

MINISTRY OF INVESTMENT, INDUSTRY AND TRADE

TANZANIA INVESTMENT CENTRE

DIRECTORATE OF INVESTMENT FACILITATION



PROJECT VERIFICATION VISIT REPORT

ON

**APPLICATION FOR AMENDMENT AND EXTENSION PERIOD OF THE
CERTIFICATE**

BY

PARROT HOTEL LIMITED

CONDUCTED ON 08TH SEPTEMBER, 2022

PROJECT'S PROFILE				
S/N	ITEM	DESCRIPTION		
1.	Company Name	Parrot Hotel Limited		
2.	Project Location	Plot No. 48 Block 21 located at Kaloleni, Arusha		
3.	Projects' Core Activities	To establish tour operations		
4.	Address	P. O. Box 11249, ARUSHA		
	Mobile Number	+255 659 754510/0675 002844		
5.	Contact Person	Rajab Abdallah Mshana Company Secretary		
6.	TIC Certificate of Incentives	Number: 030429		
		Date of Registration: 24th January 2017		
7.	Present Ownership Structure (Shareholders)	<i>Name</i>	<i>Nationality</i>	<i>Percentage</i>
		Hassan A. Mshana	Tanzanian	75%
		Hussein A. Mshana	Tanzanian	12.50%
		Sikudhan A. Mshana	Tanzanian	12.50%
8.	Total Investment Cost (To-date)	USD 11,918,425.42		
9.	Current Status of the Project	Construction of the hotel building complete, but not operating. The project is expected to be in a full swing by December 2023		
10.	Project Capacity (No. of Rooms)	114		
11.	Manpower Total (Nos.)	6		
12.	Future Investment Plans	Completion of the Project		

1.0 BACKGROUND

Parrot Hotel Limited (PHL) is a TIC-registered project with a Certificate of Incentives No.030429 issued for the first time on 26th September 2014 with the sole objective of constructing and operating a tourist hotel in Arusha. The implementation period of this project was then extended up to September 2017.

Recently, the Tanzania Investment Centre (TIC) received a letter dated 26th August 2022 from PHL requesting an extension of the project implementation period and amendment for their TIC Certificate of Incentives due to the following reasons:

First, the intended hotel project has suffered several impediments in the course of its completion, including a shortage of funding which was mainly caused by the prolonged discussion with TIB Bank which the company entered the loan contract, but due to cash flow issues with the Bank, it was difficult to access the funding. Currently, the Bank is ready to proceed with the implementation of loan obligations. The other impediment is the COVID-19 pandemic which has caused a high rise in the cost of materials. The net effect has led to delays in the completion of their project. Based on these two grounds, the investors requested TIC to grant them an extension of the project implementation period for two (2) years to facilitate the completion of the project and enjoy fiscal and continue enjoying non-fiscal incentives.

Second, they requested the Centre to amend their Certificate of Incentives in shareholding structure by replacing Mr. Abdallah Rajab Mshana who passed away last year (2021) with THE LATE ESTATE OF LATE ABDALLAH RAJAB MSHANA as per the Official BRELA Search document presented as Annexure I in this Report.

Upon receipt of this letter, on 6th September 2022, the Acting Director of Investment Facilitation (DIF) instructed our office to conduct a project's physical verification visit (PVV) to verify the reasons given.

On Thursday, 8th September 2022 our Zonal Manager, Mr. Daudi Riganda, and Acting Investment Facilitation Manager (Aftercare), Mr. George Mukono conducted the PVV exercise on PHL for purpose of generating a PVV Report that would come up with recommendations following investors' request for an additional extension period and amendment of their Certificate of Incentives.

1.1 Project Activities

M/S Parrot Hotel Limited registered its project at Tanzania Investment Centre (TIC) where it was issued with Certificate of Incentives No. 030429 dated 26th September 2014 with the sole objective of constructing and operating a tourist hotel in Arusha. The implementation period of this project was then extended up to September 2017.

1.2 Project Location

Parrot Hotel Limited project is located on Plot No. 48 Block 21 located at Kaloreni, Arusha.

2.0 VISIT OBJECTIVES

2.1 Overall Objective

To examine the rationale behind the investors' application for an additional extension of the project implementation period and amendment for their TIC Certificate of Incentives

2.2 Specific Objectives

- To evaluate the implementation status of the Company's proposed activities as per TIC Certificate of Incentives No. 030429;
- To analyze the project's development and challenges to date;
- To assess the Company's need for an additional extension of the implementation period and amendment for their TIC Certificate of Incentives.

3.0 PVV METHODOLOGY

The following is the methodology applied in obtaining data/information required for this report:

- a) Physical examination of the project site, observation of the ongoing activities at the site; and determine whether the ongoing activities at the site correspond with the company's proposed activities (as per TIC Certificate of Incentives);
- b) Verify the development and challenges of the project;
- c) Interview Mr. Rajab Mshana (Company Secretary) and Hussein Abdallah Mshana (Company Shareholder/Director), collection and analysis of data/information given to verify challenges reported to TIC; and
- d) Review copies of relevant documents submitted to TIC and take site photos.

4.0 INTERVIEW, OBSERVATIONS, INTERVIEW AND FINDINGS

4.1 Implementation Status of the Company's Proposed Activities

During our physical visit to the site, it was established that the implementation of the company's proposed activities is per TIC Certificate of Incentives No. 030429. This is evident from the project pictures taken on the site which are presented in Annexure II of this Report. The actual development of this project is estimated at 98% complete.

4.2 Project's Development

During our physical visit at the site on Plot No. 48 Block 21 Kaloleni Area in Arusha City it was established that the project has made the following development:

- 4.2.1 The actual construction of the main hotel building is now complete, save for a few final fittings;
- 4.2.2 Construction of the building structure began in 2004. This building is designed to consist of 13 storeys;
- 4.2.3 The main hotel building will be utilized to accommodate the reception, kitchen with modern equipment, modern restaurant, bar, laundry, gym, general secretarial bureau, conference rooms, and a swimming pool;
- 4.2.4 Some of the parts of the building walls that were painted are worn out after staying for a long time unmaintained;
- 4.2.5 The main hotel building has an accommodation capacity of 114 standard rooms with single, twin, and double beds. Each room has a private veranda where one can relax and enjoy the outside view;
- 4.2.6 A Lift is already installed in the building;
- 4.2.7 All hotel rooms are self-contained, furnished with a high standard of carpet, and air-conditioned. However, none of the rooms had a television, telephone, or furniture;
- 4.2.8 The procurement of hotel utility vehicles, furniture, televisions, mattresses, crockery, cutlery, and other catering equipment, not yet made as per a List of

import duty and VAT exemptions on the capital/deemed capital goods approved by the Commissioner for Customs & Excise in 2005.

4.3 Interview Mr. Rajab Mshana (Company Secretary) and Hassan Abdallah Mshana (Company Shareholder/Director), collection and analysis of data/information given to verify challenges reported to TIC

During the interview with Mr. Rajab Mshana (Company Secretary) and Hassan Abdallah Mshana (Company Shareholder/Director), it was established that the following challenges affected the implementation of the project between 2010 and to date:

4.3.1 Financial Constraints

Our Team has been able to confirm that there was a period when this company faltered due to insufficient funds to run the project. The hotel project had suffered several impediments in the course of its completion, including a shortage of funding which was mainly caused by the prolonged discussion with TIB Bank which the company entered the loan contract, but due to cash flow issues with the Bank, it was difficult to access the funding. Currently, the Bank is ready to proceed with the implementation of loan obligations.

4.3.2 The COVID-19 Pandemic

The COVID-19 pandemic caused a high rise in the cost of materials. The net effect has led to delays in the completion of this project.

4.3.3 Death of one of the shareholders in 2021

The death of Mr. Abdallah Rajab Mshana who was one of the Company's shareholders has severely affected the implementation of this project.

4.4 Evaluate the Investor's need for an additional extension period of the TIC Certificate

Even though this company encountered great challenges during the implementation of this project including financial constraints, the COVID-19 pandemic, and the death of one of the company's shareholders, from our point of view these reasons are not very fundamental to enabling this company to be added additional time for the implementation of their project because the certificate of this company has been issued more than 18 years ago. Throughout that period they have been extended several times. In addition, several tax changes have been made during that period, which is not easy to ignore during this period. We think that a further extension period should not be granted. However, an amendment to the Certificate of Incentives should be done following the death of Mr. Abdallah Rajab Mshana who was one of the Company's shareholders.

4.5 Review copies of relevant documents submitted to TIC and take site photos

During our physical visit to the site on Plot No. 48 Block 21 Kaloleni Area in Arusha City the following relevant documents were reviewed:

- Investor's TIC Certificate of Incentives;
- Application letter from the Investor addressed to the TIC EXD stating why they need an additional extension period of the TIC Certificate;
- Investor's Progress Report;
- List of Import Duty and VAT Exemptions on the Capital/Deemed Capital Goods granted by the TRA Commissioner for Customs & Excise;
- TIB Development Bank Credit Facility-Letter of Offer;
- Draft Minutes of the Meeting between TIB Development Bank, Parrot Hotel Limited, et al held at TIB Development Bank Board Room, Head Office Mlimani City, Dar es Salaam, on 16th August 2022;
- Site pictures presented to TIC.

Type of Document	Status	Remarks
<i>Investor's TIC Certificate of Incentives</i>	Presented	It suffices TIC's Requirements
<i>Application letter from the Investor addressed to the TIC EXD stating why they need an additional extension period of the TIC Certificate</i>	Presented	It suffices TIC's Requirements
<i>Investor's Progress Report</i>	Presented	It suffices TIC's Requirements
<i>List of Import Duty and VAT Exemptions on the Capital/Deemed Capital Goods granted by the TRA Commissioner for Customs & Excise</i>	Presented	It is out of date
<i>Bank Facility Offer Letters</i>	Presented	It suffices TIC's Requirements
<i>Site pictures presented to TIC</i>	Presented	It suffices TIC's Requirements

5.0 CONCLUSIONS

Given the interview, observations, and findings above, the following are our conclusions regarding the objectives of our visit:

- 5.1 The implementation of the Company's proposed activities is in line with the TIC Certificate of Incentives No. 030429 dated 24th January 2017;
- 5.2 The project has not started due to various reasons including financial constraints, the COVID-19 pandemic, and the death caused of one of the shareholders as explained above;
- 5.3 The actual construction of the hotel building which consists of 13 storeys is complete by 98%;
- 5.4 The main hotel building has an accommodation capacity of 114 standard rooms with single, twin, and double beds. Each room has a private veranda where one can relax and enjoy the outside view;

- 5.5 All hotel rooms are self-contained, furnished with a high standard of carpet, and air-conditioned. However, none of the rooms has a television, telephone, or furniture;
- 5.6 Investors applied and enjoyed fiscal incentives such as import duty/VAT exemptions on building materials (tiles, cement, paints, PVC & HDPE pipes, steel reinforcement bars, roofing sheets, gypsum boards, glasses, air conditioners, etc) with exception of utility vehicles, televisions, furniture, crockery, cutlery, and other catering equipment, as approved by the Commissioner for Customs & Excise on 22nd February 2008 and 18th February 2016 respectively;
- 5.7 There is a need for amendment of the Certificate of Incentives to be done following the death of Mr. Abdallah Rajab Mshana who was one of the Company's shareholders.

6.0 RECOMMENDATIONS

From the above findings and conclusions, we wish to recommend the following:

- 6.1 Since the investors had already enjoyed twice many fiscal incentives such as import duty/VAT exemptions on building materials (tiles, cement, paints, PVC & HDPE pipes, steel reinforcement bars, roofing sheets, gypsum boards, glasses, air conditioners, etc), we recommend approval of the extension of implementation period NOT to be granted;
- 6.2 Since the investors' Certificate of Incentives, was issued more than 8 years ago a lot of tax and legislative changes have occurred between 2004 and today that have affected various laws including the Tanzania Investment Act Cap 38 R.E. 2002 (the Tanzania Investment Act), the approval of the extension of the implementation period will bring contradictions in the laws;
- 6.3 That, the investors should be guided to apply fiscal incentives based on the EAC Customs Management Act that grants import duty at the rate of 0% on hotel equipment provided that they are engraved or printed, or marked with the hotel logo imported by a licensed hotel for its use. These equipment are

such as washing machines, kitchenware, cookers, fridges and freezers, air conditioning systems, cutlery, televisions, carpets, furniture, linen and curtains, and gymnasium equipment;

- 6.4 That, the investors can continue enjoying non-fiscal incentives even on the expiry of the Certificate of Incentives;
- 6.5 Since the project has a small percentage left to be completed (2 percent), investors should finish it with their own or bank strength as the Government has already supported them a lot;
- 6.6 Following the death of Mr. Abdallah Rajab Mshana who was one of the Company's shareholders, their application for amendment of the Certificate of Incentives should be approved.

We submit,



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Daudi Riganda



.....
George Mukono

DATE: 19.09.2022

ANNEXURE I: OFFICIAL BRELA SEARCH DOCUMENT



TANZANIA

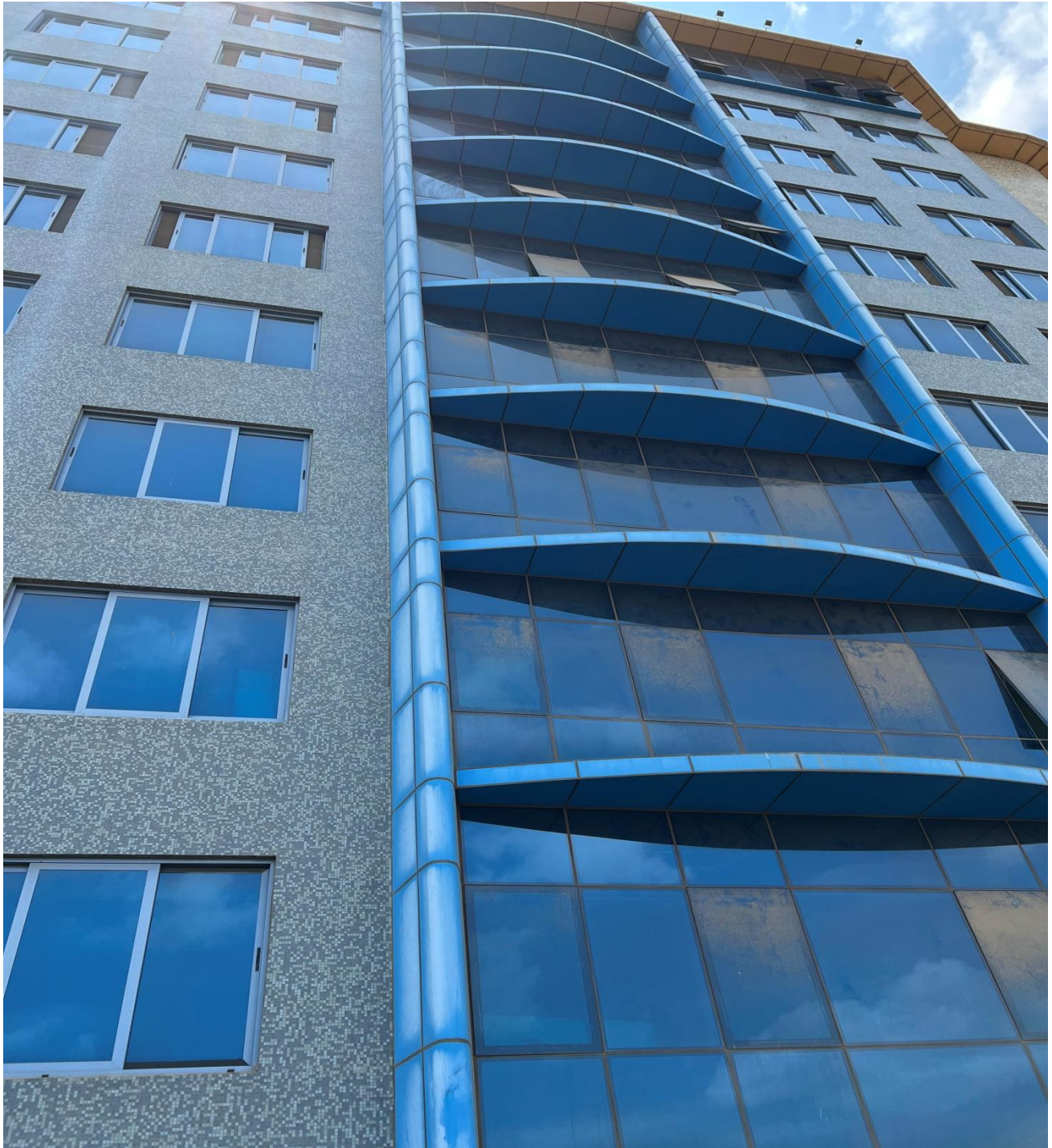


Register of Companies Detailed information

Information date and time: 06/10/2021 11:27:14
Registration date and time: 24/06/2004 00:00:00

1. **Status:** Registered
2. **Incorporation number:** 49280
3. **Company:** PARROT HOTEL LIMITED
4. **Company type:** Private company Limited by shares
5. **Registered office:** Region Arusha, District Arusha CBD, Ward Kaloleni, Postal code 23103, Street Kaloleni, Road Makongoro, Plot number 48, Block number 21, House number NIL
6. **Contacts:** Email: shanageneralstore@gmail.com, Mob no/Tel no: 255272750535, P.O.Box 11249
7. **Business activity:**
 - 5590 - Other accommodation, Main activity
 - 5520 - Camping grounds, recreational vehicle parks and trailer parks, Main activity
 - 5510 - Short term accommodation activities, Main activity
 - 5610 - Restaurants and mobile food service activities, Main activity
 - 5621 - Event catering, Main activity
 - 5629 - Other food service activities, Main activity
 - 5630 - Beverage serving activities, Main activity
 - 6810 - Real estate activities with own or leased property
 - 6820 - Real estate activities on a fee or contract basis
 - 4921 - Urban and suburban passenger land transport
 - 5229 - Other transportation support activities
 - 5210 - Warehousing and storage
 - 4722 - Retail sale of beverages in specialized stores
 - 4721 - Retail sale of food in specialized stores
 - 4630 - Wholesale of food, beverages and tobacco
 - 4620 - Wholesale of agricultural raw materials and live animals
8. **Directors / Directors in the country of origin:** HASSAN ABDALLAH MSHANA, Tanzania
HUSSEIN ABDALLAH MSHANA, Tanzania
SIKUDHANI ABDALLAH MSHANA, Tanzania
9. **Company secretary / Company secretary in the country of origin:** RAJABU ABDALLAH MSHANA, Tanzania
10. **Authorised share capital:** 4500000000 TZS
11. **Class of shares:** Class Ordinary: 4500000 shares, 1000 TZS/share, 4500000000 TZS
12. **Shareholders:** HASSAN ABDALLAH MSHANA Class Ordinary 75 shares taken
THE ESTATE OF LATE ABDALLAH RAJABU MSHANA Class Ordinary 25 shares taken

ANNEXURE II: SITE PICTURES



Front View of the Parrot Hotel constructed building on Plot No. 48 Block 21 Kaloleni Area in Arusha City



Interior View of the Parrot Hotel



From Left: TIC Zonal Manager, Mr. Daudi S. Riganda, PHL Company Secretary, Mr. Rajab Abdallah Mshana, TIC Ag. IFM (AC), Mr. George Mukono, and PHL Director Hussein Abdallah Mshana