

B. FINANCIAL AUDIT AND TAX REVIEW SUBSECTION

The following are the responsibilities of the Financial Audit and Tax Review Sub Section;

- a) Audit exploration cost, capital investment, revenue generated and operating expenditure of the mining entities
- b) Examine and monitor implementation of feasibility reports for existing and upcoming mining projects, and Mineral Development Agreements (MDAs)
- c) Verify forecasted capital investment for the purpose of ascertaining mis-invoicing or any other form of malpractice by the mineral rights holder
- d) Perform financial modeling for existing and upcoming mining projects
- e) Counteract illicit financial flows and fiscal evasion in the mining sector
- f) Audit mining entities, dealers and brokers financial and tax records to facilitate the collection of Government revenues
- g) Perform comprehensive tax analysis of the mineral sector and advise on appropriate measures



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FINANCIAL AUDIT, TAX REVIEW AND LOCAL CONTENT SECTION

The Financial Audit, Tax Review and Local Content Section is under the Directorate of Mineral Audit and Trade. This section is divided into two subsections as follows;

- A. Local Content Subsection
- B. Financial Audit and Tax Review Subsection



A. LOCAL CONTENT SUBSECTION

Local Content Subsection is responsible for the supervision and monitoring of the implementation of local content plans by Licensees, contractors, subcontractors and other allied entities. The aim is to ensure the development of Tanzanians participation in the Mining Sector. The subsection also oversees the implementation of Corporate Social Responsibility by mineral rights holders.

What is Local Content?

Local Content means the quantum or percentage of locally produced materials, personnel, financing, goods and services rendered in the mining industry value chain of which can be measured in monetary terms.

Mining Local Content Obligations for Mineral Rights Holders, Contractors, Subcontractor and Allied Entities

Local content Obligations have been stipulated under Section 102 of the Mining Act Cap 123 and the Mining (Local Content) Regulations, 2018 as amended in 2019. The Obligations include the following;

I. Preference in the provision of goods and services

Licensee, Contractors, Subcontractor and Allied Entities are obliged to give preference to goods that are produced or available in Tanzania and services which are rendered by Tanzanian citizens and or Indigenous Company.

What is an Indigenous Tanzanian Company?

An Indigenous Tanzanian company means a company incorporated under the Companies Act that;-

- a) Has at least 20% of its equity owned by a citizen or citizens of Tanzania; and
- b) Has Tanzanian citizens holding at least 80% of executive and senior management positions and 100% of non-managerial and other positions.

II. Requirement of Provision of goods or services by a non-indigenous company

A Non-indigenous Tanzanian company that intends to provide goods or services to a contractor, a subcontractor, licensee, the Corporation or other allied entity within Tanzania shall be required to incorporate a joint venture company with an indigenous Tanzanian company and afford that indigenous Tanzanian company equity participation of at least 20%.

III. Local Content Plan Submission

Licensee, Contractors, Subcontractor and Allied Entities are Obligated to prepare and submit a local content plan to the Mining Commission for Approval. The local content plan should be prepared on a long-term and annual basis as per the Mining Local Content Guidelines for submission of local content plans.

[Visit: tumemadini.go.tz/publications/guidelines]

The local content plan shall be prepared to meet the minimum local content levels as per the First Schedule of the Mining (Local Content) Regulations, 2018. After the Mining Commission has approved the submitted local content plans, Licensee, Contractors, Subcontractor and Allied Entities are obliged to implement fully the plan in the operations.

IV. Local Content Performance Reports Submissions

Licensee, Contractors, Subcontractor and Allied Entities are Obligated to submit to the Mining Commission Quarterly Performance reports and annual local content performance report within 45 days of the beginning of each year after commencement of mining activities . The performance reports shall provide details on local content implementation throughout the period.

V. Submission of Proposed Contracts

Licensee, Contractors, Subcontractor and Allied Entities are Obligated to notify the Mining Commission in writing of each proposed contract or purchase order ;-

- a) Related to mining activities which are to be sole-sourced
- b) Where it is to be sourced by a competitive bidding procedure that is estimated to be in excess of the shilling equivalent of USD 100,000.

Licensee, Contractors, Subcontractor and Allied Entities are required to submit the following documents for the approval of the Mining Commission: -

- a) Advertisements relating to the expression of interest
- b) Requests for proposals
- c) Prequalification criteria
- d) Technical bid documents
- e) Technical evaluation criteria
- f) Any other information requested by the Commission to enable the Commission to determine that the local content requirements have been complied with.

The Commission shall, within 10 working days of receipt of the documents, communicate its decision to the contractor, subcontractor, licensee, or other allied entity.

Corporate Social Responsibility (CSR)

A mineral rights holder is obliged to prepare on annual basis a credible Corporate Social Responsibility plan jointly agreed by the relevant local authority or Local Government Authorities in consultation with the Minister responsible for Local Government Authorities and the Minister responsible for Finance.

The CSR plan prepared shall take into account environmental, social, economic and cultural activities based on local Government authority priorities of the host community. The host communities in this case mean inhabitants of the local area in which mining operations activities take place.

The Mineral rights holder is required to submit the prepared Corporate Social Responsibility plan to a Local Government Authority for consideration and approval.

The Mining Commission Local Content sub-section is responsible to supervise the implementation of the approved Corporate Social Responsibility plan for mineral rights holders.