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The following circular is promulgated for information, guidance and necessary action

*Hamza S. Johari*  
**Director General**

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### **TCAA CREDIT POLICY**

- 1.0 The Authority has been granting credit to its customers by issuing bills and allowing them to settle their bills later after the service has been provided. This practice also advocated by the International Civil Aviation Organization "*Charges for Airport and Navigation Services (Doc 9082/7)*"
- 2.0 The Authority would like to inform all its customers that it has reviewed its Credit Policy in order to achieve sustainability, efficiency, and effective credit management. Operators who wish to operate on credit are advised to use the revised Credit Policy enclosed to this Circular.
- 3.0 The revised Credit Policy became effective on **15 March 2021**.

**TANZANIA CIVIL AVIATION AUTHORITY**



**TCAA**

**CREDIT POLICY**

**AUGUST, 2020**

# CONTENTS

LIST OF ABBREVIATIONS .....	iii
1.0 INTRODUCTION.....	1
2.0 POLICY OBJECTIVES.....	2
3.0 SCOPE .....	3
4.0 POLICY STATEMENTS.....	3
4.1 Credit Granting Decision .....	3
4.2 Responsibility of Credit Management.....	3
4.3 Criteria for Credit Eligibility.....	4
4.4 Credit Terms .....	4
4.5 Credit Control .....	6
4.6 Billing Cycle.....	7
4.7 Measures to Enhance Policy Compliance .....	7
4.8 Credit Application.....	7
5.0 PAYMENT METHOD.....	7
6.0 COMPLIANCE.....	7
7.0 REVIEW.....	8
8.0 EFFECTIVE DATE .....	8



# LIST OF ABBREVIATIONS

BRELA	-	Business Registrations Licensing Authority
Doc	-	Document
GePG	-	Government Electronic Payment Gateway
IATA	-	International Air Transport Association
ICAO	-	International Civil Aviation Organization
ICH	-	IATA Clearing House
PoS	-	Point of Sales
USD	-	United States Dollar

TCAA



# 1.0 INTRODUCTION

Tanzania Civil Aviation Authority also known by its acronym “TCAA” is established pursuant to the Civil Aviation Act, Cap. 80 (R.E.2020).

The Act mandates the Authority to provide safety, security and economic oversight of the civil aviation industry and air navigation services in Tanzania. The regulated services fall under three (03) categories: air transport services, aeronautical airport services (airside airport operations, ground handling, in-flight catering and aviation fueling) and air navigation services.

The Civil Aviation Act Cap 80 (R.E 2020) empowers the Authority to operate along commercial principles and ensure that its revenue is sufficient to meet operational and capital expenditure. The Authority’s revenues are accrued from the fees and charges collected based on various aeronautical services provided to the industry and the public by the Authority.

As a common business practice, the Authority does grant credit to some of its customers by billing and allowing them to settle the bills at a later date after the services have been provided. ICAO’s Policies on Charges for Airports and Air Navigation Services (Doc 9082/7) advocates the need for service providers to indicate the credit terms and penalties on invoices issued to air operators.

Subsequently, this policy consists of the objectives, policy statements, criteria for eligibility for credit, procedures to monitor credit already granted, sanctions which shall be used to control credit and action against defaulters.

An effective revenue collections policy requires a formal system that ensures overdue accounts get paid. Late payments can disrupt cash flow and harm the Authority's cash flow. To keep receivables flowing smoothly, the Authority will use a series of letters and phone calls to encourage customers to pay. These communications will start out friendly and progressively become more serious and insistent as payments become overdue.

It is expected that the policy will guide the Management while providing services to its customers to make the right decision and be able to collect all outstanding.

## 2.0 POLICY OBJECTIVES

This policy aims at achieving sustainable, effective and efficient credit management and revenue collection. It provides a framework in which the targets are set outlining the necessary measures to guide the entire range of actions in credit management. All related activities and actors would be harmonized with a view of improving the quality of credit management and revenue collection. Trade receivables are to be reduced to sectoral benchmark level. The Credit Policy will guide the Authority in the credit management and ensure that everyone within the Authority understands the working procedures and exhibit financial control over trade receivables.

The main objectives of granting credit facility include the following:

- i. To guide the credit management process by outlining credit standards and terms of credit to be adhered to;
- ii. To create an enabling environment that will enhance willingness to pay by customers and thus reduce follow-up and recovery costs;

- iii. To ensure stable liquidity condition and reduction of Accounts Receivable Ratio to less than 60 days;
- iv. To enhance transparency and leadership support through regular reporting;
- v. To outline measures for improvement of revenue collection efficiency;
- vi. To facilitate business transactions with customers;
- vii. To make it convenient to operators to receive service without being required to make payment immediately;
- viii. To enhance security for money of the Authority by effecting all payments through banking systems;
- ix. To continue improving the relationship between the Authority, customers and other stakeholders.

## 3.0 SCOPE

The policy will cover all the Authority's revenue collections from the services that are provided on credit.

## 4.0 POLICY STATEMENTS

### 4.1 Credit Granting Decision

The Authority shall grant credit only to eligible customers, in order to ensure financial sustainability of the Authority. The status of credit beneficiaries shall be subject to periodic reviews to ensure that the Authority is aware of any changes potential to negatively affect the eligibility criteria of the operator.

### 4.2 Responsibility of Credit Management

Credit management involves the monitoring and collecting payments from the operators who have been allowed to operate

on credit; therefore, the specialized credit management system will ease the amount of revenue tied up with debtors. In order to achieve that, credit management will involve not only Finance Section but also it will be the responsibility of the Authority's Management as a whole. Various measures which may be taken will need to be first approved by Management.

### **4.3 Criteria for Credit Eligibility**

The Authority reserves the right to grant a credit facility to an Operator or Service Provider. However, in order to qualify for a credit facility, a Service Provider shall be required to fulfill either of the following conditions:

- i. To be an International Air Transport Association (IATA) and IATA Clearing House (ICH) Member;
- ii. To be an airline operating on schedule basis and it must be continuous in operation for at least six (6) months;
- iii. To be an Operator or Service Provider who has been settling its financial obligations on time of at least one (1) year;
- iv. A Domestic Operator shall have a valid Air or Ground Handling Services Licence issued by the Authority;
- v. Any other condition as may be determined by the Director General.

### **4.4 Credit Terms**

The terms of the credit shall be as follows:

- i. Local operators shall pay air navigation charges within 30 days from the date of receiving invoice;
- ii. IATA customers shall pay Air Navigation Charges within 60 days from the billing date;

- iii. International and domestic scheduled airlines shall submit monthly returns to the Authority on or before 15<sup>th</sup> of the subsequent month on the total embarked passengers accompanied with the relevant bank transfer slips;
- iv. Safety Fee for IATA Customers shall be remitted 30 days from the date of the billing;
- v. Interest (compound) shall be charged for late payments or non-payment of all other receivables at the rate of 5% per month except for safety fee;
- vi. When the principal amount or interest remains unpaid for at most three months, the Credit Facility shall automatically expire, and services shall only be provided when the operator makes an advance payment;
- vii. After expiry of the credit facility, if the amount owed remains unpaid for a further three months, service(s) shall be denied from the operator or service provider;
- viii. The policy shall become effective on 1 April 2021
- ix. A fine of 2,000 USD or TZS equivalent shall be imposed to a customer who will enjoy the benefit of the credit policy without an authorization.

#### **4.5 Credit Control**

For the authority to have an effective credit policy, the Finance Manager shall institute and follow the good credit management practices as follows.

- i. Issuance of monthly customer statements not later than the 15<sup>th</sup> day of every month;
- ii. To maintain an up to date record of the Authority's

debtors which should include physical location, postal address, email address, office telephone and mobile telephone for all key staff of the operators;

- iii. To identify overdue customer accounts promptly and take action to encourage payments;
- iv. To monitor closely individual customer accounts;
- v. To visit customers with the aim of creating good customer relationship;
- vi. To track payments through the IATA System;
- vii. To bill all IATA and ICH through the agreed upon modality;
- viii. To advise the Management regularly on customer statuses;
- ix. To issue Customers with reminder letters every month (maximum three months) including 5% interest charge per month until the debt is cleared;
- x. To recommend possible measures against defaulters as narrated whenever deemed necessary;
- xi. To express an intent to take a legal action and finally take the legal action if the customer does not comply after relevant approvals;
- xii. To recover debts including specific damages or recommend to the management for write off in accordance to TCAA (Financial) Rules, 2018;
- xiii. To removes outstanding debts in the books of accounts after approval in accordance to TCAA (Financial) Rules, 2018.

#### 4.6 Billing Cycle

- a) Distribution of the invoices shall be before the 15<sup>th</sup> day of the following month;
- b) Confirmation and rejection of invoices will be done seven days after distribution of invoice;
- c) Collection procedures shall be followed for overdue invoices.

#### 4.7 Measures to Enhance Policy Compliance

The Authority shall institute strategies to enhance the policy compliance.

#### 4.8 Credit Application

No operator shall be allowed to operate on credit unless she possesses an approved Credit Facility by the Authority.

## 5.0 PAYMENT METHOD

All payments shall be made to the Director General of Tanzania Civil Aviation Authority through respective bank account/GEPG as reflected on customer invoice or payment control numbers issued by the Authority.

A copy of the telegraphic transfer (deposit slip) shall be sent to the Director General of Tanzania Civil Aviation Authority by fax to No: +255 22 211 8905 or email: [tcaa@tcaa.go.tz](mailto:tcaa@tcaa.go.tz).

## 6.0 COMPLIANCE

All Authority's Staff and stakeholders shall comply with the requirements of this policy.

## 7.0 REVIEW

This Credit Policy shall be reviewed after every three years or when a need arises.

## 8.0 EFFECTIVE DATE

The policy shall become effective from 1<sup>st</sup> March, 2021.

August, 2020  
DAR ES SALAAM



HAMZA S. JOHARI  
DIRECTOR GENERAL

**TCAA** 