

# **INVESTORS ROUND TABLE**

## **TOURISM WORKING GROUP**

### **REPORT BY THE TOURISM WORKING GROUP ON ISSUES AFFECTING TOURISM INVESTMENTS IN TANZANIA AND RECOMMENDED ACTION**

**Dar er Salaam  
Tanzania**

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## LIST OF ABBREVIATIONS

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<b>BOT</b>	-	Bank of Tanzania
<b>CTZ</b>	-	Commission for Tourism Zanzibar
<b>EAC</b>	-	East Africa Cooperation
<b>FDI</b>	-	Foreign Direct Investment
<b>GDP</b>	-	Gross Domestic Product
<b>IRT</b>	-	Investors Round Table
<b>MTIMT</b>	-	Ministry of Trade, Industry, Marketing and Tourism (Revolutionary Government of Zanzibar)
<b>MNRT</b>	-	Ministry of Natural Resources and Tourism (Government of United Republic of Tanzania)
<b>SADC</b>	-	Southern Africa Development Cooperation
<b>TALA</b>	-	Tourism Agents Licensing Authority
<b>TASOTA</b>	-	Tanzania Society of Travel Agents
<b>TATO</b>	-	Tanzania Association of Tour Operators
<b>TCAA</b>	-	Tanzania Civil Aviation Authority
<b>TCC</b>	-	Tanzania Communication Commission
<b>TCT</b>	-	Tourism Confederation of Tanzania
<b>TNBC</b>	-	Tanzania National Business Council
<b>TTB</b>	-	Tanzania Tourist Board
<b>TRA</b>	-	Tanzania Revenue Authority
<b>VAT</b>	-	Value-Added Tax
<b>VETA</b>	-	Vocational Education Training Authority
<b>ZATI</b>	-	Zanzibar Association of Tourism Investors
<b>ZRB</b>	-	Zanzibar Revenue Board

# EXECUTIVE SUMMARY

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## 1.0 BACKGROUND

The Tourism Working Group of the Investors Round Table in its endeavour to comply with terms of reference of its mandate has concentrated its deliberations on current issues of importance in improving the business-enabling environment, in the tourist sector, and in ways of improving the quality of the product as well as the safety and welfare of our visitors.

**As such, the Group has not dwelled on issues of Policy. The current Policy is more than adequate and up to date, having been established recently with the participation and approval of the stakeholders. The exception to this is Zanzibar, which is now in the process of preparing a policy.**

**There was also a suggestion that the Group should recommend new products for the industry. The Group feels that if the business-enabling environment is right, the market will decide what new activities need to be developed in the tourist sector and that our tourism sector business community is more than capable to react and satisfy requirements dictated by market forces. The Group is of the opinion that it is inappropriate to attempt to engineer suggestions that at the end of the day might simply be misconstrued, as patronizing - we should have more faith in our Stakeholders.**

## 2.0 RECOMMENDATIONS

**The Group has limited its recommendations to practical issues that for the most part can be implemented with the minimum of time and cost. It has categorized these as follows:**

- **Fiscal**
- **Regulatory**
- **Administrative (Marketing, Visa, Statistics, Human Resource Development, Empowerment and**
  - **Others.**

**This report covers both Tanzania Mainland and Zanzibar.**

### 2.1 Fiscal Recommendations

**The Group has limited its deliberations on this issue because it is more of a cross-sector issue than one that only affects the tourism sector. Taxation policies have improved considerably over the past years and the Task Force on Tax Reforms, Ministry of Finance is handling improvements on a yearly basis and the Group is of**

**the opinion that as the revenue collections of the Treasury improves so will taxation in general.**

**However, there are certain problems, which are industry specific and are more to do with fiscal administration than tax policy issues, except of course Zanzibar, where the problems are very acute.**

**These issues are as follows:**

(i) VAT Department

**In general the industry on the mainland is quite happy with the conduct of this department of TRA. However, there are two aspects of the application of the VAT Act that have recently been bothering the tourism sector despite the fact that these issues were discussed before the introduction of VAT.**

**These two issues remain unresolved.**

**(a) Application of VAT on commissions received by travel agents from airlines on sale of airline tickets.**

**Travel Agents sell scheduled airline tickets on behalf of the airlines. VAT on air-fare is exempted as per VAT Act, 1997, Second Schedule, clause (7), “transportation of persons by means of conveyance, but not including taxi cabs, rental cars, boats and air charters, are exempted”.**

**The above notwithstanding, Travel Agents are being required to pay VAT on the commissioned earned from sale of airline tickets. Despite several appeals to the Ministry of Finance, this matter remains unresolved to date.**

*It is the opinion of the Group that VAT should not be charged on the commission received by the travel agents from the airlines on the sale of airline tickets because VAT is exempted on airline tickets. Passengers do not pay VAT on airline tickets they purchase. The Ministry of Finance should sort out this long outstanding matter.*

**(b) The application of VAT on complimentary rooms given occasionally to tour operators, travel agents, travel journalists and group escorts.**

Travel agents, travel writers, tour operators, airline employees & representatives, fellow hoteliers (as per company policy), and group tour leaders are usually given free accommodation by hotels and lodges. This is an industry norm worldwide.

The total number of free nights given by a hotel/lodge is inconsequential and as such the possible loss of VAT revenue insignificant.

*It is the opinion of the Group that hotel/lodge room accommodation provided on “complimentary basis” should not be liable to a VAT charge.*

**In Zanzibar, the Zanzibar Revenue Board (ZRB) collects the revenue. The ZRB is of the opinion that insufficient amounts of taxes are collected and in an effort to correct this, has attempted to introduce a flat rate tax amount irrespective of the seasonal nature of the tourist business (low and high seasons). The bureaucracy in Zanzibar is ill informed that such measures can only be described as desperate and ultimately defeat the purpose of the measure and it becomes one more way to harass business people and seek rent.**

**In Zanzibar there are two different types of taxation levied upon the tourism industry. All foreign investment is required to register and pay VAT while ‘local’ investment is not.**

**Tourism that comes to Zanzibar falls into two very distinct categories. There are the international travellers, staying at international standard hotels, which are VAT registered. This category represents 55% of the visitors to the island. Then there are the budget travellers, staying in budget accommodation mostly owned and operated by ‘local’ investors, which are not VAT registered.**

**If the ZRB applied VAT regulations and collection thereof equally across the board then measures such as those mentioned previously of applying fixed room rates and occupancy rates for VAT payment would not be necessary and the ZRB would collect significant additional tax without the inherent apparent harassment of the current VAT payers.**

*It is the opinion of this Group that the tax structure (institutional) should be streamlined, and have one body enforcing one law and collecting revenue. In the case where tax authorities need to understand more about the industry, consulting services should be sought to provide this insight and assist the Government of Zanzibar to collect its due revenue.*

(ii) Tax Department

**Again in general this department has improved tremendously on the mainland and the industry is quite happy with its conduct especially with the introduction of the Big Taxpayers Department. However, there seems to be some discrepancy regarding the behaviour of officials that operate from the Arusha office. The Group recommends that TRA look into this, as such behaviour is contrary to the approach of the department in Dar es Salaam and contrary to their aspirations in general. TRA must make sure that they apply the law uniformly and not allow such discrepancies to harm their much-improved image.**

**TRA should consider introducing the concept of, “Big Taxpayer Department” in Zanzibar in order to streamline collection of tax from the large businesses thereby improving the reputation of ZRB and alleviating damaging effect the present collection methods are causing to the reputation of Zanzibar.**

**Perhaps this department should be called the “Good Taxpayer Dept”, rather than the “Big Tax Payer Dept.”, as an incentive to others to want to qualify and join.**

**TRA should also consider introducing a “Tax Task Force Team” in Zanzibar in order to review and suggest tax reforms, similar to what already exists on the mainland. The Zanzibar Tax Authority should try and emulate the transformation of their counterparts in the mainland (TRA) and adopt the same attitudes and practices for the benefit of all concerned.**

## 2.2 Regulatory Recommendations

### 2.2.1 Licensing and Fees

**While recognizing measures being undertaken by Government to address the problem of multiplicity of licences, taxes and other charges, the Group recommends introduction of one industry specific licence for tourism in addition to the general business license.**

### 2.2.2 Hotel Classification

**Tanzania does not have a unified classification and grading system. The Group recommends that the MNRT should pursue the present efforts under the auspices of the EAC to establish a uniform classification and grading system.**

### 2.2.3 Tour Operators and Travel Agents

**At present there are no specific regulations licensing tour operators and travel agents that emphasize safety of passengers.**

*The Group recommends that stakeholders and government authorities initiate compilation of rules and regulations that will govern these two sub-sectors in order to safeguard the interest and welfare of our visitors.*

### 2.2.4 Driver/Guides

**The driver and guide being the most important link in the tourist handling chain need professional training and grading system. The Group recommends that stakeholders, tourism training institutions, and government authorities develop a national curriculum and grading system.**

### 2.2.5 Air Charter Companies/Aviation

**The Group recognizes the importance of the light aircraft in spearheading the expansion and further development of tourism in Zanzibar, the South and West of Tanzania. To support this, there is need for the authorities to constantly address issues that impinge on the operations of the light aircraft – navigational/landing/parking fees; aviation fuel policy and safety matter.**

## 2.3 Administrative Recommendations

### 2.3.1 Marketing

**Tanzania does not spend enough money to promote its vast tourism assets. The amount of funds tourism generates and what is ploughed back in terms of promotion, does not tally with the purported GDP contribution of the Tourism industry. Tanzania has to start spending more funds to promote tourism.**

### 2.3.2 Visa

**The Group recognizes that the issue of visa and rates charged needs to be reviewed and streamlined with the view of making the whole system conducive to visitors wishing to visit Tanzania. Worldwide the industry is experiencing a trend to shorten lead-time for bookings and an increase in last minute business. Insisting on visas issued at source makes such bookings difficult to accommodate and Tanzania will loose out in the end.**

### 2.3.3 Statistics & Data

**The tourism industry in Tanzania does not have reliable and accurate tourism statistics and data. The Group recognizes this serious flaw and recommends measures to address the problem.**

### 2.3.4 Human Resource Development

**In order to ensure quality of training and qualification awards, the Group recommends that there should be one single examining body and issuing one uniform national examination.**

### 2.3.5 Empowerment of local businessmen

**The Group, recognizing the need to start empowering local businessmen to become active members of the industry, have suggested measures through TATO that aim to address this issue.**

## 2.4 Other Recommendations

### 2.4.1 Dispute between Tour Operators and Hunting Outfitters on open areas.

**In Northern Tanzania there is a problem brewing which if not addressed may impair the positive development of tourism. The problem relates to consumptive and non-consumptive tourism.**

**The present Tourist Hunting Regulations of the year 2000 virtually bans non-consumptive tourism in all areas outside national parks and Ngorongoro Conservation Area. In other words Tour Operators are restricted from operating camping safaris in Game Controlled Areas notwithstanding that such tour operators came into the area by express invitation of villages, the land owners. Instead these areas are for tourist hunting.**

*It is the opinion of the Group that the responsible Ministry (Wildlife Division) review this issue and iron out the problems that are emerging between tour operators and hunting outfitters. The government should not discourage efforts that aim to diversify our tourism industry and at the same time pioneer economic growth and poverty reduction.*

#### **2.4.2 New Products**

**A new tourism product that Tanzania needs to start developing is Conference and Incentive Tourism.**

The Group recommends that *the Government support initiatives of the private sector to develop this new product.*

#### **2.4.3 Infrastructure**

**In Zanzibar this is still a serious problem. It is important that the Government should make every effort to improve the roads, especially those that lead to the tourism sites (hotels etc).**

*The state of the Airport and available facilities is another serious issue that needs urgent attention. The Airport is the main gateway into and out of Zanzibar. Charter operators from Europe are the mainstay to Zanzibar's tourism. Many charter operators have threatened to call off their charters unless serious attention is paid to the airport and in particular the runway.*

**Furthermore, there are only two (2) international carriers currently flying into Zanzibar, Ethiopian Airways and Oman Air. If the tourism industry is to grow in Zanzibar there must be more flights direct from Europe. Without this the very few additional hotels that are being built will have to fill their rooms by cutting into the existing market. This can only be achieved by undercutting the existing competition. The hotels will enter into a price war. The result of this will be to cheapen the destination and result in low cost high impact travellers, which is what Zanzibar has always maintained it**

**wants to keep away from. Furthermore, by reducing hotel rates, less taxation will be collected and this poses its own complications.**

*The Zanzibar port also needs urgent attention regarding the facility for mooring of ferries plying between Dar and Zanzibar. A passenger terminal is a must with its own Customs and Immigration facilities. Present facilities are grossly inadequate and haphazard.*

## **1.0 INTRODUCTION**

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### **1.1 BACKGROUND**

On the 9<sup>th</sup> April 2001, His Excellency, Benjamin William Mkapa, President of the United Republic of Tanzania, officially inaugurated the Tanzania National Business Council (TNBC) in Dar es Salaam. This signalled a new chapter in the way the public and the private sector would relate in developing and managing the national economy.

Through the Council a platform (forum) was created for continuous dialogue between the public and private sectors on critical issues affecting the private sector development, and the economy as a whole. As a broad based economic management tool, the Council will among other things allow the public and private sectors to jointly review critical socio-economic issues as well as constraints arising from regulatory or operating environment of business.

To carry out the prescribed functions, the Council formed an Investors Round Table (IRT) to begin addressing issues. The IRT then formed four specialized working groups, among which is the Tourism Working Group.

The Tourism Working Group was officially formed on the 9<sup>th</sup> of August 2002 and has following members:

1.	<i>Mr. Emmanuel Mantheakis</i>	<i>Tanruss Investment Ltd</i>	<i>Chairman</i>
2.	<i>Mr. Ron Schipper</i>	<i>KLM</i>	<i>Member</i>
3.	<i>Mr. Andrew Smith</i>	<i>Blue Bay Beach Resort</i>	<i>Members</i>
4.	<i>Mr. Salehe Pamba</i>	<i>MNRT (Tourism)</i>	<i>Member</i>
5.	<i>Ms. Fatma Jumbe</i>	<i>ZIPA</i>	<i>Member</i>
6.	<i>Mr. Emmanuel Ole Naiko</i>	<i>TIC</i>	<i>Member</i>
7.	<i>Mr. Mohamed Nathani</i>	<i>TCT</i>	<i>Member</i>
8.	<i>Mr. Omari Bendera</i>	<i>POPP</i>	<i>Member</i>
9.	<i>Mr. Peter Noni</i>	<i>BOT</i>	<i>Member</i>
10.	<i>Mr. Emmanuel Severa</i>	<i>MNRT (Wildlife)</i>	<i>Member</i>

### **1.2 OBJECTIVES**

The main objective of the Working Group is to look at the tourism industry in Tanzania, taking cognisance of what has been done so far, identify areas which still have gaps and problems, suggest remedies/solutions so as to enhance the investment climate in the industry and attract more inflow of foreign direct investments (FDI).

The Group is charged with the specific responsibility of:

- a) Undertaking an assessment of the tourism sector and identifying critical areas and issues that are constraints.
- b) Suggest specific measures of reforms and changes necessary to address the constraints.
- c) Recommend practical methods of implementing reforms/changes and identify resources required for implementation.
- d) Determine a mechanism to monitor implementation.

The Group has examined critical issues affecting tourism investments in Tanzania, and presents this report to TNBC for deliberation and guidance.

In the report, the Group has addressed the task of identifying critical areas and issues that are constraints; suggested measures of reform and changes required. The Group did not identify resources required for implementation, mainly because many of the proposed measures are administrative and therefore do not require much resources.

On the question of monitoring implementation, the Group recommends that, the IRT Tourism Working Group under the aegis of TNBC, as the overall body and Tourism Confederation of Tanzania (TCT) as the sector body responsible for Tourism, both closely monitor the implementation.

## **2.0 OVERVIEW OF TOURISM IN TANZANIA TODAY**

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### **2.1 ECONOMIC CONTRIBUTION**

The contribution of tourism to the national economy has been significant. According to the Tourism Division in the Ministry of Tourism and Natural Resources, and the National Bureau of Statistics, Tanzania earned \$725 million from tourism in 2001 compared to \$259 million in 1995.

In 1995 tourism accounted for 7.5% of GDP. Today, it represents about 16% of GDP. Balance of payment statistics compiled by Bank of Tanzania indicate that tourism accounted for about 25% of the total exports of goods and services. By 1999 it accounted for about 40% of the total exports of goods and services. The sector employs about 29,000 people with the majority being in hotels and lodges.

According to the preliminary results of the International Visitor Exit Survey, in 2001 Zanzibar earned approximately \$46 million in foreign exchange earnings from international tourism. This accounts for approximately 15% of GDP. The industry employs directly around 5,800 persons.

### **2.2 VISITORS**

The Tourism Division estimates that over 525,000 tourists visited Tanzania in 2001 compared with 295,000 in 1995, indicating a growth of 70% during the last five years. According to data of visitor arrivals, Africans account for 40.5% of total arrivals followed by Europeans 30% and Americans 9%. Available statistics indicate that the numbers of visitors from Europe have grown rapidly. Within Europe the main source markets were UK (34,000) Germany (21,000) France (17,000) and Sweden (16,000).

In 1995/96 it was estimated that some 60% of holiday visitors came to Tanzania via Kenya (Nairobi). Today it is estimated that 40% of the visitors now come through Kenya and 50% come directly to Tanzania through Kilimanjaro International Airport and Dar es Salaam International Airport. The trend now shows more visitors are coming directly to Tanzania than via Kenya.

According to the Commission for Tourism, Zanzibar receives around 80,000 foreign tourists annually. Some 53% of all tourists arrived by air and the remaining 47% by sea. Europeans accounted for 70% of the total arrivals, Africa 9.8%, North America 8.3% and others 11.9%.

## 2.3 CAPACITY

According to the National Bureau of Statistics, in 2001 Tanzania had some 10,325 rooms in 329 establishments. Of this about 5,000 rooms were of international standards. There are about 200 tour operators providing ground handling and transport.

According to the Commission for Tourism, Zanzibar has 173 tourist establishments with a total of 3,089 rooms and 6,159 beds of which 1200 rooms are of international standards.

## 2.4 TOURISM DATA AND STATISTICS

Whilst recognizing the contribution of tourism to the national economy, the Private Sector also recognizes a major weakness of the *tourism data and statistics* used to demonstrate the tourism economic significance in both Mainland and Zanzibar. According to the Private Sector, tourism data available from different public sources (MNRT, BOT, Immigration, National Bureau of Statistics, Operators, Civil Aviation Authorities, MTIMT, CTZ, etc) is contradictory and therefore reliability and quality of the statistics is questionable.

In view of this situation the sector encounters the followings difficulties:

- Difficult to Plan  
With unreliable statistics/data it becomes difficult to plan. This applies to both the Public and Private Sector. It creates false expectations for investors that can finally endanger the credibility of the country.
- Problems in Revenue Collection  
This particular problem would be more apparent in the public sector – TRA & ZRB. Unreliable figures lead to developing wrong targets in revenue collection (number of arrivals vis-à-vis expected income etc). Creates conflicting situations and misunderstanding between stakeholders and TRA/ZRB officials who cannot justify the discrepancies that they observe between the statistical data and the actual collections from the tourist sector.

**Stakeholders estimate that the total arrivals of bona-fide tourists in the country (Mainland Tanzania) are between 150,000 and 200,000. The Stakeholders do not have adequate data to estimate the financial impact of these arrivals on the Tanzanian economy. However, they are prepared to accept the norm that has been established in calculating the income from tourists, as US\$ 1,000 per arrival on the mainland, in Zanzibar this will be less. It is our firm belief and recommendation that we make a special effort to resolve the issue of inaccurate statistical data once and for all at the earliest possible time. Our statistical data resembles Enron type accounting claims of success. The claim that Tourism accounts for 16 -18% of GDP means that the industry is worth US\$ 1.4 billion per annum!**

## **2.5 CONCENTRATION**

Whilst Tanzania boasts of abundant wealth of natural, cultural, historical and man made attractions in all parts of the country, tourism development is concentrated mainly in the northern wildlife areas (Lake Manyara, Serengeti, Ngorongoro, and Mount Kilimanjaro) and Zanzibar. Efforts have begun to encourage development towards the Southern areas of Tanzania Mainland and Pemba.

## **2.6 STRENGTHS**

According to the Tourism Master Plan, the main strengths of the Tanzania tourism product are:

- Abundance, diversity, reliability and visibility of wildlife
- Unique products and landmarks
- Unspoiled environment and beautiful scenery
- Wealth of unexploited areas for further expansion and diversity
- Low tourist density
- Relatively safe destination
- Pristine Beaches
- Zanzibar's brand recognition is second to none
- Authenticity and unique African experience (Cultural)
- Friendly people

## **2.7 WEAKNESSES**

Weaknesses of the Tanzania tourism product are:

- Poor access – from both international regional and domestic flights.
- High cost of regional transportation, especially with other East and Southern African countries who have complimentary products
- High costs of internal transport.
- Poor infrastructure – especially roads.
- High cost of utilities – especially electricity and telecommunications.
- Generally high costs of doing business – multiple taxation and licensing.
- Overpriced product.
- Generally poor service standards (hotel and tour operators).
- Poor quality guides in comparison with competitor destinations
- Northern Circuit becoming saturated.
- Lack of quality accommodation.

### **3.0 WAY FORWARD**

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Today Tanzania has a clear National Tourism Policy. It also has an integrated Tourism Master Plan, which has been adopted and is now being implemented. The plan aims to develop an integrated tourism product that is capable of attracting a low volume high yield segment of the international tourism market to spend their entire holiday in Tanzania.

Zanzibar does not have an integrated tourism master plan. However, a master plan is now being prepared with assistance of the European Union.

In general the future of tourism looks very bright for both Mainland and Zanzibar. However, having stated that, it is the opinion of the Group that the quality of tourism Zanzibar receives is not that which is associated with up-market destinations. Unfortunately the current trend for tourism development is based on low quality, low spending tourists. If Zanzibar is to maximise its tourism resources and avoid the problems that are associated with low quality mass tourism, then it must quickly decide and take the necessary actions to reverse this present trend. Within the region there are positive examples and experiences that Zanzibar can learn from, Maldives, Seychelles and especially Mauritius, and a negative example of the tourism development on the coast of Kenya.

The Group urges the Zanzibar Government to study this issue very carefully and use the opportunity of establishing a Tourism policy to make the right decision for the future. The Group believes that tourism is the only viable economic activity for the Isle economy for the foreseeable future. However, bearing in mind the sensitive nature of Tourism and the risks associated with its development some very timely and sensible decisions have to be made soon to avoid going down the wrong path.

From the negative example, we referred to above, regarding the development of the Kenya coast, one can see the beginnings of the bad influences unfettered and unregulated tourist development can bring to a very conservative and culturally restrained social structure of an Islamic society such as Zanzibar. Prostitution, drugs and beach boys are but a few of these problems that are now manifesting themselves in Zanzibar.

The predominantly Islamic culture of the Zanzibar society is not incompatible with the development of Tourism. One has to look at Malaysia and the Maldives, which are also Islamic countries and see the peaceful and harmonious co-existence of the people of these two countries with the visitors from various cultural backgrounds that have developed a very lucrative and sustainable tourism industry. However, this success did not happen by default. The Governments of these two countries have worked very hard to achieve this state of affairs. Education and public awareness programmes sensitising their population as to the importance of tourism and the respect for each other are but a sensible start. Strict regulation and supervision of the industry in order to achieve the Policy objectives,

high standards of quality product in order to create a sustainable and mutually beneficial tourist industry is the other.

The Group has addressed the above comments to Zanzibar because beach holidays are a sensitive and complex type of tourism as opposed to wildlife oriented tourism, which is less complicated as it is less intrusive in terms of culture and social background. This doesn't mean that the mainland Government can relax and allow the industry to develop without regulation and supervision. After all it is the reputation of the country that suffers unnecessarily in the long term with adverse socio-economic repercussions, while investors can leave the country with only financial inconvenience.

The Group recommends that the Government of Zanzibar, at the highest levels, start discussing these issues with their business community in order to exploit the vast reserves of ideas, talent and entrepreneurial capacity that exist amongst some of the investors on the Island. Zanzibar's entrepreneurs must be considered an asset by the Authorities and should be treated accordingly, and not as a necessary inconvenience.

In addition to the above, there are some fundamentals that Tanzania has to ensure are in place for tourism development to proceed on the right course.

These are:

- Create an attractive climate for enterprise development and investment.
- Develop a skilled labour force capable of meeting international service standards.
- Establish appropriate institutions, framework and legislation.
- Have an effective promotion and marketing campaign.

## 4.0 FINDINGS AND RECOMMENDATIONS

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While tourism is steadily growing, there are a number of issues (of an implementation nature) that are of serious concern to the industry, in the way they affect tourism development and operations. The issues fall into four main areas:

- Fiscal
- Regulatory
- Administrative – (Marketing, Visa, Statistics, Human Resource Development & Empowerment).
- Others

This report identifies major issues that need to be addressed and streamlined in both Tanzania Mainland and Zanzibar.

### 4.1 FISCAL ISSUES

The industry still has a number of fiscal issues that need to be addressed in order to make the industry more competitive.

While the Working Group is aware of various efforts underway to address some of these issues, there is still serious concern on the length of time it is taking to resolve them.

#### 4.1.1 VAT Department.

The outstanding issues that are of concern are:

##### (a) VAT on air travel ticket commission received by the travel agent

**Travel Agents sell (to passengers) scheduled airline tickets on behalf of airlines. On the basis of this Travel Agents receive a commission. TRA is demanding that Travel Agents pay VAT on the commissioned earned (from sale of airline tickets).**

According to the VAT Act, 1997, Second Schedule, Clause (7), it provides that, “transportation of persons by means of conveyance, but not including taxi cabs, rental cars, boats and air charters are exempted”. This means VAT is not applicable on sale of scheduled airline tickets.

Charging VAT on commissioned earned by travel agents will mean travel agents passing on the VAT charge to the Airlines who in turn cannot pass on to the passengers because according to the VAT Act, airline tickets are not liable to VAT charge.

However the irony is that, if the passenger goes directly to an Airline office and buys a ticket, no VAT is charged on the sale of that ticket. On the other hand if the same passenger goes and buys a ticket from the travel agent, the passenger again does not pay

VAT on the ticket. Instead the travel agent is asked to pay VAT on the commissioned earned for selling the ticket to the passenger.

The tax authorities should review this matter and exempt travel agents from paying VAT on the commission earned from sale of airline tickets.

**(b) VAT on service charge**

**The tax authorities should treat this issue as they would treat a tip given by a customer directly to a worker for a service well performed. The hotel industry finds it more convenient, equitable and humane to collect the tip directly from the client and then share it equally amongst the workers. By applying VAT on service charge we are unnecessarily inflating the cost of the product to our visitors.**

**(c) VAT on complimentary hotel rooms**

This issue was discussed with the VAT department before VAT was introduced and the tourism sector was of the opinion that we had reached an understanding on this issue, that rooms given on complimentary basis will not be subject to VAT.

This is an industry norm worldwide. Travel agents, travel writers, tour operators, airline employees & representatives, fellow hoteliers (as per company policy), and group tour leaders are usually given free accommodation. The total number of free nights given by a hotel is inconsequential and as such the possible loss of VAT revenue insignificant.

Furthermore, offering a 99% discount so the VAT rate is only applied to the discounted rate of 1% can easily circumvent it. This is not a route we would like to develop in the tourism sector. We would prefer that the VAT department drop their claim to subject such complimentary rooms to VAT and make the process transparent rather than encourage “clever” solutions.

The Working Group is also disturbed by the fact that there seems to be a discrepancy in the way that TRA enforces this issue on regional basis. The Arusha department of VAT seems to be more aggressive than the one in Dar es Salaam. TRA headquarters must exercise more control of their regional offices.

It is important for the industry that these issues, which remain a hindrance, are soon resolved. In the case of Zanzibar, the Revenue Board should try as much as possible to adopt the same solutions to these problems for the sake of uniformity and good practice.

#### **4.1.2 Taxes**

The industry still faces multiplicity of taxes, duties and levies charged at central and, particularly, by local government levels.

The list of such taxes and levies shown on Appendix A.

While the Working Group is aware of the efforts underway to address this particular problem, it is important to reiterate the concern of the industry – finding a lasting solution

that will review, reduce, centralize, rationalize and harmonize the present tax and levy system affecting the tourism industry.

## **4.2 REGULATORY ISSUES**

### **4.2.1 Licensing and Fees**

The problem of multiplicity of licences, taxes and other charges affect both Mainland and Zanzibar.

On the Mainland, every registered company engaged in the travel and tourism industry requires a TALA License. Local Companies pay \$2000 annually and Foreign Companies pay \$5000. This license is charged for every tourism activity – even if activities are similar and complimentary.

For example a tour operator and travel company is required to have two TALA licenses, one for tour operations and another for travel operations. If the same company is engaged in mountain climbing, such an activity will also require having a separate TALA license.

The concern is one of charging the same license for similar and complimentary activities. TALA licenses are administered by the Ministry of Tourism and Natural Resources.

A similar situation exists in Zanzibar. A hotel is required to have a hotel licence, and then licences for various operations (boutique, water sports, boat, fishing, liquor, etc).

In addition to the licenses there are also a host of other fees that are required.

The Working Group recognizes that both Governments are aware of the problems created by multiple licensing requirements and are now dealing with the issue. The Group recommends that the present licensing and fees system be streamlined and one industry specific license be introduced for tourism activities in addition to a general business license.

We suggest that the Government stops using licenses as means of collecting revenue and use licenses as a regulatory instrument instead.

As such we recommend that:

- **Business licenses** should be issued automatically with the successful compliance with statutory requirements of the Registrar of Companies (Articles and Memorandum of Association, Registration Certificate) and registration with TRA (TIN and VAT registration). Business licenses should have an indefinite life and be subject to compliance with the Registrar of Companies and TRA statutory requirements.
- **Industry Specific licenses** should be issued by the relevant Ministries/regulatory bodies and should be issued for a specific period (between three and five years)

but should always be subject to compliance to industry specific regulations on safety and hygiene etc (where appropriate).

- **License Fees** should reflect administrative costs only and should not be a source of revenue for the licensing authority.

The recommended measures should also be applicable to Zanzibar.

#### **4.2.2 Hotel Classification and Grading**

Tanzania Mainland until today does not have a hotel classification and grading system in operation. In order for the standard of hotels and other accommodation establishments to improve and have international ratings, there is a need to have a classification and grading system in place.

In the absence of a uniform system, each hotel and accommodation establishment has adopted its own standards, which is not conducive to good business practices.

This means for example that virtually every hotel in Zanzibar has a Five (5) star rating.

The Working Group notes the present efforts under the auspices of the East African Cooperation to establish a uniform East African classification and grading system that is expected to be operational by November 2003.

In Zanzibar, there is a classification system. It is the opinion of the Group that Tanzania develops a uniform classification system and therefore Zanzibar accept the EAC sponsored classification standards.

However, it is pertinent that the Ministry (MNRT) pursues this matter closely to ensure it is finalized and becomes operational. Incidentally, Kenya does have a classification and grading system in operation. It is Uganda and Tanzania that do not have such a system in place.

The Working group recommends that in order to promote good corporate governance in the private sector and good governance in the public sector the process of classification is made transparent and open to scrutiny by Stakeholders. This will discourage rent seeking from one side and offering of inducement on the other side that will devalue the process and render it meaningless to the detriment to the tourist sector and the reputation of the country.

#### **4.2.3 Tour Operations and Travel Agents**

The Working Group notes with concern the lack of specific regulations licensing Tour Operators and Travel Agents, which emphasize welfare and safety of passengers. This is an area where very high standards need to be adopted and maintained covering training of personnel as well as worthiness of equipment to ensure the well-being and safety of our visitors.

To this end the Working Group recommends that the TCT in association with TATO, ZATO, TASOTA and the MNRT/MTIMT initiate the compilation of rules and regulations that will govern these two sectors and create at least two classifications to distinguish operators of different standards. Similarly in Zanzibar, The Commission for Tourism, ZATO and the new Tourism Association (ZATI) also initiate rules and regulations for the two sectors.

- For Tour Operators the classification should be based on quality and age of vehicles, maintenance standards, qualification of drivers or driver guides and financial standing of the operator.
- Travel Agents should also be classified according to financial considerations. Bonded/non-bonded Travel Agents so that visitors and the Tanzanian public can distinguish between agents who are able to guarantee performance and those who are not.

In both instances we recommend that the stakeholders on the Mainland (TATO and TASOTA) and Zanzibar (ZATO), prepare the first draft of the regulations and then, under the aegis of TCT, the MNRT and Commission for Tourism Zanzibar and MTIMT finally negotiate with the two parties for the final draft before adoption. We believe that rules and regulations that emanate from the “bottom - up” are more likely to be successfully implemented and complied with.

#### **4.2.4 Drivers/Guides.**

The Working Group agreed that our drivers, although doing an admirable job at the moment, their role as the most important link in the tourist handling chain is not recognized. Drivers are, frequently, the first and last person our visitors meet and they are the ones that spend most of the time with them. Our Country’s reputation often rests on the competence of these drivers; our visitor’s safety and well-being also rests with the drivers.

Stakeholders on the Mainland and Zanzibar (TATO & TASOTA) ZATO, TCT, Commission for Tourism and MNRT, MTIMT should jointly undertake this exercise and the emphasis should be to:

- establish standards and grading.
- establish a curricular commensurate with the required standards and grading.
- identify a grading or examining body to ensure uniformity of training and standards.
- award of status/grade based on professional qualification attained.

People should be able to decide whether they want one or both qualifications. Remuneration should be based on the grade attained and all should be encouraged to better their grade in incremental stages. Existing drivers should be given ample time and assistance by their employers to attain the necessary grade over a period of time.

Knowledge of wildlife, driving skills and safety issues, mechanical knowledge and skills, history of Tanzania and wildlife development, languages, PR and communications skills should be important subjects that would determine the level of competence and grade to be attained by individuals aspiring to become drivers or driver/guides in the tourist sector. A driver or guide's grade should be readily recognisable to visitors and also act as an incentive to others to improve their status. Visitors should be made aware of these grades.

Tour Operators and Travel Agents classification should rely heavily on the quality and qualifications of their human resources.

#### **4.2.5 Air Charter Companies/Aviation**

In view of the importance of the aviation industry in the development and growth of the tourism sector of the Tanzanian economy it is imperative for the relevant authorities to re-evaluate their policies, priorities and development planning for the sector of the economy.

Furthermore, serious consideration should be given to the fact that future expansion of the tourism sector in the South will depend heavily on light aircraft for the transportation and distribution of visitors within the country. Light aircraft are already a vital element in the development of Zanzibar Tourism. The traffic volume figures for 1999/2001 attest to this. In 1999, 23,000 passengers were ferried by light aircraft. In the year 2001 this figure increased to 42,000 passengers.

This statement is made on the premise that:

- Tourism Policy based on the low volume - high yield principle;
- The weakness of the economy at this time to afford massive infrastructure projects, such as roads, to facilitate the movement of tourists in the Southern sector and that;
- This can be achieved very easily through the use of light aircraft and short airstrips.

The following issues need to be addressed by MNRT, MTIMT, CTZ, TCT, Treasury and Civil Aviation Authorities:

(i) **Navigation/Landing/Parking fees**

We must endeavour to reduce the cost of such fees in order to minimize the cost effect on the industry. Our rates must be competitive on a regional as well as an international basis. Furthermore, we must make sure that such savings are reflected in the price of fares to Tanzania from the African regions and from Europe and the Middle East, where most of the foreign carriers flying to Tanzania now originate.

(ii) **Aviation fuel policy**

As item (i) above, Tanzania has experienced how elastic is the demand of fuel with regard to pricing. Cheap prices encourage foreign carriers to fly to our

airports even if it for refuelling only. Fuel is the bulk of the cost of air transportation and small variations in the cost of fuel causes great concern and decreases profitability. If we want to have the goodwill of the international aviation industry we have to be mindful to their needs.

The Treasury must accept the fact that this is one sector they must watch carefully and make sure they intervene when the international prices of oil increase dramatically. The Treasury must ascertain that they have flexible tax policies in place to enable this sector to grow and prosper.

**(iii) Civil Aviation Authorities**

It is imperative for our licensing authorities to increase their capacity and competence in:

- Regulatory and safety issues. Actively inspect operations of airlines operating under their license to ensure strict compliance to safety and maintenance requirements and standards for aircraft and pilots.
- Continuously upgrade and develop safety regulations and requirements and the policing thereof.
- Adequately train and upgrade personnel skills to conform to internationally acceptable standards of safety.

It is imperative to elevate the standard of professionalism and competence in the Civil Aviation Authority in order to ensure the safety of our visitors. The Authority must enhance its vigilance on safety issues, otherwise, all the hard work of marketing Tanzania and developing its physical tourist assets will come to naught with a few air accidents caused by laxity and bad standards of maintenance and supervision.

Civil Aviation Authorities must find a way to persuade International operators not to discriminate against Tanzanian destinations on fares, as is the case now. It is cheaper to fly from Europe to Kenya and South Africa than to Tanzania.

Civil Aviation Authorities must understand the importance of their standards and effective supervision of regulations in the success of the long-term development of the Tourist Sector. Few unfortunate but avoidable fatalities in the Aviation sector will create an undesirable and negative perception of Tanzania as an unsafe aviation destination.

## **4.3 ADMINISTRATIVE ISSUES**

### **4.3.1 Marketing**

**Tanzania spends 1.2 million dollars (US) annually to fund the Tanzania Tourism Board and tourism promotion. Kenya spends 10 million dollars annually for similar activities. The amount of USD 1.2 million is very small and cannot effectively promote tourism in Tanzania.**

While efforts are underway to transform TTB into an Executive Agency, the Working Group recommends three specific measures to make the change/transformation of TTB meaningful:

- a) The Agency should be streamlined and structured in a way to be responsive to the requirements and aspirations of the private sector.
- b) The Board of the new Agency should include a majority of stakeholders and the ones from the public sector should be familiar with the tourist trade and capable people.
- c) The Agency should be adequately funded to promote Tanzania (should be apportioned percentage of the VAT collected from the industry).

This is one issue that highlights the problem that false statistics create. According to statistics the GDP of Tanzania is only US\$ 1 billion below that of Kenya's and the Tourist sector accounts for about 16-18% of that GDP, yet we are not able to fund the marketing budget of TTB proportionately. The expenditure of US\$ 1.2, total TTB budget, and our heavy reliance on donor support for marketing activities is testament to how misleading the statistics are.

A similar situation exists in Zanzibar. The Commission for Tourism is responsible for the promotion and marketing of tourism. In spite of the fact that the Promotion of Tourism Act 1996 states very categorically that, funds equivalent to 35%, collected by the Revenue Board or any other collector from hotel levy will go to the Commission, the Commission receives very little funds. Consequently CTZ does not have a promotion program to promote Zanzibar.

The Group is of the opinion that CTZ should also be restructured and streamlined in such a manner as to be able to meet the requirements and aspirations of the private sector.

#### **4.3.2 Visas**

The issue of Visas and the cost of these needs to be reviewed and streamlined with the view of making the whole system conducive to visitors wishing to visit Tanzania.

While the best practice remains that visitors acquire a visa from their home country, the reality is that Tanzania does not have an embassy in each and every country. In view of this, Tanzania should adopt a system whereby visas can be issued at the airport on arrival without the full application formalities being observed.

These formalities at the moment are observed and cause considerable delays at the airport for visitors that apply for a visa on arrival. We consider such strict observance of visa application requirements a waste of time as the immigration officers at entry points do not have the means to do a security check on the visitor applying for a visa. The application process is a gratuitous bureaucratic gesture that serves no purpose and benefits nobody.

The Working Group is aware that the Government is now also facing a dilemma as a result of a SADC Protocol on Tourism that it has signed and ratified. This Protocol mandates the abolishing of visa requirements from a number of major tourist generating countries. However, the Ministry of Home Affairs is arguing against such a move because of the loss of foreign currency revenue that it will entail. The working Group cannot see how the Government can finally avoid implementing this protocol without losing credibility amongst its peers. However, until such time as this issue is resolved we recommend that:

- All visitors requiring visas on arrival should be issued with a one-month visa automatically with a minimum of process by the immigration officer at the arrivals desk, except for visitors from countries that the Ministry of Home Affairs has designated as requiring referred visas.
- All visa fees, both for tourism and business, should be pegged at one level in order to minimise inconvenience and the abuse that has been noted recently at entry points. We suggest that the fee should be pegged at US\$ 20.
- A concerted effort should be made to initiate a programme for the full computerisation of the immigration service both at home and abroad in order to enhance security and allow Immigration to do a credible job in evaluating risks before issuing visas. This will also serve as the prime point of collecting valid statistics of visitors arriving in Tanzania.

### **4.3.3 Tourism Data and Statistics**

The available tourism statistics and data from various sources (Ministry of Tourism and Natural Resources, Department of Immigration, Bank of Tanzania and Statistical Bureau) differ. There is no uniform and reliable data. The industry does not have reliable data for proper analysis, accurate business planning and decision-making. This is a serious concern in the industry.

#### **In addition to the measures now being taken to address this problem, the Working Group recommends the following:**

- Revive the legal requirement that exists for all hotels to submit monthly information on the operations of their hotels to the Bureau of Statistics and for them to be compelled to produce compiled statistics for the industry on a quarterly basis. With a standardized form to be agreed between the Bureau of Statistics and the hotel industry this exercise should not be difficult to achieve.

All key stakeholders, hoteliers, tour operators, civil aviation authority, should be required to report/provide statistical data, on a monthly basis to the National Bureau of Statistics as was the case in the past. The law should be enforced and companies who resist should have their license withdrawn. Companies who do business properly should have no objection to imparting information that is required by law.

Tour operators alone can tell us how many bona-fide tourists arrive in Tanzania and with a combined computation of the hotel and tour operator's statistics we should also be able to ascertain fairly accurately the foreign exchange impact of the Tourist Industry.

The two sets of statistics above combined with the fairly accurate statistics from the Civil Aviation Authority, which issues them on a monthly basis, and the National Parks statistics should also give us the opportunity to see the big picture clearly how it is developing thus enabling us to make informed decisions on future development direction and investment. This we do not have now.

The Immigration Department should computerize the visa section in order to enable them to accurately process visa applications, capture accurate data on visas issued, record of visitor arrivals/departures.

This is the most important source of information that not only complements the statistical information from the other sectors mentioned above, but gives us a more complete vision of the big picture and enhances our ability to interpret accurately the statistical information of Tanzania.

We have about a dozen official customs and immigration entry points. It should not be difficult to computerise and link these points via satellite or ground communication services. It will not only enhance the collection and compilation of statistical information but would greatly enhance Tanzania's security and ability to monitor movements across its borders. If cost is a deterrent then we can start with the four most important border crossings, Namanga, Kilimanjaro Int. airport, Dar es Salaam Int. airport and Zanzibar Int. airport and harbour.

#### **4.3.4 Human Resource Development & Training**

The Working group has noted the lack of adequate human resource development and training in the industry. All sectors of the industry need training at a number of levels.

As a result of this situation, services being provided and rendered across the board are less than being fully satisfactory.

The Working Group is aware that there are fourteen (14) private schools offering basic craft courses in hotel and tourism training. These schools are not properly modelled, staffed, and equipped to offer satisfactory courses. There is no national curriculum on hotel and tourism training.

The Working Group has noted the efforts by the Ministry of Tourism and Natural Resources and VETA to transform this situation by doing the following:

- a) Establish a new National College of Tourism with the assistance of the French Government.
- b) Develop and establish national occupational standards:
  - Food preparation
  - Front office

- Food and Beverage Services
  - Tour Guiding
  - Travel Agency
  - House Keeping
- c) Develop a National Curricula that will be adopted and followed by all hotel and tourism institutes.

In addition to these positive efforts, the Group proposes that there should be introduced a single examining body, preferably the National College of Tourism, to ensure uniformity of final examinations for qualification awards in order to attain uniformity of training and quality.

The Group proposes a similar set up for Zanzibar and that the two Ministries responsible for Tourism should work out a uniform modality.

#### **4.3.5 Empowerment of local businessmen**

**The Working Group in consultation with TATO have reached an understanding that TATO will address the issue of empowerment of local businessmen that have shown keen interest and willingness to get involved in the tour operating business. This is a very encouraging development and we look forward to the development of this laudable initiative.**

The thinking behind this initiative is that the industry must take the initiative to address this very sensitive issue and do something about it before it becomes a big and divisive issue that would hurt the harmony that exists in the tourism sector. With a steady growth at national and international level there should be space for all the present operators and for aspiring ones. TATO has undertaken to prepare a paper on this issue for consideration by Government and the multilateral and bilateral donors. This is one initiative that the Group has initiated that would require considerable collateral (concretionary) financing. The TATO paper will identify the level of financing that would be required.

### **4.4 OTHER ISSUES**

#### **4.4.1 Dispute between Tour Operators and Hunters in open areas.**

In Northern Tanzania there is a problem brewing which if not addressed may impair the positive development of tourism. The problem relates to consumptive and non-consumptive tourism. The present Tourist Hunting Regulations of 2000 virtually bans non-consumptive tourism in all areas outside national parks and Ngorongoro Conservation Area. In other words Tour Operators restricted from operating camping safaris in Game Controlled Areas notwithstanding that such tour operators came into the area by express invitation of villages. Instead these areas are for tourist hunting.

It is the opinion of the Group that the responsible Ministry (Wildlife Division) review this issue and iron out the problems that are emerging between tour operators and hunting outfitters. The government should not discourage efforts that aim to diversify our tourism industry and at the same time pioneer economic growth and poverty reduction.

This regulation is contrary to our Tourism Policy of developing Low-Volume High-Yield tourism, which is what these camping safaris are achieving. It is also contrary to current environmental and conservation sensitivities in our tourist generating countries that can become very controversial and harmful to the reputation of Tanzania in the market. Furthermore, these type of safaris, are operational 12 months a year and are becoming very attractive because they give the tourist an opportunity to have a unique wildlife experience in the pristine wilderness areas of Tanzania not available in many of our competitors. These safaris are also very expensive and by their nature make very limited demands on our infrastructure for future development and growth.

The Group believes that vested interests have prevailed on the MNRT to act against these camping safari operators. For the sake of good governance and the good reputation of the country this issue must now be resolved in favour of permitting non-consumptive tourism in expanded arrears as soon as possible.

#### **4.4.2 New Products**

A new tourism product that Tanzania needs to start developing is Conference and Incentive Tourism. Dar es Salaam and Zanzibar are ideally placed to take advantage of this new product primarily because of the political and social stability that we have enjoyed for so many years and the deteriorating security situation in the former destinations for such business. Furthermore both Dar es Salaam and Zanzibar are ideally placed to accommodate visits to wildlife areas, Selous, Ruaha etc and of course beach holidays in Zanzibar itself.

Zanzibar would be ideal for incentive conference tours and Dar es Salaam ideal to accommodate regional and workshops and international conferences. The Group recommends that the Government support initiatives of the private sector to develop this new product.

Apart from the above new tourism product which would require Government assistance in facilitating the construction of appropriate venues it is the considered opinion of the Group that market forces would dictate the development of other tourist products as and when the demand appears. The Government and particularly the MNRT should keep an open mind on such developments and encourage them whenever they appear. As the Government is intent to establish a better business-enabling environment, with all the initiatives in hand at the moment and others that will come through in due course, the Group has no doubt that when the opportunity arises for the demand of a new tourist product our entrepreneurs will rise to the challenge and provide the service.

**SUMMARY OF ISSUES IDENTIFIED BY THE IRT TOURISM WORKING GROUP AND  
RECOMMENDED ACTION**

NO.	B. ISSUES	RECOMMENDATION	ACTION BY
1	<b>TOURISM POLICY</b> Quality of tourism Zanzibar receives is not which is associated with up-market destinations. The general trend is towards low quality mass tourism.	The Group urges the Government to study this trend carefully and establish a tourism policy that will safeguard against low quality tourism.	MTIMT/ZATI
2	<b>FISCAL ISSUES</b>		
2.1	<b>VAT</b> <ul style="list-style-type: none"> <li>Application of VAT on commission (from airlines) on sale of airline tickets.</li> <li>Application of VAT on complimentary rooms given occasionally to tour operators, travel agents, travel journalists &amp; group escorts.</li> <li>VAT on service charge – Service charge is a “tip” collected the the Company and shared equally by staff. Applying VAT to this means inflating the cost of the product to the visitor.</li> <li>In Zanzibar ZRB collects all revenues. ZRB applies two different rules on VAT. All foreign investments are required to register and pay VAT while local investments are not. They have an option to either register with VAT or Stamp Duty.</li> </ul>	<ul style="list-style-type: none"> <li>VAT on commission on sale of airline tickets should be scrapped.</li> <li>VAT on complimentary rooms should be scrapped.</li> <li>VAT on service charge should be scrapped.</li> </ul>	<p>TRA/MNRT/TCT</p> <p>TRA/MNRT/TCT MTIMT/ZATI</p> <p>TRA/MNRT/TCT MTIMT/ZATI</p> <p>TRA/MTIMT/ZATI</p> <p>TRA/MTIMT/ZATI</p>
2.2	<b>TAX DEPT.</b> There is urgent need to improve and streamline the collection of revenues in Zanzibar.	<ul style="list-style-type: none"> <li>The tax structure (institutional) should be streamlined and have only one body enforcing one law and collecting revenues.</li> <li>Tax authorities should seek consulting services in order to understand and have an insight of the tourism industry and its operations.</li> <li>TRA should consider introducing the “Big taxpayer dept”.</li> <li>To also consider introducing a “Tax Task Force Team”, similar to the one on the mainland.</li> </ul>	<p>TRA/MTIMT/ZATI</p> <p>TRA/MTIMT/ZATI</p>
3	<b>REGULATORY ISSUES</b>		
3.1	<b>Licensing and fees</b> Multiplicity of licenses, taxes & other charges.	Introduce one industry specific license for tourism in addition to the general business license. To be issued by relevant Ministries/regulatory bodies. License fees should reflect administrative costs and be a source of revenue.	MNRT/TCT MTIMT/ZATI
3.2		MNRT pursue the present efforts under the auspices of EAC to establish a uniform classification and grading system.	MNRT/TCT
3.3	<b>Hotel Classification</b> Tanzania does not have a unified classification and grading system in operation.	Stakeholders and Govt. authorities initiate establishment of rules and regulations that will govern operations of TO & TA and safeguard interest and welfare of visitors.	TCT/TASOTA TATO MNRT
3.4	<b>Tour Operators &amp; Travel Agents</b> There is no specific regulation that licenses TO & TA and also emphasize safety of passengers.	Stakeholders, tourism training institutions, govt. authorities develop a national curriculum and grading system.	MNRT/TATO/TCT
	<b>Driver &amp; Guides</b> There is an urgent need for professional training and grading system.		

NO.	ISSUES	RECOMMENDATION	ACTION BY
3.5	<p><b>Air Charter Companies &amp; Aviation</b> Playing a major role in further expanding tourism development &amp; opening up access to new tourism areas and sites.</p>	Govt. authorities to constantly address issues that impinge on the operations of the light aircraft (navigation, landing & parking fees; aviation fuel policy; & safety matters).	MNRT/TCT/TCAA
4 4.1	<p><b>ADMINISTRATIVE ISSUES</b> <b>Marketing</b> Tanzania is not spending enough funds for promotion vis-à-vis the contribution of tourism to the GDP.</p>	<p>Streamline and restructure TTb to be responsive to the private sector aspirations.</p> <p>Fund TTb adequately by % of the funds generated from Tourism.</p>	MNRT/TCT
4.2	<p><b>Visa</b> The general system in issuing of visa and fees charged is not adaptable to recent trends in the tourism markets. Worldwide now the industry is experiencing a trend to shorten lead-time bookings and increase in last minute business. The trend is to now issue visa on arrival in order to adapt to this new phenomenon.</p>	The Immigration authorities need to review and streamline the present system, allowing flexibility and making it conducive for visitors wishing to visit Tanzania.	Immigration MNRT TCT ZATI
4.3	<p><b>Tourism Data &amp; Statistics</b> The industry does not have reliable and accurate tourism statistics and data. It is a very serious flaw.</p>	<p>The Govt depts. &amp; authorities should take immediate measures to redress this flaw and produce accurate and reliable data &amp; statistics.</p> <p>Revive the legal requirement for all hotels to submit monthly information on operations to Bureau of Statistics.</p>	MNRT TCT
4.4	<p><b>Human Resource Development</b> The industry lacks adequate human resource development and training in the industry. The industry does not have a uniform curriculum and examining body. As a result the quality of manpower development is poor and not nationally coordinated and controlled.</p>	The Govt. should work towards establishing a national curriculum. In addition establish one single examining body, issuing one uniform national examination. This will work towards maintaining quality of training and qualifications awarded.	MNRT TCT MTIMT ZATI
5 5.1	<p><b>OTHER ISSUES</b> <b>Empowerment of local businessmen</b> The Group is concerned that special efforts must be made to begin empowering local businessmen showing keen interest and willingness to be involved in the industry.</p>	The Group has consulted with TATO and that the pilot scheme would begin with tour operations. A paper is being prepared on the proposed scheme for presentation to Govt. and multilateral & bilateral agencies.	TATO TCT
5.2	<p><b>Consumptive versus non consumptive tourism</b> In northern Tanzania there is a problem brewing between hunting outfitters and tour operators over</p>	The Ministry of Natural Resources and Tourism (Wildlife Division) should immediately address this problem with the view of encouraging diversity in	MNRT TCT TATO

	operating camping safaris in game controlled areas.	our tourism industry.	
5.3	<p><b>Conference and Incentive Tourism (New Products)</b></p> <p>This is a new tourism product that Tanzania needs to seriously begin developing.</p>	With the support of the Govt. the private sector should be sensitized to invest in this line.	<p>MNRT TCT MTIMT ZATI</p>
5.4	<p><b>Infrastructure</b></p> <p>Zanzibar faces serious infrastructure problems relating to tourism – poor roads to tourism sites; the airport and related services are in a terrible state. Some major airlines are threatening to call off their charter flights.</p>	The Govt. should quickly look into this matter and begin addressing the problems.	<p>MTIMT ZATI</p>

## Appendix A

### **LIST OF EXAMPLES OF MULTIPLE TAXES; MULTIPLE LICENSING REQUIREMENTS; AND AREAS THAT REMAIN UNREGULATED**

#### **Examples of multiple taxation**

1. Corporation Tax at 30%
2. Capital gain Tax - In 1997 Capital gains tax was abolished as part of the Government's concession to the private sector (Task Force recommendation). In 1999 this tax was again re-introduced. We stated at the time that it would have a limited fiscal impact on revenue by virtue of the fact that certificates will be "purchased" rather than tax obligations paid. (An area prone for corruption)>
3. Income Tax/ PAYE (high)
4. VETA (acceptable provided it is put to good use)
5. NSSF (The rate of 10% by each party is very high)
6. Payroll Tax at 4% (This taxation is unnecessary)
7. VAT at 20% (The rate is on the high side)
8. City Service levy 0.3% of turnover
9. City Development levy
10. Property Tax 0.3% of value of property

#### **Examples of multiple and bureaucratic licensing requirements**

1. Company registration
2. Business License
3. TALA license
  - This license is open to abuse and misinterpretation by MNRT officials as the categories are not defined under the Act .
  - At the moment each tourism activity must have a TALA license. A hotel can be misclassified without explanation and demands be made to pay US\$ 2000 for each activity undertaken by the hotel. For instance a lodge on Mafia Island, Kinasi Lodge, has been misclassified as a hotel (class A instead of class B) and MNRT are demanding that the hotel should pay a separate TALA license for scuba diving, game fishing, hire of boats and water sports, and as agents of Precision Air as well as one for the "hotel". Five TALA licenses are required in total.
  - The Act however, is not used to "regulate and control" the industry as the original 1969 Act envisaged.
  - TALA not properly constituted, as law requires. No "Authority" exists.
  - Fees set by the MNRT are regulated through the Finance Act. However, the Act is more on raising revenue then regulating and controlling the industry.
  - TALA License has become an anachronism and an impediment to investors.

- TCC license for those that offer free TV broadcasts to their guests. Why charge for this?
- TLB licenses for each vehicle operated by a Tour operator.

## **Examples of multiple Local Authority licenses**

1. Local authorities in their endeavours to raise revenues have resorted to charging almost everything. Such acts are hurting the industry and creating an environment not conducive to good business.
  - For instance the Bagamoyo District Council has imposed a US\$ 2 fee for tourists entering the district (not clear if it applies per day or one of). A US\$ 4 per night for each tourist staying in a hotel or lodge. A fee of US\$ 10 for a photo camera and US\$ 30 for a video camera. Most of these fees are not collected at the moment because of lack of a collection mechanism.
  - Some district councils have been known to charge such fees and levies as: beech fees, swimming pool fees, fishing fees, landing fees per passenger even on privately owned air strips. The list is endless.
  - Board and lodge, a per room charge.
  - Restaurant (one for every outlet).
  - Liquor (one for every outlet).
2. Licensing has now become a revenue collection exercise rather than a regulatory function.
3. There is no coherent policy on licences, fees and levies charged by the Central and Local Governments.

## **Business areas/environment that remains unregulated.**

1. There is no national Classification and Grading System. As a result hotels and lodges classified on the whim of their owners.
  2. There is very little regard to minimum internationally accepted fire, safety and hygiene standards.
  3. There is no classification of Tour Operators and Travel Agents.
  4. There are no safety requirements for Tour Operators.
    - Age of vehicles used.
    - Service frequency and annual inspection of vehicles by Traffic Police.
    - Competence and standards of Driver/Guide.
- The same goes for Air Charter Companies.