UPDATEs ON TECHNICAL ISSUES –THIRD QUARTER 2019

Introduction

These updates on Technical Issues – Third Quarter 2019 cover a summary of updates/issues including International Standards on Auditing (ISAs), International Financial Reporting Standards (IFRSs), International Education Standards (IES), International Public Sector Accounting Standards (IPSAS), International Accounting Education Standards (IAES), and insight to the Finance Act 2019.

This document includes issues published in July, August and September (Inclusive) 2019.

INTERNATIONAL STANDARD ON AUDITING (ISAs)

Current Updates on ISAs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
Consultation Paper: Audit of Less Complex Entities (LCEs)	**The International Assurance and Auditing Standard Board has issued a consultation paper to obtain input so as to determine actions on the challenges faced by practitioners in applying the ISAs in relation to audits of Less Complex Entities (LCEs).** The potential possible actions that we have identified that are described further in this document include: a) Revising the ISAs: The ISAs could be revised to make the auditor's work effort clearer, in particular to benefit audits where the circumstances of the entity are less complex, b) The development of a separate standard specifically for audits of smaller entities as it has been the subject of discussion internationally, with a number of jurisdictions having developed, or in the process of developing, drafts or pronouncements, c) Developing Guidance for Auditors of LCEs or Other Related Actions **For more information go to:** http://www.ifac.org/system/files/publications/files/IAASB-Discussion-Paper-Audits-of-Less-Complex-Entities.pdf	The deadline for stakeholders' comments is on or before **12th September, 2019.**

INTERNATIONAL EDUCATION STANDARDS (IES)

IES applicable for the next coming years

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
IES 7, Continuing Professional Development (Revised)	**International Accounting Education Standard Board has issued a revised standard on consultation paper on Extended External Reporting (EER) Assurance.** The standard prescribe the Continuing Professional Development (CPD) required for professional accountants to develop and maintain the professional competence necessary to provide high quality services to clients, employers, and other stakeholders , and thereby to strengthen public trust in the accountancy profession. **For more information go to:** https://www.ifac.org/system/files/publications/files/IAESB-International-Education-Standard-7_0.pdf	The standard is effective from **1st January 2020.**

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSASs)

Current issues on IPSASs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
Consultation Paper: Measurement	**The International Public Sector Accounting Standards Board (IPSASB) has issued a consultation paper to request comments on the project for the establishment of a comprehensive measurement framework for the public sector.** The Measurement project is undertaken with the rationale that measurement requirements in IPSAS should be amended to better align them with the Conceptual Framework's measurement concepts. The project's objectives are to: a) Provide more detailed guidance on the implementation of commonly used measurement bases, and the circumstances under which these measurement bases will be used; b) Address transaction costs and borrowing costs; and c) Where necessary, issue amended IPSAS with revised requirements for measurement at initial recognition, subsequent measurement, and measurement-related disclosure. **For More information go to:** http://www.ifac.org/system/files/publications/files/IPSASB-Consultation-Paper-Measurement_0.pdf	The deadline for stakeholders' comments is on or before **30th September 2019.**
ED 68, Improvements to IPSAS, 2019	**The International Public Sector Accounting Standards Board (IPSASB) has issued an Exposure Draft 68 which proposes minor improvements to a number of IPSAS.** The Improvements project deals with non-substantive changes to IPSAS through a collection of amendments which are unrelated. Amendments included in ED 68 arise from comments received from stakeholders. The affected IPSAS includes IPSAS 5, IPSAS 30, IPSAS 33, IPSAS 13, IPSAS 21, IPSAS 26, IPSAS 33 and IPSAS 40. **For More information go to:** https://www.ifac.org/system/files/publications/files/ED-68-Improvements-to-IPSAS-2019_0.pdf	The deadline for stakeholders' comments is on or before **30th September 2019.**

ED 69, Public Sector Specific Financial Instruments: Amendments to IPSAS 41, *Financial Instruments*	**The International Public Sector Accounting Standards Board (IPSASB) has issued an Exposure Draft Public Sector Specific Financial Instruments, Amendments to IPSAS 41, Financial Instruments for comment.** The ED provides guidance on how to account for a number of important categories of financial instruments that are unique to the public sector namely • Monetary gold, • Currency in circulation, • IMF quota subscriptions and • Special Drawing Rights. The final guidance will ensure users of IPSAS-based financial statements have the information they need about these important items for accountability and decision making purposes. **For More information go to:** https://www.ifac.org/publications-resources/exposure-draft-69-public-sector-financial-instruments-amendments-ipsas-41	The deadline for stakeholders' comments is on or before **31st December 2019.**

IPSASs applicable for the next coming years

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
IPSAS 41 : Financial Instruments	**The International Public Sector Accounting Standards Board (IPSASB) has issued a new International Public Sector Accounting Standard 41 on financial instruments which replaces IPSAS 29: Financial Instruments: Recognition and Measurements.** IPSAS 41 improves financial reporting for financial instruments, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is	Effective for annual periods beginning on or after **1st January 2022**. Earlier application is permitted.

	applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. **For More information go to:** https://www.ifac.org/system/files/publications/files/IPSAS-41-Financial-Instruments.pdf	
IPSAS 42, Social Benefits	**The International Public Sector Accounting Standards Board (IPSASB) has issued IPSAS 42 on social benefits.** The standard provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include state retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment. It seeks to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. To accomplish this, IPSAS 42 establishes principles and requirements for: • Recognizing expenses and liabilities for social benefits; • Measuring expenses and liabilities for social benefits; • Presenting information about social benefits in the financial statements; and • Determining what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the social benefits provided by the reporting entity **For More information go to:** http://www.ifac.org/system/files/publications/files/IPSAS-42-Social-Benefits.pdf	Effective for the period beginning on or before **1st January 2022**.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Current Updates on IFRSs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
Exposure Draft ED/2019/4: Amendment to IFRS 17.	**The International Accounting Standards Board (Board) has issued an Exposure Draft for amending the IFRS 17.** The Exposure Draft proposes targeted amendments to IFRS 17 relating to the following topics: (a) scope exclusions—credit card contracts and loan contracts that meet the definition of an insurance contract (paragraphs 7(h), 8A, Appendix D and BC9–BC30); (b) expected recovery of insurance acquisition cash flows (paragraphs 28A–28D, 105A —105C, B35A−B35C and BC31–BC49); (c) contractual service margin attributable to investment-return service and investment-related service (paragraphs 44-45, 109 and 117(c)(v), Appendix A, paragraphs B119−B119B and BC50–BC66); (d) reinsurance contracts held—recovery of losses on underlying insurance contracts (paragraphs 62, 66A–66B, B119C−B119F and BC67–BC90); (e) presentation in the statement of financial position (paragraphs 78−79, 99, 132 and BC91–BC100); (f) applicability of the risk mitigation option (paragraphs B116 and BC101−BC109); (g) effective date of IFRS 17 and the IFRS 9 Financial Instruments temporary exemption in IFRS 4 (paragraph C1, [Draft] Amendments to IFRS 4 and paragraphs BC110–BC118); (h) transition modifications and reliefs (paragraphs C3(b), C5A, C9A, C22A and BC119–BC146); and (h) minor amendments (see paragraphs BC147−BC163). **For more information go to:** https://www.ifrs.org/-/media/project/amendments-to-ifrs-17/ed-amendments-to-ifrs-17.pdf	The deadline for stakeholders' comments is on or before **25th September 2019**.

Exposure Draft ED/2019/5: Proposed amendment to IAS 12, Deferred tax related to assets and liabilities arising from a single transaction	**The International Accounting Standards Board (Board) has issued an Exposure Draft on the proposed amendments to IAS 12 – *Income taxes*.** The proposed amendments would require an entity to recognise deferred tax on initial recognition of particular transactions to the extent that the transaction gives rise to equal amounts of deferred tax assets and liabilities. The proposed amendments would apply to particular transactions for which an entity recognises both an asset and a liability, such as leases and decommissioning obligations. **For more information go to:** https://www.ifrs.org/-/media/project/deferred-tax-related-to-assets-and-liabilities-arising-from-a-single-transaction/ed-deferred-tax-related-to-assets-and-liabilities-ias-12.pdf	The deadline for stakeholders' comments is on or before 14th **November, 2019**.
Exposure Draft ED/2019/6: Proposed amendments to IAS 1and IFRS Practice Statement 2. *Disclosure of Accounting Policies*.	**The International Accounting Standards Board published proposed narrow-scope amendments to IAS 1 and IFRS Practice Statement 2 to help companies provide useful accounting policy disclosures to users of financial statements.** The proposed amendments are intended to help entities provide accounting policy disclosures that are more useful to primary users of financial statements. IAS 1 requires entities to disclose their 'significant' accounting policies. The IASB proposes to replace that requirement with a requirement to disclose 'material' accounting policies. In addition, the Board is proposing amendments to IAS 1 and IFRS Practice Statement 2 to help entities apply the concept of materiality in making decisions about accounting policy disclosures. **For more information go to:** https://www.ifrs.org/projects/work-plan/accounting-policies/comment-letters-projects/ed-disclosure-of-accounting-policies-ias-1-and-practice-statement-2/	The deadline for stakeholders' comments is on or before **29th November, 2019**.

Exposure Draft ED/2019/3: Reference to the Conceptual Framework: Proposed amendments to IFRS 3.	**The International Accounting Standards Board (Board) has issued an Exposure Draft for public comment on the proposed three amendments to IFRS 3.** 1. **The first proposal is to remove from IFRS 3 a reference to an old version of the Board's Conceptual Framework**, as the recognition principle in IFRS 3 requires the assets and liabilities recognized in a business combination to meet the definitions of assets and liabilities in the 1989 Framework, the definition of assets and liabilities in 2018 Conceptual framework is different from those in 2089 Framework, 2. **The second proposal in this Exposure Draft is to add to IFRS 3 an exception to its recognition principle**. For liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if incurred separately, an acquirer should apply IAS 37 or IFRIC 21 respectively, instead of the Conceptual Framework, 3. The third proposal in this Exposure Draft is to make the IFRS 3 requirements for contingent assets more explicit by adding to IFRS 3 an explicit statement that an acquirer should not recognize contingent assets acquired in a business combination. **For more information go to:** https://www.ifrs.org/-/media/project/updating-a-reference-to-the-conceptual-framework-amendments-to-ifrs-3/exposure-draft/exposure-draft-reference-to-the-conceptual-framework-ifrs-3.pdf	The deadline for stakeholders' comments is on or before **27th September 2019**.

IFRSs applicable for the next coming years

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
IFRS 17 "Insurance Contracts"	**The International Accounting Standards Board (IASB) issued IFRS 17 Insurance Contract. The standard applies to all entities that issue insurance contracts.** The standard provides consistent accounting for all insurance contracts a. Updated information about obligations, risks and performance of insurance contract b. Increased transparency in financial information reported by insurance companies **For More information go to:** https://www.ifac.org/system/files/publications/files/IPSAS-41-Financial-Instruments.pdf	For annual financial statements beginning on or after **1st January, 2021.** Earlier adoption is encouraged.

UPDATES ON TAX ISSUES FOR FINANCIAL YEAR 2019/2020

PROJECTS/APPROVED TAX ISSUES	CHANGES	EFFECTIVE DATE
Amendment of the Value Added Tax Act, 2014, CAP 148	Amendment of Part II for imports exempt from value added tax to:- • Exempt imported refrigeration boxes (HS Code 8418.69.90) by a person engaged in horticulture for exclusive use in horticulture in Mainland Tanzania. **Reason for the amendment**: The amendment is intended to reduce production costs and promote modern horticultural farming in the country.	**Applicable from 1st July 2019**
	Amendment of Part II for imports exempt from value added tax to exempt:- • Exempt grain drying equipment (HS Code 8419.31.00) by a person engaged in agriculture for exclusive use in agriculture in Mainland Tanzania. **Reason for the amendment:** This exemption is expected to reduce costs incurred in grain drying for storage purpose as well as stimulate production of grain crops	
	Amendment of Part II for imports exempt from value added tax to exempt:- • Aircraft lubricants, airline tickets, brochures, leaflets, calendars, diaries, headed papers and airline uniforms engraved or printed or marked with the airline logo imported by a designated airline under a Bilateral Air Services Agreements between the Government of United Republic and a foreign government. **Reason for the amendment:** The amendment will enable our country to sign Bilateral Air Services Agreements;	

	Amendment of section 68(3) (d) of the Value Added Tax to exclude the restriction on exports of raw agricultural products. **Reason for the amendment:** This amendment is intended to facilitate exports of raw products and enhance competitiveness of the product in the international markets.	
	Amendment of section 86 subsection 2 for a tax invoice not complying with subsection (1)(b)(v)not to be used in any refund claim	
	Amendment by adding section 61B for zero rating of supply of electricity services from Tanzania Mainland to Tanzania Zanzibar	
	Amendment of sub-item 11 of item 8 and adding item 26 in the Second part of the exemption schedule to the Value Added Tax Act in order to exempt supply of HS Codes 2710.19.51, 2710.19.52 and 3403.99.00 aircraft lubricants to a local operator of air transportation.	
The Income Tax Act, CAP 332	Adding a new item in paragraph 3(2) for reducing the Corporate Income tax rate from 30 percent to 25 percent for new investors in the production of sanitary pads for two years starting from year 2019/20 up to 2020/21. This is subject to signing of a Performance Agreement between the Government and investors to assign responsibilities to both parties. **Reason for the amendment:** The reduction is intended to attract investment in the production of sanitary pads, create employment and raise Government revenue.	
	Amending the second schedule to exempt Withholding tax on various fees charged to Government on Loans received from Non-residential Banks and other International Financial Institutions. The fees to be exempted include commitment fees, Insurance Premium fees, Insurance Management fees, Arrangements fees and any other fees imposed as part of costs of such loans. **Reason for the amendment:** The exemption is expected to enable the Government to	

	secure Loans at lower costs and in a reasonable time. It will also facilitate implementation of Government projects timely;	
	Amendment of paragraph 2 (2) to increase minimum amount of turnover required for taxpayer to start filling the accounts to Tanzania Revenue Authority from twenty million shillings (20,000,000/=) to one hundred million shillings (100,000,000/=). **Reason for the amendment:** The measure is intended to reduce costs incurred by taxpayers to engage a Certified Public Accountant for preparation of financial accounts. In addition, this measure seeks to improve voluntary compliance and increase Government revenue	
	Amendment of the First Schedule of the Income Tax Act by introducing a new presumptive tax regime to taxpayers with annual turnover from four million shillings (4,000,000/=) and hundred million shillings (100,000,000/=) who will not be obliged to submit financial accounts to Tanzania Revenue Authority for determining income tax. **Reason for the amendment:** The objective of this measure is to reduce the tax compliance burden on small businesses as well as to align the tax rates with the minimum amount of turnover required for businesses to use Electronic Fiscal Device (EFD) machine whereby the current amount is fourteen million shillings (14,000,000). This measure is also intended to emphasize on the compliance of using EFD machines.	
Excise (Management and Tariff) Act, CAP 147 42.	Amendment of the forth schedule for imposing excise duty of 10 percent on locally manufactured artificial hair and 25 percent on imported ones HS Code 67.03; 67.04 and 05.01. **Reason for amendment:** This measure is intended to increase Government revenue;	
	Amendment of the Excise Tax (Management and Tariff) Act by adding section 135A for exempting imported aircraft lubricants by local operator of air transportation or a designated airline under a Bilateral Air Services Agreement between a government of the united republic and a foreign government.	
	Amendment of the forth schedule for imposing an excise duty rate of 10 percent on	

	pipes and plastics materials (tubes, pipes and hoses and fittings i.e. joints, elbows flanges etc.). • This rate is imposed on products under HS Code 39.17. **Reason for the amendment:** The objective of introducing excise duty on these products is to protect local production, employment and Government revenue. Furthermore there are many industries producing such pipes and plastic materials in the country.	
The Tax Administration Act, CAP 438	Amendment of section 22 by adding a new subsection 5 for providing a relief period of six months of deferring the requirement to pay instalment tax under the income tax act from the date when the investor or businessman is given a Tax Identification Number (TIN) so as to enable businessman undertakes the necessary preparations at the beginning period of establishing the business. Under the previous arrangement, tax assessment and payment thereof is done immediately after the issuance of TIN and you are required to pay taxes.	
	Adding subsection 3 in section 22A for giving power to the Minister of Finance of making regulations prescribing for the fees, manner of recognizing and registration and any other matter relating to small vendors or service providers.	
	Addition of a new Part III immediately after section 28 for the establishment of the tax ombudsman office, the office will be responsible for receiving and addressing any complaint by a taxpayer regarding service, procedural or administrative matter arising in the course of administering tax laws by the authority, the commissioner general or a staff of the authority. The establishment of the office includes, the appointment, the duties, limitation of power, confidentiality, procedure for conducting and handling complaints and protection of the tax ombudsman and his officers.	

The Road Traffic Act, CAP 168. 44.	Changing the Road Traffic Act, Cap 168 with the following amendments. • Extension of the validity period for driver's License from three years to five years. • Increase of the Driving License fees from current shillings forty thousands (40,000/=) to shillings seventy thousands (70,000/=) • Increase of the registration card fee for all forms of motor vehicles from ten thousand shillings(10,000/=) to Fifty thousand shillings (50,000/=) • Increase of the registration card fee for motorcycle, from ten thousands (10,000/=) to thirty thousands (30,000/=). • Increase of the registration card fee for tricycle from ten thousand shillings (10,000/=) to twenty thousand shillings (20,000/=) **Reason for the amendment:** These amendments are intended to reduce costs related to issuance of driver's license as they can last for more than five years while the current validity period is three years. **FOR MORE INFORMATION ON THE FINANCE ACT GO TO: https://www.bunge.go.tz/polis/uploads/bills/acts/1563455369-2.THE%20FINANCE%20ACT%20NO%208.pdf**	