Act, VAT Act, e.t.c.*
4. *Customs valuation rulings.*

5. Customs department should establish and manage different procedures to be undertaken for the facilitation of International Trade in the world. Explain to us, any five Customs Procedures undertaken in Tanzania:-

Suggested reply;

1. Importation Procedures
2. Exportation Procedures
3. Warehousing Procedures
4. Transit Procedures
5. Transshipment Procedures
6. Carriage Coastwise and Transfer Procedures
7. Other Procedures e.g. Importation to Zanzibar through Mainland

77. With example, how do you understand by the term CARRIAGE COASTWISE as applied in the customs administration?

Suggested reply;

Means the movement of goods along the Coast of one Partner State between two harbor points. Example the movement of goods along the Coast from Tanga port to Mtwara port is Carriage coastwise.

78. As you expect to be employed by the TRA as a customs officer, you need to be familiar with what is termed as the customs. Can you explain to us any two different meanings for the term Customs as far as customs administration is concerned?

Suggested reply;

CUSTOMS means

- (a) The Government Department of the partner state's revenue authority that administers regulates and controls the entry and exit of goods and people crossing the international border of the country.

It is the Customs Department of the Partner state that is responsible for the controlling the movement of goods, services, people and even animals to and from abroad.

The department also is required to collect duties and taxes on the imported or exported goods and services.

- (b) The boarder place appointed and approved by the customs authority as the administration check point for the goods and persons entering to or exit from the country. They are sometimes known as customs areas and appointed by the Commissioner to be used for that purpose. They include sea-ports/harbors, airports, land-borders, etc.

79. As far as the Customs administration is concerned, explain to us, how can you differentiate a foreign country from the country of origin?

Suggested reply;

A FOREIGN COUNTRY means any other country of trade outside the EAC partner states,

WHILE

The COUNTRY OF ORIGIN means the country where such goods were *wholly* or *essentially* produced. The meaning goes beyond the country of manufacturing or rather trading country.

80. As far as the Customs administration is concerned, explain to us, how can you differentiate a final destination from a foreign destination?

Suggested reply;

A FINAL DESTINATION means a point where the imported goods are destined. It can be a foreign country or any country of the partner states.

WHILE

The FOREIGN DESTINATION means a country other than the Partner State where goods imported through the territory of one or more of the Partner State is destined from foreign country.

81. As far as the Customs administration is concerned, with example, explain to us about the transit of goods.

Suggested reply;

Transit means the movement of imported **goods** from a foreign place through the territory of one or more of the Partner States, to a foreign destination. In fact this is the business transaction between the seller/consigner and buyer/consignee in two countries which are not part of the EAC Customs Union, but its transport uses the territory of one or more of the partner state to the destination country.

For example; a person in DRC Congo buys goods from UK, importing through Dar es salaam port and then transported by a registered Transit Truck through Tanzania roads to DRC Congo; this is Transit, and the goods are called Transit Goods (Goods in Transit). It is common with the land-locked countries which uses the ports of their neighboring countries for importation. Please note that sea transport for bulky goods or consignment is cheaper than air transport. The goods in transit should be under customs control until they get delivered to the destination country.

82. There are various steps/procedures under importation in Tanzania. They may slightly differ regarding modes of transport that a trader chooses. Outline general importation procedures for the goods imported in Tanzania:

Suggested reply;

1. Arrival
2. Reporting
3. Entry
4. Verification
5. Examination
6. Clearance, and
7. Release of goods

83. As far as the Customs administration is concerned in Tanzania, explain to us, how are you familiar with the Customs agents? And what are their functions?

Suggested reply;

These are companies or persons that have been licenced by the Commissioner for Customs, (thus being registered by the Authority), to clear goods at point of entry on behalf of the

importer/buyer. They are also known as Clearing and Forwarding Agents (CFAs), or Freight Forwarders. Normally the Customs Department deals with the Agents in clearing the cargo. Their main function is to act as agents of importers for transacting business relating to Declarations or clearance of any goods or baggage other than accompanied non-manifested personal baggage of a person travelling by air, sea or land.

84. Briefly explain on the different types of warehouses involved under the customs administration.

Suggested reply;

For the customs administration there are about three types of warehouses as follows:

1. Customs Bonded warehouses; these are warehouses (places/buildings) owned by individuals or entities and licensed by the commissioner for the deposit of dutiable goods of which customs duties have not been paid.

They are used to store imported goods owned by licensee (**private bonded warehouses**) or imported goods owned by the person(s) other than the licensee (**general bonded warehouses**)

2. Government warehouses; these are warehouses (places/buildings) provided and owned by the government or its entities other than customs authority and approved by the commissioner for the deposit of dutiable goods of which customs duties have not been paid.
3. Normal Customs warehouses these are warehouses (places/buildings), other than government warehouses, approved by the commissioner for the deposit of un-entered goods, un-examined goods, detained goods or seized goods for the security thereof or of the duties due thereon.

85. Among the functions of the customs department is the revenue collection. The revenue to be collected from every transaction for the goods imported or exported must be fair and reasonable in respect of such transaction. How are you going to secure the government revenue for the goods under bonded warehouses?

Suggested reply;

1. Goods shall be under customs control.
2. The customs department must inspect the place for warehouse before issuing a licence if it is secured enough and if it is suitable for the deposit of certain goods.
3. The customs department must undertake and formulate the appropriate measurements and procedures so as to minimize the risk of revenue loss, if possible at zero rates.
4. The customs department shall appoint among its officers to supervise all transactions and other activities to be done in the warehouse.

5. Such an officer shall be the responsible person for the goods entered and/or released after passing through the relevant documents for the depositing the goods or release order as in the manner regulated by the customs department.

86. Briefly explain about the East African Community Customs Union

Suggested reply;

Following issuance of a withdrawal notice from COMESA by Tanzania in September 1999, the three EAC Partner States (Tanzania, Kenya and Uganda) agreed within the framework of the Treaty for the Establishment of the East African Community, signed on 30 November 1999 and came into force on 7 July 2000, to continue trading preferentially along the trade regime applicable at the time of signing of the Treaty. A Protocol for the Establishment of the East African Community Customs Union was signed by the three East African Heads of State on 2 March 2004 in Arusha, Tanzania.

The Republics of Rwanda and Burundi joined the Customs Union in 2008 and started applying its instruments in July 2009. Within the Customs Union:

- i. customs duties and other charges of equivalent effect imposed on imports shall be eliminated save as is provided for in this Protocol;
- ii. non-tariff barriers to trade among the Partner States shall be removed; and
- iii. a common external tariff in respect of all goods imported into the Partner States from foreign countries shall be established and maintained.

Among the objectives of the EAC Customs Union are:

- (a) To further liberalize intra-regional trade in goods on the basis of mutually beneficial trade arrangements among Partner States;
- (b) To promote efficiency in production within the Community;
- (c) To enhance domestic, cross-border and foreign investment in the Community; and
- (d) To promote economic development and diversification in industrialization in the Community.

87. How Tanzania benefits from the East African Community Customs Union

Suggested reply;

1. Sharing of customs information.
2. Facilitation of trade between member countries
3. Harmonization of trade information and customs documentations

4. Trade liberalization e.g. removing of non-tariff barriers to the importation of goods between the partner states.
 5. Training facilities and programmes on customs and trade;
 6. Production and exchange of customs and trade statistics and information; and
 7. The promotion of exports
88. Tanzania is rich in mineral resources with high economic potential. Economic minerals produced in the country include gold, diamond, coal, copper, silver, dimension stones, tanzanite and other varieties of gemstones. Among the benefits Tanzanian government enjoys is the taxes paid by the mining operators. However the amount collected is not substantial. It is too small compared to the millions of tones of mineral extracted and exported from the country.

What do you think could be the reasons for the poor revenue collections?

Suggested reply;

1. Generous tax incentives provided by mining acts such as
 - i. tax exemptions in both VAT Act and Income Tax Act
 - ii. Zero rated supply on exported minerals under VAT Act
 2. Deferred VAT on imported capital goods for the mining projects and later on exempted. Thus, the mining operators are the NET VAT REFUND CLAIMERS of almost VAT paid during the mining processes.
 3. Lack of competitive tax policies on mineral tax incentives
 4. Low rates charged on royalties
 5. Lack of effective mineral audits and inspection professional personnel
 6. 100% capital allowances against corporate revenue derived.
 7. Unnecessary incentives organized by the Tanzania Investment Centre in promoting investment growth in the country
89. What is your suggestion to improve the revenue performance in the Mining Sector by the Government?

Suggested reply;

1. To abolishing all generous tax incentives provided by in the mining act
2. To introduce appropriate and moderate tax rates to be charged on the mineral processing within the country. E.g. no zero tax rate to be charged on the exportation of minerals and its waste products

3. The country should formulate effective tax policies so as to ensure maximum tax revenue is collected.
 4. The appropriate and profitable rates on royalties are to be suggested
 5. 100% capital allowances for the capital goods in mining sector is to be reviewed and amended
 6. Unnecessary incentives organized by the Tanzania Investment Centre in promoting investment growth in the country should be abolished.
90. Transfer pricing is the practice adopted by multinational corporations in fixing the prices of goods and services traded between the corporation and its affiliates located in different countries. The multinational corporations may adjust the price of goods to enhance the profitability of the whole enterprise or to achieve other goals including tax evasion.

Assume you have been employed by the TRA as the customs officer how would you value the goods imported between multinational corporations.

Suggested reply;

The following areas would require further examination :

- (a) whether the transaction in question can be regarded as a sale;
- (b) whether or not there is an influence on the price caused by the relationship between the seller and the buyer;

When it is revealed that there is an indication of tax evasion, the customs valuation rules/methods have to be applied.