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Economic Overview and FY 2026/27 Budget Highlights

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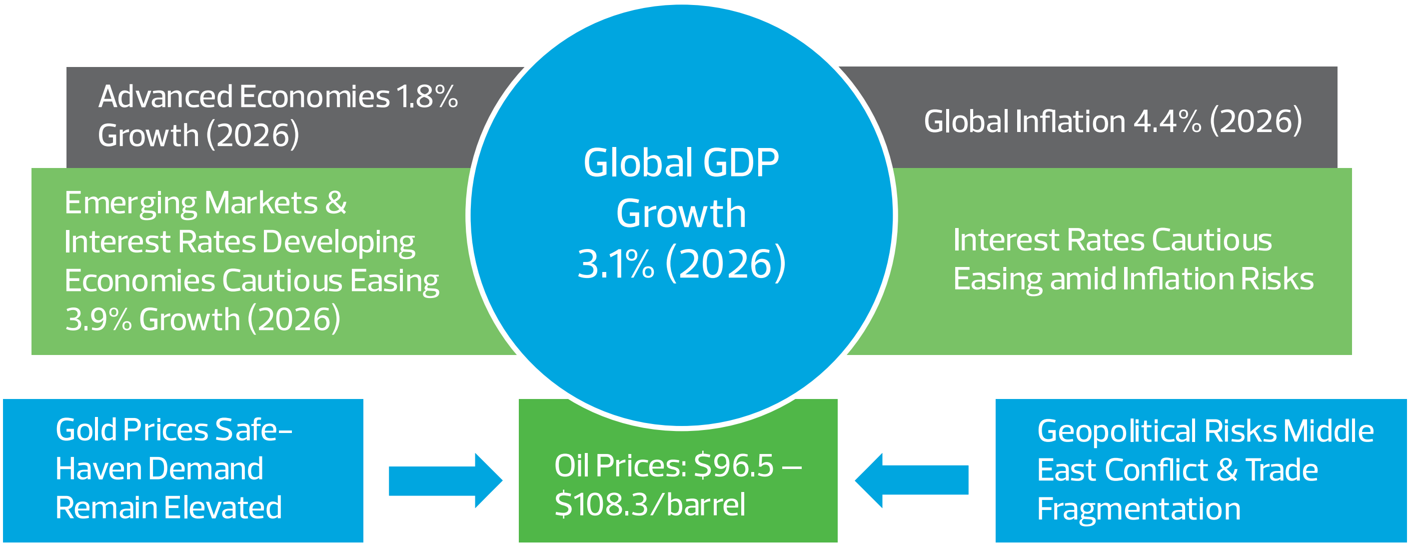
Economic Highlights

Global Economic Outlook

The global economy entered 2026 on a path of relative stability, building on the resilience it had demonstrated through successive shocks in recent years. However, the outbreak of a major military conflict engulfing the Middle East in late February 2026 has once again disrupted economic momentum, introducing new uncertainties around energy prices, inflation, trade routes, and financial market stability, according to the IMF World Economic Outlook, April 2026.



- Global growth is projected at 3.1% in 2026 and 3.2% in 2027, representing a downward revision from the IMF's January 2026 WEO Update projection of 3.3% for 2026, mainly due to the economic impact of the Middle East conflict. The IMF notes that, prior to the conflict, global growth momentum was expected to lift the 2026 pre-conflict forecast to 3.4%.
- This sluggish trajectory keeps global expansion well below historical averages. The slowdown reflects the compounded weight of geopolitical tensions, elevated market uncertainty, and deeper structural challenges like lagging productivity growth in major economies. While emerging markets and developing economies remain the primary engines of global growth, they face intense vulnerability ahead due to volatile commodity prices and tightening financial conditions.
- Global inflation is projected to rise from 4.1% in 2025 to 4.4% in 2026, largely driven by higher energy and food prices resulting from the Middle East conflict, before easing to 3.7% in 2027. While inflationary pressures have moderated compared to the post-pandemic period, central banks remain cautious due to the risk of inflation expectations becoming entrenched.
- Global trade continues to benefit from strong demand for technology-related products and increasing investment in artificial intelligence (AI). However, trade fragmentation, supply chain realignments, and geopolitical tensions continue to pose significant risks to sustained growth. China's export sector remains relatively strong, although domestic demand and the property sector continue to weigh on overall economic performance.

- Commodity markets have become increasingly volatile.
  - **Oil prices** remained elevated during 2026, reflecting ongoing geopolitical tensions and supply concerns in global energy markets. As of May 2026, Brent crude oil traded at approximately USD 96.51 per barrel, while WTI crude oil and the OPEC basket stood at USD 93.89 and USD 108.63 per barrel, respectively. Natural gas prices are expected to remain elevated
  - **Precious metal prices,** including gold, platinum, and silver, reached record highs in early 2026 driven by geopolitical tensions and strong safe-haven demand, with the World Bank projecting a 42% increase in prices in 2026 before a moderate 8% decline in 2027, while remaining at historically elevated levels.
  - **Food prices** are expected to increase further due to higher transportation, energy, and fertilizer costs.
- Risks to the global economic outlook remain predominantly tilted to the downside. A prolonged or escalating conflict in the Middle East could precipitate a severe energy shock, intensify inflationary pressures, tighten global financial conditions, and materially weaken economic growth. Other significant downside risks include escalating trade tensions, rising public debt burdens, heightened financial market volatility, climate related disruptions, and a sharper than anticipated slowdown in major economies.
- Despite these challenges, medium-term prospects could improve through technological advancements, particularly the broader adoption of artificial intelligence and digital technologies, which have the potential to boost productivity and support economic growth.
- The IMF emphasizes the importance of maintaining price stability, preserving fiscal sustainability, strengthening international cooperation, and implementing structural reforms to enhance resilience and support long-term growth

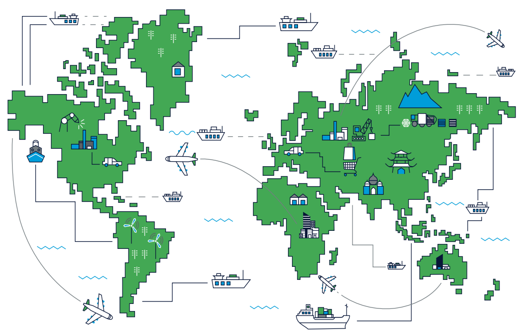


Table 1 below summarises the World economic outlook projections:

World Economic Outlook (Real GDP in %)			
Real GDP Growth (%)	Average	Projections	
	2025	2026	2027
Global economy (World)	3.4	3.1	3.2
Advanced Economies	1.9	1.8	1.7
Emerging and Developing Asia	5.5	4.9	4.8
Emerging and Developing Europe	2.0	2.0	2.1
Latin America and the Caribbean	2.4	2.3	2.7
Middle East and Central Asia	3.6	1.9	4.9
Sub-Saharan Africa	4.5	4.3	4.4
Tanzania	5.9	5.9	6.1

Table 1: Source (IMF World Economic Outlook Report April 2026)

Sub-Saharan Africa & East Africa – Regional Overview

Overall Growth Trends:

- Sub-Saharan Africa's economic recovery is expected to continue, with real GDP growth projected at approximately 4.3%–4.4% in 2026 and 2027. However, the pace of recovery remains moderate and is subject to increasing downside risks arising from global economic uncertainty, geopolitical tensions, and tighter financial conditions.
- The African Development Bank estimates that **Africa's overall growth accelerated to 4.4% in 2025**, positioning the continent among the fastest-growing regions globally.
- Growth is supported by domestic demand, improved inflation dynamics, and relatively strong commodity prices (especially metals, minerals, and agricultural commodities such as cocoa and coffee).
- However, **growth remains below the level required for large-scale poverty reduction and job creation,** with structural constraints including low investment and weak productivity continuing to weigh on long-term performance.
- Per capita income growth remains modest at about **2.0% in 2026**, insufficient to significantly reduce poverty given rapid population growth.

Inflation and Monetary Policy:

- Inflation moderated across much of Sub-Saharan Africa in 2025, with the **median rate falling to 3.7%,** before rising again toward **4.8% in 2026** due to external shocks.
- Disinflation in 2024–2025 was driven by:
  - Lower global fuel and food prices
  - Exchange rate stabilisation
  - Tight monetary policy in key economies
- However, renewed geopolitical tensions (notably the Middle East conflict) are increasing:
  - Energy and fertilizer prices
  - Food inflation risks
  - Pressure on central banks to maintain tighter policy stances
- Central banks had begun easing policy in 2025, but **policy normalization may slow or reverse if inflation pressures persist.**

Fiscal Position and Debt:

- Fiscal consolidation is progressing, with primary balances expected to reach near balance by 2026, reflecting improved revenue mobilisation and expenditure control.
- Nevertheless, public debt vulnerabilities remain elevated:
  - About **half of Sub-Saharan African countries are at high risk of or already in debt distress.**
  - Debt service burdens are rising sharply, with **external debt service to revenue ratios increasing to over 18% in 2025.**

- Interest payments now **consume a large share of government revenues,** often exceeding spending on social sectors such as health and education.
- Structural fiscal challenges persist:
  - Narrow tax bases
  - Weak domestic resource mobilisation
  - High dependence on external financing

External Balances and Trade

- External balances strengthened in 2025, supported by several favourable factors, including robust commodity exports particularly gold, metals, and agricultural products a weaker US dollar, and a recovery in tourism flows.
- However, the outlook for **2026 is more uncertain**. Current account deficits are projected to widen again, largely driven by rising import costs for energy and fertilizers.
- At the same time, trade dynamics are increasingly being shaped by a combination of forces, notably **commodity price volatility**, ongoing supply chain disruptions, and geopolitical tensions that continue to affect global trade routes.
- Gulf countries have also emerged as key investors, contributing more than USD 100 billion in greenfield investments between 2022 and 2023. Nevertheless, this strong momentum may moderate amid a more uncertain global economic environment.

Policy Implications

- The region's growth outlook remains **fragile and highly exposed to external shocks**, requiring sustained reform efforts.
- Policy priorities include:
  - Strengthening **domestic resource mobilisation and tax systems**
  - Maintaining **fiscal discipline** while protecting social and investment spending
  - Enhancing **macroeconomic stability** through coordinated **monetary and fiscal policy**
  - **Scaling up investment** in infrastructure, skills, and productive sectors

- Long-term growth will depend on:
  - Industrialisation and structural transformation
  - Improved business environments
  - Deepening regional integration (African Continental Free Trade Area – 'AfCFTA')

Country	Real GDP (Annual Percentage % change)					
	2022	2023	2024	2025	2026*	2027*
Sub-Saharan Africa	4.4	3.8	4.2	4.5	4.3	4.4
Nigeria	4.3	3.3	4.1	4.0	4.1	4.3
South Africa	2.1	0.8	0.5	1.1	1.0	1.3
Kenya	4.9	5.7	4.7	4.9	4.5	4.7
Tanzania	4.7	5.1	5.4	5.9	5.9	6.1
Rwanda	9.8	8.6	7.2	7.0	7.2	7.6
Ethiopia	6.4	7.2	8.1	9.2	9.2	7.9
Uganda	6.2	5.0	6.0	6.7	7.5	8.2
Zambia	5.2	5.4	3.8	3.8	4.3	4.7

Table 2: Source IMF World Economic Outlook Database (April 2026), supplemented by medium-term IMF projections.

**Estimates*

East African outlook:

- East Africa remains the **fastest-growing subregion in Africa,** with Uganda (7.5%), Rwanda (7.2%), and Tanzania (5.9%) expected to record GDP growth rates well above the Sub-Saharan African average of 4.3% in 2026, reinforcing the region's role as a driver of continental economic growth despite global uncertainties.
- Growth is supported by **strong domestic demand, resilient private consumption, improving investment activity, easing inflation, and continued macroeconomic stability** despite ongoing global economic and geopolitical challenges.
  - According to IMF World Economic Outlook countries such as **Rwanda, Tanzania, and Uganda** are expected to lead economic growth, supported by **strong domestic demand, reform momentum, and ongoing investment programs**.
  - The region has also achieved notable gains in **living standards, with real per capita income projected to be approximately 25% higher than 2014 levels by 2026**, highlighting its relatively strong post-shock recovery compared to other subregions.
    - **Ethiopia** is projected to remain the fastest-growing economy in the region, with real GDP growth of **9.2%** in 2026, before moderating to **7.9%** in 2027.
    - **Rwanda and Uganda** are expected to maintain strong economic performance, recording growth rates of **7.2%** and **7.5%**, respectively, in 2026.
    - **Tanzania's** economy is projected to grow by 5.9% in 2026 and 6.1% in 2027, outperforming Kenya's projected growth of **4.5%** and **4.7%** over the same period.
- The region's **stronger growth** is driven by a mix of:
  - Continued investment in strategic infrastructure projects, including **transport corridors, railways, ports, energy generation, and digital connectivity.**
  - Expansion of key service sectors, particularly telecommunications, financial services, tourism, and information technology
  - Ongoing development of **oil and gas projects**, particularly in **Uganda and Tanzania**, which are expected to support medium-term investment and export growth.
  - Increasing regional trade and economic integration under the East African Community and the **African Continental Free Trade Area (AfCFTA).**
- Inflation in most **East African countries** has remained **within single digits**:

Tanzania: The annual inflation rate in Tanzania climbed to **4% in April 2026** from **3.2%** in each of the previous two months, reaching its highest level since **May 2023.**

Uganda: Inflation rate for **April 2026** stood at **3.0%**, rising slightly from the **2.8%** recorded in March 2026.

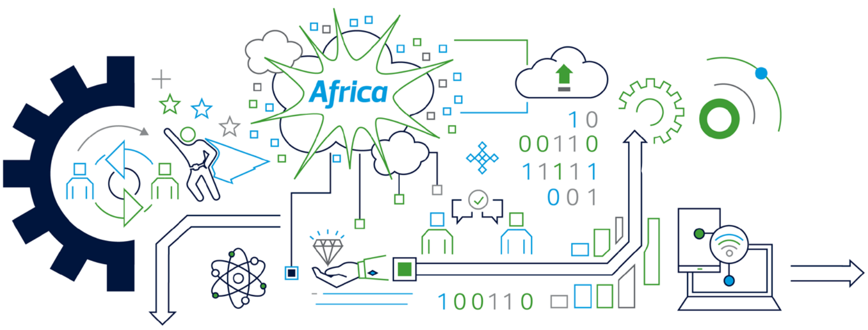
Kenya: Inflation rate in **April 2026** reached **5.6%,** a notable jump from **4.4%** in March 2026.

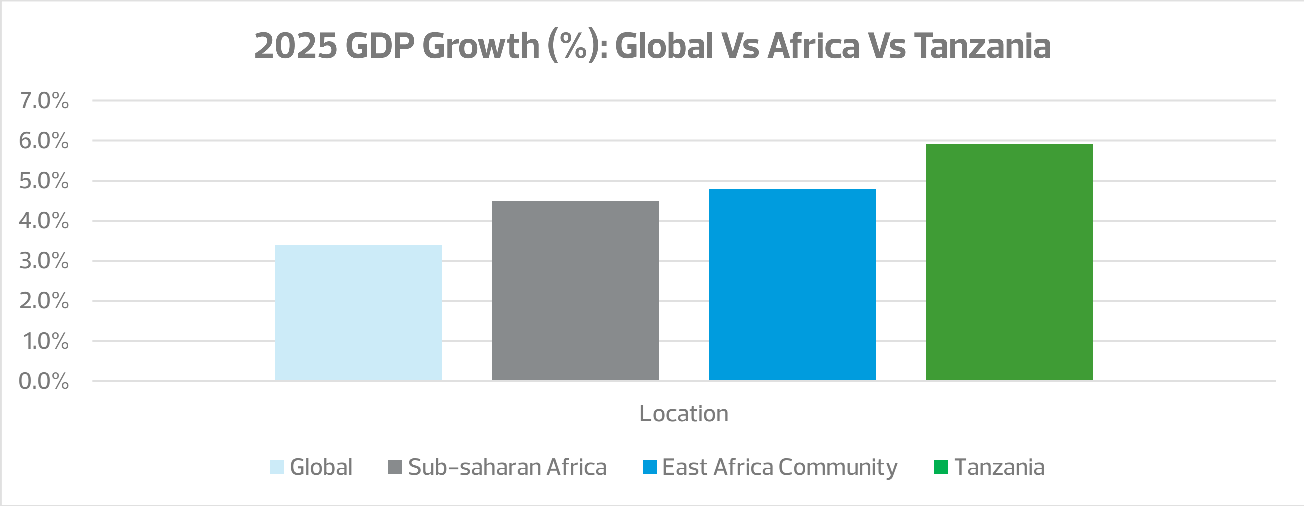
- **Currency stability in East Africa is expected to remain relatively stronger than in many other African regions**, although external pressures such as global financial tightening and import dependence continue to pose risks.
- **Stability remains uneven across countries:** currencies in **Kenya and Ethiopia** face ongoing depreciation pressures, while **Uganda and Tanzania** are expected to maintain relatively stable exchange rates due to stronger policy frameworks and macroeconomic balance.

- **Regional coordination and policy measures are improving stability**, with initiatives such as the **East African Payment System (EAPS)** and **cooperation through the EAC** helping to strengthen monetary management and reduce transaction costs.
- **External buffers and export performance will be key drivers of stability**, with foreign exchange reserves, FDI, remittances, and export sectors like tourism, agriculture, and emerging oil production helping to support currencies though fragile and conflict affected economies will continue to face volatility.

Regional risks:

- **Middle East Instability:** Conflict in the Middle East, which escalated in February 2026, has become a major risk to both global and regional stability.
- **Security Spillovers:** While West Africa and the Sahel remain areas of concern, new risks involve the disruption of maritime and air traffic in the Middle East, affecting trade routes and investor sentiment
- **Energy and Food Shocks:** The conflict represents a "negative supply shock," with energy prices projected to rise by **19% in 2026**. This directly increases the cost of fertilizers, chemicals, and food, potentially triggering "wage and price spirals".
- **Regional Growth Contractions:** Conflict-affected economies face severe GDP revisions for 2026; for example, Iran's growth has been revised downward by 7.2 percentage points to approximately 6.1%.
- **Debt and Fiscal Pressure:** Debt distress remains acute, as higher financing costs and conflict related spending needs weigh on public finances. Many countries face a "classic risk-off episode," leading to capital flight and increased risk premiums.
- **Critical Mineral Supply:** A specific point of friction is the high geographic concentration of rare earth elements. Supply disruptions in this sector could result in sizeable output losses, complicating the global green and digital transition.
- **Food Insecurity:** Rising energy and fertilizer prices, combined with disrupted shipping routes, are expected to drive food prices higher than previously projected.
- **Technological Adaptation:** The arrival of "**agentic AI**" offers the prospect of meaningful productivity gains that could offset some regional headwinds, provided policymakers manage the labour market transition effectively.
- **Targeted Fiscal Support:** To protect the most vulnerable from commodity price surges, fiscal support must be temporary, targeted, and consistent with medium-term plans, avoiding wasteful broad-based subsidies.
- **Monetary Vigilance:** Central banks are advised to take firm action to "re-anchor" inflation expectations if the energy shock leads to drifting prices.
- **Shifting Trade Policy:** The US effective statutory tariff rate has fluctuated, sitting at approximately 13.5% in current projections. The "rewiring" of global supply chains continues, with US imports shifting away from China toward Taiwan Province of China, Vietnam, and Mexico.



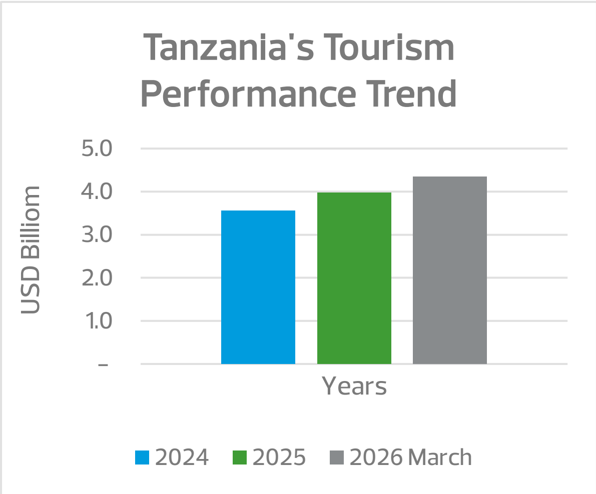


Tanzania Economic Overview

Growth and key sectors:

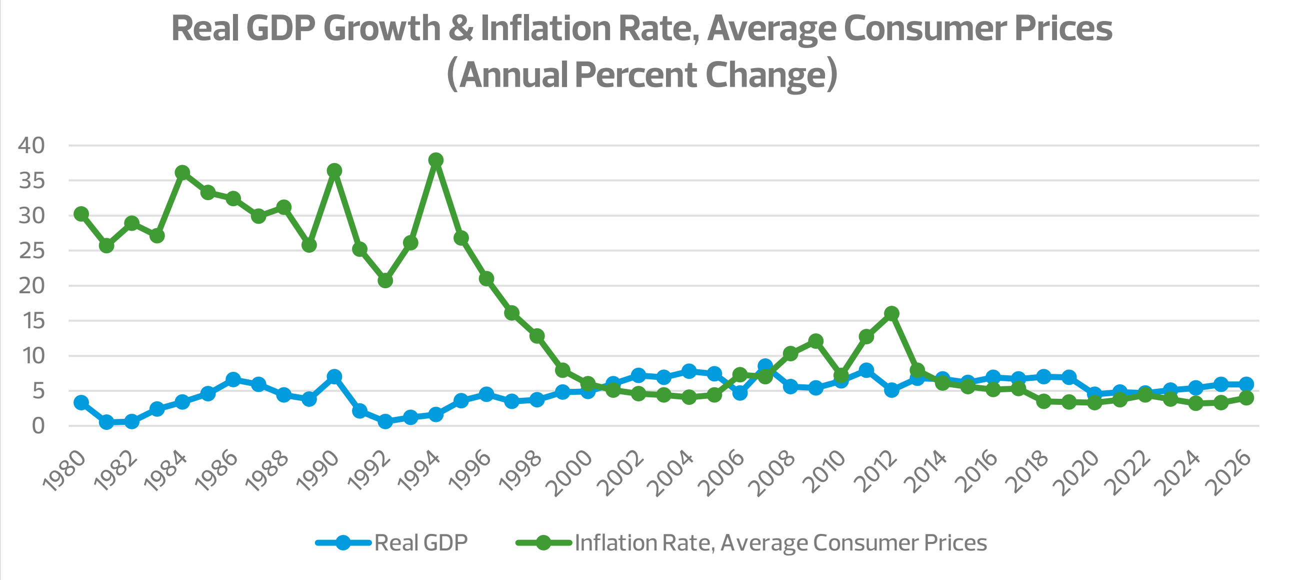
- Tanzania's economy continued to demonstrate strong growth, with real GDP expanding from 5.4% in 2024 to an estimated 5.9% in 2025, supported by broad-based growth across key sectors including agriculture, construction, financial services, mining, tourism, and transport. Growth is projected to remain at 5.9% in 2026, before strengthening further to 6.1% in 2027.
- Looking ahead, real GDP growth is projected to remain strong at 5.9% in 2026, supported by continued public and private investment, strong domestic demand, improved agricultural productivity, and sustained growth in the services sector.
- The economy maintained strong momentum during 2025, with GDP growth reaching **5.7%** in the fourth quarter of 2025, compared to **5.4%** in the corresponding quarter of 2024. Growth was driven primarily by agriculture, financial and insurance services, and construction activities.
- **Agriculture** continued to play a critical role in supporting economic growth and food security. The sector remained among the leading contributors to GDP growth, supported by favourable weather conditions and improved agricultural productivity.
- **Construction** remained a key driver of economic activity, supported by ongoing public and private investments in infrastructure, transport networks, energy projects, commercial developments, and housing. Construction accounted for a significant share of quarterly GDP growth during 2025.
- Based on data from the **Bank of Tanzania**, **the financial and insurance sectors** continued to expand strongly, supported by robust growth in private sector credit and increased financial intermediation. Financial services remained one of the largest contributors to overall economic growth during 2025.
- **The mining sector** continued to benefit from strong financing and favourable commodity market conditions. **Credit to mining and quarrying expanded by 78.4% in March 2026**, reflecting government initiatives aimed at improving access to finance for artisanal and small-scale miners.

- **Tourism** continued to support growth in the services sector. Travel receipts increased to **USD 4.34 billion** in the year ending March **2026** from **USD 3.97 billion** in the corresponding period of **2025,** reflecting sustained growth in tourism activity and international travel.
- High-frequency indicators remained positive during the first quarter of 2026. Imports of machinery, industrial supplies, transport equipment, and capital goods increased significantly, signalling continued expansion in domestic investment and productive capacity.



Inflation and currency:

- Tanzania maintained low and stable inflation during the first quarter of 2026. Headline inflation **stood at 3.2% in March 2026**, remaining within both national and regional convergence targets.
- Inflationary pressures remained contained despite global uncertainties, including the **Middle East conflict and higher international energy prices**. Adequate food supplies, exchange rate stability, and prudent monetary policy helped offset the impact of external shocks.
- The Bank of Tanzania projects inflation to remain within the target range of **3–5%** throughout **2026**.
- **Monetary conditions** remained supportive of economic growth. Extended broad money supply (M3) increased by **23.2%** in March 2026, while private sector credit grew by **24.1%,** reflecting strong demand for financing and improved access to credit.
- **Inflation** is expected to remain contained in the near term, supported by adequate domestic food supplies, a stable exchange rate environment, prudent monetary policy, and continued resilience in external sector earnings.
- **Lending rates** remained broadly stable. The overall lending rate stood at **15.11%** in March **2026**, while negotiated lending rates for prime borrowers remained around **12%.**
- **Tanzania's external sector** remained resilient, although the current account deficit widened to USD 2.49 billion in the year ending March 2026 from USD 2.01 billion in the corresponding period of 2025. The deterioration was largely attributable to strong growth in imports of industrial supplies and capital goods associated with increased domestic investment.
- Despite the wider current account deficit, Tanzania maintained a strong foreign exchange reserve position, with gross official reserves exceeding **USD 6.2 billion** during the first quarter of 2026, compared to **approximately USD 5.69 billion** a year earlier. The increase was supported by strong export performance and the Bank of Tanzania's domestic gold purchase programme.
- **Gross official reserves** remained adequate at approximately 4.9 months of import cover, exceeding regional reserve adequacy benchmarks.
- **The Tanzanian shilling** remained relatively **stable** despite external pressures. The exchange rate averaged **TZS 2,583.23 per US dollar** in the year ending March 2026, compared with **TZS 2,650.24 in the preceding period.**



Source : https://www.imf.org/en/Countries/TZA

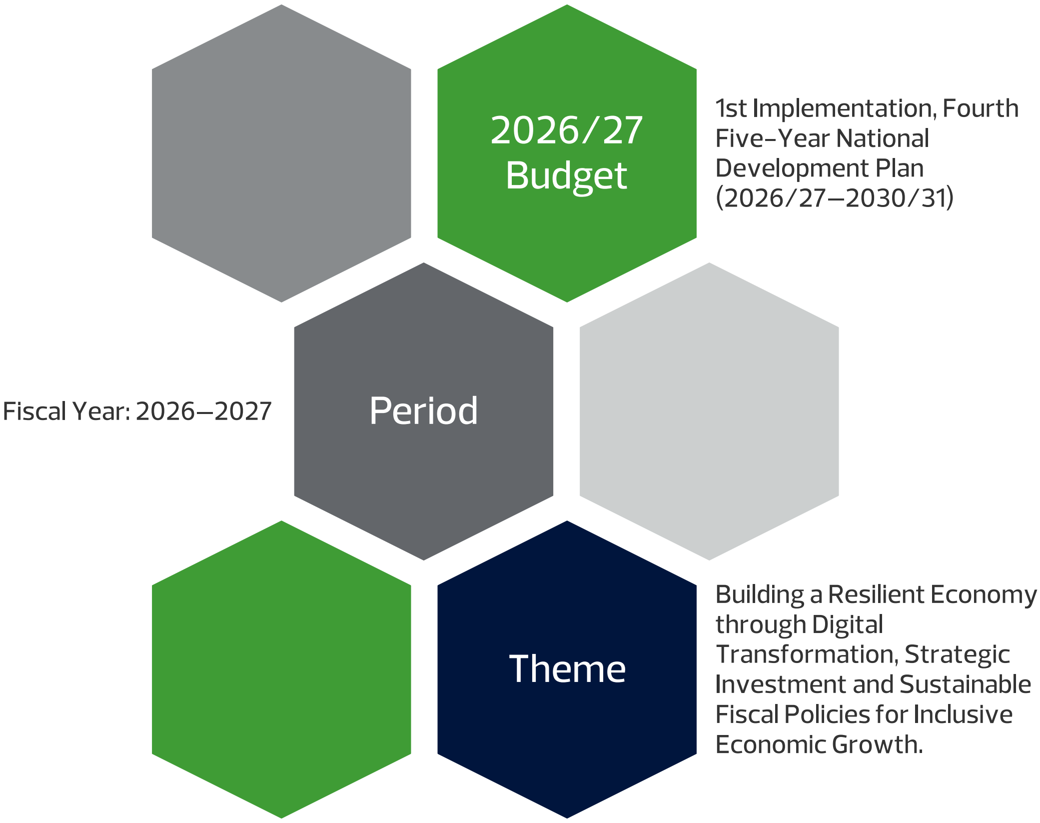
Other major policies and measures:

Strengthening the Use of the Tanzanian Shilling To promote the use of the local currency and enhance monetary policy effectiveness, the Government continued implementing the Foreign Currency Usage Regulations, 2025, which came into force on 28 March 2025. Key measures include: ▪ Mandatory use of Tanzanian Shillings for pricing and settlement of domestic transactions. ▪ Restrictions on quoting prices and demanding payments in foreign currencies for local transactions, except for specified exempted transactions. ▪ Continued efforts to strengthen the role of the Tanzanian Shilling in domestic economic activities and improve foreign exchange market efficiency. The regulations are expected to support exchange rate stability, strengthen monetary policy transmission, and reduce the economy's dependence on foreign currencies. **Expansion of the Bank of Tanzania Gold Purchase Programme** For FY 2025 through early months of FY 2026, the Bank of Tanzania continued implementing its domestic gold purchase programme aimed at strengthening the country's reserve position and enhancing external sector resilience.	**Key developments include:** ▪ Gross official foreign exchange reserves increased to USD 6.2 billion by March 2026, up from USD 5.69 billion in March 2025. ▪ Reserve accumulation was supported by strong export earnings and continued purchases of domestically produced gold. ▪ Foreign exchange reserves remained sufficient to cover approximately 4.9 months of imports, exceeding regional reserve adequacy benchmarks. The programme has strengthened reserve diversification and enhanced the country's ability to withstand external shocks. **Tourism and Export Sector Performance** The external sector remained resilient despite global economic uncertainty. ▪ Tourism earnings increased to USD 4.34 billion in the year ending March 2026, compared with USD 3.97 billion a year earlier. ▪ Strong performance in tourism, gold exports, and agricultural commodities contributed to foreign exchange earnings and reserve accumulation. ▪ These developments helped support exchange rate stability and strengthen Tanzania's external position.

Budget Highlights

Snapshot

The **2026/27 budget** marks the **first year in the implementation of the Tanzania Development Vision 2050 (Dira 2050)** and the **Fourth Five-Year National Development Plan (2026/27–2030/31)**. The budget is themed ***"Building a Resilient Economy through Digital Transformation, Strategic Investment and Sustainable Fiscal Policies for Inclusive Economic Growth."*** This national focus is aligned with broader regional and international development frameworks, including the **East African Community Vision 2050, African Union Agenda 2063, and the Sustainable Development Goals (SDGs) 2030.**



Macro-Economic Targets for the FY 2026/27 Budget

Real GDP Growth:	Accelerate real GDP growth to 6.3% in 2026 from 5.9% in 2025
Inflation:	Contain within a 3.0%–5.0% range in the medium term
Domestic Revenue:	Increase to 17.1% of GDP, up from 16.5% in 2025/26
Tax Revenue:	Increase to 13.7% of GDP, up from the projected 13.2% in 2025/26
Fiscal Deficit:	Ensure does not exceed 3.0% of GDP
Foreign Reserves:	To be maintained at a level adequate to cover at least four months of imports of goods and services.

Assumptions in Setting Macro-economic Targets for FY 2025/26 Budget

The **2026/27** macroeconomic targets are based on the following key assumptions:

- Robust implementation of the Medium Term Revenue Strategy (MTRS) 2025/26–2027/28
- Increased private sector participation in investment and business activities
- Resilience to the impacts of natural and man-made disasters, including droughts, earthquakes, pandemics, floods and geopolitical tensions
- Price stability in financial and commodity markets
- Sustained food security
- Continued peace, security, unity and stability within Tanzania and neighbouring countries

Priority Areas of the 2026/27 Budget

The 2026/27 budget marks the **first year in the implementation of the Tanzania Development Vision 2050 (Dira 2050)** and the **Fourth Five-Year National Development Plan (2026/27–2030/31)**, which aims to:

- Build a resilient, inclusive and competitive economy.
- Accelerate digital transformation and strategic investment.
- Promote value addition and productivity across key sectors.
- Enhance human capital and social development.
- Improve efficiency in public resource utilization and service delivery.

Key Priority Areas for 2026/27 Include:		
1.	Increasing Domestic Revenue Collection	Strengthening revenue mobilization through identification of new revenue sources, ICT systems enhancement and administrative reforms.
2.	Completion of Ongoing Development Projects and Programmes	Prioritising completion of strategic infrastructure and development projects to maximise economic and social returns.
3.	Strengthening Productive Sectors	Promoting agriculture, livestock, fisheries, mining, manufacturing and other sectors that support economic growth and employment creation.
4.	Improving Social Services	Enhancing access to quality education, health, water and other social services to improve livelihoods and human development outcomes.
5.	Improving the Investment and Business Environment	Implementing reforms that encourage private sector participation, investment, innovation and economic competitiveness.

The budget is anchored on **five broad development pillars**:

1. Governance, Peace, Security and Stability
2. Strong, Inclusive and Competitive Economy
3. Human Capital and Social Development
4. Environmental Conservation and Climate Change Resilience
5. Transformative Sectors

Strategic Focus for 2026/27 – Revenue Mobilisation, Digital Transformation and Fiscal Sustainability

As Tanzania begins implementation of **Dira 2050** and the **Fourth Five-Year National Development Plan (2026/27–2030/31)**, the Government is prioritising domestic resource mobilisation, digitalisation of revenue administration, investment promotion and business environment reforms to strengthen fiscal sustainability and support inclusive economic growth.

Revenue Mobilisation Strategies

Objective: Increase domestic revenue collection by broadening the tax base, improving compliance, strengthening institutions and leveraging digital technologies.

Strategic Focus	Action & Impact
1. Attracting Investment	Promote domestic and foreign investment to widen the tax base, stimulate economic activity and create employment opportunities.
2. Strengthening Taxpayer Engagement	Enhance voluntary tax compliance through dialogue and collaboration between Government and taxpayers.
3. Enhancing EFD Management	Strengthen management and proper use of Electronic Fiscal Devices (EFDs) through education and awareness campaigns.
4. Leveraging Digital Technologies	Improve revenue collection systems through ICT integration, Artificial Intelligence (AI) and Big Data analytics.
5. Strengthening SOE Oversight	Improve monitoring of State-Owned Enterprises to ensure timely remittance of dividends, contributions and non-tax revenue.
6. Product Barcode Registration	Ensure domestically produced, imported and exported goods are registered with barcodes to enhance traceability and compliance.
7. Tax Reform Implementation	Commence implementation of selected recommendations from the Presidential Commission for Tax Reforms.
8. Patriotism Award (Tuzo ya Uzalendo)	Introduce an EFD-based incentive programme to encourage issuance and demand of fiscal receipts through lottery-based rewards.

Additional Business Environment Measures

- Continue implementation of business environment reforms to reduce compliance costs and streamline regulatory procedures.
- Advance establishment of the **Dar es Salaam International Financial Centre (DIFC)** to attract international capital.
- Formalise the informal sector through improved access to finance, infrastructure, training and business support services.
- Strengthen credit guarantee schemes to improve access to financing, particularly for export-oriented businesses.

Expenditure Management Strategies

Objective: Ensure efficient, accountable and sustainable utilisation of public resources while maximising development outcomes.

Strategic Focus	Action & Impact
1. Fiscal Discipline and Resource Efficiency	Strengthen expenditure controls and improve efficiency in the utilisation of public resources across Government institutions.
2. Completion of Ongoing Projects	Prioritise funding for strategic projects nearing completion to maximise economic and social returns on public investment.
3. Public Debt Sustainability	Maintain prudent borrowing and debt management practices to safeguard fiscal sustainability and macroeconomic stability.
4. Strengthening Productive and Social Sectors	Direct public expenditure towards productive sectors and essential social services such as education, health, water and infrastructure.
5. Enhancing Monitoring and Accountability	Strengthen oversight, monitoring and evaluation of public expenditure to ensure value for money and timely project implementation.
6. Digital Transformation of Public Services	Expand the use of ICT and digital systems to improve efficiency, transparency and accountability in public financial management.

2025/26 Budget Implementation Review

As Tanzania concludes the implementation of the Third Five-Year National Development Plan (2021/22–2025/26), the Government recorded strong performance in economic growth, revenue collection and macroeconomic stability despite global economic uncertainties.

Indicator	Target	2025 Outcome
Real GDP Growth	5.9%	5.9%
Average Inflation (Jul 2025–Apr 2026)	3.0% – 5.0%	3.4%
Private Sector Credit Growth	–	20.2% Average Growth
Exchange Rate Performance	–	Shilling appreciated by 2.7% against the USD
Foreign Exchange Reserves	Minimum 4 months import cover	USD 5.72 billion (4.4 months import cover)

Tanzania maintained macroeconomic stability in 2025, recording real GDP growth of **5.9 percent** while inflation remained within the Government's medium-term target range. Private sector credit expanded significantly, supporting economic activity, while the shilling strengthened against the US dollar and foreign exchange reserves remained above the national benchmark of four months of import cover.

Revenue Performance

Trend Comparison (July 2025 – April 2026 Actual Vs Target)

- Government revenue (including grants) reached **TZS 34.75 trillion**, equivalent to **101.8% of the target** for the period July 2025 to April 2026.
- Tax revenue collection exceeded the target by **5.1%**, reaching **TZS 28.10 trillion**.
- Tax revenue is projected to increase from **13.2% of GDP in 2025/26** to **13.7% of GDP in 2026/27**.
- Domestic revenue is projected to increase from **16.5% of GDP in 2025/26** to **17.1% of GDP in 2026/27**, reflecting continued efforts to strengthen domestic resource mobilisation.

Key Drivers

- Expansion of the tax base through increased economic activity.
- Improved voluntary tax compliance supported by taxpayer education and consultative engagement between Government and taxpayers.
- Strengthening of revenue collection systems and digital revenue administration.
- Continued implementation of the **Medium-Term Revenue Strategy (MTRS)**.
- Enhanced use of technology, including ICT systems, Artificial Intelligence (AI) and Big Data analytics to improve revenue collection and management.

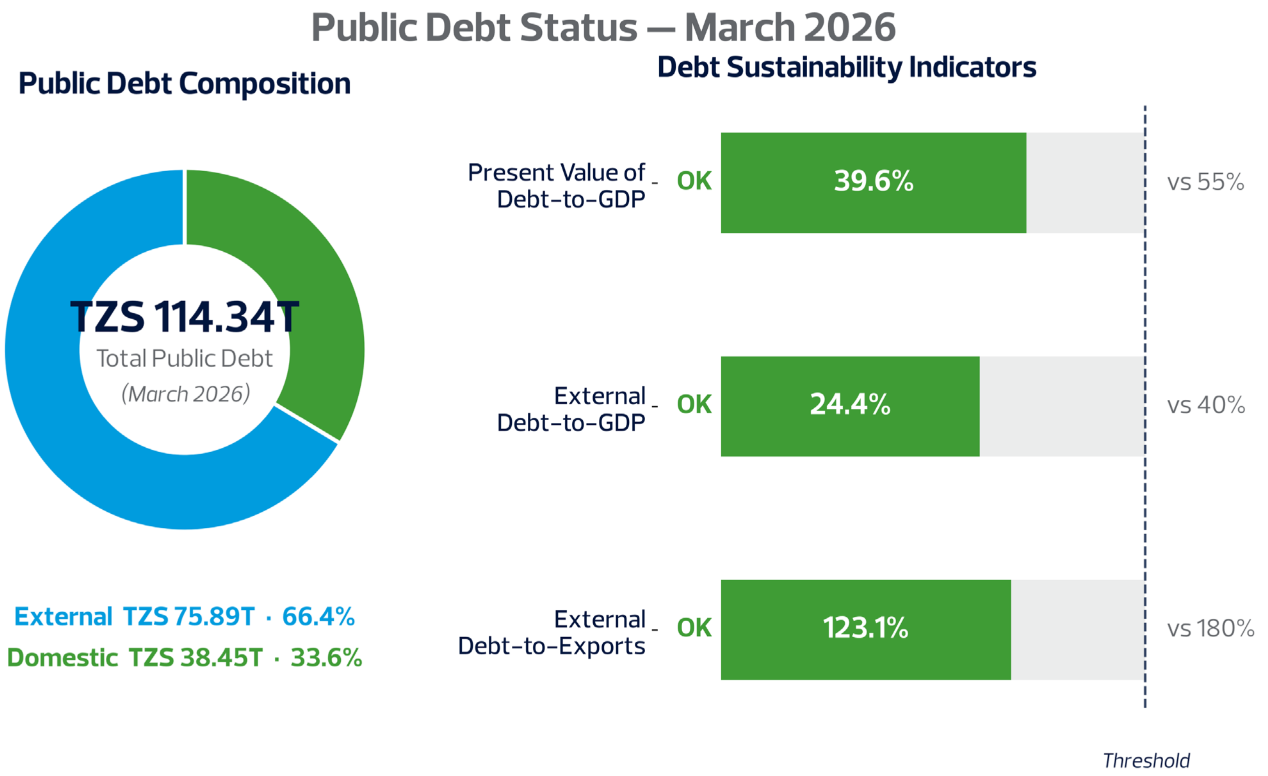
Expenditure Performance

Major Allocations (July 2025 – April 2026 Actual Vs Target)

- Roads, Bridges and Airports: **TZS 2.86 trillion**
- Energy Projects (including National Grid and Rural Electrification): **TZS 1.59 trillion**
- Education and Skills Development: **TZS 1.58 trillion**
- Railway Infrastructure (including SGR): **TZS 1.27 trillion**
- Water Supply Projects and Dams: **TZS 870.4 billion**

- Health Infrastructure, Medicines and Medical Supplies: **TZS 681.7 billion**
- Settlement of Verified Arrears: **TZS 667.3 billion**
- AFCON 2027 Infrastructure and Participation: **TZS 302.0 billion**

Government expenditure performance remained strong, reaching **98.8% of the target** during the period July 2025 to April 2026. Spending continued to prioritise strategic infrastructure, energy, education, health, water and transport projects aimed at supporting economic growth, service delivery and long-term development objectives.



Source: Budget Speech FY 2026/27, paras 22–25 (Speech pp.15–16)

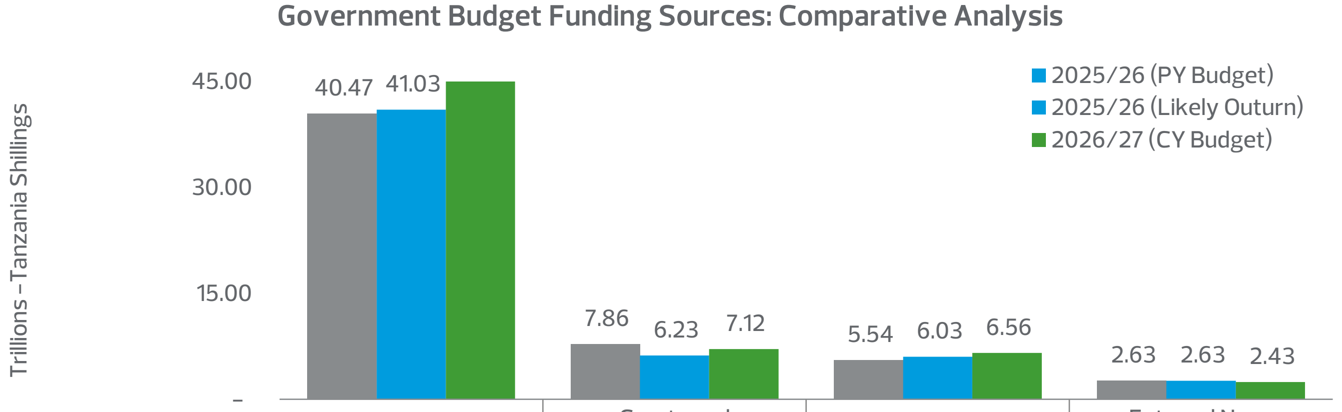
The total Government debt stood at **TZS 114.34** trillion as of March 2026, comprising **TZS 75.89 trillion** in external debt and **TZS 38.45 trillion** in domestic debt.

Debt Sustainability Indicators

Indicator	Actual	Sustainability Threshold
Present Value of Public Debt to GDP	39.6%	55.0%
External Debt to GDP	24.4%	40.0%
External Debt to Exports	123.1%	180.0%

Tanzania's public debt remains sustainable in both the medium and long term. Debt Sustainability Analysis conducted in November 2025 indicated that all key debt indicators remain comfortably below their respective sustainability thresholds. The Government continues to direct borrowing towards strategic investments in transport, energy and communications infrastructure while maintaining prudent debt management practices.

2025/26 Budget Vs 2026/27 Budget Analysis

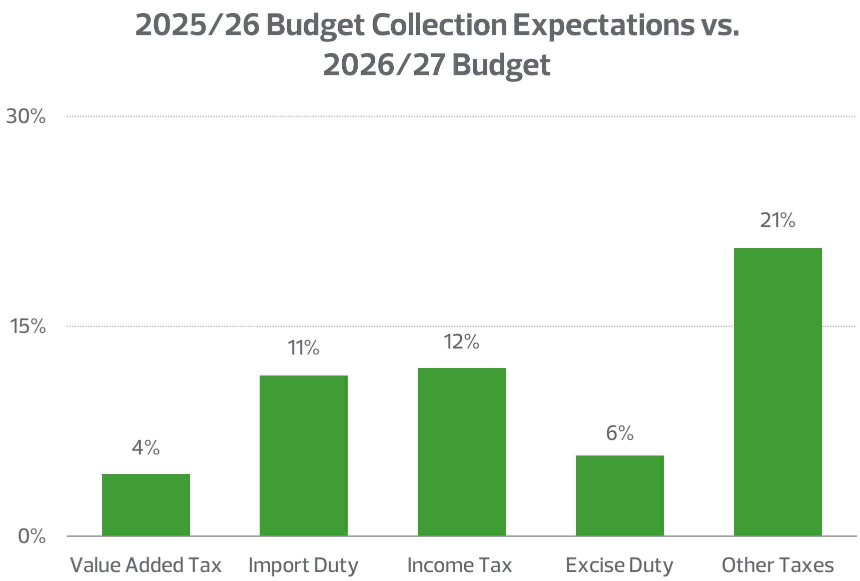


	Domestic Revenue	Grants and Concessional Loans	Domestic Loans	External Non-concessional Loans
2025/26 (PY Budget)	40.47	7.86	5.54	2.63
2025/26 (Likely Outurn)	41.03	6.23	6.03	2.63
2026/27 (CY Budget)	46.23	7.12	6.56	2.43

Sources of Funding

Key:

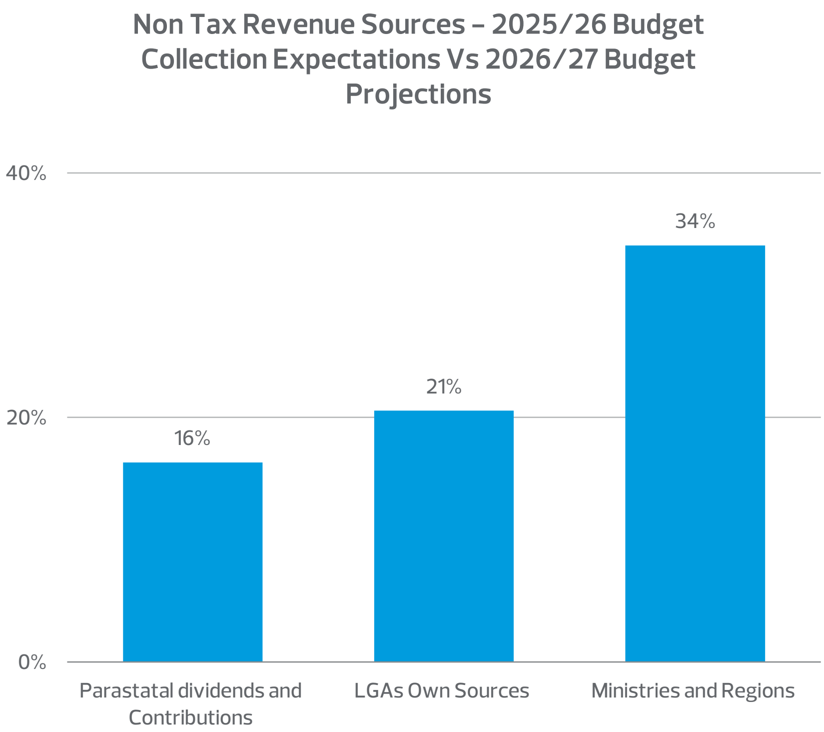
- **Grants & Concessional Loans** comprise **General Budget Support (GBS), Project Support Grants and Concessional Loans, and Basket Funds.**
- **Domestic Loans** comprise **rollover of maturing domestic obligations and new domestic borrowing for budget financing.**
- **External Non-Concessional Loans** represent commercial and other non-concessional external borrowings.
- Figures are based on the **2025/26 Budget, 2025/26 Likely Outturn and 2026/27 Budget Framework** published by the Ministry of Finance.



From the domestic tax revenue sources, the Government expects **broad-based growth across all major tax categories in 2026/27. Other Taxes** are projected to record the highest increase of approximately **20.6%**, rising from TZS **6.42 trillion** in the 2025/26 likely outturn to TZS **7.75 trillion** in 2026/27. This is followed by **Import Duty**, which is expected to increase by **11.5%**, from TZS **2.27 trillion** to TZS **2.53 trillion**, and **Income Tax**, projected to grow by **12.0%**, from TZS **12.28 trillion** to TZS **13.76 trillion**.

Excise Duty collections are expected to increase by **5.8%**, from TZS **4.75 trillion** to TZS **5.02 trillion**, while **Value Added Tax (VAT)** is projected to rise by **4.4%**, from TZS **9.61 trillion** to TZS **10.04 trillion**.

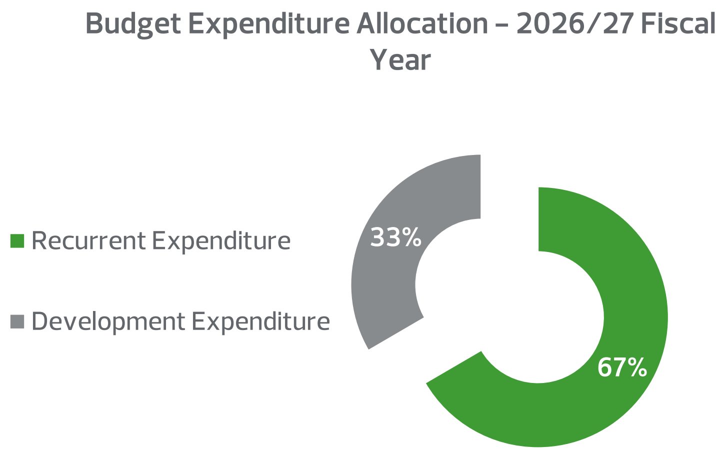
Overall, TRA revenue is expected to increase by **10.6%**, from TZS **35.34 trillion** in the 2025/26 likely outturn to TZS **39.09 trillion** in the 2026/27 Budget.



Based on the **2025/26 Likely Outturn** compared with the **2026/27 Budget**, non-tax revenue is projected to remain an important source of Government financing, with total collections expected to increase by **25.4%**, from **TZS 5.69 trillion** in the 2025/26 likely outturn to **TZS 7.13 trillion** in the 2026/27 Budget.

Among the major non-tax revenue sources, **Ministries and Regions** are expected to record the strongest growth, increasing by approximately **34.1%**, from **TZS 2.52 trillion** to **TZS 3.38 trillion**. This is followed by **LGAs Own Source Revenue**, which is projected to increase by **20.6%**, from **TZS 1.63 trillion** to **TZS 1.97 trillion**, reflecting continued efforts to strengthen local revenue mobilisation and collection systems.

Revenue from **Parastatal Dividends and Contributions** is expected to increase by **16.3%**, from **TZS 1.54 trillion** in the 2025/26 likely outturn to **TZS 1.79 trillion** in 2026/27.



The budget allocation for **2026/27** reflects a gradual shift towards development spending, with approximately **67%** of total expenditure allocated to recurrent expenditure and **33%** allocated to development expenditure.

Recurrent expenditure is projected to increase by approximately **6.5%**, rising from **TZS 38.9 trillion** in the **2025/26 Budget** to **TZS 41.5 trillion** in **2026/27**.

Development expenditure is projected to increase by approximately **19.0%**, from **TZS 17.5 trillion** in **2025/26** to **TZS 20.8 trillion** in **2026/27**.

Credit Ratings	• **Moody's Investors Service:** In its 2026 first-phase assessment, Moody's indicated that Tanzania remains creditworthy with a strong capacity to service its debt obligations. • **Fitch Ratings:** Fitch similarly reaffirmed Tanzania's creditworthiness and debt servicing capacity, supported by strong economic growth, structural reforms and improved revenue performance. • **Regional Position:** Tanzania continues to be viewed favourably within the region, supported by prudent debt management, macroeconomic stability and sustained economic growth.
Debt Strategy Going Forward	• Strengthen domestic revenue mobilisation and reduce reliance on external financing. • Prioritise concessional borrowing while maintaining debt sustainability. • Direct borrowing towards strategic sectors that stimulate economic growth and export earnings. • Advance economic reforms and value addition initiatives to increase foreign exchange earnings and support debt sustainability.
Revenue and Fiscal Administration Initiatives	• Implementation of the **Medium-Term Revenue Strategy (MTRS) 2025/26–2027/28** to strengthen domestic revenue mobilisation. • Commence implementation of selected recommendations from the **Presidential Commission for Tax Reforms**. • Strengthen the use of ICT, Artificial Intelligence (AI) and Big Data in revenue administration. • Introduction of the **Patriotism Award (Tuzo ya Uzalendo)** through the EFD system to encourage issuance and demand of fiscal receipts. • Strengthen oversight of State-Owned Enterprises to improve collection of dividends and non-tax revenues.
Overall Performance of the 2025/26 Budget	• Strong macroeconomic performance, with real GDP growth reaching **5.9%**, inflation averaging **3.4%**, and private sector credit growth averaging **20.2%**. • Revenue collection for the Period of July 2025 to April 2026 exceeded expectations, with total revenue (including grants) reaching **101.8% of the target** and tax revenue achieving **105.1% of the target**. • Public debt remained sustainable, with all key debt sustainability indicators remaining comfortably below their respective thresholds. • Development expenditure continued to prioritise infrastructure, energy, transport, education, health and water projects to support long-term economic growth and social development. • The Government maintained a strong focus on domestic resource mobilisation, digital transformation and improving the business and investment environment as foundations for future growth.

Key Highlights of The Speech by the Minister of Finance 2026/27

The following key proposals have been tabled by the Minister in the Budget Speech. As these are proposals, they remain subject to debate and approval by Parliament and will take effect only once enacted in the Finance Act, 2026:

- ***Retention of VAT deferment on imported capital goods:*** The proposal to remove the sunset clause on VAT deferment for imported capital goods is a positive development for investors and manufacturers. By maintaining the deferment mechanism, businesses can continue importing qualifying capital equipment without incurring significant upfront VAT costs, thereby improving cash flow, reducing project implementation costs and supporting continued investment in productive sectors of the economy.
- ***Reduction of the deemed distribution on retained earnings:*** The Minister has proposed to reduce the fraction of profit deemed distributed under section 33A from 30% to 15%, with small financial sector entities, insurers, DSE-listed companies and Framework Agreement holders excluded. This is a welcome easing of a measure that has been a significant concern for capital-intensive and reinvesting businesses since its introduction, although the underlying policy question of taxing profits already subject to corporate tax remains, and clear guidance on the interaction with the dividend withholding regime will be needed.
- ***Extension of the dispute-settlement window:*** The Minister has proposed to extend the period for out-of-court amicable settlement of tax disputes from 60 to 90 days from the date the Tax Revenue Appeals Board or Tribunal permits alternative dispute resolution. This is a sensible, taxpayer-friendly adjustment that should give both parties a more realistic opportunity to resolve disputes without protracted litigation.
- ***Statutory 30-day timeframe for VAT refunds:*** VAT refunds would become payable within 30 days of application, with the taxpayer legally entitled to interest where payment is delayed. If enacted, this would be a meaningful and long-awaited improvement for exporters and businesses in structural VAT-credit positions, introducing accountability into a process that has been a persistent source of working-capital strain.
- ***Doubling of the presumptive tax threshold:*** The Minister has proposed to raise the upper turnover threshold for the presumptive tax regime from TZS 100 million to TZS 200 million, harmonising it with the VAT registration threshold, and to allow taxpayers below that level to elect to prepare audited accounts and use self-assessment. This is a welcome simplification that has been sought for several budget cycles and should reduce the compliance burden on small and growing businesses, while bringing greater coherence between the income tax and VAT regimes.
- ***Twelve-month tax holiday for new presumptive taxpayers:*** Newly registered presumptive taxpayers are to be granted a twelve-month income tax holiday from the date the Taxpayer Identification Number is issued, replacing the current rule under which a provisional assessment is raised on registration with tax due within six months. This is a constructive, formalisation-friendly measure that recognises the early-stage cash-flow realities of start-ups and should encourage voluntary registration.
- ***Relief and incentives for clean energy and aviation:*** A range of VAT exemptions would support clean energy and aviation, including equipment for electric vehicle charging stations, LPG smart meters, and turbojets, gas turbines and aircraft tyres. These measures are consistent with the Government's decarbonisation and transport-sector objectives and should lower operating costs in these sectors.
- ***Support for domestic value chains in edible oils and textiles:*** The Speech proposes to continue the VAT exemption on edible oil produced from locally grown seeds and to exempt clothes and garments produced using locally grown cotton, alongside protective customs measures. These proposals reinforce the

Government's industrialisation agenda and the development of the cotton-to-clothing and edible-oil value chains.

- ***Reduced online content service fees under the Blueprint:*** As part of the continued implementation of the Blueprint for Regulatory Reforms, online content service and aggregator licence fees are to be reduced substantially. This is a welcome, business-friendly reform that lowers barriers for digital content creators and supports the growth of the online economy.
- ***Establishment of a Single Window Payment System:*** The Government proposes to establish a unified Single Window Payment System for the collection of regulatory fees, charges and penalties, and to streamline inspections. If implemented effectively, this should materially reduce the compliance and cost burden that multiple regulators have long imposed on the business community.
- ***Digital-first tax administration:*** The Speech proposes a broad shift towards cashless payments and digital tax administration, including the use of artificial intelligence, big data and blockchain by the Revenue Authority, integration of the TAUSI and IDRAS systems, and a free receipting application for traders. These measures should, over time, reduce administrative costs and face-to-face contact, and improve the taxpayer experience.

Whilst the above proposals have been tabled, it is of concern that a number of measures sought by stakeholders have not been addressed:

- ***No clarification on the application of thin capitalisation rules to banks and other financial institutions:*** Despite continued engagement by the banking sector, the 2026/27 Budget does not address concerns regarding the practical application of thin capitalisation provisions to regulated financial institutions. In particular, the industry has sought clarification on the treatment of customer deposits and fixed deposits when determining debt levels for thin capitalisation purposes. Given that deposit-taking is a fundamental component of banking operations, the absence of legislative or administrative guidance means uncertainty remains regarding the deductibility of financing costs and the appropriate interpretation of debt for thin capitalisation calculations.
- ***Working-capital impact of the new 1% withholding taxes on agricultural value chains:*** While the proposed 1% withholding taxes on purchases of food crops and on payments for livestock, milk and fish are creditable and aimed at formalisation, they will require purchasers to act as collecting agents and may place a cash-flow and administrative burden on agribusinesses and aggregators. Clear guidance on the timing of remittance, certificate issuance and crediting will be essential.
- ***VAT on tourism services and national park fees:*** As in prior cycles, the Speech does not address the long-standing call from the tourism sector for relief from VAT on park fees, which continues to be cited as a barrier to the development of high-value tourism.
- ***Capping of interest and penalties:*** The Speech does not address the broader concern around the level of statutory interest and penalties under the Tax Administration Act, nor their alignment with regional comparators. Stakeholders have repeatedly raised their cumulative effect as a disincentive to settlement.
- ***Time limit for the Commissioner General's decisions on objections:*** The recurring issue of the timeframe within which the Commissioner General must determine objections, together with the consequences of any failure to do so, remains unaddressed, perpetuating uncertainty from drawn-out objection processes.
- ***Demand and agency notices beyond the five-year limitation:*** The Speech does not address the recurrent concern around demand and agency notices issued for periods beyond the five-year limitation set out in the Tax Administration Act.

The Income Tax Act, Cap 332 [“ITA”]

Proposed Amendments to the Income Tax Act

New Provisions

- **Newly registered presumptive taxpayers would receive a twelve-month income tax holiday,** commencing on the date the Taxpayer Identification Number (TIN) is issued. This repeals the current rule under which a provisional assessment is raised on registration and tax must be settled within six months. The measure is designed to ease the early-stage compliance burden on start-ups and align future assessments with verifiable turnover. The measure removes a significant friction point for formalising businesses: under the current regime, new entrants face a tax bill before their first full year of trading, which has discouraged voluntary registration. Businesses considering formalisation should note that the holiday is conditional on operating exclusively under the presumptive regime during the exemption period.
- **A new 1% non-final withholding tax would apply to corporate purchases of food crops,** due on the date of purchase or before transportation. The purchaser issues an Advance Single Instalment Tax Certificate, and the amount is creditable against the seller’s income tax for the year which shall also be used for the transportation of the produce. Corporate buyers of food crops, including agro-processors and traders, would take on the role of withholding agent and bear the administrative cost of certificate issuance and remittance. Sellers benefit from a creditable advance rather than a final tax, but should file annual returns to recover any over-withheld amounts. Clear implementing regulations on what constitutes a food crop for these purposes will be important to avoid disputes at the point of purchase.
- **A separate 1% withholding tax would cover payments to sellers of live animals, unprocessed milk, unprocessed fish and fish maws,** with the purchasing company or institution acting as collecting agent. The measure is intended to widen the tax base and continue formalising the informal sector. Processors, dairy companies and fish buyers should review their purchasing and payment systems to accommodate the withholding obligation. Taken together, the two new agricultural and livestock withholding measures represent a material expansion of the withholding framework into primary commodity supply chains, collectively accounting for nearly TZS 150 billion of the projected ITA yield.
- **Income tax exemptions contained in Framework Agreements** signed between the Government and mining investors and approved by Cabinet are to be recognised, supported by standard operating procedures to govern how they are granted. This should provide long-sought certainty for joint-venture mining projects where the absence of a statutory basis has caused delays. The standard operating procedures to follow will be critical in determining how quickly projects can access the exemptions in practice.

Other Changes

- **The upper threshold for the presumptive tax regime would rise from TZS 100 million to TZS 200 million,** harmonising it with the VAT registration threshold. Taxpayers below TZS 200 million may also elect to prepare audited accounts and use self-assessment. The alignment with the VAT registration threshold is a welcome rationalisation that removes a long-standing mismatch between the two regimes.
- **The presumptive tax rate applicable to taxpayers with annual turnover between TZS 11 million and TZS 200 million would increase from 3.5% to 4.5%, representing an uplift of close to 29% in effective tax cost.** The Government has framed the adjustment by reference to the principles of horizontal and vertical equity; in practice, however, the increase represents a meaningful additional burden on established small formal taxpayers. When considered alongside the twelve-month tax holiday available to newly registered taxpayers and the expanded TZS 200 million entry threshold, the package creates a notable asymmetry: new

entrants receive near-term relief at the point of formalisation, while existing compliant small businesses face a higher ongoing charge. Small traders currently operating under the presumptive regime should review their tax provisioning in light of the higher rate, and those approaching the revised TZS 200 million threshold should consider whether the self-assessment election now available under the expanded regime presents a more efficient outcome.

- **Section 33A would be amended to reduce the fraction of taxable profit deemed distributed to shareholders from 30% to 15%.** The deemed distribution would not apply to small financial sector entities, insurance companies, companies listed on the Dar es Salaam Stock Exchange, or institutions holding Framework Agreements with the Government. It is worth noting that this relief has not been extended to several of the capital-intensive regulated sectors that lobbied hardest against the retained-earnings measure when it was introduced in 2025. The underlying mechanism of taxing undistributed profits already subject to corporate tax remains in place, and the Finance Bill 2026 should be monitored closely for further clarity.
- **The income tax rate applicable to payments made to foreign digital service providers would increase from 2% to 3%.** The increase reflects the Government's continued focus on taxing the digital economy and ensuring that non-resident digital businesses contribute to the domestic tax base. While the rate increase is relatively modest, foreign providers of digital platforms, online advertising, streaming services, software subscriptions and similar digital offerings may need to revisit their pricing models and contractual arrangements to determine whether the additional tax cost will be absorbed or passed on to Tanzanian customers.
- **The definition of forest produce would be expanded to include natural varnish, latex, resin, sap and gum.** Income derived from the sale of these products would be subject to a 2% Single Instalment Tax calculated on the gross value of the produce, consistent with the treatment currently applied to timber and other forest products. This amendment broadens the tax base within the forestry and natural resources sector while promoting consistency in the taxation of similar natural products. Businesses involved in the extraction, collection, processing or trade of these products should assess whether they will now fall within the Single Instalment Tax regime and consider the impact of a gross-based tax that applies regardless of profitability.
- **The withholding tax rate on royalties paid to sports institutions and the Tanzania Football Federation would increase from 5% to 10%.** The stated objective is to align the treatment of sports-related royalties with that applicable to the film industry. The proposal reflects the Government's intention to promote greater consistency across sectors earning royalty income.
- **Government Ministries, Independent Departments, Agencies, Institutions, Regional Secretariats and Local Government Authorities would be required to withhold income tax on payments made for the purchase of goods within Tanzania.** This expands the current withholding obligation, which primarily applies to resident corporations whose budgets are wholly or substantially financed by Government subventions. The measure seeks to broaden the withholding tax collection framework and strengthen revenue protection. The proposal significantly increases the number of public sector entities acting as withholding agents and is likely to improve tax administration through earlier collection of tax from suppliers. Businesses supplying goods to Government entities should ensure that their tax compliance records are in order and monitor the withholding credits reflected in their tax accounts to facilitate timely utilisation or refund claims where applicable.

The Tax Administration Act, Cap 438 [“TAA”]

Proposed Amendments to the Tax Administration Act

Proposed Revisions

- **The Commissioner General would be permitted to sell perishable goods that have been distrained or seized** whether for tax violations or non-payment of a tax debt, by public auction or private treaty, after giving notice to the taxpayer. The measure prevents the loss of value of perishable goods held without adequate storage and protects Government revenue. Taxpayers in the food, agricultural and perishables sectors should note that distrained stock can now be disposed of rapidly. Maintaining current tax compliance is the most effective way to avoid the risk of goods being sold before any underlying dispute is resolved.

The Value Added Tax Act, Cap 148 [“VAT Act”]

Proposed Amendments to the Value Added Tax Act

Exemptions

- **Airline boarding passes** – The proposed VAT exemption on airline boarding passes aligns Tanzania's tax framework with international aviation agreements and industry practices. While the measure supports regulatory compliance and may simplify administration for airlines, its direct economic benefit to passengers and the wider aviation sector is expected to be relatively limited.
- **Dairy packaging materials (HS Code 3920.20.90)** – would qualify for exemption whether locally produced or imported, to provide relief to the dairy sector and help local producers compete regionally and in international markets.
- **VAT relief signals long-term shift in transport and energy investment** – the proposed VAT relief should be viewed not merely as a tax concession, but as a policy statement about the future direction of transport and energy investment in Tanzania. While the Government foregoes TZS 5.97 billion in revenue today, it is laying the foundation for a new industry that could generate jobs, stimulate innovation, attract investment, and broaden the tax base in the years ahead.
- **LPG Positioned as key driver of clean energy transition in Tanzania** – exemption may be viewed as more than a tax incentive. It is a policy indication that Tanzania sees LPG as a key component of its clean energy transition. As adoption of pay-as-you-cook and smart metering technologies grows, businesses that invest early in LPG distribution networks, digital energy solutions, and supporting infrastructure could be well-positioned to benefit from increasing demand.
- **Extended VAT relief on locally produced edible oil** – the Government has proposed to extend the VAT exemption on edible oil produced locally using locally sourced oil seeds. The exemption, which was introduced through the Finance Act, 2025 and was set to expire on 30 June 2026, will continue to sustain relief on edible oil prices in the domestic market. The extension provides continued support to local producers while helping stabilize edible oil prices, reinforcing the Government's broader agenda of promoting domestic value addition, reducing reliance on imported edible oils and maintaining affordable prices for consumers amid cost-of-living pressures.
- **VAT exemption on cotton-based garments** – the exemption on clothes and garments manufactured using locally grown cotton is aimed at strengthening domestic value addition in the textile sector. The measure is expected to boost demand for locally produced cotton and stimulate investment in garment manufacturing, fabric processing, and integrated textile value chains.

Other Amendments

- **VAT refunds would be required to be paid within 30 days from the date of submission of a refund application, with interest becoming payable where the refund is delayed.** The measure is intended to improve accountability in the administration of VAT refunds and encourage voluntary tax compliance. This is a welcome development for businesses that regularly accumulate VAT credits, particularly exporters, manufacturers, mining companies and other capital-intensive sectors where significant refund positions commonly arise. Delays in the processing of VAT refunds have historically created cash flow constraints for taxpayers, effectively resulting in businesses financing Government working capital at no cost. By introducing a statutory timeline and compensatory interest for delayed refunds, the proposal seeks to promote greater certainty, improve taxpayer confidence in the tax system and encourage more efficient administration of refund claims by the Tanzania Revenue Authority. If effectively implemented, the measure has the potential to significantly improve the ease of doing business and strengthen Tanzania's attractiveness as an investment destination.
- **The Government would permanently retain the VAT deferment scheme for imported capital goods by removing the sunset clause.** The restriction was previously scheduled to take effect from 1 July 2026 as part of efforts to promote local manufacturing. However, following assessments indicating that domestic production is not yet sufficient to meet market demand, the Government has opted to retain the deferment mechanism. This is a welcome measure for investors and businesses undertaking capital-intensive projects, as it preserves cash flow by avoiding significant upfront VAT costs on imported machinery and equipment. The amendment demonstrates the Government's continued commitment to supporting investment and industrial growth while local manufacturing capacity continues to develop.
- **Proposal to Speed Up Mining Investments** – the proposal to amend the VAT Act seeks to recognize tax exemptions under Cabinet-approved mining framework agreements, designed to speed up joint venture mining projects and improve implementation efficiency. This marks a shift toward a more structured investment regime where approved incentives are legally protected, delays are minimized, and large-scale mining investments can be executed with greater speed and certainty.
- **Two ineffective VAT exemptions would be abolished to protect revenue:** exemption on imported fishing nets (HS 5608.11.00); and the exemption on dog and cat food (HS heading 23.09), whether local or imported. Importers and retailers of fishing nets and pet food should plan for VAT to apply from 1 July 2026 and update their pricing and system configurations accordingly. The fishing-net measure works in tandem with the raw-fibre exemption, reinforcing the policy intent of onshoring net production.

The Excise (Management and Tariff) Act, Cap 147 [“EMTA”]

Proposed Amendments to the Excise (Management and Tariff) Act

- **Under section 126(3) of the Excise Duty Act, specific excise rates are reviewed every three years against projected inflation.** For 2026/27 the Government has moved away from a single three-yearly adjustment to a gradual annual approach, with specific rates to rise by 8% in 2026/27 and, in subsequent years, by inflation plus 2%. Petroleum products are excluded, given global price pressures arising from tension between the United States, Israel and Iran. The shift to annual indexation improves predictability: rather than facing a potentially large adjustment every three years, manufacturers and importers of excisable goods can model incremental cost increases annually. The 8% opening adjustment is nonetheless material, and businesses in alcoholic beverages, tobacco, cosmetics and other affected categories should update their pricing models before 1 July 2026.
- **Recognition of Framework Agreement mining exemptions:** The Excise Duty Act would also be amended to recognise the tax exemption provisions contained in Framework Agreements signed between the Government and mining investors and approved by Cabinet. Standard operating procedures would govern how the exemptions are granted, fulfilling the state's contractual obligations and ensuring smooth implementation of joint-venture projects.

The individual rate measures are summarised below.

Item	HS Codes	Proposed new rate	Current Rate	Aims to
Imported used motor vehicles aged 8–10 years; 10–20 years; over 20 years	–	20%; 40%; 50%	15%; 30%; n/a	Curb dumping of ageing, polluting vehicles
Gambling and betting (sports betting, casino, slots, virtual games)	–	5% of stake	–	Reduce social harm; 10% of the duty funds the Gaming Board of Tanzania
Motorcycles (excluding ambulances, gas and electric models)	–	5%	–	Encourage clean-energy transport
Imported plastic or rubber clogs	6402.99.00	10%	–	Protect local footwear manufacturers
Vehicles with engine capacity of 1,000cc and below	8703.21.90	5%	–	Address negative externalities and widen the tax base
Beauty and cosmetic products	33.03; 33.04; 33.05; 33.07	15%	10%	Align with EAC peers and raise revenue
Excisable services supplied to consumers (B2C) by non-resident online providers	–	Excise applies	–	Level the field between local and online providers
Imported artificial flowers, foliage and artificial fruits and similar imported products	67.02	20%	–	Reduce environmental impact and widen the tax base
Imported UV/LED gel nail curing machines	8516.79.00	10%	–	Widen the tax base and reduce health risks

Item	HS Codes	Proposed new rate	Current Rate	Aims to
Cigarettes	24.02 & 24.03	+TZS 20/mil	–	Additional revenue earmarked for Universal Health Coverage
Sugar levy on imported and locally produced sugar		+TZS 10 per kg		Additional revenue earmarked for Universal Health Coverage

- Proposal to extend scope of excise duty to non-resident suppliers providing excisable services through online platforms directly to consumers (B2C) without a physical presence in Tanzania. The measure aims to ensure fair competition with local providers.

The East Africa Community Customs Management Act, 2004 ["EACCMA"]

Proposed Amendments to the East Africa Community Customs Management Act

At the East African Community Pre-Budget Consultations of Ministers and Cabinet Secretaries for Finance, held in Arusha on 15 May 2026, Partner States adopted a range of Common External Tariff (CET) measures and amendments to the EAC Customs Management Act, 2004 for the 2026/27 financial year. The measures protect domestic industries, attract investment, lower production costs and address under-invoicing, and together are expected to raise TZS 408.97 billion. A selection most relevant to businesses operating in Tanzania is set out below.

Item	HS Codes	Proposed new rate	Current Rate	Aims to
Worked monumental or building stone	68.02	35% or USD 2/SQM	25%	Promote the use of local stone
Aluminium bars, rods and profiles	76.04	25% or USD 550/MT	25%	Protect local industry; curb under-valuation
Washing powder	3402.49/.50/.90	35% or USD 350/MT	25%	Protect local manufacturers
Crude palm oil (CPO)	1511.10.00	10%	0%	Promote local edible-oil processing

Item	HS Codes	Proposed new rate	Current Rate	Aims to
Cotton grey fabric	5208–5212 (various)	35% or USD 0.30/m	25%	Protect local textile manufacturers
Ceramic tiles	6907 (various)	35% or USD 3/SQM	35%	Protect regional industry; curb under-valuation
Nails, tacks, staples and similar articles of iron or steel	7317.00.00	35% or US$350/MT	35%	Protect regional industry; curb under-valuation
Electric motor vehicles	8702/8703/8704 (various)	10%	25%	Promote clean-energy transport
Plastic doors, windows and frames	3925.20.00	35%	25%	Protect local industry
Raw materials used to manufacture packaging	3506.91.00; 3920.10.10	0% (remission)	10% / 25%	Reduce cost; ensure affordable packaging materials
Paper for corrugated box manufacture (grade 1)	4805.24.00; 4805.25.00	10% (remission)	25%	Reduce production cost of corrugated boxes and promote local industries
Paper for corrugated box manufacture (grade 2)	4804.19.00; 4804.39.00; 4804.52.00	0% (remission)	10%	Reduce production cost of corrugated boxes and promote local industries
Inputs for electrical cable manufacture	7312.10.00; 7217.20.00; 7408.19.00; 7409.11.00; 7605.21.00 and others	0% (remission)	10%/25%	Reduce input costs; promote domestic electrical cable manufacturing
Raw materials for aluminum products	3210.00.99	10% (remission)	35%	Reduce production cost of aluminum products; attract investment
Wire of iron or non-alloy steel for concrete electric poles	7217.10.00; 7217.90.00	10% (remission)		Reduce pole production cost; facilitate electricity supply in the region
Packaging materials for acaricide manufacture	Various	0% (duty remission)		Reduce acaricide production costs; attract investment

Measures introduced in 2025/26 that will continue in 2026/27 include the following:

Item	HS Codes	Proposed new rate	Current Rate	Aims to
Cash registers, EFD and POS machines (Govt/authorized)	8470.50.00; 8470.90.00	0%	10%	Encourage electronic accounting of Government revenue at lower cost
Cocoa powder, no added sugar	1805.00.00	10%	0%	Promote domestic cocoa processing and value addition
Monofilament, rods, sticks and profiles of plastics	3916.10.00; 3916.20.00; 3916.90.00	10%	0%	Increase revenue and curb misdeclaration

Item	HS Codes	Proposed new rate	Current Rate	Aims to
Safety matches	3605.00.00	25% or US$1.35/kg (higher)	25%	Protect domestic manufacturers of safety matches
Mineral and aerated waters	2201.10.00	60%	35%	Protect domestic producers (adequate local capacity)
Gypsum powder	2520.20.00	10%	0%	Protect local gypsum powder producers
Worn clothing, footwear and articles	6309.00.10/20/90	35%	35% or US$0.40 /kg	Promote consumer welfare
New pneumatic tyres for motorcycles	4011.40.00	25%	10%	Attract domestic investment in tyre production
Baby diapers	9619.00.90	35%	25%	Protect local manufacturers; attract investment; raise revenue
Cotton yarn (except HS 5205.23.00)	52.05; 52.06; 52.07	25%	10%	Protect and promote cotton yarn production; add value to local cotton
Horticultural products	0604.20.00; 0604.90.00; 0808.10.00; 0808.30.00	35%	25%	Protect local producers
Polyester / nylon twine	5607.50.00	25%	10%	Protect local manufacturers; create employment
Smart cards imported by NIDA	8523.52.00	0%	25%	Facilitate issuance of National Identification cards
Imported vitenge	5208.51.10; 5208.52.10; 5209.51.10; 5210.51.10; 5211.51.10; 5212.15.10; 5212.25.10; 5513.41.10; 5514.41.10	35%	50%	Promote consumer welfare
Other paper, paperboard and cellulose wadding	4811.90.00	25%	10%	Protect local manufacturers; attract investment
Cane sugar under TSB permit	1701.14.90	35%	100% or US$460/MT	Cover the sugar production gap
Float, toughened and insulating glass units	7005.10/21/29/30.00; 7007.19.00; 7007.29.00; 7008.00.00	35%	10%	Protect domestic glass manufacturers; promote competitiveness
Table salt	2501.00.90	50%	35%	Protect local salt manufacturer
Crude vegetable oils (soya, groundnut,	1507.10.00; 1508.10.00; 1513.11.00;	10%	0%	Align with other crude oils; promote domestic vegetable oil production

Item	HS Codes	Proposed new rate	Current Rate	Aims to
coconut, mustard, linseed)	1513.21.00; 1514.11.00; 1514.91.00; 1515.11.00			
Unbleached kraft paper and paperboard	4804.51.00	25%	10%	Protect domestic industry
Buses for more than 25 persons (rapid transport)	8702.10.99; 8702.20.99; 8702.90.99	0%	25%	De-congest cities; ease the transport system
Fibreboard, incl. MDF	44.11	35%	25%	Protect local manufacturers
Plywood, veneered panels and laminated wood	44.12	35%	25%	Protect local manufacturers
Refined vegetable oils	1507.90.00; 1508.90.00; 15.09; 15.10; 1511.90.30/90; 1512.19/29.00; 1513.19/29.00; 1514.19/99.00; 1515.19/29/50/60/90.00	35% or US$300/MT (higher)	35%	Protect and promote local vegetable oil processing; create employment
Iron and steel products	7209.16/17/18/25/26/27/28/90.00; 7211.23/90.00; 7226.92.00; 7225.50.00	10% or US$125/MT (higher)	10%	Protect local manufacturers; curb under-invoicing; raise revenue
Corrugated iron sheets	7210.30.00; 7210.41.00	35% or US$500/MT (higher)	35%	Protect local manufacturers; curb under-invoicing
Flat-rolled products of iron or non-alloy steel	7210.49/61/69/70/90.00	35% or US$350/MT (higher)	25% or US$200/MT	Protect local manufacturers; curb under-invoicing
Flat-rolled products	7212.20.00	10% or US$125/MT (higher)	10%	Protect local manufacturers; curb under-invoicing
Flat-rolled products of iron or non-alloy steel	7212.30.00	25% or US$300/MT (higher)	25% or US$200/MT	Protect local manufacturers; curb under-invoicing
Flat-rolled products of iron or non-alloy steel	7212.40.00; 7212.50.00	35% or US$350/MT (higher)	35%	Protect local manufacturers; curb under-invoicing
Flat-rolled products of iron or non-alloy steel	7212.60.00	10% or US$300/MT (higher)	10%	Protect local manufacturers; curb under-invoicing

Item	HS Codes	Proposed new rate	Current Rate	Aims to
Hot-rolled bars and rods of iron or non-alloy steel	7213.10.00; 7213.20.00; 7213.99.00	25% or US$250/MT (higher)	25% or US$200/MT	Protect local manufacturers; attract investment
Bars and rods of iron or non-alloy steel	72.14	35% or US$250/MT (higher)	35%	Protect local manufacturers; attract investment
Flat rods of iron and steel	7225.91.00; 7225.92.00; 7225.99.00	25% or US$300/MT (higher)	10%	Protect local manufacturers; attract investment
Semi-finished flat-rolled products	7226.99.00	10% or US$300/MT (higher)	10%	Protect local manufacturers; attract investment
Other tubes, pipes and hollow profiles of iron or non-alloy steel	7306.30/50/61/69/90.00	25% or US$250/MT (higher)	25%	Protect local manufacturers; attract investment
Imported wheat grain	1001.99.10; 1001.99.90	10% (remission)	35%	Reduce production cost for wheat flour; affordable wheat products
RBD palm stearin for soap manufacture	1511.90.40	0% (remission)	10%	Promote domestic soap manufacturers
Raw materials, accessories and machinery for textiles and leather		Remission / stay		Promote textile and leather manufacturers
Organic surface-active agents incl. LABSA (detergents/soaps)	3402.31.00; 3402.39.00; 3402.49.00	0% (remission)	10% / 25%	Reduce input cost for detergent and liquid-soap manufacturers
Raw materials used in leather processing	3208.20.10; 3208.20.20; 3208.90.20; 3210.00.10	0% (remission)	35% / 10%	Promote local leather industries
CKD three-wheeler motorcycles (excl. chassis)	8704.21.90	10% (remission)	25%	Reduce assembling cost; attract investment
Inputs used to manufacture soap	3401.20.10	10% (remission)	35%	Reduce input cost; promote local soap manufacturers; create jobs
Inputs used to manufacture electrical cables	7312.10.00; 7217.20.00; 7408.19.00; 7409.11.00; 7605.21.00; 2710.19.56; 3815.90.00; 5402.19.00; 5903.90.00; 7907.00.00; 2712.10.00	0% (remission)	10% / 25%	Promote import-substitution cable industries; attract investment

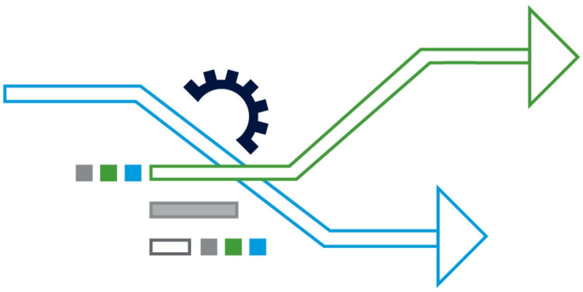
Item	HS Codes	Proposed new rate	Current Rate	Aims to
Inputs used to manufacture radiators	7409.11.00; 7409.19.00; 7410.11.00; 7410.12.00; 7409.21.00; 8001.10.00; 3810.90.00	0% (remission)	10% / 25% / 35%	Reduce production cost; attract investment in radiators
Lithium-ion accumulators for EV/motorcycles	8507.60.00	0% (remission)	25%	Reduce assembling cost; attract local EV/motorcycle investment
Inputs and raw materials for optical fibre cables	3215.19.00; 3403.99.00; 3506.91.00; 3818.00.00; 3907.99.00; 3916.90.00; 3917.39.00; 3919.90.90; 3920.69.90; 3920.99.90; 3921.14.90; 3921.90.90; 5402.11.00; 5404.90.00; 7019.90.90; 8536.90.00; 8544.49.00	0% (remission)		Reduce production cost of optical fibre cables; create jobs; attract investment
Metalized paper for labels and thermal rolls (POS/EFD)	4811.90.00	10% (remission)	25%	Reduce input cost for local manufacturers
Inputs for waterproofing membranes	2713.20.00; 5603.14.00; 2710.19.59; 3920.10.10	0% (remission)	10%	Reduce input cost for local manufacturers
Inputs for waterproofing membranes	6802.99.00	10% (remission)	35%	Reduce input cost for local manufacturers
Packaging materials for tea blenders	4819.20.90; 5407.44.00	0% (remission)	25%	Reduce cost for tea blenders; attract investment
Packaging materials for processed coffee	7310.21.00; 6305.10.00	0% (remission)	25%	Reduce packaging cost for coffee processors
Packaging materials for agricultural seeds	6305.10.00; 4819.40.00; 7310.29.90; 6305.33.00; 6305.20.00; 6304.91.90; 7607.19.90	0% (remission)	25%	Reduce seed packaging cost; attract local investment

Item	HS Codes	Proposed new rate	Current Rate	Aims to
Inputs for yoghurt, powdered or UHT milk	3923.50.90; 4819.20.90; 4819.30.00; 4819.50.00; 4821.90.00; 7607.19.90	0% (remission)	25% / 35%	Reduce milk production cost; create jobs; promote dairy investment

New EAC duty rates which were agreed on November 2025 also take effect from 1 July 2026 as per the table below.

Item	HS Codes	Proposed new rate	Current Rate	Aims to
Lubricants	2710.19.51	25% or US$0.46/litre (higher)	25%	Protect regional industries; address under-declaration and undervaluation
Yeast	2102.10.00	25% or US$660/MT (higher)	25%	Protect regional industries; address under-declaration and undervaluation
Photocopying and printing paper	4802.56.00	25% or US$200/MT (higher)	25%	Protect regional industries; address under-declaration and undervaluation
Photocopying and printing paper	4802.57.00	10% or US$80/MT (higher)	10%	Protect regional industries; address under-declaration and undervaluation

- Exemption of paper designated exclusively for printing passenger boarding passes for aircraft operations, aligning with international standards and ratified Bilateral Air Services Agreements (BASA).
- Fifth Schedule, Part B, Paragraph 20: the exemption is amended to recognise all disaster-management authorities across Partner States, regardless of the title of the responsible office.
- Implementation of the EAC Assembling and Manufacturing of Products Regulations, 2025 is deferred from 1 July 2026 to 1 July 2027, giving local industries more time to begin producing inputs sourced within the Community.



Miscellaneous Amendments

The Local Government Finance Act, CAP 290

Local Government Authorities may now allocate 15% of their revenue (up from 10%) to support women, youth and persons with disabilities. Of this, 10% continues to fund loans for those groups, while the new 5% is directed to construction, markets and entrepreneurship areas to create employment.

Other revenue and fee measures

- Revenues from the Roads, Rural Energy, Water and Railway Funds are reallocated — 70% to the funds, 25% to the Consolidated Fund and 5% to a special account at BOT for EPZ and SEZ infrastructure.
- Distribution of 20% of land rent is shared equally between the Ministry of Land Affairs and Local Government Authorities. The use of such funds will be directed by the Ministry of Finance with an aim to increase efficiency in land surveying and land rent collection.
- A 'mineral research fund' shall be established by the Ministry of Minerals by retaining 10% of gross mineral revenue collections. The fund is aimed at strengthening research and investment in the mining sector.
- The government proposes to allow vehicles registered in Zanzibar to be used in Mainland Tanzania without changing their registration numbers, as long as all required taxes have been paid. This will make it easier for vehicles to operate between Zanzibar and Mainland Tanzania, reduce administrative hurdles and improve convenience for vehicle owners.
- Road tractors for semi-trailers (under Codes 8701.21.90, 8701.22.90, 8701.23.90, and 8701.24.90) are added to the negative list of goods not eligible for tax exemption under the Investment and Special Economic Zones Act, to protect local industry, employment and revenue.
- The Weights and Measures Agency Regulations has been amended to increase petroleum verification fee from TZS 0.15 to TZS 1 per litre of petroleum products.
- A new fee is proposed whereby citizens will pay TZS 500 to access their information from the NIDA database and TZS 1,000 for a printed copy of the information.

The Bank of Tanzania Act, CAP 197

- To strengthen fiscal discipline, the ceiling on short-term Government borrowing from the Central Bank (overdraft) is reduced from 18% to 14% of the previous year's actual revenue.
- Section 69 is also rewritten to define the criteria and circumstances (unpredictable or unavoidable events) under which the Bank may extend short-term loans to the Government.

The Tax Revenue Appeals Act, CAP 408

The window for out-of-court amicable settlement of tax disputes is extended from 60 to 90 days from the date the Tax Revenue Appeals Board or Tribunal permits alternative dispute resolution, giving parties more time to reach settlement.

The Road Traffic (Motor Vehicles Registration) Regulations 2024

The registration fee for two-wheeled motorcycles rises from TZS 95,000 to TZS 150,000. Motorcycle transport operators remain outside the presumptive tax system.

The Import Control Act, CAP 276

- Products manufactured within EAC Partner States are exempted from the industrial development levy where they meet the Rules of Origin, aligning with the EAC Customs Union Protocol.
- Reciprocal levies may apply to any Partner State that imposes discriminatory barriers on Tanzanian goods.
- New industrial development levies are introduced on a range of imports to protect domestic production as tabled below:

Item	Levy Imposed (%)	HS Code
Imported exercise books and notebooks	5%	4820.10.00, 4820.20.00
Imported trailers	5%	8716.31.90, 8716.39.90, 8716.40.90
Imported fishing nets	10%	5608.11.00
Imported doors, windows, and their frames	5%	7610.10.00
Imported steel structure products	10%	7308.90.99
Imported aluminium structures	5%	7610.10.00

The Export Tax Act, CAP 196

The following amendments are proposed:

Item	Proposed Export Tax	HS Code
Waste paper	30% of FOB value or TZS 200 per kg, whichever is higher	4707.00.00
Quartz minerals	10% of FOB value or TZS 200 per kg, whichever is higher	HS Heading 25.06
Feldspar	10% of FOB value or TZS 200 per kg, whichever is higher	2529.10.00
Wheat bran	TZS 50 per kg	2302.30.00
Cotton cake	TZS 50 per kg	2306.10.00
Rice bran	TZS 50 per kg	2302.40.00
Maize bran	TZS 50 per kg	2302.10.00
Sunflower cake	TZS 50 per kg	2306.30.00

The Stamp Duty Act, CAP 189

The following amendments are proposed:

Item	Current	Amended to	Change
Definition of Lease	Covers lease documents only	Expanded to include documents of exchange of movable property	Broadens scope of transactions subject to stamp duty
Stamp Duty on Bills of Sale (Collateral Security)	TZS 1,000	TZS 10,000	Increase of TZS 9,000
Maximum Stamp Duty on Bills of Sale (Security)	TZS 10,000	TZS 100,000	Maximum limit increased by TZS 90,000
Stamp Duty on Partnership Deeds (Capital ≤ TZS 1 million)	Existing rates apply	TZS 5,000	New fixed rate introduced

Item	Current	Amended to	Change
Stamp Duty on Partnership Deeds (Capital > TZS 1 million)	Existing rates apply	TZS 10,000	New fixed rate introduced
Stamp Duty on Cheques	TZS 100 per cheque	TZS 500 per cheque	Increase of TZS 400
Stamp Duty on Surrender of Lease Documents	TZS 1,000	TZS 2,000	Increase of TZS 1,000
Stamp Duty on Bills of Exchange of Property	No specific stamp duty	TZS 5,000	New duty introduced
Stamp Duty on Transfer of Agricultural Land	Fixed duty of TZS 500	0.5% of property value	Changes from fixed fee to value-based (ad valorem) duty

Amendments of Various Government Fees and Levies and Implementation of the Blueprint Improvement Plan

Online content service fees

Reduced licence fees

As part of the Blueprint for Regulatory Reforms, fees for online content services are reduced sharply as tabled below

Fee Category	Current Fee (TZS)	Proposed Fee (TZS)	Reduction
Application fee for Online Content Service Licence	50,000	10,000	80%
Initial, Annual and Renewal Fee for Online Content Service Licence	500,000	50,000	90%
Application fee for Online Content Aggregator Licence	100,000	20,000	80%
Initial, Annual and Renewal Fee for Online Content Aggregator Licence	1,000,000	100,000	90%

Ministry of Natural Resources and Tourism

New registration, supervision and operation fees are introduced for private museums, as follows:

Fee Type	Applicant Category	Proposed Fee (TZS)
Registration Fee for Private Museum	Tanzanian Citizen	50,000
Registration Fee for Private Museum	Tanzanian Institution	100,000
Registration Fee for Private Museum	Foreign Citizen	500,000
Annual Licence Fee for Operating a Private Museum	Tanzanian Citizen	20,000
Annual Licence Fee for Operating a Private Museum	Tanzanian Institution	100,000
Annual Licence Fee for Operating a Private Museum	Foreign Institution	300,000

Single Window Payment System

The Government plans to improve the business environment by reducing the administrative burden caused by multiple regulators charging fees, levying penalties, and conducting frequent inspections. To address these challenges, a **Single Window Payment System** will be introduced, allowing businesses to make regulatory payments through a unified platform. The Government also intends to coordinate regulatory inspections to minimize disruption to businesses while ensuring regulators continue to fulfill their oversight responsibilities. Businesses can expect a simpler payment process, reduced duplication of regulatory requirements, and more coordinated inspections.

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