

SCAM Laxity at the Dar es Salaam port and other exit points largely to blame for tax evasion

How exporters of hides and skins avoid paying billions

Latest records from the ministry of Fisheries and Livestock Development show that traders under-declare products and sometimes do not pay export levy as required by the law

By Polycarp Machira
The Citizen Reporter

Dar es Salaam. A new means of how the government loses billions of shillings in illegal exportation of raw hides and skin has emerged, *The Citizen on Sunday* can reliably report.

The government's laxity at the port and other exit points, according to our sources, contributes a lot to the illegal trade.

Latest records from the ministry of Fisheries and Livestock Development show that traders under-declare products and sometimes do not pay export levy as required by the law.

The government charges 40 per cent of the buying price in export duty, hence such underdeclaration of the buying prices allows traders to pay less tax to the government.

For instance, an invoice signed on August 17, this year, indicates that a Pakistan trader paid \$6,000 for 1,500 dozens of air dried goat skins, an equivalent of \$4 per dozen of the same. The local market price for a piece of goat skin stood at Sh3500 at that time, meaning one dozen would fetch Sh42,000 that translates to \$25.4.

Records seen by this paper contain a lot of inconsistency on how the products are declared for payment of exportation levy. One container containing 22,440, pieces of wet blue (semi processed) goat skins, equivalent to 1870 dozens, was valued at

"This is how some of these traders evade payment of due taxes to the government, but this is done in cahoots with some ministry officials"

ANONYMOUS SOURCE COMMENTING ON THE ILLEGAL EXPORT OF HIDES AND SKINS

\$50 per dozen, which attracted payment of \$92,900 in total.

Another invoice from the same company shows that a consignment 10,550 kilogrammes of dry hides destined to Hong Kong was valued at \$0.65 per kilogramme, fetching a total of \$6,858.

A survey done by *The Citizen on Sunday* established that the same hides cost Sh2,400 a piece in the local currency. Informed sources said all the transactions are supposed to be pegged on the pieces and not Kilos to avoid distortion of pricing.

"This is how some of these traders evade payment of due taxes to the government, but this is done in cahoots with some ministry officials," he said.

Inquiries revealed that three officers at the ministry are largely responsible for the underdeclaration and collude with some of the unscrupulous traders to cost the nation in tax evasion.



A leather craftsman Mr Gadi Uronu, 57, crafts a Safari chair at his workshop along Nyerere road in Moshi. Leather sector is still in a shambles in Tanzania despite having huge potential in fighting poverty. PHOTO | FILE

Reached for comment on phone, minister for Fisheries and Livestock Mathayo David Mathayo, confirmed having received the allegations against the officials and the fishy dealings but declined to delve into details, simply saying that the relevant authorities were looking into the matter.

Our sources note that a lot of raw skins and hides are exported out of Tanzania freely, as goods on transit from Rwanda and Burundi while in fact they originate from within the country.

"These are fake documents, signed and stamped at the borders, yet the raw materials are from Tanzania," said the source, showing a copy of the document.

A loophole that is manipulated is that the declaration documents are signed by just one officer at the ministry of Fisheries and Livestock Development.

A lot of smuggling of raw materials has been on the rise since the government disbanded the monitoring team that used to watch the border points.

Thereafter, the government has been in the dark, as information on the movement of hides and skins into and outside Tanzania isn't available.

This comes at a time when it was recently stated that skins and hides export earnings have increased by 23.5 per cent to Sh8.4 billion, despite the fact that the industry is operating below its capacity.

The sector has also managed to create 1,150 jobs compared to 520 of

the previous years. In 2009, the sector generated Sh6.8 billion in exports of leather related products.

Minister of Industry and Trade, Dr Cyril Chami, said the sector was set to export more this year, following renovation of its facilities by the Livestock Development Fund.

The minister said: "The goal is to enhance the capacity of local indus-

Sh6.8bn

The value of leather and allied products exported by Tanzania in 2009, according to official figures

8

The number of leather processing plants, which are capable of handling 73.9 million square feet of raw leather annually

tries to process all the skin locally instead of exporting them raw."

The industry has eight leather processing plants with a total capacity of 73.9 million square foot, but it produces only 34.3 million square feet which equates to 46.4 per cent of total installed capacity.

The Tanzania Tanners Association Chairman, Onorato Garavaglia, says the problem is lack of enough raw materials.

Tanners, he said, work below capacity as raw hides and skins are exported outside the country, leaving the local industries without anything.

Just a month ago, government officials impounded ten containers of underdeclared raw skins and hides that were about to be exported by an Arusha-based trader.

Records showed that the trader had already exported 18 containers when the ten containers were seized from a warehouse at Tabata in Dar es Salaam.

The goods were seized following the intervention of a team formed to monitor exportation of animal products.

The wet-salted hides were declared by the company as wet and blue hides, which are normally exported duty-free. The government charges 40 per cent of the total value of wet-salted hides in export duty.

A senior sanitary officer at the Dar es Salaam port, who declined to be named because he was not authorized to speak to the media, told *The Citizen on Sunday* that the government would have lost Sh200 million in tax had the consignment been exported.

It is estimated that the 38 containers would have attracted over Sh500 million in duty if they were cleared as wet-salted hides.

He said the latest revelations show that the trend has been going on for quite some time, and is aided considerably by some of the officials who are charged with the responsibility of clearing animal products for export.

"These activities are likely to kill local tanneries, as the raw materials are illegally exported to other countries," said the source.

> MWANZA

Bugando Medical Centre CT-scan breaks down

The Bugando Medical Centre has been without a CT-scan machine for over a year now while its X-Ray machine has been working on and off.

The breakdown of the CT-scan since September last year, had forced patients to seek the service at either Muhimbili hospital or KCMC in Kilimanjaro Region.

Speaking to journalists here recently, the hospital's director Dr Charles Mazinge, said despite the fact that the hospital earns up to Sh200 million per month, it has been unable to fix the machines due to high cost involved.

"Unstable power supply with several black-outs in a day, is blamed for the breakdown of the machines of which a new CT-scan costs up to Sh4 billion to acquire," said Dr Mazinge.

He added that of the two CT-scans, one is expected to be fixed shortly as its UPS electricity controls have been repaired.

The hospital also faces shortage of prescribed medicine whose main supplier is the Medical Stores Department.

Dr Mazinge said the hospital receives between 20 and 40 per cent of its medicine and medical equipment from MSD, the supply considered to be inadequate.

He said the challenges faced by the hospital requires a lot of funds it receives from various stakeholders. (Sheilla Sezy)

> DAR ES SALAAM

New varsity on the cards in city's Kigamboni area

A new university in the country is set for opening next year.

The United African University is expected to open its doors for first students in September, according to a member of the varsity's founding committee, Mr Gaudence Kayombo.

Mr Kayombo who is also a Member of Parliament for Mbinga East, said the university is a joint project with a South Korean Church.

He thanked the Kigamboni residents for allocating land for the institution. Work to put up the new university has already begun and relevant authorities are expected to grant licence to the institution.

The university would offer engineering, business, management and computer courses.

The founding committee chairman, Mr Joshua Lee, said the idea to start the university dates back to 2004.

Another member of the committee, ambassador Nicholas Kuhanga said higher education is crucial to the country's development. (The Citizen Correspondent)

> KAHAMA

MP accuses catering firm of non-payment of tax

Kahama legislator Mr James Lembeli, has been accused Buzwagi and Bulyanhulu gold mines of defending Ako Catering company from paying Kahama District levy.

The accusations were raised by Mr Zakaria Soko of Mustered Seed International, contracted to collect revenue on behalf of the Kahama Municipal Council.

Mr Soko claimed that AKO Catering Services were in default. The firm is allegedly associated with Mr Sylvester Kokam an MP for Kibahia constituency and a member of the Parliamentary Committee on Lands, Natural Resources and Environment chaired by Mr Lembeli.

However, when reached by the phone, Mr Koka denied the allegations, noted that the company was not among those eligible for levies according to the Kahama District by-laws.

"My company is not eligible to pay these taxes because it is offering food services only, and by the Kahama bylaws all those offering this kind of service are not eligible to pay taxes or levies," he said, adding that Lembeli is not defending him in any way.

For his part, Mr Lembeli told this newspaper that the claims were false as he himself pays all levies and taxes accrued from his businesses in the district.

He called on all companies providing services to the two mines to pay levies and taxes without any excuses. (Shija Felician)