

TANZANIA'S TOURISM INDUSTRY HIT BY SUDDEN VAT CHARGE



Tanzania's tourism industry has been thrown into turmoil after the government imposed an 18% VAT tax on tourist services, which took effect almost immediately. Industry stakeholders, tour operators, businesses and clients are now worried about the levy, as it will cause a significant increase in the price of services such as park entry fees and accommodations.

In the past years, most of Tanzania's tourism services have been exempted from VAT charge. **However, the government has been trying to raise more revenue and taxing the industry's services is one of the results.**

Already, the effects of the VAT charge are being felt. National park entry fees have been revised, forcing tour operators to increase their prices as well. Lodgings and other accommodation services are also expected to follow in order to comply with the new regulations. This has created a lot of worry from clients, who are now being asked to pay more for the services.

While speaking on the new VAT charge, Marc Harris, the managing director of Tanzania Odyssey, one of the companies that provide safaris in Tanzania, said that the move was an absolute disaster. He noted that while the Tanzanian government was within its right to charge VAT for the industry's services, the notice period given was the cause of all the confusion and chaos currently being experienced; the government announced its decision a week before imposing the new charge.

As a result, a lot of chaos has been created in the industry, with stakeholders not knowing how to proceed. There has also been a lot of uncertainty on whether the levy is to be applied retroactively, which could affect more people.

However, what most stakeholders in Tanzania's tourism industry are worried about is that the accommodation prices could rise much higher. According to Marc Harris, **the cost of accommodation could go up by another 7%, forcing tourists to pay about 25% more for holidays in Tanzania than in other neighboring countries.** This might force some of the tourists to switch to other countries in the region, for example, Kenya, which offers similar services, thus spelling doom on Tanzania's tourism.

The sudden VAT charge, and the confusion caused, has led to an outcry from the travel trade professionals, who feel that the levy will be counterproductive and would most likely hamper the growth of the industry, which contributes about 17% to the country's GDP. A lot of people have complained about the sudden imposition of the charge, which they say have shocked tour operators and other businesses, as well as hit the tourists with an unexpected increase in prices.

Date: 2016-07-18

Article link: <http://www.tourism-review.com/tanzania-tourism-industry-faces-new-tax-news5070>