

Zanzibar has a lot of tourist attractions. They include monkeys. PHOTO | FILE



Study on Z'bar tourism taxes to cost \$52,500

TAXATION. Zati understands that taxes are vital to ensure the provision of essential services that help communities and businesses develop, but high tax rates and a complex business environment are a major barrier to the ease of doing business, says Zati chairman

By Veneranda Sumila
BusinessWeek Reporter

Dar es Salaam. The Zanzibar Association of Tourism Investors (Zati) has received \$52,500 (about Sh94.5 million) from Best-Dialogue to carry out research on the tourism tax regime and develop a raft of proposals for the government.

The aim is to improve the ease of doing business in Zanzibar.

According to Zati, simplifying the

process of paying taxes will improve the ease of doing business, encourage compliance, stimulate economic growth and boost employment.

"Zati understands that taxes are vital to ensure the provision of essential services that help communities and businesses develop, but high tax rates and a complex business environment are a major barrier to the ease of doing business. They discourage investment," Zati chairman Omar Said Shaaban told

BusinessWeek.

The Doing Business in Zanzibar 2010 report, by the World Bank and the International Finance Corporation, positioned Zanzibar at No. 155 out of 183 countries in terms of ease of doing business. Mainland Tanzania was the 131st, small island economies averaged at 91 and Sub-Saharan Africa at 139.

The report revealed that in Zanzibar Town, a typical medium-size company made 48 payments, paid 40.8 per cent of its commercial profit in taxes and spent 158 hours per year on tax compliance - including 26 hours for corporation taxes, 60

hours for labour taxes and 72 hours for the value-added tax (VAT).

The lowest tax administration burden was in the Maldives. Maldivian companies made one single property: transfer tax payment per year amounting to just 9.1 per cent of a company's commercial profit.

Since last year Zati has been asking the government to amend the VAT Act so as to ease the business environment. A recent update from Zati reveals that the Ministry of Finance confirmed receipt of Zati's latest reminder letter about discussions over the VAT amendment.

"The ministry requested a soft copy of the position paper for the planning Department of Planning, Policy and Research for consideration in the coming budget. This was sent immediately along with a further request to be included in stakeholder meetings - prior to the budget," said Zati. It is understood that the next financial year starts on July 1.

Early last year, Zati requested the government to immediately repeal the amendment and implement the co-existing systems (VAT/hotel levy) so that the VAT system should be applicable to all operators.

Only, as per current legislation, according to Zati, a turnover threshold should be defined as a demarcation line for eligibility to the VAT system.

Operators not meeting the turnover threshold should be under a revised hotel levy system with a lower rate between 10 per cent and 15 per cent.

According to Mr Shaaban, Zati will be holding consultations with public and private sector tourism stakeholders to research and prepare a position paper to be shared with the government. "The paper will report findings and proposals aimed at improving the tax regime and the ease of doing business - which will in turn aim to improve compliance, stimulate economic growth and employment, and increase the confidence of investors."

According to Mr Shaaban, when Zati met the President in 2013, tourism had outperformed other sectors

MORE INFO: ZATI

■ The Zanzibar Association of Tourism Investors (Zati) is a non-governmental, non-religious, and non-political organisation representing all tourism investors in the Isles.

■ Zati's aim is to advocate for a sustainable and professional tourism of the highest standard, working with government institutions to achieve the goal.

■ Zati is at the forefront of the private-public partnerships and works with the government to advocate tourism issues and undertake destination marketing.

■ Best-Dialogue is a grant-giving programme that assists organisations to create a better business environment. Best-Dialogue grants enable organisations to be successful in their dialogue with government to change policies, laws and regulations.

■ Doing Business in Zanzibar 2010 (the World Bank and International Finance Corporation) is a new sub-national report of the Doing Business series on Sub-Saharan Africa, following the subnational Doing Business reports on Nigeria and Kenya. It measures business regulations and their enforcement in the region of Zanzibar, represented by Zanzibar Town. Doing Business series currently covers 183 economies.

■ Zanzibar ranks 155 out of 183 countries in the Doing Business in Zanzibar 2010 report.

■ Zati receives funding for advocacy project aimed at improving the tourism tax regime and ease of doing business.

by a large margin.

Between 2000 and 2012 tourism achieved an average growth rate of 6.8 per cent yearly.

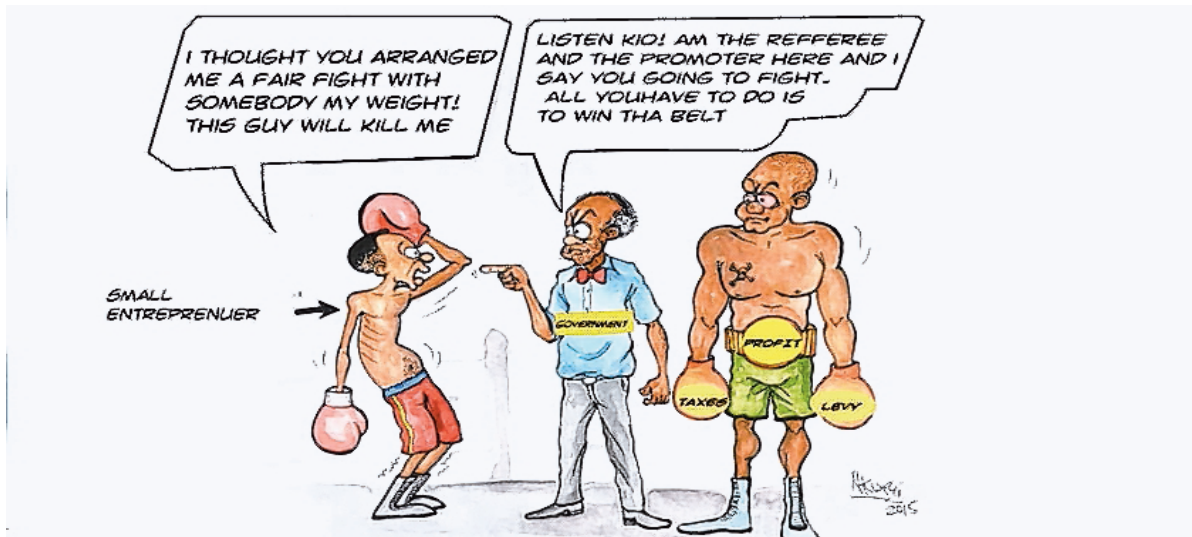
Tourism increased its share of GDP from a single digit in 2004 to just over 27 per cent in 2012.

Zati believes that improvements in the tax regime and the ease of doing business will stimulate economic growth - leading to increased contributions to GDP and foreign direct investment. The situation will boost employment in tourism and related industries.

Zati told *The Citizen* recently that from January to July 2014 Zanzibar received 13.96 per cent more tourists than in a similar period in 2013.

According to Zati, from January to July 2014 Zanzibar received 77,450 tourist arrivals via airport overseas and 28,940 via the sea port.

Zanzibar also received 49,929 domestic tourists during the same period.



Simplifying the process of paying taxes will improve the ease of doing business, encourage compliance, stimulate economic growth and boost employment. CARTOON|BEST-DIALOGUE.

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