

Small-scale farmers are proud of their produce.
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Skills levy exemption in agriculture hailed

TAXATION. Large-scale farmers — like other investors — were supposed to pay five per cent of their payrolls as Skills Development Levy. This increased the cost of doing business in a sector that already has many other challenges

By Veneranda Sumila
BusinessWeek Reporter

Dar es Salaam. To promote agriculture the government has reintroduced a tax regime that exempts employment on commercial farms from Skills Development Levy (SDL) in the FY 2015/2016.

This gives in to the argument of commercial farmers who have been advocating for tax relief on agricultural activities that are labour intensive.

Agricultural stakeholders have commended the move to reinstate agriculture in SDL exemption list, noting it is a step in the right direction in addressing challenges facing the sector.

The minister for Finance Saada

Mkuya announced the proposed changes while presenting the 2015/2016 Budget to the National Assembly in Dodoma two weeks ago.

"This is something that we have been advocating for during the past eight years... I am very happy that the government has finally heeded our proposal," a Sokoine University of Agriculture (SUA) agricultural economist Prof Damian Gabagambi told *BusinessWeek* in an interview.

Large scale farmers — like any other investor — were supposed to pay five per cent of their payrolls as SDL. This increased the cost of doing business in a sector that already has many other challenges.

"We wanted SDL to be removed as incentive to large scale farmers

who are facing very many challenges ranging from poor infrastructure and unpredictable climate," said Prof Gabagambi.

Apart from exempting agriculture in paying SDL, the government has also reduced land rent from Sh10,000 per acre per annum to Sh5,000 for urban farming and Sh1,000 to Sh400 for rural farms. At the same time, agricultural and fisheries implements and inputs have been exempted from paying VAT.

All these, according to Tanzania Horticultural Association (Taha) are positive developments that have come at the right time. According to the Taha policy and advocacy manager Anthony Chamanga, the decision has come at a time when the association is already working with the government and other partners in the endeavour to streamline taxes, levies and fees to improve business climate.

Taha however, says the number of

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The Value Added Tax (VAT) Act 2014, which takes effect on 01 July 2015 has exempted the following: Agricultural implements and inputs; Fisheries implements; Medicine or pharmaceutical products; and Capital goods.

*Commercial farms exception from paying SDL will reduce the cost of doing business, investors in the sector have to pay labour bills long before they can get benefits from their investments

taxes that investors in the agriculture sector pays, is still too high.

Currently, he said, agriculture is subjected to more than 40 taxes.

"The sector is regulated by very many government institutions and each regulator imposes own fees... With this exemption, the government has proved that it is willing to improve agriculture in the country and provide tax relief to investors... we hope that it will continue to work on other challenges which characterize the agriculture sector," said Mr Chamanga

According to Prof Gabagambi, the exemption will make it possible for investors to improve their workers' welfare.

He, however, urged the government to ensure that it provides supportive infrastructure so as to attract more investment in agriculture.

"The government also needs to support small-scale farmers by providing them with support that is similar to the one that their large-scale counterparts receive... that way, they will become competitive in their daily undertakings," he said.

Prof Gabagambi said that currently the government is not providing adequate support to small scale farmers, something that deters them from reaping maximum benefits from their agricultural yields.

"The government has been rushing to big financiers like the World Bank to seek loans that will see large scale farmers access quality infrastructure including water services, electricity and land. It must do the same to small scale farmers."

In Tanzania, agriculture provides the livelihood for more than 70 per cent of the population.

Despite having many people who depend on it to earn a living, Tanza-

nia's agriculture is still dominated by smallholder farmers who face many challenges in their daily operation.

To make farmers benefit from what they are cultivating, agricultural stakeholders urge the government to consider a number of reforms.

Tanzania Graduate Farmers Association (TGFA) Founding Chairperson Stephano Kingazi, says government must ensure it puts in place a budget that will be used to train farmers on proper land use.

Currently, farmers in many parts of the country do not know how to properly use their land and increase their yields.

"Many Tanzanian farmers are still living in extreme poverty despite the fact that they spend most of their time undertaking their agricultural activities. This is so because they lack proper skills on effective land use," said Dr Kingazi. Dr Kingazi believes that food security often depends on land security and thus proper land use is an important recipe for sustainable agriculture.

"As the population of Tanzania increases every year, the challenge will be to increase farming output while simultaneously advancing economic development and remaining mindful of the environment."

Dr Kingazi also wants the government to improve the existing warehouse receipt system (WRS) so that they become friendlier to farmers.

"The current warehouses are few and monopolized in such a way that farmers have no easy access to them and have to pay for warehouse receipt forcefully," said Dr Kingazi.

He said that under the recent WRS farmers are supposed to hire a collateral manager whom they must pay up to Sh2 million per month.

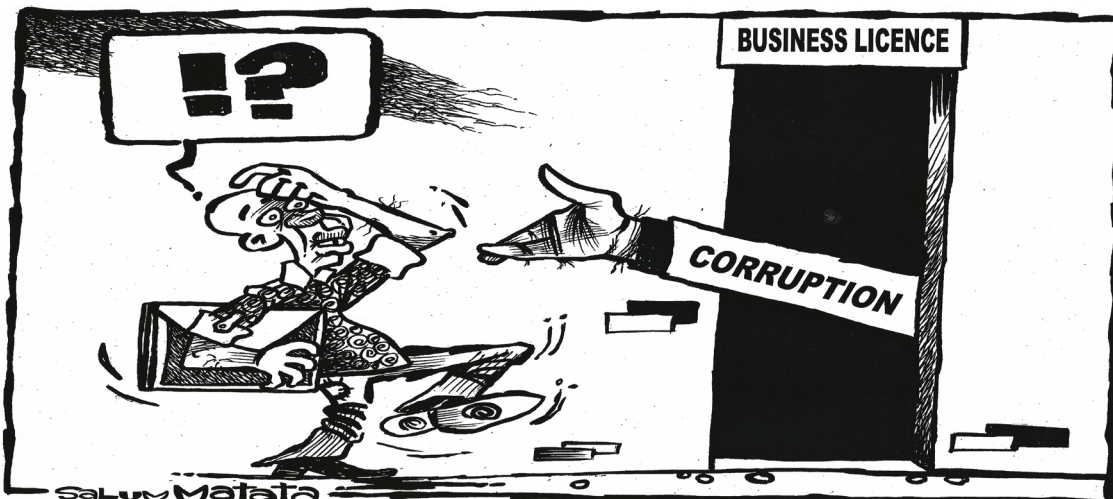
Dr Kingazi says this is very expensive for farmers.

"I am sure that farmers can guard their produce more effectively than hiring a guard who is even not familiar with the surrounding environment... doing so will reduce unnecessary costs farmers incur," he said.

The warehouse business in Tanzania is governed by the Tanzania Warehouse Licensing Board and is regulated through the Warehouse Receipts Act no. 10 of 2005 and the Warehouse Regulations of 2006.

Since its establishment, the board has managed to license 60 warehouses in 19 regions with a combined storage capacity of about 267,000 tonnes.

"We also want the government to make a strategy that will identify the total number of graduate farmers present in the country as so far it is a mystery," said Dr Kingazi.



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