



Global vision backed by local knowledge



# Doing Business in Tanzania

**JULY 2021**

Situated in East Africa just south of the equator, mainland Tanzania lies between the area of the great lakes – Victoria, Tanganyika, and Malawi (Nyassa), and the Indian Ocean.

Tanzania borders Kenya to the north, Rwanda, Burundi, and the Democratic Republic of Congo to the west, and Zambia, Malawi and Mozambique to the south, and is the largest country in East Africa (943,000 sq km), comprising both the mainland and the Zanzibar Archipelago.

A large central plateau makes up most of the mainland (at between 900m and 1800m) and the mountain ranges of the Eastern Arc and the Southern and Northern Highlands cut across the country to form part of the Great Rift Valley.

A land of geographical extremes, Tanzania has the highest peak – Mount Kilimanjaro, the lowest point – the lakebed of Lake Tanganyika, and the largest lake – Lake Victoria, on the continent.

Following two decades of sustained growth, Tanzania reached an important milestone in July 2020, when it formally graduated from low-income country to lower-middle-income country status. Tanzania's achievement reflects sustained macroeconomic stability that has supported growth, in addition to the country's rich natural endowments and strategic geographic position.

The climate varies quite a bit, considering that its environment includes both the highest and the lowest points on the continent. While the narrow lowland coastal region is consistently hot and humid, the central regions of Tanzania are sufficiently elevated so as to offer much cooler temperatures. The rainy seasons extend from November to early January and from March to May.

Investing in Tanzania provides access to the larger regional markets of the six member states of the East African Community (EAC) which has a population of over 177 million (of which 22% live in urban areas) and a combined Gross Domestic Product (GDP) of US\$ 193.7 billion, spread over 2.5 million square kilometres.

Tanzania's membership of Southern African Development Community (SADC) also provides market access to 15 other countries in the region other than the six member states within EAC.

### Caveat

RSM (Eastern Africa) Consulting Limited has prepared this publication for use by its clients, business associates, partners and staff. The guide provides a comprehensive coverage on the key aspects of setting up and running businesses in Tanzania including types of business entities, taxation, employment laws, accounting, listing rules and investing in Tanzania.

This document is designed to provide general information to those contemplating investing in Tanzania. We therefore advise you to consult RSM (Eastern Africa) Consulting Limited offices listed on the last page before taking further action.

The data provided reflects current information which is subject to change. Whilst every care has been exercised in ensuring the accuracy and completeness of the information, RSM (Eastern Africa) Consulting Limited, RSM International and staff involved in the preparation and review of this booklet will not accept any liability for any errors or omissions contained herein whether caused by negligence or otherwise; or for any loss however caused or sustained by anyone who acts or refrains from acting as a result of placing reliance on the contents of this booklet. The booklet and the information therein is intended for information purposes only, and should not be used as a basis of decision making without seeking current and independent legal and professional advice.

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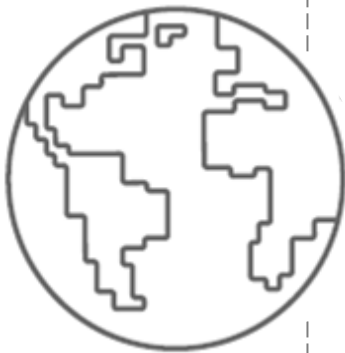
#### Appendix of Acronyms Used in the Booklet

- “AGOA” – African Growth and Opportunity Act
- “ARIPO” – African Regional Intellectual Property Organisation
- “BOT” – Bank of Tanzania
- “BRELA” – Business Registrations and Licensing Agency
- “CET” – Common External Tariff
- “CMSA” – Capital Markets and Security Authority
- “COMESA” – Common Market for East and Southern Africa
- “Commissioner” – Commissioner General or any other Commissioner to which certain powers or functions have been delegated under the TRA Act
- “DSE” – Dar es Salaam Stock Exchange
- “EAC” – East African Community
- “EAC CMA” – East African Community Customs Management Act
- “EPZ” – Export Processing Zone
- “EPZA” – Export Processing Zones Authority
- “EU” – European Union
- “FCC” – Fair Competition Commission
- “GDP” – Gross Domestic Product
- “GSP” – Generalised System of Preferences
- “ICT” – Information and Communication Technology
- “IFRS” – International Financial Reporting Standards
- “JNIA” – Mwalimu Julius Nyerere International Airport
- “KM” – Kilometres
- “MIGA” – Multilateral Investment Guarantee Agency
- “MW” – Megawatt
- “Minister” – Minister for Finance
- “NEMC” – National Environmental Management Council
- “NGO” – Non Governmental Organisation
- “NHIF” – National Health Insurance Fund
- “NSSF” – National Social Security Fund
- “OECD” – Organisation for Economic Cooperation and Development
- “ORS” – Online Registration System
- “PAYE” – Pay As You Earn
- “PPF” – Parastatal Pension Fund
- “SADC” – Southern African Development Community
- “SETP” – Statement of Estimated Tax Payable
- “SEZ” – Special Economic Zone
- “SQ.M” – Square Metres
- “TAA” – Tax Administration Act
- “TAZARA” – Tanzania Zambia Railway Authority
- “TCRA” – Tanzania Communication Regulatory Authority
- “TIC” – Tanzania Investment Centre
- “TIN” – Tax Identification Number
- “TISS” – Tanzania Interbank Settlement System
- “TRA” – Tanzania Revenue Authority
- “TRAB” – Tax Revenue Appeals Board
- “TRAT” – Tax Revenue Appeals Tribunal
- “TZS” – Tanzania Shillings
- “USD” – United States Dollar
- “URT” – United Republic of Tanzania
- “VAT” – Value Added Tax
- “VRN” – VAT Registration Number
- “ZRB” – Zanzibar Revenue Board

## ABOUT RSM – YOUR GLOBAL NETWORK

Our commitment to our clients is that we will strive to truly understand you, your strategies and your aspirations and endeavour to be considered the adviser of choice to your business. By sharing the ideas and insight of our most senior professionals, we bring our expert local and global knowledge and resources to your environment, so you feel understood and empowered to move forward with confidence.

It is our strong, collaborative approach that differentiates RSM member firms. This is the Power of Being Understood. This is the RSM experience.



- A world leading provider of audit, tax and consulting services to entrepreneurial growth-focused organisations globally
- Firms in over 120 countries and are in each of the top 40 major business centres throughout the world
- 48,000 people in over 820 offices covering Africa, Asia Pacific, Europe and the Americas

Visit [rsm.global](http://rsm.global) for a full list of our RSM firms and contact details

RSM's International network was named the 'Global Accounting Network of the Year – 2017' by the International Accounting Bulletin. This prestigious award given annually to one of the global accounting networks was given to RSM to recognise the efforts made by it in expanding its global footprint and brand awareness without compromising the quality of its services.

RSM International is a member of the Forum of Firms. The objective of the Forum of Firms is to promote consistent and high quality standards of financial and auditing practices worldwide.

RSM is the brand used by a network of independent accounting and advisory firms, each of which practises in its own right. RSM International Limited does not itself provide any accounting and advisory services.

## EXPERIENCE THE POWER OF BEING UNDERSTOOD

At RSM, we deliver **The Power of Being Understood** to our clients, colleagues and the community.

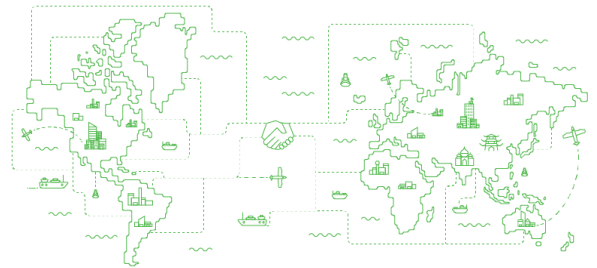
The business world is evolving rapidly. Through advances in technology, communications and infrastructure, business barriers are disappearing and each day, we become ever more global.

In this fast-paced environment, you need an adviser that thinks ahead and rapidly responds to your changing needs. At RSM, we build strong relationships based on a deep **understanding** of what matters most to our clients.

It is our strong **collaborative approach** that differentiates us. We will strive to truly understand you, your strategies and your aspirations and endeavour to be considered the adviser of choice to your business. By sharing the **ideas and insights** of our most senior professionals, we bring our expert local and global knowledge and resources to your environment, so you feel understood and empowered to move forward with confidence.

This is the **POWER OF BEING UNDERSTOOD**. This is the RSM experience and our commitment to you.

## RSM INTERNATIONAL



## WHAT DOES RSM STAND FOR?

- In 1964, an association, what we now know as RSM International, born
- Three companies form an alliance LHBD – Lasser, Harmood Banner and Dunwoody
- In 1993, the network was renamed RSM International in a meeting between Lawrence Robson (Robson Rhodes), Edouard Salustro (Salustro Reydel) and Ira McGladrey (McGladrey)
- October 2015 – Unified global name, brand and network under the name RSM

# OUR PURPOSE AND VALUES



## PURPOSE

- At RSM, we deliver The Power of Being Understood to our clients, colleagues and the community



## DISTINGUISHING BELIEFS

- Collaboration
- Understanding
- Ideas and Insight



## OUR PROMISE

- Get it right first time
- Guaranteed delivery on time and scope
- Leadership accessibility

# Core Values



# RSM IN EASTERN AFRICA

4  
OFFICES

10  
PARTNERS/DIRECTORS

192  
MINDS

## General

### Population and Language

The population of Tanzania is estimated at 61.4 million, with approximately 37% living in the urban areas. The population is expected to grow at a rate of 2.98% per year. Tanzania's population consists of Africans which account for 99% of the population of which 95% are Bantu consisting of more than 130 tribes and 1% consisting of mainly Arabs with some Asians and Europeans. The Constitution of Tanzania guarantees freedom of religion and worship, and there is no official state religion. The main religions practiced in Tanzania are Islam and Christianity. A significant proportion of the population practices traditional indigenous religions.

The national language of Tanzania is Swahili, a grammatically Bantu language, written with Roman alphabets. The official languages are Swahili and English. English is the business language, and the majority of contracts and accounting records are maintained in English.

### Foreign Relations

Tanzania is a signatory to bilateral, regional and international trade agreements that aim at facilitating and increasing trade. The agreements provide certain preferential treatment that investors benefit from doing business in Tanzania. Trade agreements where Tanzania is a signatory include Regional Trade Agreements (EAC and COMESA); Non-Reciprocal Market Access Arrangements (The African Growth and Opportunity Act (AGOA)), ACP/EU Cotonou Partnership Agreement and Generalised System of Preferences (GSP); Bilateral Trade Agreements with a number of other countries; World Trade Organisation and Intellectual Property Rights. Tanzania and Seychelles are the only countries in East Africa which also are a member of the South African Development Community (SADC).

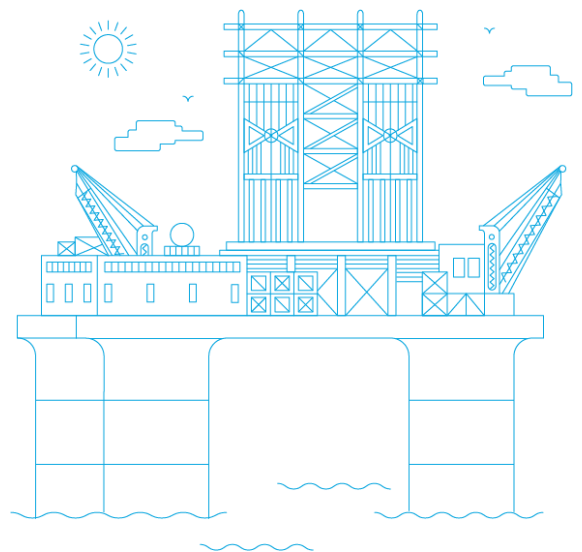
## Business Infrastructure

### Energy

Tanzania has abundant and diverse indigenous energy resources which are yet to be fully exploited. The sources include; wood fuel and other biomass fuels, hydropower, natural gas, coal, uranium, wind, geothermal and solar.

Tanzania's energy supply depends mainly on biomass. 78.4% of the total population have access to the grid electricity while households connected are 37.7%. The households electrified by solar photovoltaic technology are 30.4%.

As a total, biomass makes up close to 90% of the total primary energy consumption in Tanzania. 63.5% of the households in Tanzania Mainland use firewood as the main source of energy for cooking, followed by charcoal 26.2%, liquified petroleum gas 5.1% and electricity 3.0%. Other cooking energy comprises of 2.2%. Other energy sources are petroleum, which makes up 7.8% of total primary energy consumption, natural gas (2.4%), hydropower (1.2%) and coal/peat (0.3%). About 6.6 per cent of primary energy is imported, primarily from Uganda (17 MW), Zambia (8 MW), and Kenya (1MW).





Electricity makes up only 0.6% of total energy consumption. In 2008, 4,414 GWh of grid electricity was generated in Tanzania, of which 2,655 GWh from hydropower, 1600 GWh from natural gas, 119 GWh from coal and 40 GWh from petroleum. Total installed capacity amounted to 1,219 MW, of which 561 MW was hydropower and 658 MW thermal power. The installed capacity by 2019 was 1565.72MW consisting of hydro 573.70MW, natural gas 892.72MW, liquid fuel 88.80MW and biomass 10.50MW.

So far 73.2% of urban and 24.5% of rural areas are electrified

The Tanzanian solar energy sector has been fast growing in recent years and solar products are now a common sight in shops and markets throughout the country. Several factors have contributed to this growth. On the supply side, ever-increasing work on research and development has greatly reduced the prices of solar-PV products worldwide. The prominence of China in producing solar panels at a mass scale has reduced prices even further. With 65.3% of rural households having access to electricity, there seems to be specific potential for solar solutions in these areas. Past awareness-raising campaigns by government and NGOs has helped raise knowledge and understanding of solar products among consumers. The decision by the Government of Tanzania to drop VAT and East Africa Community to drop duties on principle solar products has made the solar market very interesting to entrepreneurs and many organisations and commercial institutions dealing in solar products have started their activities in recent years.

Located in the 'solar belt', most parts of Tanzania have abundant solar resources throughout the whole year with the low point occurring in July. The lowest annual average is 15 MJ or 4.2 kWh/m<sup>2</sup>/day and the highest is 24 MJ or 6.7kWh/m<sup>2</sup>/day. With such high levels of solar energy resources, Tanzania is naturally suitable for application of solar energy as a viable alternative source for modern energy services supply for rural electrification and in general.

## Telecommunication

In the last decade, Tanzania has undergone a transformation in the Information and Communication Technology (ICT) sector which has had a profound impact on Tanzania's social and economic structures. Tanzania's telecom sector is one of the fastest growing sectors of the economy. The communications sector contributes to 2% of the GDP.

Since the connection of the country to the international fiber optic, SEACOM, new services have been introduced, such as mobile banking and mobile money transfer. The broadband internet prices have halved. There are three major mobile communication players amongst a total of seven companies and the number of mobile subscribers has exceeded 48 million. The penetration level is around 86% in the telecoms sector and 46% in internet.

In June 2016, the Tanzanian parliament passed amendments to the Electronic and Postal Communication Act of 2009. The Act requires telecom firms to list their shares on the Dar es Salaam Stock Exchange by the end of 2016 and make permanent 25/75 local to foreign ownership requirement. Further, a local shareholder has been defined in the Act as a Tanzanian citizen. #



The regulatory authority in charge of this business is Tanzania Communications Regulatory Authority or TCRA. It is a quasi-independent Government body responsible for regulating the communications and broadcasting sectors in Tanzania.

## Transportation

The Tanzanian transportation system comprises of 5 modes; roads, railway, water, air and pipeline. The origins of this system lay in the colonial period where sea ports provided international gateways and railways provided access for both trade and administrative purposes. The road network is a key mode of transport, facilitating the marketing of agricultural produce, transportation of cargo, development of industries and import-export trade.

In recent years, the transportation sector in Tanzania has helped to integrate market-strengthening competition, increased access to farming techniques, promoted trade, tourism, and foreign investment, and has also contributed an average of 8.1% of GDP.

The growth and performance of the Tanzania transport sector has continued to improve because of government efforts and because of private sector investment in road rehabilitation, the expansion of telecommunications services, the modernization of port services, and the improvement in marine, railway and air transport services. The scope of existing plans fall under various development projects such as Implementation Strategy of the Transportation Policy of 2011 to 2025, Local Government Transportation Programme (LGTP) and the Transport Sector Investment Programme (TSIP).

Tanzania has two primary corridors; the central transport corridor, which connects Dar es Salaam and the coastal regions with the western and lake Victoria regions of Tanzania, thereby linking the country's main port to the neighbouring countries of Burundi, Rwanda, Uganda and the Democratic Republic of Congo. The southern corridor links Dar es Salaam to Zambia in the south west via the Tanzania Zambia Railway Authority (TAZARA) railway line.

Maritime transport includes major sea ports situated in Dar es Salaam, Tanga and Mtwara regions managed by the Tanzanian Harbours Authority (THA). An inland water transport system along Lake Victoria, Tanganyika and Nyasa is also operated by Marine Services Company limited. Zanzibar has two major ports, one at Malindi and the other located at Mkoani, both of which are managed by the Zanzibar Port Corporation.

Under the pipeline transport system, crude oil products are transported from Dar es Salaam to Zambia and natural gas is transported from SongoSongo gas fields to Dar es Salaam.

Tanzania has 58 airports including 3 international airports strategically located in Dar es Salaam, Kilimanjaro and Zanzibar. Furthermore, there are 300 private airstrips owned by mining companies and tour operators.

The Tanzania Ports Authority (TPA) has signed a 36-months contract of USD 154 million with state-owned China Harbour Engineering Company Limited (CHEC) for the expansion of the Dar es Salaam port.

The President of Tanzania, Dr. John Magufuli on April 12th 2017 laid the foundation stone for the construction of the first section of the Standard Gauge Railway connecting the port city of Dar es Salaam to Morogoro. The 300 kilometres rail line will be able to carry passengers and cargo up to 35 tonnes and transport a total of 17 million tonnes of freight per year at a speed of up to 160 kilometres per hour.

In 2017, The Government of Tanzania signed a USD1billion deal for the design and construction of the first stretch (202km) of the Standard Gauge Railway (SGR) between Dar es Salaam and neighbouring countries Rwanda and Burundi. Implementation of the railway project will help lift the economy of Tanzania and its neighbouring countries, including Uganda, Rwanda, Burundi, and the Democratic Republic of Congo (DRC).

The private sector has been encouraged to participate in the management of strategic transport infrastructure especially ports, airports and railways.

## Vision 2025 and the Economy

Tanzania is taking a number of steps to creating an enabling environment for both foreign and domestic investments. This is in line with the Government's Vision 2025.

The overarching vision under the Vision 2025 is to achieve a high quality livelihood for its people, attain good governance through the rule of law and develop a strong and competitive economy.

According to the African Economic Outlook, the Tanzanian economy growth slowed to 2.1% in 2020 from 6.8% in 2019. Growth was driven mainly by construction and manufacturing on the supply side and investments on the demand side. Monetary policy has been accommodative to support credit and economic growth, with a reduction in the policy rate from 7% in August 2018 to 5% in May 2020, where it remains. Inflation fell to 3.3% in 2020 from 3.5% in 2019, due to a steady decline in food prices. Exchange rates remained stable, partly due to the Bank of Tanzania's interventions to ensure stability in the foreign exchange market.



Given this is the first year of the implementation of the third Five Year National Development Plan 2021/22 with the overall theme of "realising competitiveness and industrialisation for human development" development", the main objective for 2021/22 is to: (i) have an inclusive and competitive economy; (ii) deepen industrialisation and service provision for value addition of agricultural products; (iii) enhance investment and trade performance; (iv) enhance human development; and (v) enhance skills development.

## Agricultural

Agriculture is the mainstay of the economy, engaging approximately 80% of the workforce. Tanzania has approximately 29 million hectares of irrigable farmland out of which only 280,000 hectares are currently under irrigation farming. With the growth rate estimated at 6% annually, the sector contributes to nearly half of national GDP. There is considerable scope for diversification and expansion of the agricultural sector through accelerated food crop production, value addition through processing of agriculture produce and increase of non-traditional exports. Intensified irrigation and additional value added processing are marketable areas for investments.

The government introduced the "Kilimo Kwanza" (translated as farming first) scheme which aims at commercializing agriculture and improving cultivation methods of peasant farmers to supplement agribusiness and progress the country to become self-sufficient in supplying food. The diverse climatic zones provide potential for many crops, livestock and forestry products, as well as sufficient water for irrigation and livestock, and large size of arable land. The increase in food demand in neighbouring countries provides further opportunities for agriculture to expand and increase exports to these countries.

The main export crops are coffee, tea, cotton, cashew nuts, sisal and cloves. Recently, exports of sub-tropical fruits, vegetables, cut flowers, groundnuts, vanilla, black pepper and other spices have also been rising. Huge opportunities exist to process these for exports and local consumption.

There are opportunities in commercial farming, storage facilities, agricultural inputs, farm machinery and services, commercialization of meat and livestock industry and agro processing for local consumption and exports.

## Manufacturing

The manufacturing sector in Tanzania remains relatively small, with most activities concentrating on the creation of simple consumer products such as foods, beverages, tobacco, textiles, kitchen utensils, plastic goods, furniture and wood products, rubber products, iron, steel and fabricated metal products.

In spite of its declining size, however, the sector continues to be of considerable importance to the Tanzania economy. Since agriculture is the mainstay of the Tanzanian economy, the manufacturing industry is centered around the processing of local agricultural goods. The manufacturing sector in Tanzania consists mainly of food processing (24%), textiles and clothing (10%), chemicals (8.5%), and others, including beverages, leather and leather products, paper and paper products, publishing and printing, and plastics. Export of Tanzanian manufactured goods includes cotton yarn, processed coffee and tobacco, sisal products (yarn and twine), wheat flour, plastic items, textile apparel, and cement.

However, activities within the sector have been registering an annual growth of over 7.8% and the sector is currently the third most important to the Tanzania economy after agriculture and tourism.

## Tourism

Tourism is Tanzania's second largest foreign exchange earner with over US\$ 1.3 billion in revenues and almost a million visitors annually. The country offers 16 national parks and 29 game reserves, 40 controlled conservation areas and marine parks providing habitat for a wide range of flora and fauna.

The tourism industry is growing as a result of the liberalisation measures, diversification of tourism generating markets, continued Government commitment to providing an enabling environment and successful tourism promotion campaigns. Tanzania is also becoming an important centre for regional and international conferences.

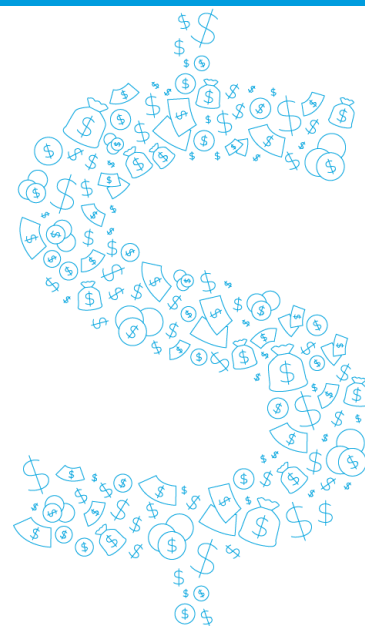
Enormous opportunities exist for investment in construction, eco-tourism, recreation and entertainment facilities including tour operations, conference tourism, cultural tourism, cruise ship tourism, aviation, tourism and travel tour and small aircraft and automobiles leasing and charter services.

## Financial

The banking sector was liberalised in 1999 and most exchange controls were gradually lifted. The Bank of Tanzania (BOT) is responsible for formulating and implementing the monetary policy, fostering liquidity and solvency and overseeing the proper functioning of the financial system. The banking industry in Tanzania is governed by the Companies Act, the Banking Act, the Bank of Tanzania Act and the various prudential guidelines issued by the BOT.

The banking sector comprises of 49 licensed banks, a higher number than other East African countries. Most banks operate under the traditional banking model where interest on loans is their principle source of earnings. Loans and advances are the principal assets largely funded from customer deposits. Loans are available at the rates varying between 9% and 17% based on the size of the customer, the tenure and the security pledged.

There are 28 companies listed on the Dar es Salaam Stock Exchange including seven cross listings. The market capitalization as at July 2021 was TZS 17,767billion (US\$ 7,76billion). Most of the stocks are owned by foreign entities and public institutions.



## Building and Construction

Tanzania has a well-developed construction industry. Quality engineering, building and architectural design services are readily available.

Tanzania's real estate sector contributed 3.1% to the country's real GDP in 2019 with USD 1.5 billion, compared to USD 1.2 billion in 2015. This represents an increase of 25% mostly driven by the increasing demand for urban accommodation.

## Mining, Oil and Gas

Tanzania is the fourth largest gold producer in Africa after South Africa, Ghana and Mali. The mining industry experienced an estimated 15.3 percent growth in the first quarter of 2020 compared to 10 percent growth during the same quarter in the previous year. There is an increase in mineral revenue collection from \$84.5 million in 2015/16 to \$202.7 million from July 2019 to April 2020.

Gold production in Tanzania stood at 39 tonnes in 2018, compared to 43 tonnes in 2017. Tanzania's gold production increased by more than 700% over the past 25 years, from 5 to 40–50 tonnes per year.



It has substantial deposits of other metals and minerals, most importantly diamonds, coloured gemstones, coal, cobalt, nickel and uranium. There are also industrial minerals like soda, kaolin, tin, gypsum, phosphate, marble and granite.

The industry contributes significantly to the country's export revenues. The government has forecasted this sector to contribute about 10% to the overall GDP by the year 2025.

In recent years, mineral exploration has increased in several parts of the country. The sector has attracted substantial foreign investment in mineral development exploration, with local investment surpassing one billion US dollars. Recent uranium, coal and nickel finds have spurred interest on the part of investors.

There have also been several discoveries of natural gas along the coast of the Indian Ocean. There are currently 18 oil companies in Tanzania commissioning exploration activities. It is estimated that Tanzania has over 41.7 trillion cubic feet of gas reserves.

## East African Community

The EAC is the regional inter-governmental organisation of the Republics of Burundi, Kenya, Rwanda, Uganda and the United Republic of Tanzania, headquartered in Arusha, Tanzania. The Treaty for Establishment of the East African Community was signed on 30<sup>th</sup> November 1999 and entered into force on 7<sup>th</sup> July 2000 following its ratification by the original three partner states – Kenya, Uganda and Tanzania. The Republic of Rwanda and the Republic of Burundi acceded to the EAC Treaty on 18<sup>th</sup> June 2007 and became full Members of the Community with effect from 1<sup>st</sup> July 2007. The Republic of South Sudan acceded to the Treaty on 15<sup>th</sup> April 2016 and became a full member once the instruments of ratification of the Treaty are deposited with the Secretary General of the Community. The Community has a population of over 177 million, a combined GDP (nominal) of US\$ 193.7 billion and covers a land mass of over 2.5 million square kilometres.

The EAC operates as a Common Market under a Common Market Protocol signed in July 2010, which provides for:

- Free movement of persons
- Free movement of workers
- Right of establishment
- Right of residence
- Schedule on the movement of services
- Schedule on the movement of capital.

The countries operate a common customs procedure which provides for a Common External Tariff (CET) on imports from third countries and duty-free trade between the member states

## Relationship of Government and Business

The Government of Tanzania recognizes the important role the private sector can play in the development of the country, generating investment, employment, increasing the ratio of tax revenues in GDP and improving the standards of living of citizens. The experience of controlling the economy through state owned parastatals has not been commendable while leading to wastage, corruption and misallocation of public resources.

To achieve these objectives and promote the growth of the private sector in the national economy, several laws are either being amended or new ones enacted to facilitate the smooth functioning of a vibrant private sector. At the same time, regulatory frameworks are put in place to ensure protection of consumers and ensure fair play for various stakeholders. The role of various business sectors which facilitate the process are recognized e.g. banks and financial institutions, telecommunications and information technology, transportation and communications, hospitals and health centers, educational facilities for all levels and so on.

However, challenges remain on various aspects. One of them is to bring the informal private sector into the mainstream economy. The second one is to ensure that all taxpayers pay their dues and pay in time.

The government also encourages PPP models.

## Policy, legal and regulatory framework

Public Private Partnership (PPP) is an important instrument for the Government of Tanzania to attract private investment and to improve public services. The Public Private Partnership (PPP) Policy was issued in 2009, the Public Private Partnership Act (PPP Act) in 2010 and the PPP Regulations in 2020. The Public Procurement Act of 2011 makes specific provision for PPP procurement for both solicited and unsolicited proposals.

## Institutional arrangement

Further to the PPP Act, a PPP Centre has been established under the general supervision of the Ministry responsible for PPP with the following functions among others to mobilize resources for project development and government support to PPP projects; develop operational guidelines; design and implement a fair, transparent, competitive and cost effective procurement process; deal with fiscal risk allocation and other financial matters of all PPP projects; examine requests for proposals to ensure conformity with the approved feasibility study; monitor, review and evaluate implementation of PPP Facilitation Fund; monitor and evaluate the performance of the PPP projects and prepare periodic performance reports; design and implement programmes for PPP capacity building to public and private sectors; and promote public awareness on PPP issues.

Apart from the PPP Centre there is the PPP Steering Committee which has power to approve feasibility studies, project reports, selection of preferred bidders and approve PPP agreements and amendments thereto. However, it is to be noted that where a project requires public funding, the Minister responsible for PPP has to make a determination.

## Areas of investment

PPP framework in Tanzania covers projects to be undertaken in productive and social sectors including agriculture, infrastructure, industry and manufacturing, exploration and mining, education, health, environment and waste management, information and communication technology (ICT), trade and marketing, sports, entertainment and recreation, natural resources and tourism and energy.

## Competition Law

The Fair Competition Act, 2003, through the establishment of Fair Competition Commission, promotes fair competition in trade and commerce and protects consumers from unfair and misleading conduct by all types of suppliers of products and services. These include various types of prohibitive business practices including certain anti-competitive acquisitions, mergers, false or misleading advertising, sale of defective products and services, price fixing, restrictive bidding, collective boycott by competitors, output restrictions between competitors and similar conducts. It also prohibits businesses from abusing their dominant position in a market. A business has a dominant position if it produces, supplies, distributes or otherwise controls 35% or more of the total goods or services which are produced or rendered in Tanzania or a substantial part of Tanzania.

The Act aims to protect consumers and the public at large from unfair and misleading market conduct by criminalising false or misleading statements of or unconscionable conduct by tradesmen, banks, retailers, wholesalers, insurers, brokers, businesses, suppliers, service providers, manufacturers etc. in connection with the promotion/marketing, supply or possible supply of goods and/or services. It establishes the powers and functions of the Competition Authority (the Authority) which is mandated to implement the Act.

Consumer rights are also protected under this Act and it is an offence to supply goods to customers where the products do not meet the laid out product safety standards. Hence, businesses operating in Tanzania will need to be more cautious about their product and service offering to consumers and their products must comply with consumer safety standards.

This Act has an impact on every sector and player in the economy, including manufacturers, importers and exporters and applies to the private sector as well as the public sector (Government, state corporations and local authorities) in so far as they engage in trade. The Act also applies to conduct outside Tanzania of Tanzanian citizens or residents, companies incorporated or carrying on business in Tanzania and persons supplying goods or services into or within Tanzania.

The Act places a general prohibition against anti-competitive agreements. Any agreement which has as its object or effect, the preventing, restricting or distorting competition in Tanzania falls within the ambit of prohibition. This law governs transactions outside Tanzania as long as the transaction touches a Tanzanian entity or an asset generated or protected in Tanzania.

The Act regulates mergers and acquisitions. Approval of mergers and takeovers are now mandatory. A merger occurs when one or more undertakings directly or indirectly acquire or establish direct or indirect control over the whole or part of the business of another undertaking. Mergers may be achieved by a purchase or lease of shares, acquisition of an interest, or purchase of assets (where an

asset is any real or personal property, whether tangible or intangible, intellectual property, goodwill, chose in action, right, license, cause of action or claim and any other asset having a commercial value) of an entity, exchange of shares between or among undertakings which results in a substantial change in ownership structure through whatever strategy or means adopted by the concerned undertakings or even through amalgamations and vertical integration. The acquisition of a controlling interest in a section of the business of an undertaking capable of itself being operated independently is also considered as a merger whether or not the business in question is carried on by a company.

Furthermore, any acquisition of an undertaking under receivership by another undertaking either situated inside or outside Tanzania or an acquisition by whatever means of the controlling interest in a foreign undertaking that has a controlling interest in a subsidiary in Tanzania, constitutes a merger.

Mandatory approval by the Commission for a merger is required if a transaction falls within the scope of the Act. An application should be made at any time prior to the consummation of the merger or takeover – this is understood to mean before completion or closing of the deal takes place. The Authority is bound, subject to certain exceptions, to make a determination on a merger application within 14 working days and a written review issued to the applicant upon completion. The Commission reserves the right to extend the review up to 90 days and the applicant informed of the same in writing.

Any merger carried out in the absence of an authorising order by the Commission, will be of no legal effect, and no obligations imposed on the participating parties by any agreement in respect of the merger are enforceable in legal proceedings. In addition, failure to observe this requirement could lead to imprisonment and/or to a fine.

Under certain circumstances, the FCC may provide exemption from requirements of the Act where the transactions are in national interest and would lead to efficiency, protection for consumers and environment and strengthening of economy in general.

The Act also empowers the Commission to regulate activities falling under production, marketing, product safety and product information, description, pricing, misrepresentation, advertising, recall of products sold and so on. These areas are covered to ensure that consumers of all types are protected against fraud, misrepresentation, unfair conduct, harassment or any other act of a seller which are detrimental to consumers.

The Act is enforced on Tanzania mainland only and does not cover Zanzibar Government jurisdictions.



## Types of Business Entities

### Types of Business Entities and Their Formation Procedures

In Tanzania, an investor may establish or participate in a business venture in a number of ways. The principal types of business enterprises in Tanzania are:

- Registered companies (private and public);
- Branch offices of companies registered outside Tanzania;
- Partnerships;
- Sole proprietorships; and
- Associations, Societies and Non-governmental Organisations.

#### Registered Companies (Private and Public)

Companies are registered as limited liability companies (limited by shares) and are regulated by the Companies Act Cap 212 R.E 2002 as amended (the Companies Act, 2002). Tanzania's legal system is based on English common law and practice. A wide range of legal services are locally available.

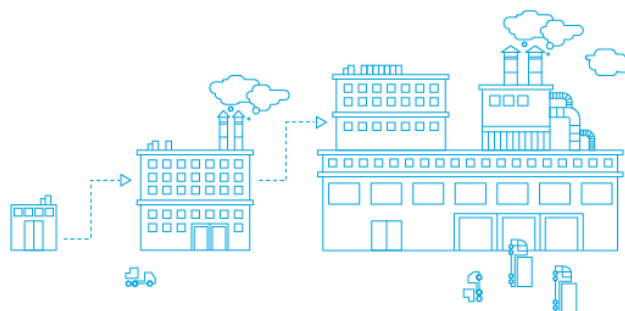
Companies limited by shares may be public or private. A private company is prohibited from inviting the general public to subscribe for its shares, right to transfer shares is restricted and it cannot have more than 50 members excluding persons in employment of the company. A public company may offer its shares to the general public. There is no maximum number of members and its shares are freely transferable. It may be able to raise capital by listing its shares on the stock exchange.

The registration of a company in Tanzania is now done online after the Business Registration and Licensing Agency (BRELA) introduced the Online Registration System (ORS) in 2018.

The process of registering a company in Tanzania may take up to four weeks and includes:

- Reservation and approval of a name by the Registrar of Companies (the Registrar). The company name reservation lasts 60 days;
- Preparation of the Memorandum of Association (setting out amongst other things the objects of the company, its authorised and issued capital) and Articles of Association (setting out the procedures governing the operations of the company). A private company will require at least 2 subscribers, and a public company will also require a minimum of 2 subscribers;
- Filling in the ORS online form which requires the details of the registered office address, statement of nominal capital, type of business, particulars of directors, company secretary and shareholders. In addition to the above, a public company is required to provide consent to act as directors, list of persons who have consented to act as directors and the statement in lieu of prospectus forms;
- Completion of form 14b on declaration and integrity pledge form;
- Various fees are levied for the stamping of the Memorandum and Articles of Association along with stamp duty which is capped at TZS 440,000 for nominal share capital in excess of TZS 50m; and
- After assessment of documents and approval, a Certificate of Incorporation will be issued by the Registrar of Companies.

The Companies Act, 2002 was amended to remove companies limited by guarantee. All companies that were registered by the Registrar as companies limited by guarantee not having share capital whose objectives are not for promotion of commerce, trade and investment were struck off and were to register themselves as Non-governmental organizations.



## Branch Office of an Overseas Company

A company incorporated outside Tanzania may carry on business in Tanzania through a branch. In order to establish a branch, the following documents and details must be submitted to the Registrar for registration:

- Statutory Form 434, duly filled and signed by the directors of the entity;
- A certified copy of the Charter, Statutes or Memorandum and Articles of the company, or other instruments defining the constitution of the company;
- A list and particulars of the directors and secretary of the company;
- A copy of the last audited accounts of the company in the country of its incorporation;
- A statement of all existing charges entered into by the company affecting properties in the country of its incorporation;
- Names and residential and postal addresses of one or more persons resident in Tanzania authorised to accept, on behalf of the company, service of notices required to be served on the company;
- Full address of the registered or principal office of the company in its home country;
- Full address of place of business of the branch in Tanzania; and
- a statutory declaration made by a director or Secretary of the company stating the date on which the company's place of business on Tanzania was established.

Companies that may want to have representative or liaison offices are required to register using the above process.

## Partnership

The law relating to partnerships is largely contained in the Law of Contract Act Cap 345 R.E 2002.

A partnership is formed by an agreement. The agreement is usually in writing and is called a Partnership Deed. Whether the partnership trades under the names of the partners or by a separate name, the business name to be used by the partnership must be registered under the Business Names (Registration) Act Cap 213 R.E 2002 (the Business Names (Registration) Act).

A Partnership is required to file the statement of particulars form with the Registrar. The form has to be signed by all the partners. Partnership agreements must be filed with the Registrar of Companies at BRELA. The Registrar of Companies will then issue a Certificate of Registration and an "extract" certifying the name of the partnership and the names of partners. The process may take up to two weeks.

## Sole Proprietorship

Sole proprietorship is a one-man business organisation where a sole proprietor is personally liable for all debts incurred. Whether a proprietor trades under his personal name or any other name, the business name used by the proprietor has to be registered under the Business Names (Registration) Act. The proprietor is required to file the statement of particulars form with the Registrar. The Registrar will then issue a Certificate of Registration and an "extract" certifying the name of the business and the name of the proprietor. The process may take up to two weeks.

## Associations, Societies and Non-Governmental Organizations

A Society is a non-partisan and non-political association of ten or more persons established for professional, social, cultural, religion or economic benefits or welfare of its members, formed and registered as such under the Societies Act Cap 337 R.E 2002.

A Non-governmental organization (NGO) is a voluntary grouping of individuals or organizations which is non-partisan or non-profit sharing established and operates for the benefit or welfare of the community, registered under the Non-Governmental Organization Act Cap 56 R.E 2002.

The registration falls under the Ministry of Health, Community Development, Gender, Elderly and Children.

The registration of NGOs is now done online through the NGO's Information System (NIS) by completing the online registration form and submitting the constitution, letter from the local government authority where the NGO will be located, minutes containing full names and signature of founder members and a list of founding members with their personal details. The board of directors and founding members must include at least two Tanzanian nationals. The application has to be accompanied by registration fees which varies based on the geographical level at which the NGO is registered (district, regional or international level) The application is considered by the

Registrar of NGOs normally within three months after the receipt of application. Upon registering the entity, the Registrar shall issue to the NGO with a certificate of registration.

Every NGO must submit an activity report to the registrar each calendar year (annually).

Societies are registered by the Registrar of Societies after completing the registration form accompanied by letter addressed to the registrar of societies, 3 copies of the constitution/ by law, minutes of authorization to establish the association, personal particular of office bearers/ curriculum vitae, passport size photos of the office bearers, introduction letter from the local government authority which is approved, address of the office accompanied by the registration and annual fees.

### Tax Identification Number and Value Added Tax Registration

All entities and individuals who become potentially liable to tax by reason of carrying business, investment or employment, are required to obtain a Tax Identification Number (TIN) within fifteen days of commencing a business, investment or employment. An application for a TIN is to be made to the Tanzania Revenue Authority (TRA) in the region where the business intends to be established. A TIN is required to be obtained by the entity and at least one resident director (for an entity). Such application can only be done after completing the company registration formalities and obtaining the Certificate of Incorporation/Registration. The application form must be accompanied with a provisional tax return for the company's year of income, certificate of registration, certified copy of the Memorandum and Articles of Association and introduction letter from local authority. TRA also requires physical presence of a director for finger printing and biometric photographing as well as for initial interview with a tax officer.

Where the taxpayer is required to register for Value Added Tax (VAT), such registration can be done by submitting the relevant application form, but only after obtaining a TIN certificate and requires some additional documents, namely, proof of availability of business premises, photographs and copies of passports of directors/partners and business license from local or central government body responsible for the business sector. Registration of VAT is only for taxpayers with the turnover of TZS 100 million in the period of 12 months or TZS 50 million in the period of six months. The referred turnover, excludes exempt supplies and supplies, which are out of the scope of VAT in Tanzania.

All resident directors/employees/partners/sole proprietors are also required to have an individual TIN. This needs to be done in the same manner as the applications for business entities.

### Accounting Period Ends

The financial period end needs to be agreed at the time of submission of the application of the TIN. The Income Tax Act permits incorporated businesses to choose any period end. However, certain laws e.g. the Banking Act and the Insurance Act require banks and insurance companies to have an accounting period ending on 31<sup>st</sup> December of each year. Unincorporated businesses (partnerships and sole proprietors) are also required to have accounting periods ending on 31<sup>st</sup> December. Incorporated businesses which are not suitable to have a 31<sup>st</sup> December ending, can change their period end with prior written approval of the Commissioner by giving a notice showing a compelling need to change the entity's year of income.

Unless required by law, the first period end for the preparation of audited financial statements can be 18 months from the date of commencement of business.



## Investment Approval Process

To facilitate the investment approval process, the Tanzania Investment Centre (TIC) operates a one-stop office as the focal point for investor assistance in the acquisition of relevant licences and permits from various Government Ministries, amongst other services.

Potential investors are required to submit their project applications to the TIC in a prescribed form and submit it together with the Certificate of Incorporation, Memorandum and Articles of Association, TIN, proof of availability of land and/or buildings, copies of registration with relevant ministry in charge of regulating the particular sector, bank's reference letter and a resolution of the Board of Directors of the company approving application to TIC. The TIC may seek further information or clearances e.g. an environmental impact assessment study from the National Environmental Management Council (NEMC) or a certificate of no objection from the Fair Competitions Commission.

Investors who wish to export more than 80% of their production and add value to finished goods can locate under Export Processing Zones Authority (EPZA). There are parcels of land available within the premises owned and managed by EPZA or investors can locate in one of the industrial buildings located within EPZ designated parks located in Dar es Salaam and Bagamoyo. These are owned and managed by private firms but governed by EPZA regulations. Locating in these areas offer lucrative tax breaks and exemptions from various tariffs on importation of capital goods, materials and other inputs.



## Capital Contribution

### Capital

The Memorandum of Association for a limited liability company lays maximum capital that a company is permitted to issue. This authorised level of capital is known as the "authorised" or "nominal" share capital. The company can fully issue its authorised capital or can have a certain amount of capital which remains unissued. The capital issued is known as the "issued" share capital. Shares can be issued at par (the face value of the shares) or at a premium.

The authorised capital can be increased by a resolution of members in a general meeting as stipulated in the company's Memorandum and Articles of Association. Resolution and statutory form (no. 66) of increase of share capital has to be submitted to the Registrar of Companies within 30 days from the date of passing of the resolution.

Any allotment of shares done after the incorporation of the company must also be passed by a resolution of members and submitting the statutory form (55a) to the Registrar of Companies within 30 days after the approval of the members at a general meeting called for that purpose. The allotment of shares cannot exceed the authorised capital of the company. A company can also do a loan to equity conversion to clear a subsisting loan by issuing shares.

## Regulation of Foreign Investment

Subject to a few restrictions on owning shares in financial institutions, companies listed on the Dar es Salaam Stock Exchange, mining companies, oil and gas companies, the owning of land and buildings, transport and communications businesses, there are no restrictions on the percentage of equity that foreign nationals may hold in locally incorporated companies. However, having local partners assists access to local knowledge and market conditions.

## Thin Capitalisation

In terms of the Income Tax Act (ITA), exempt-controlled resident entities are subject to thin capitalisation requirement of a maximum debt/equity ratio of 7:3. An “exempt-controlled resident entity” is defined to include inter alia a resident entity in which 25 percent or more of the underlying ownership is held by non-residents or their associates.

Such companies are restricted in expensing the interest costs incurred during a year of income on the basis of ratio of 3:7 equity to debt. The remaining interest costs being disallowed cannot be carried forward in the subsequent years.

Debt excludes a non-interest bearing debt obligation, a debt obligation owed to a resident financial institution or a debt obligation owed to a non-resident bank or non-resident financial institution on whose interest tax is withheld in Tanzania.

## Audit Requirements

All companies in Tanzania formed under The Companies Act, 2002, are required to have their financial statements audited at the end of each financial year. Companies, unless specifically restricted under a certain Act, can prepare their first set of financial statements for an eighteen-month period from the date of commencement of operations and with prior permission of the Commissioner General of the Tanzania Revenue Authority.

Section 170 of the Companies Act requires every company to appoint an auditor. The first auditor may be appointed by a resolution of the directors at any time before the first Annual General Meeting. The auditors shall hold office until the conclusion of that meeting. Subsequently, the auditor is appointed at each Annual General Meeting.

Societies and NGOs are also required to have their financial statements audited in accordance with Section 29 of the NGO Act. Partnerships and sole proprietors do not have any audit requirements; however, by practice, many of the large partnerships and sole proprietors have their financial statements audited. Further, any partnership or sole proprietor, which has attained the threshold of TZS 100m for self-assessment tax system, is also required to have its financial statements audited for tax purposes.



## Company Secretary

Any company registered under the Companies Act, 2002, except a company operating under a Certificate of Compliance, is required to appoint a Company Secretary. The duty of the Company Secretary includes amongst other things, maintaining the statutory books of the company and filing the relevant returns. A company operating under a Certificate of Compliance uses the same Company Secretary appointed in the country of origin.

There are no such requirements for a partnership, societies, NGO's or a sole proprietor to have a secretary.

## Annual Statutory Filing

Every local registered company is to file with the Registrar of Companies its annual returns within 28 days of the return date which is the anniversary of the company's incorporation accompanied by audited financial statements while companies incorporated outside Tanzania with a branch are to submit annual accounts in every calendar year.

An NGO is to file with the Registrar of NGO, annual report of activities and audited reports while a society is to file accounts or returns when required by the Registrar of Societies.

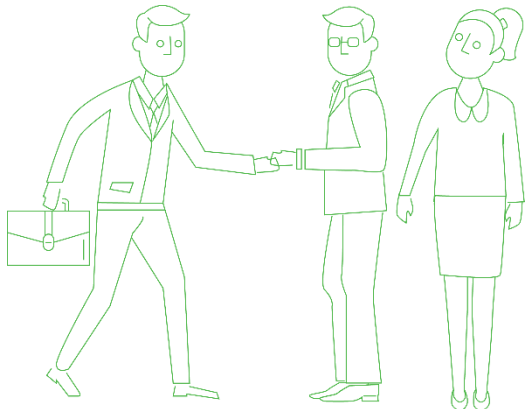
## Other Returns

Companies incorporated under the Companies Act or NGO Act, are required to file forms with the applicable Registrar on the change of directors/partners, change of registered office/principal place of business and changes in nominal, paid up capital and charges created on assets of the company, amongst other things. All forms are subject to payment of a nominal filing fee and have to be filed within a stipulated time after the change.

## Beneficial owners

The Finance Act No. 8 of 2020 amended the Companies Act, 2002 to introduce beneficial owners.

A beneficial owner is a natural person who directly or indirectly ultimately owns or exercises substantial control over an entity or an arrangement; who has a substantial economic interest in or receives substantial economic benefit from an entity or an arrangement directly or indirectly whether acting alone or together with other persons; on whose behalf an arrangement is conducted; or who exercises significant control or influence over a person or arrangement through a formal or informal agreement.



Beneficial owners information required include full name, including any former or other name; date and place of birth; telephone number; nationality, national identity number, passport number or other appropriate identification; residential, postal and email address; place of work and position held; nature of the interest including the details of the legal, financial, security, debenture or informal arrangement giving rise to the beneficial ownership; and oath or affirmation as to whether the beneficial owner is a politically exposed person or not.

The Registrar of Companies will have to be notified in relation to beneficial owners as per the Companies (Beneficial Ownership) Regulations G.N 391 of 2021 which provides for the procedures and

forms to be used when notifying the Registrar of Companies.

Every company is required by law to have a register of beneficial owners with accurate and up to date record of the beneficial owners.

## Taxation

### Overview of Tanzania Tax System

The Tanzanian tax system comprises both direct and indirect taxes. These taxes are a major source of Government revenue and include Income Tax, Customs and Excise Duties and Value Added Tax (VAT).

The collection and administration of these taxes falls under the responsibility of the Tanzania Revenue Authority (TRA), which was established in 1995. Penalties and interest levied for non-compliance with the tax legislation are punitive, and new investors are advised to familiarise themselves with the tax regime in Tanzania before commencement of business.

### Corporate Tax

#### Basis of Taxation and Tax Rates

This is a direct tax on profits made by corporate entities and it has its legal basis in the Income Tax Act, 2004. Tanzanian income tax is payable at the corporation rate by companies and unincorporated organisations and associations (excluding partnerships, sole proprietorships, and interest or dividend paid by a designated financial institution) that have taxable income as defined by the Income Tax Act (the Act has been amended each year up to the year 2020).

The income of a partnership or a sole proprietorship is not taxable on the business entity but is taxed on the individual partner or the proprietor. Each partner of a partnership and a sole proprietor is therefore required to declare his business and professional income as part of his personal income and pay tax according to the respective personal tax bracket.

On the application to the Commissioner, exemptions from income taxes may be granted to entities of public character established solely for the relief of poverty or distress of the public and religious organisations for the advancement of religion, education, health and alleviation of poverty. The application for exemption from payment of income taxes is approved by the Commissioner under Section 64 of the Act by way of a ruling made under Section 11 of the Tax Administration Act.

The Income Tax Act prescribes a charge of income tax on all income of persons, whether resident or non-resident, which accrues in or is derived from Tanzania or outside Tanzania. A resident person in relation to a body of persons (body corporate) means:

- that the body is a company incorporated under a law of Tanzania; or
- that the management and control of the affairs of the body was exercised in Tanzania in a particular year of income under consideration; or
- that the company has a branch or an exclusive agent or has a place of business in Tanzania for a period exceeding six months in any year of income; or
- that the body has been declared by the Minister by notice in the Gazette to be resident in Tanzania for any year of income.

Where a business is carried on or exercised partly within and partly outside Tanzania by a resident person, the whole of the gains or profits from that business shall be deemed to have accrued in or to have been derived from Tanzania.

The tax rates do not differ between resident and non-resident companies as outlined in the table below.

<b>Resident company</b>	30%
<b>Non-resident company:</b> – branch profits – repatriated income of a branch	30% 10%
<b>Newly listed companies with at least 30% of shares issued to the public</b>	25% for the first three years
<b>Newly established plant for assembling of motor vehicles, tractors, fishing boats or out boat engine – reduced rate for 5 years (conditions apply)</b>	10%
<b>Alternative Minimum Tax</b>  *At 0.5% of turnover on entities making tax losses for 3 consecutive years (Exemption applies to agricultural companies and companies engaged in provision of health and education)	0.5%*
<b>Newly established entity dealing in the manufacture of pharmaceutical or leather products having a performance agreement with the Government of Tanzania</b>	20% for five consecutive years from the year of commencement of production
<b>Manufacturer of sanitary pads having a performance agreement with the Government of Tanzania</b>	25% for two consecutive years from 1 July 2019

Branches of non-resident companies (permanent establishments) are taxable on all their incomes derived from or accrued in Tanzania.

Alternate Minimum Tax applies at the rate of 0.5% of turnover for companies with unrelieved tax losses for a consecutive period of three years. The tax will be payable starting from the third year of losses.

A permanent establishment is defined under the Income Tax Act as a place of business in which that person carries on business and includes:

- A place where a person is carrying on business through an agent, other than a general agent of independent status; provided that, where an agent other than an independent agent is acting on behalf of another person, that other person shall be deemed to have a permanent establishment if-
  - (i) the agent other than independent agent has and habitually exercises authority to
  - (ii) conclude contracts or issues invoice on behalf of that other person, unless his activities are limited to the purchase of goods or merchandise for that other person;
  - (iii) the agent other than independent agent has no authority to conclude contracts, but habitually maintains stock of goods or merchandise from which he regularly delivers goods or merchandise on behalf of that other person; or

(iv) the agent other than independent agent habitually secures orders, wholly or almost wholly for that other person or for the enterprise and other enterprises controlling, controlled by, or subject to the same common control, as that of that other person.”

- A place where a person has used or installed or is using or installing substantial equipment or machinery; and
- A place where a person is engaged in a construction, assembly or installation project for six months or more, including a place where a person is conducting supervisory activities in relation to such a project.

Unrelieved tax losses shall be carried forward and allowed as a deduction in determining the tax payer's chargeable income in the following year of income. Section 19 of the ITA restricts claim of unrelieved losses brought forward for entities with tax losses of 4 consecutive years to the extent of 70% of the taxable gain derived during the year of income.

### Specified Sources of Income

Income tax is charged on the income of a resident person from employment, business and investment for the year of income irrespective of the source of income. Non-residents are taxed on their income only to the extent the income has a source in Tanzania.

Tanzania residents are taxed on their worldwide income while non-residents are taxed on income from employment with a Tanzanian resident employer or permanent establishment in Tanzania, and on other incomes with a source in Tanzania.

A non-Tanzanian who is resident in Tanzania for two years or more will be subjected to tax on his worldwide income.

Payments of the following amounts are deemed to be sourced in Tanzania:

- Dividends paid by a resident corporation;
- Royalties paid with respect to use of an asset in Tanzania;
- Interest paid by a resident person or domestic permanent establishment;
- Rents for an asset situated in Tanzania;
- Natural resources payments for resources situated in Tanzania;
- Insurance premiums paid in respect of any risk in Tanzania;
- Services rendered in Tanzania, irrespective of where they are performed;
- Payments in respect of domestic assets or liabilities; and
- Payments in respect of employment exercised, service rendered or a forbearance from exercising employment or rendering service irrespective of the place of exercise, rendering or forbearance; and regardless of the place of payment, provided that, the services are consumed in Tanzania.
- Further, any income accruing or arising in the United Republic, whether directly or indirectly through or from-
  - a) any business connection
  - b) any property;
  - c) any asset or any source of income including the sources of payment referred to in section 69; or
  - d) transfer of an asset situated in Tanzania, shall be deemed to accrue or arise in Tanzania and shall be taxed through a representative assessee of a non-resident person or a beneficial owner.





## Export Processing Zone Enterprises

An Export Processing Zone (EPZ) enterprise is an enterprise which is operated in a designated export processing zone defined under the Export Processing Zones Act, 2002. Such enterprises are exempt from paying any corporation tax for a period of 10 years from commencement of activities for which the enterprise has been licensed.

During the first 10 years, an EPZ enterprise is exempt from the following:

- Withholding tax on rent, dividends and interest, and property tax
- All taxes and levies imposed by local government authorities

Other benefits enjoyed by EPZ enterprises include:

- Remission of customs duty, VAT, and any other tax payable on raw materials and goods of a capital nature. The relief on capital goods is limited to 8%
- Access to the export credit guarantee scheme
- Exemption from pre-shipment or destination inspection requirements
- On site customs inspection of goods
- Provision of business visas at the point of entry to key technical, management and training staff for a maximum period of two months, thereafter the requirements to obtain a residence permit applies
- Entitlement of automatic immigration quota for five persons Treatment of goods destined for the EPZ as transit cargo
- Exemption from VAT on utility and wharfage charges and
- Unconditional foreign exchange transferability.

Employees and directors, other than non-residents, of an EPZ enterprise are however liable to personal income tax, and the EPZ enterprise is required to comply with rules and regulations in relation to the operation of PAYE.

## Deductibility of Expenses

Subject to certain restrictions, all expenditure which is wholly and exclusively incurred in the production of the business income shall be deducted in arriving at the taxable income including capital allowances and investment deductions.

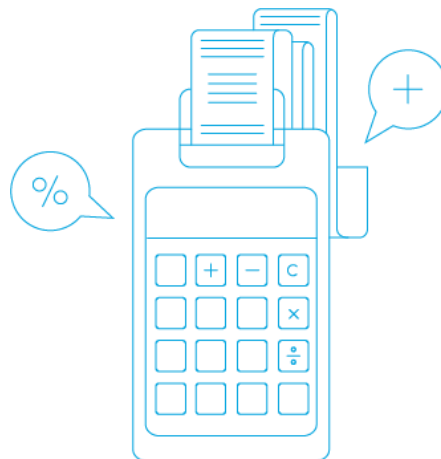
The following expenses are specifically allowable:

- Interest incurred under a debt obligation. However, interest payments by an exempt controlled company are disallowed to the extent that the debt to equity ratio remains at 3:7. Debt and equity are defined in the Income Tax Act. Any interest for which a deduction is denied cannot be carried forward;
- Trading stock;
- Repairs and maintenance incurred in respect of depreciable assets owned by the entity and wholly and exclusively used in the production of income;
- Expenses incurred on agricultural improvement, incurred in conducting an agriculture, livestock farming or fish farming business in clearing land and excavating irrigation channels or planting perennial crops or trees bearing crops;
- Environmental expenses incurred by the owner or occupier of farm land for the prevention of soil erosion;
- Research and development expenditure;
- Gifts to public and charitable institutions not exceeding 2% of an entity's income; only donations given for relief of poverty or distress to the public, advancement of education or the provision of general public health, education, water or road construction or maintenance qualify;

- Amounts paid to local government which are statutory obligations to support community development;
- Any donation made to the Education Fund Act, subject to the approval from the Commissioner General;
- Depreciation allowance on depreciable assets computed in accordance with the provisions of the Income Tax Act;
- Retirement contributions to approved retirement funds;
- Losses on realization of business assets and liabilities. However, any realized exchange loss emanating from non-interest-bearing obligation is limited to 70 per cent of the realized exchange loss and
- Losses from a business or investment; provided that where the company has unrelieved taxable losses for four consecutive years and taxable income (before deduction of prior years' taxable losses) in the fifth year of income, the allowance an entity is eligible in terms of the prior years' taxable losses shall not exceed 70 per cent of the taxable income for such year of income.

The following expenses are specifically disallowed:

- Non-business and personal expenses (expenses not wholly and exclusively incurred in the production of income);
- All donations with the exception of those specified above;
- General and other provisions for bad debts with the exception of those specified above;
- General provision for gratuities/leave pay/staff dues (specific provisions are allowed provided these have been taxed on the recipient);
- Other general provisions;
- Capital expenditure, or any loss, diminution or exhaustion of capital;
- Repairs and maintenance of capital nature, including costs of extensions or replacements of buildings unless specified above;
- Fines and penalties for breach of law;
- Unrealised foreign exchange losses;
- Restricted interest as stated earlier for exempt controlled entity;
- Depreciation and amortisation (unless computed in line with the provisions of the Income Tax Act);
- Any other expenditure which can be classified as "excluded expenditure" e.g. bribes, taxes, fines and penalties and
- Expenditure incurred in earning amounts which are subject to final withholding taxes or are exempt amount.



## Capital Allowances

## Depreciation Allowances

Nature of asset	Rate
Computers and data handling equipment together with peripheral devices, buses with a seating capacity of under 30 passengers, goods vehicles with a load capacity of less than 7 tonnes, construction & earthmoving equipment (Class 1)	37.5% Reducing balance method
Buses with a seating capacity of 30 or more passengers, heavy general purpose or specialized trucks, trailers and trailer mounted containers, railroad cars, locomotives & equipment, vessels, barges, tugs, and similar water transportation equipment, aircrafts, other self-propelling vehicles, plant & machinery used in agriculture or manufacturing, specialized public utility plant & equipment and machinery or other irrigation installations and equipment (Class 2)	25% Reducing balance method
Office furniture, fixtures and office equipment and any other asset not included in any other class of assets (Class 3)	12.5% Reducing balance method
Expenditure incurred in respect of mineral or petroleum operations	20% Straight line method
Buildings and structures: <ul style="list-style-type: none"> <li>- used in agriculture, livestock or fish farming (Class 5)</li> <li>- Others, including assets owned by any entity involved in the international pipeline project (Class 6)</li> </ul>	Straight line method at: 20%  5%
Intangible assets (Class 7) <ul style="list-style-type: none"> <li>- Agriculture-improvements, research and development</li> </ul>	Depreciated over the useful life of the asset  100%

## Business with Non-Resident Persons, Transfer Pricing and Anti-Tax Avoidance Provisions

The Income Tax Act empowers the Commissioner to adjust profits accruing to a Tanzanian resident where such a person enters into transactions with non-residents and the transactions are such that they produce either no profits or less than the ordinary profits which might be expected to accrue to the resident person if the transactions had been conducted by independent persons dealing at arm's-length.

The Income Tax (Transfer Pricing) Regulations 2018 repealing the previous Regulations of 2014. These regulations are applicable to taxpayers and related parties who are situated both inside and outside the country. The regulations require that transactions between persons resident in Tanzania and associate enterprises in or out of Tanzania be done at arm's length and must mirror similar dealings between independent persons in the market.

Taxpayers with related party transactions of TZS 10 Billion (USD 4.35 Mil) or more must file their transfer pricing documentation together with their tax returns. The hierarchy of transfer pricing methods is retained, with the cost-plus method designated as the method to test intra-group services. The comparable uncontrolled price (CUP) method is the designated method to test commodity transactions.

Restriction on use of 'tested parties' has been imposed under the new Regulations. Use of a tested party located outside of Tanzania will only be permitted if financial information on that party can be provided to the TRA. Transfer pricing documentation must also include actual computational workings carried out to determine the transfer prices and financial statements of the parties to the controlled transaction, including where the tested party selected is outside the country.

Penalty for non-compliance with the arm's length principle (upon audit) is 100% of the tax shortfall. Penalties for failure to provide documentation is 3,500 currency points (TZS 52.5 Mil or approximately USD 22,830).

## Tax Returns

Each corporate entity (including an EPZ enterprise) is required to file a self-assessment return called Statement of Estimated Tax Payable (SETP) within three months after the commencement of its accounting year. In addition, a company is required to file a revised tax return during the year of income where a change in estimated tax payable is envisaged.

All taxpayers, including individuals, associations, societies, clubs, partnerships, incorporated entities, branches of entities incorporated outside Tanzania are required to file a final tax return (together with the audited financial statements) within 6 months after the end of the accounting period.

### Advance, Instalment and Final Tax Payments and Deadlines

Tax payments are made by the payment of:

- Advance taxes and other taxes deducted at source e.g. withholding tax;
- Instalment taxes; and
- Final tax (being the difference between the total tax liability for the year less advance and other (non-final) taxes deducted at source and instalment taxes paid).

Instalment taxes are payable quarterly on the last day of the quarter (or the last working day before the end of the quarter where this falls on a Saturday, Sunday or a public holiday) as follows:

Instalments	Due date	Rate
1 <sup>st</sup> instalment	3 <sup>rd</sup> month	25%
2 <sup>nd</sup> instalment	6 <sup>th</sup> month	25%
3 <sup>rd</sup> instalment	9 <sup>th</sup> month	25%
4 <sup>th</sup> instalment	12 <sup>th</sup> month	25%

The basis of assessing instalment tax is the income subject to corporate tax assessed by the entity, including all incomes not subject to any final withholding taxes.

The final tax due is required to be paid on or before the end of the sixth month after the year-end or the last working day before the month-end where it falls on a Saturday, Sunday or a public holiday.

The total taxes paid on instalments plus any non-final withholding taxes paid should be more than 80% of the final tax liability established at the time the final tax return is submitted.

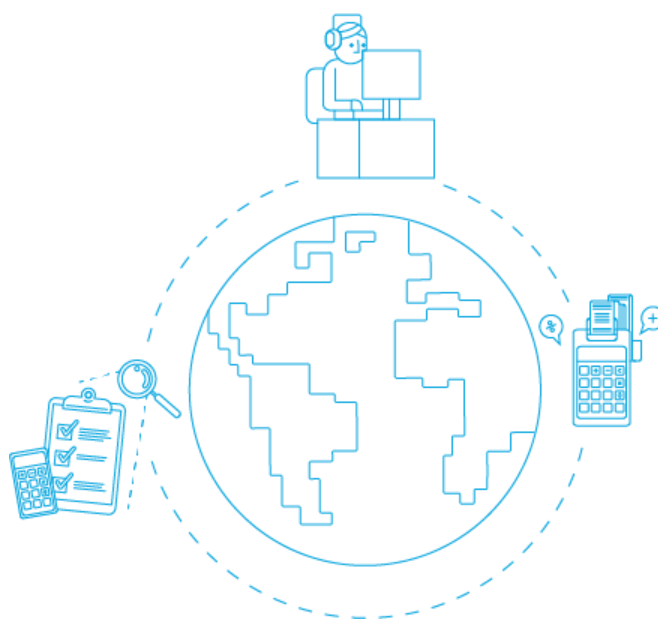
Failure to estimate tax correctly will result in interest charges payable as per the statutory rate for the year of income.

### Set-Off of Tax

Where a taxpayer has any tax or duty payable to the TRA (except VAT and duty on imports), such tax may be offset on request against any refund of tax or duty confirmed by TRA. Any such request for offset must be made to the Commissioner General.

### Turnover Tax

When an entity has perpetual unrelieved tax losses for three consecutive years, it is required to pay tax at the rate of 0.5% of the turnover of the third year. Such tax is payable annually until such time the entity has relieved all the tax losses and commence to pay corporate tax. This is subject to the 70% restriction on tax losses highlighted above.



Introduction

The Income Tax Act, 2004, contains the rules for the ascertainment of income, entitlement to personal relief and the assessment and collection of tax in relation to personal income.

Basis of Taxation and Tax Rates

A Tanzanian resident is taxed on his worldwide employment income, while a non-resident is taxed on income from employment with a Tanzanian resident employer or a permanent establishment in Tanzania of a non-resident employer. Pension received by a resident individual from a pension fund established outside Tanzania will be subject to tax.



An individual is resident in Tanzania if he has a permanent home in Tanzania and was present in the country at any time during a particular year of income, or if he has no permanent home in Tanzania but was present in Tanzania for a period or periods amounting in the aggregate to more than 183 days in that year of income. Furthermore, an individual is also resident if he has no permanent home in Tanzania but was present in Tanzania in that year of income and in each of the 2 preceding years of income for periods averaging to 122 days in each year of income.

Taxable income from employment includes wages, salary, commission, bonus, allowances and directors' fees. Travelling, entertainment and other similar allowances are taxable unless they are purely a reimbursement of expenses incurred by the employee in the course of their employment.

Each employer is required to operate The Pay as You Earn (PAYE) system of withholding tax at source from employment income paid to employees and remitting the same to TRA. The PAYE rules set out the manner in which the system is to be operated and also prescribes the monthly and semi-annual returns that are to be provided to TRA.

The current Personal Income Tax rates are as follows:

Taxable Income Year 2021–2022 TZS. p.m.	Rate %	Tax on Minimum Band TZS. p.m.
0 – 270,000	Nil	Nil
270,001 – 520,000	8	Nil
520,001 – 760,000	20	20,000
760,001 – 1,000,000	25	68,000
Over 1,000,001	30	128,000

Secondary employees who are residents and provide services to resident employers are subject to 30% tax on their emoluments. A secondary employment refers to employment with an employer who is not the primary employer of the employee.

## Taxation of Benefits

As a general rule, all non-cash benefits are taxed at prescribed values and in the absence of this, at their market value. All cash benefits other than re-imbursing of expenses incurred in the course of business, are taxable).

## Tax Free Benefits

- Exempt amounts and certain payments where withholding tax is a final tax.
- Cafeteria services provided within the employer's premises provided that those services are available on a non-discriminatory basis.
- Payment for medical services including insurance premiums for staff on a non-discriminatory basis for employee, spouse and up to 4 children.
- Foreign sourced income of expatriate resident for less than two years.
- Any subsistence, travelling, entertainment or other allowance representing reimbursement of amounts expended wholly and exclusively in the production of employment income.
- Benefits derived from use of motor vehicle where the employer does not claim any deduction or relief in relation to the ownership, maintenance or operation of the vehicle.
- Benefits derived from the use of residential premises by an employee of the government or any institution whose budget is fully or substantially out of government budget.
- Passages where the individual is domiciled more than 20 miles from the place of employment, for employee, spouse and up to 4 children.
- Retirement contributions and payments exempted under the Public Service Retirement Benefits Act.
- Payment that is unreasonable or administratively impracticable for the employer to account for or allocate to the recipients.
- Tax deduction on donations stipulated in the Education Fund Act 2011, subject to the Commissioner's approval upon submission of an application for deduction.

## Taxable Employment Benefits

### Motor Vehicles

Taxed according to engine size and vehicle age on following annual values:

Engine size	Up to 5 years old TZS per annum	Over 5 years old TZS per annum
Up to 1000cc	250,000	125,000
1000 – 2000cc	500,000	250,000
2000 – 3000cc	1,000,000	500,000
Over 3000cc	1,500,000	750,000

This benefit will not be taxable on the employee if the employer does not claim any deduction or relief in relation to ownership, maintenance, or operation of the vehicle.

#### a) Housing

The lesser of:

- The market rental value of the premises; and
- The greater of: 15% of the employee's total income for the year of income; and the expenditure claimed as a deduction by the employer with respect to the premise.

#### b) Employee Loans

Loans made to directors or employees at favourable interest rates give rise to a taxable benefit. The amount of the benefit, which is taxed monthly under the PAYE system, is the difference between the interest actually paid on the loan and the statutory rate as determined by the Commissioner. Also applies where the loan is equal to at least three months' basic salary and repayable over a period of more than 12 months.

### c) Pension and Provident Funds

- The amount that is deductible against taxable income of an employee for contributions made by an employee to a registered fund, including the National Social Security Fund (NSSF), up to half of the actual contribution paid or the statutory amount.
- Registered funds must comply with conditions laid down by the Commissioner, which mainly have to do with limits on contributions and circumstances in which benefits can be paid out. Registration requires the Commissioner's approval.

### Tax Returns and Payment Deadlines

- a) Every person with income chargeable to tax including a partner in a partnership and a sole proprietor, with the exception of individuals earning only employment income which is fully taxed at source, is required to file a Return of Income. According to Section 91 of the Income Tax Act (ITA as Amended in 2017), the Return is due for filing no later than six months after the end of each year of income.

Every employer who is an instalment payer for a year of income is required to file a provisional return with the Commissioner. All resident persons who conduct agricultural business are required to file the return by September of the year of income and for all other resident persons, on or before the third month for the year of income.

Every employer operating the PAYE system is required to file the following returns:

- Employment Taxes Payment Credit Slip – to be stamped by the bank on payment of PAYE and Skills and Development Levy (SDL) deductions. To be paid by the 7<sup>th</sup> of the following month or the last working day before the 7<sup>th</sup> where this falls on a Saturday, Sunday or a public holiday.
  - Monthly PAYE and SDL returns to be filed by 7<sup>th</sup> of the following month.
- b) Under the PAYE rules, all deductions made by an employer must be paid on or before the 7<sup>th</sup> day of the following month or the last working day before the 7<sup>th</sup> where this falls on a Saturday, Sunday or a public holiday.
- c) For a resident individual whose only source of income is from employment or whose only income is from capital gains on investments, a return of income is not required.

### Withholding Tax

Withholding tax is deducted on payment by a resident person or a non-resident person with a permanent establishment on certain income deemed to have been derived from Tanzania (irrespective of whether paid to resident or non-resident persons). Withholding tax deducted is payable by the 7<sup>th</sup> day of the following month (or the last working day before the 7<sup>th</sup> where this falls on a Saturday, Sunday or a public holiday). In addition, withholding tax returns are required to be filed with TRA on a monthly basis by the 7<sup>th</sup> day of the following month.. The withholding agent shall prepare and serve the withholder, a withholding tax certificate in a prescribed form for each deduction and shall be served within 30 days after the end of the month of deduction. The rates of withholding tax are as follows:

Withholding Tax Rates	Resident	Non-Resident
Insurance premium	N/A	5%
Service fees	5%	15%
Management and technical services fees (mining, oil and gas)	5%	15%
Natural resource payment	15%	15%
Royalty	15%	15%

Withholding Tax Rates	Resident	Non-Resident
Payments for goods sold to a resident corporation whose budget is wholly or substantially financed by the Government of Tanzania	2% of gross payment	N/A
Payment for agricultural, livestock and fishery products (except agricultural marketing, cooperative societies and cooperative unions) to a resident supplier	2%	N/A
Interest	10%	10%
Rent:		
– land and buildings	10%	20%
– aircraft lease	10%	15%
– other assets	N/A	15%
Dividend:		
– to company controlling 25% or more	5%	N/A
– from DSE listed company	5%	5%
– otherwise	10%	10%
Directors' fees (not in full-time service)	15%	15%
Commission on money and transfer through mobile phones	10%	N/A

## Double Taxation Treaties

Tanzania has entered into double taxation treaties which mitigate the tax chargeable on the income of persons derived from a country other than the country in which they are resident. Countries with which Tanzania has such treaties are Canada, Zambia, Sweden, Italy, India, Denmark, Norway, Finland and South Africa.

For a Tanzanian taxpayer, any tax paid on his foreign income is eligible for deduction against total income tax payable by the person on his worldwide income in Tanzania provided that the foreign tax paid is offset against Tanzania tax payable on such foreign income. The tax paid in foreign jurisdiction cannot be offset against tax payable on income earned in Tanzania.

## Value Added Tax

### Basic Concepts and Rates

The operation of VAT has its legal basis in The Value Added Act, 2014 and the regulations made under the Act. The new VAT Act replaced the previous VAT Act, 1997, which was in force since 1 July 1998.

All persons making supplies of taxable goods or services meeting the threshold of TZS 100 million are obliged to register under the Act. For the purpose of determining the value of taxable supplies, all economic activities, whether conducted for profit or not and whether of a continuous nature or a one off supply, are to be considered for determining the eligibility of registration.

The value of imported services must be considered to determine the eligibility to register under the Act.

All persons who are providing professional services are obliged to register under the Act, irrespective of the fact that they may not be meeting the threshold for registration. This includes all service providers who are required to be registered with any professional body or regulatory authority to conduct their professions.

All government agencies making supplies as part of their economic activities are required to be registered under the Act.



### VAT is levied on:

- The supply of goods, properties and services, where it is a taxable supply made by a person in mainland Tanzania in the course of or in furtherance of any economic activity, whether done for profit or not;
- The importation of taxable goods into mainland Tanzania;
- The importation of taxable services into mainland Tanzania by a taxable person whose taxable supplies are less than 90 per cent of the total supplies for the period;
- Financial services – including all types of services rendered by banks (except interest incomes) and insurance services (except life and health products and workers' compensation); and
- Sale or disposal of assets (except where a business or part of a business is sold as a going concern).

### VAT is payable by the:

- Taxable person making the taxable supplies;
- The importer of imported goods; or
- The recipient of imported services

### The VAT rates applicable in Tanzania are:

	Tanzania Mainland	Zanzibar
Supply of goods and services	18%	15%
Import of goods and services	18%	15%
Export of goods and qualifying services	0%	0%
A supply of ancillary transport services for goods in transit in international transport	0%	

Registration threshold – TZS 100 million turnover p.a. for Tanzania Mainland\* and TZS 50 million p.a. for Zanzibar.

- **Taxable supply** refers to the supply of any kind of goods or services which are not exempt and are deemed to be taxable at the standard rate of 18% or zero-rated. Where a supply is both exempt as well as zero-rated, the supply will be deemed to be zero-rated, and where a supply is both taxable at the standard rate and exempt, the supply shall be treated as taxable supply at standard rate
- A **zero-rated supply** is a supply of goods and services as specified in the VAT Act. All exports of goods are zero-rated while specific services qualify to be deemed exports. Where a person makes zero-rated supplies:
  - No tax is chargeable on the supply; but
  - The supply will in all other respects be treated as a taxable supply (including in determining the registration threshold).
  - Any input VAT suffered in the provision of zero-rated supplies is deductible as input tax.
- A supply of ancillary transport services of goods in transit through mainland Tanzania include:
  - (i) An integral part of the supply of an international transport services.
  - (ii) In respect of goods stored at the port, airport, or a declared customs area for not more than thirty days while awaiting onward transport. The period can be extended upon approval by the Commissioner for Customs.
- An **exempt supply** is a supply of goods specified in the Schedule of exempt supplies in the VAT Act. Where a person makes exempt supplies:
  - No tax is charged on the exempt supplies.
  - The value of exempt supplies is disregarded in determining the annual registration threshold.
  - Any input VAT suffered in the provision of exempt supplies is not deductible as input VAT and is therefore a cost to the person.

- Various goods imported by another government or international agencies listed under the Diplomatic Immunities and Privileges Act are relieved from payment of VAT. The Commissioner General may relieve such imports from payment of tax or refund the taxes paid after importation.
- All input taxes paid in respect of sales at standard rate or zero rate are deductible by the registered person/VAT trader, subject to conditions specified in the Act i.e. documentary evidence, input VAT incurred on acquisition of passenger vehicles unless the person's economic activity involves dealing in, hiring out, or providing transport services in passenger vehicles and the vehicle was acquired for that purpose, goods, services, or immovable property, to the extent that it is used to provide entertainment, apportionment of input VAT based on proportion of exempt supplies in total supplies and eligibility of the input tax for the purpose of tax credits, etc.
- Persons who make both taxable and exempt supplies are required to do apportionment of eligible input taxes based the proportion of taxable sales and exempt sales in their total sales. However, where exempt supplies constitute less than 10% in total supplies, no apportionment is required. Similarly, where taxable supplies constitute less than 10% of total supplies, no apportionment is permitted.
- Where input taxes and not claimable, the same can be expensed or capitalized as appropriate.

#### Deferral of VAT on imported capital goods:

Import of capital goods qualifies for deferment of payment of VAT subject to the approval of the Commissioner General and meeting the conditions specified for deferment under the Act. The most important conditions are to use the capital goods for production of taxable supplies, making of taxable supplies reaching threshold in the twelve-month period after importation and the value of tax to be deferred to be TZS Twenty Million or more. The Commissioner General will also consider the tax compliance of the applicant. In general, the Commissioner General will ensure that there are no valid reasons to refuse the application for deferment.

#### Exemptions from VAT on imports of capital goods applicable to some sectors:

Imports of goods eligible for relief under EAC CMA, where imported by a registered and licensed explorer or prospector for exclusive use in oil, gas or mining exploration or prospecting activities, also qualify for exemption from VAT.

Various goods imported by a natural gas distributor (including CNG plants, equipment, etc.).

There are various other goods which are exempt supplies e.g. educational services and materials, petroleum products, bitumen, CNG, LPG, unprocessed foods and medicines, medical equipment and services, sale of vacant land, sale or rental for residential accommodation, supply of water, solar equipment and so on (all exemptions are subject to conditions as specified under the Act).

#### Application for Registration

A person who meets the registration requirements should, within 30 days of becoming a taxable person, apply for registration. The threshold for registration is taxable supply of TZS One Hundred Million in a given year or TZS Fifty Million in a six-month period. A person intending to make supplies may register as an "intending trader".

The following amounts need not be included when determining the threshold for registration under the Act:

- Value of a supply that is not a taxable supply as defined under the Act e.g. supply of exempted goods.
- Where a person is disposing off an asset which is a capital asset and is not in the business of trading in assets.
- Where a supply is made solely as a consequence of selling an economic activity or a part of the economic activity as a going concern i.e. the supply is made which enables the buyer to carry on the business that was being carried on by the seller.
- Where supplies are made solely as a consequence of permanently ceasing to carry on an economic activity by the seller.

Certain categories of persons are required to register under the Act. These include professionals who are rendering services, in mainland Tanzania, being permitted, approved or licensed under any written law or are members of any professional association which has uniform national registration requirements relating to the rendering of their professional services.

The Commissioner General, based on his best judgment, may register any other person that he deems fit to be registered under the Act even if the person has not applied for such registration.

A person can only obtain one single registration number and all his economic activities, including that of all branches or divisions are covered by the single registration.

Every registered person is required to display the registration certificate in a clearly visible place in his business premises. Where a person has more than one place of business, certified copies (certified by the Commissioner) must be displayed in each of those places. The Commissioner will issue "Branch VRN certificates to be displayed at the branch to which the certificate relates.

Where the Commissioner General fails to register a person within the time stipulated in the Act, the provisions of the Act will not apply to the person seeking registration until he is registered.

#### Value Added Tax Representatives of a non-resident:

A non-resident making taxable supplies in mainland Tanzania, but not having a fixed place of business, is required to appoint a resident person as his VAT representative, who will be responsible for compliance under the Act by the non-resident. The registration will be in the name of the non-resident principal. The regulations provide for the process and the obligations of the VAT representative.

#### Pre-registration Input VAT

Where a person is not registered for the purposes of VAT, imports or acquires any goods and that person becomes subsequently registered, he may claim input tax credits. The claim of input tax credits can only be done on the following conditions:

- The goods were in the ownership and possession of that person on the date of registration;
- Such goods were received not more than six months prior to the registration;
- The person holds documentary evidence of the goods imported or acquired;
- The person acquired the goods in course of his economic activities;
- The input tax is claimed within three months after the registration under the Act; and
- The person notifies the Commissioner General of the goods and documentary evidence on the basis of which he claims the input tax credits.

#### De-registration and Disposal of a Business as a Going Concern

A person may apply to be de-registered if the taxable turnover of goods or services in a period of 12 months does not exceed TZS 100 million, or is not expected to increase in the next period of 12 months or has ceased to do taxable supplies.

On receipt of the application, the Commissioner General shall, if satisfied that the person should be de-registered, cancel the registration of that person with effect from the date when the registered person pays tax due and payable on supplies made on stock of materials and other goods on which input tax has been claimed.

The Commissioner General may, if he thinks fit, cancel the registration of a person based on the facts of that registered person. The registration can be cancelled based on the following grounds – obtaining registration by submitting false or misleading information, not carrying on of any economic activities or failure to meet the threshold for making taxable supplies.

Where a person's registration is cancelled, he shall, within 30 days from ceasing to be registered, file a final VAT return and pay all taxes due.

In practice, the Commissioner General will conduct a VAT audit before granting de-registration.

## Continuing Obligations of a Taxpayer

A registered person is required to notify details to the Commissioner within 14 days of the following changes:

- Cessation of making taxable supplies;
- The taxable turnover falls below TZS 100m;
- A change in ownership of the business including change in the constitution of, or the terms of governing the business;
- Change in the name or trading name of the business or in the name or address of the owner or any of the owners of the business;
- Change in the nature of the economic activity carried out by the person;
- Change of address or other contact details of the person;
- Additional premises to be used for the purposes of the business; or
- Any other major change in the nature, control or conduct of the business.

## Output Tax in Relation to Supply of Goods and Services

### Output Tax and Supply

Output tax is the tax due on taxable supplies. A supply is defined to be “any kind of supply whatsoever” (except money) and generally includes:

- The sale, supply or delivery of taxable goods to another person;
- The sale or provision of taxable services to another person;
- The sale, supply or delivery of immovable property to another person;
- The letting of taxable goods on hire, leasing or other transfers;
- The appropriation by a registered person of taxable goods or services for his own use inside of the business where if supplied by another registered person, the tax charged thereon would have been excluded from the deduction of input tax;
- The appropriation by a registered person of taxable goods or service for his own use outside of the business;
- Making goods or services available to employees where the input tax on such goods and services has been claimed by the person;
- A sale, exchange or other transfer of the right to dispose of goods as owner, including under a hire purchase agreement;
- Receipt of consideration in whole or in part;
- A lease, hire or other right of use granted in relation to goods including a supply of goods under a finance lease; and
- Any other disposal of taxable goods or provisions of taxable services.

### Zero-rated supplies

These relate to export of goods and services.

Goods are deemed to have been exported where they are made available to a buyer outside Tanzania or removed from a place in mainland Tanzania to a place outside the United Republic of Tanzania. The exporter must provide proof of exports e.g. customs documents, bills of lading, invoices from clearing and forwarding agents, documents showing various charges paid at point of embarkation, etc.

- Supply of duty free products to tourists or visitors for use outside Tanzania and which will not be re-imported into the country;
- Supply of immovable property located on land outside Tanzania;
- Supply of goods for use in international transport e.g. ship's stores, goods for sale on aircrafts during international voyages, etc.

Services are deemed to be exported in very specific transactions as follows:

- International transport services but excludes all ancillary services except those mentioned under the definition of zero-rated supplies;
- Supply of insurance services to international transport;
- Supply of services on goods imported temporarily in Tanzania specifically for the services rendered and which will be exported after the services have been rendered;
- Supply of repairing, maintenance, cleaning, renovating, treating, modifying and similar services to ships or aircrafts engaged in international transport;
- Supply of services directly related to land outside Tanzania;
- Supply of services physically performed on goods situated outside Tanzania;
- Supply of services consisting of filing, prosecuting, granting, maintaining, transferring, assigning, licensing or enforcing intellectual property rights for use outside Tanzania;
- Supply of telecommunications services by a telecommunications service provider to a non-resident telecommunications provider.

### Sale of economic activity

Where a taxable person enters into a transaction for sale of the whole or part of his economic activity, as a going concern, the supply will be deemed not to be taxable subject to the following conditions:

- Everything necessary for the continued operation of the economic activity is supplied to the person to whom the economic activity is sold; and
- The purchaser makes the acquisition in the course of or for the purpose of an economic activity it carries on after the acquisition.

Where such a transaction occurs, the following rules apply:

- The input taxes incurred by the seller are claimable if the person was making taxable supplies or both taxable and exempt supplies (subject to apportionment rules); and
- The value of supplies made by the seller will not be included in any calculations in determination of partial input tax credits (where the seller makes both the taxable as well as exempt supplies).

### Time of Supply

The time of supply is technically referred to as the tax point. Generally, a tax point in respect of the supply of goods and services falls on the earliest date on which:

- A tax invoice is issued in respect of the supply;
- Payment is received for all or part of the supply; or
- The taxable goods are supplied or services rendered.

VAT on imported goods shall be charged and payable at the time customs duties taxes and levies are payable in accordance with the Customs Laws, unless prescribed otherwise in the regulations made by the Minister.

Where supplies are made in part or on a continuous basis, these must be distinct from single supplies which cannot be artificially split from an economic, commercial or a technical point of view. A supply may be an ancillary supply if it does not constitute the essential part of the single supply. The supplies may be distinct or separate if there are separate supplies with separate invoices or treated as being made continuously over the period of the lease or right of use.

The above rules are crucial in many business decisions and should be considered very carefully before entering into an agreement or a contract.

Imported services (procured from non-resident suppliers) are to be accounted for as taxable supplies. Such supplies must be declared in the VAT returns of the month in which the services are received. The same can be claimed as input credits in the same month or in any of the subsequent six months (subject to any requirements for apportionments where the person may be doing taxable and exempt supplies). The requirement to declare imported services in the VAT returns applies only to a registered taxpayer whose value of taxable supplies falls below 90 per cent of the total supplies for a particular month.

## Supply and value of Supply

The charge for VAT is determined by the value attributable to the supply of goods or services and the general rule for determining the value of a supply is as follows:

- Anything capable of being supplied by any person other than money shall be the subject matter of a supply;
- Supply of goods includes a sale, exchange or other transfer of the right to dispose of the goods as owner, including under hire purchase agreement;
- A lease, hire or other right of use granted in relation to goods including a supply of goods under a finance lease;
- Where a supply is for a monetary consideration, the amount of the consideration excluding the VAT; or
- Where the supply is not for a monetary consideration, or is only partly for such a consideration, the open market value excluding the VAT.

The following are excluded from value of supplies:

- Price discount or rebate allowed and accounted for at the time of supply; and
- An exact reimbursement of costs incurred by agent for the payer.

## Records, Invoices, Credit and Debit Notes

### Records

A registered person must maintain all accounting records in Tanzania in Kiswahili or English for at least 5 years after the tax period to which they relate:

The Commissioner, or an officer authorised in writing by the Commissioner, is empowered at all reasonable times to inspect the records.

### Tax Invoices and Fiscal receipts

Every registered person who makes a taxable supply is required to issue a tax invoice and a fiscal receipt to the purchaser at the time of the supply.

The tax invoice must contain the following particulars:

- "Tax Invoice" to be shown prominently on the invoice;
- The name, address, TIN and VAT registration number of the supplier;
- The date and serial number of the invoice;
- The name, address and TIN and VAT registration number of the customer;
- The taxable value of the supply, if different from the price charged;
- The rate and amount of tax charged on each supply;
- The total value of the supply and the total amount of VAT charged;
- Electronic signature (for persons using an Electronic Signature Device (ESD)). Where a person uses an Electronic Tax Register (ETR), the ETR receipt should be attached to the invoice.

Any invoice not containing any of the above particulars will not qualify as a tax invoice to claim credit for input tax.

Registered persons who make cash sales from retail premises may issue a simplified tax receipt, which must satisfy the following requirements:

- The name, address, TIN and VAT registration number of the supplier;
- The serial number of the receipt;
- The date and time of issue of the receipt;
- Name, quantity, unit price chargeable to tax, tax rate and the value of the recorded sale of the goods or services supplied;
- The tax amount payable and total amount payable inclusive of VAT; and
- An explicit statement that the price includes VAT.
- Such simplified tax invoices must either have an electronic signature or be accompanied by an ETR.

## Credit and Debit Notes

A credit note may be issued where goods are returned or where a supplier decides to reduce the value of the supply after a tax invoice has been issued. The amount to be shown on the credit note is the amount of reduction. A credit note must be accompanied by an adjustment note as provided for under the regulations.

A credit note should be serially numbered and should have the following details:

- The name, address and the TIN of the person to whom it is issued;
- The amount of the credit; and
- A statement of the reason for credit by way of "adjustment note" signed by the buyer.

## Input Tax

Input tax is tax paid by a registered person on the purchase or importation of goods or services to be used by him for the purposes of his business.

Registered suppliers are allowed to deduct the input tax charged to them on supplies from output tax on supplies made by them in the course of furtherance of their business. The difference between the output tax and input tax is tax payable to TRA or recoverable from TRA (where input exceeds output).

## General Rule

VAT paid can be claimed as input tax:

- Only by a taxable person;
- If it is attributable to taxable supplies;
- If the person claiming input VAT has a valid tax invoice and fiscal receipt which must include the name, TIN and VRN of the buyer;
- If the person claiming input VAT has an original tax invoice from the supplier; and
- The tax relates to supplies in respect of which the law does not expressly prohibit the claiming of a credit.

## Time Limit

Input tax cannot be deducted more than six months from the date the input tax became due and payable.

## Partial Exemption

Partial input VAT applies where the ratio of taxable supplies is more than or equal to 10% and less than or equal to 90% of total supplies. Input VAT incurred and attributable to taxable supplies can be claimed in full. On the other hand, input VAT incurred but attributable to exempt supplies cannot be claimed. However, where an input VAT is incurred in relation to both taxable supplies and exempt supplies, the following method must be used to determine partial credit of input tax:

$$\frac{\text{Value of taxable supplies}}{\text{Value of total supplies}} * \text{input tax} = \text{deductible input tax}$$

### Note:

This method is meant to allow a registered person to claim a portion of input VAT from the total input VAT paid. A person who has restricted the claim for input tax using the above methods is required at the end of each accounting year to perform the above calculation based on:

- Total value of input tax for the year;
- Total value of taxable supplies for the year; and
- Total value of supplies including exempt supplies for the year.

Where taxable supplies is less than 10% of total supplies, a registered person is not eligible to claim input VAT.

### Ineligible input tax credits

Input tax cannot be deducted on all the supplies which are classified under exempt categories. The schedule to the VAT Act specifies all goods which are exempt.

In addition, some items on which VAT is payable but are not claimable are:

- Expenses related to entertainment
- Expenses incurred for the purpose of benefiting employees
- Motor vehicles which are not commercial vehicles
- Expenses on spare parts and services of the motor vehicles

## Filing, Collection, Recovery and Refund of Tax

### VAT Return and Payment of Tax

VAT returns are required to be filed every month. A return of a given month must be filed electronically, and any tax due paid, before the 20<sup>th</sup> day of the month following the month to which the return relates.

The return must show the following:

- Separately for each tax rate, the total value of the supplies, the rate of tax and the amount of output tax;
- Separately for each rate of tax, the total value of eligible purchases, the rate of tax and the amount of input tax claimed;
- The value of imported services on the output side and the input side of the return (after allowing for any apportionment required to be done on the input side);
- The tax payable after deducting any credits (repayable amount) from the last return and
- If there were credits (repayable amounts) in the prior month and an application has been lodged with the Commissioner General for refund of such credits, the amounts sought to be refunded must be removed from the credits (repayable) on the return of the month being filed.

Where there is no tax payable, a 'NIL' return must be submitted.

Payment of net VAT due is payable in the same manner and within the same timeline. Payments are required to be made through banks using the TISS system of TRA, a sort of EFT payment for payment of taxes to TRA.

### Correction of errors

Filed monthly returns can be corrected within 36 months after the month to which correction is sought to be made. The person is required to make an application to the Commissioner General seeking to amend the filed return.

Any tax due or payable after discovery of an error and as a consequence of the correction must be paid immediately and the Commissioner General notified.

Upon application for correction of a return filed, the Commissioner will notify the taxpayer if a corrected return needs to be filed or an adjustment made in one of the subsequent returns to be filed by the taxpayer.



## Refund of Tax

Where a registered person has paid more tax than what was due to be paid, he may apply to the Commissioner General for refund of the amount overpaid. Such overpayments may arise due to overstatement of output tax or understatement of input tax.

Where the excess credits recur regularly, an application can be made to the Commissioner for refunds to be made on a monthly basis.

A registered person may apply for refund of credits arising from one of the following circumstances:

- Where fifty percent or more of the person's taxable supplies are zero-rated;
- Where fifty percent or more of the person's input taxes are incurred on acquisition or imports that relate to making supplies that are or will be zero-rated;
- Where the Commissioner General is satisfied that the nature of the person's business regularly results in tax credits.

An application for a refund made after three years, in respect of a tax period during which the credits occurred, will not be eligible for refunds. This prohibition applies to refunds arising from overpayments as well those arising from excess input tax over output tax for any period.

All refunds must be supported with a certificate of genuineness issued by a registered auditor and tax consultant.

The Commissioner General is obliged to respond to claims for VAT refunds within ninety days after the lodgement of the claim or seek further information from the taxpayer.

## Recovery of Tax

The Commissioner has been granted very wide powers under the Tax Administration Act to collect tax that is due and payable. These include:

- Filing a suit in a court of competent jurisdiction;
- By creation of a charge over the assets of the taxpayer;
- By restraining the goods and chattels of the taxpayer;
- By recovering tax from a person who was the manager of the entity during twelve months prior to the default (unless the manager exercised the degree of care, diligence and skill that would have been exercised in preventing the failure to pay tax);
- Recovering the taxes due from a third party debtor who owes moneys to the taxpayer;
- In case of liquidation or bankruptcy, the Commissioner General will have the first claim over the assets.

## Penalties for non-compliance

### Offences and Penalties

The Tax Administration Act and the Tax Administration (General) Regulations provide for various interests and penalties for non-compliance with various tax laws and regulations. Liability for interest and penalties for each specific offence is calculated separately. The penalties are calculated in the form of currency points; each currency point is equal to TZS 15,000.

The following is a summary of interests and penalties for various offences applicable under the Act:

Offence	Penalty/Fine
Underestimating tax payable	Interest is applicable when a taxpayer's estimated instalment tax paid is less than 80% of the actual income tax payable for the year of income. The rate of interest is the current statutory rate, compounded monthly on the difference between the instalment tax paid and tax that ought to be paid.
Failure to pay tax	Interest for each month or part of the month for which any of the tax is outstanding calculated at the statutory rate compounded monthly, and applied to the amount outstanding at the start of the period.
Failure to maintain proper books of accounts or documents	<ul style="list-style-type: none"> <li>▪ In case of an individual – 1 currency point</li> <li>▪ In case of a corporate body – 10 currency points</li> </ul> <p>The penalty charged is for each month or part of the month during which the failure continues.</p>
Failure to file tax returns	<p>The penalty is assessed separately for failure to file SETP (Statement of Estimated Tax) and for the final tax return.</p> <ul style="list-style-type: none"> <li>▪ In case of an individual – 5 currency points and in case of a corporate body –15 currency points.</li> <li>▪ Or 2.5% of tax assessable which is calculated by the amount shown on the tax return less the amount of tax paid at the start of the period (instalments paid).</li> </ul> <p>Whichever is higher will be applicable for each month of delay.</p>
Making false or misleading statements	<ul style="list-style-type: none"> <li>▪ A fine of not less than 10 currency points and not more than 200 currency points and/or imprisonment of not less than 1 month and not more than 2 years.</li> <li>▪ A penalty between 50% and 75% of the tax shortfall which can be increased or decreased by 10%.</li> </ul>
Penalty for aiding and abetting	<ul style="list-style-type: none"> <li>▪ 100% of the tax shortfall.</li> <li>▪ Inaccurate statement – resulting into underpayment of tax – a fine of not less than 100 currency points and not more than 200 currency points, imprisonment of not less than 1 year and not more than 2 years, or both.</li> <li>▪ Inducing an authorised person to commit an offence – a fine of not less than 200 currency points or imprisonment of not less than 1 year or not more than 5 years, or both.</li> <li>▪ In any other case a fine of not less than 50 currency points and not more than 100 currency points or imprisonment of not less than 6 months or not more than 1 year, or both.</li> </ul>

<p><b>Failure to comply with tax laws</b></p>	<ul style="list-style-type: none"> <li>▪ Where failure results or may have resulted in an underpayment of tax in an amount in excess of TZS 750,000 (50 currency points) – a fine of not less than TZS 300,000 (20 currency points) and not more than TZS 750,000 (50 currency points) or imprisonment for a term of not more than 6 months, and/or both.</li> <li>▪ In any other case – a fine of not less than 10 currency points or not more than 20 currency points.</li> </ul>
<p><b>Failure to pay tax on time</b></p>	<ul style="list-style-type: none"> <li>▪ Where failure is to pay tax in excess of TZS 750,000 (50 currency points) – a fine of not less than 375,000 (25 currency points) and not more than TZS 1,500,000 (100 currency points) or, imprisonment for not less than 3 months and not more than 1 year, or both.</li> <li>▪ In any other case a fine of not less than TZS 150,000 (10 currency points) or not more than TZS 375,000 (25 currency points) or imprisonment of not less than 1 month and not more than 3 months, or both.</li> </ul>
<p><b>Failure to use electronic fiscal device, issue receipts or tampering the device or receipts</b></p>	<p>Fine of not less than 200 currency points and not more than 300 currency points or imprisonment not exceeding 3 years or, both.</p> <p>A person involved in above offence upon conviction shall be liable to a fine of twice the amount of tax evaded or imprisonment for a term not exceeding 3 years.</p>
<p><b>Failure to demand or report a denial of issuance of a fiscal receipt</b></p>	<p>Liable to a fine of not less than 2 currency points or more than 100 currency points.</p>
<p><b>General penalty for offences under the Act which do not have specific penalties mentioned</b></p>	<p>A fine of not less than 200 currency points and not more than 300 currency points or imprisonment not exceeding 3 years or to both.</p>
<p><b>Transfer pricing</b></p>	<p>Transfer pricing policy to be attached with income tax returns where total transactions with related parties exceed TZS 10 billion. Transfer pricing adjustment not in compliance with arm's length principle – penalty equivalent to 100% of the tax shortfall. In addition, failure to provide transfer pricing documentation within 30 days after request from the Commissioner results in penalty of not less than TZS 52.5 million.</p>
<p><b>Disclosure of information</b></p>	<p>Failure to disclose names of contractors and subcontractors in extractive and construction industry results in penalty of higher of 25% of the amount payable under the project or a fine of up to TZS 60 million.</p>



## Customs Duty

The East African Community Customs Management Act provides the rates of duty and circumstances in which duty shall be paid on goods. The goods originating from the EAC partner states are accorded community tariff treatment according to the Rules of Origin provided under the Protocol. Goods imported from outside the EAC are subject to a Common External Tariff (CET) as follows:

- 0% on raw materials, pharmaceuticals and capital goods, hand hoes, agricultural implements.
- 10% on semi-processed and intermediate goods.
- 25% on finished goods.
- 0.6% Customs processing fee (applied on FOB price).
- 1.5% Infrastructure Development Levy
- Some sensitive items are charged at a higher rate than 25% with the intention of protecting local industries (e.g. Yoghurt milk and Cream containing sweetening matter, Cane or beet sugar and chemically pure sucrose in solid form, Sacks and bags of a kind used for the packing of goods, Worn clothing and other worn articles).

EAC member countries have powers to levy additional anti-dumping or countervailing duty rates in addition to the normal duty rates. Certain capital goods for investment, subject to Treasury approval, are eligible for duty remission. Goods imported for COMESA have preferential duty rates.

Duties and Taxes on importation of goods are payable within 30 days from the date of assessment.

## Tax Objections and Appeals

The relevant legislation for objections and appeals against assessments and other matters determined by TRA is Tax Revenue Appeals Cap. 408 and Tax Administration Act, 2015.

Where a taxpayer receives an assessment from the Commissioner General, he may, within 30 days of the receipt of the assessment, object to the assessment. All such objections shall be accompanied with supporting documentation and one third of the tax assessed or the tax not in dispute, whichever is higher. The Commissioner may amend the assessment in accordance with the objection; amend partly the assessment in light of the objection according to the best of his judgement; or refuse to amend the original assessment.

If the taxpayer objecting the tax decision does not wish to pay the one third tax assessed or tax not in dispute, whichever is higher, he must apply to the Commissioner for a waiver within 15 days after the receipt of the tax decision stating the reasons and the grounds to warrant waiver. The Commissioner General may, based on the reasons stated in the application for waiver, grant or refuse to grant or grant waiver for a lesser sum.

In the event that the taxpayer disputes the decision of the CG not to amend or partially amend the assessment, he has the right to appeal to the Tax Revenue Appeals Board by serving the Commissioner General an Intention to Appeal the decision within 30 days of being served with the assessment. This must be followed by filling a Statement of Appeal with the Tax Revenue Appeals Board (TRAB) within 45 days following the date on which the notice of final determination of assessment of tax was served upon the appellant. A copy of the Statement of Appeal must also be served to the Commissioner General.

Where a taxpayer is not satisfied with the ruling or decision of the Board, the taxpayer has a right to file an appeal with the Tax revenue Appeals Tribunal (TRAT) within 30 days after the decision of the Board. The taxpayer must serve a copy of the appeal filed at the Tribunal to the Commissioner General within 15 days after the appeal is filed with the Tribunal.

Finally, if the taxpayer is aggrieved by the decision of the Tribunal, he reserves the right to appeal against the decision of the Tribunal by filling a case at the Court of Appeal.

There are rules (TRAB Rules 2018 and TRAT Rules 2018) to be followed at each stage of the appeal and these must be strictly adhered to.

### Visa Requirements

A Visa is required by all persons, other than citizens of specific countries, wishing to enter Tanzania except those persons entitled to privileges and immunities under the Diplomat and Consular Privileges and Immunities Act Cap 356 R.E 2002. Applications for visas prior to arrivals are submitted to the Immigration Department. Other persons visiting Tanzania may obtain visa at arrival points except for person from the countries falling under the referral visa category by payment of a fee of US\$ 50 for ordinary visa, US\$ 100 for multiple entry visa, US\$ 250 for business visas and US\$ 30 for transit visa. Student visa is US\$ 50, US\$ 250 or US\$ 550 depending on the category and duration.

Visitors may be issued with a visa on arrival at a port of entry into Tanzania valid for a period not exceeding 3 months in first instance (for citizens of the EAC, the period is not exceeding 6 months) provided that they are in possession of a valid passport or other travel document acceptable to the government. Travellers entering Tanzania by road are advised to pass through the gazetted entry points and report immediately to an Immigration Office.

Following are the types of visas available:

- Ordinary visa (Single entry)
- Transit visa
- Multiple entry visa
- Business visa
- Gratis visa
- Referral visa
- Student Visa

It is to be noted that visa applications are now done online and visa applicants are advised to make their applications through the official Tanzania Immigration website only through the Tanzania Electronic Visa Application System.

#### Ordinary visa

This visa is granted to foreigners other than prohibited immigrants seeking to enter the country for the purpose of visit, leisure or holiday, studies, business and is valid for three months for single entry only. Documents required to process this type of visa include:

- Copy of the applicant's valid passport;
- declaration form dully filled in;
- Return ticket (Trip Itinerary);
- Respective visa fee; and
- 1 passport size photograph.

#### Transit Visa

These are visas required by all persons whose nationalities require visas to enter Tanzania and are intending to transit through Tanzania to a third destination for periods not exceeding seven days. An onward ticket, proof of sufficient funds while in Tanzania and an entry visa to the country of destination is required. Documents required to process this type of visa include:

- Copy of the applicant's valid passport;
- An entry visa or onward ticket to the intended country of destination;
- Respective visa fee; and
- One passport size photograph.

## Business Visa

Business visas are issued to persons for the purpose of temporarily conducting business, trade professionals or assignment for a period not exceeding three months and it is not extendable. Documents required to process this type of visa include:

- Copy of the applicant's valid passport;
- Return ticket of the flight;
- One passport size photo;
- Registration documents of the host company inviting the applicant e.g. business license or certificate of incorporation;
- A work contract or any proof of the work/assignment to be performed within a period not exceeding three months; and
- Respective visa fee.

### N.B

This visa is neither renewable nor extendable unless a special permission is granted by the Commissioner General of Immigration.

## Gratis Visa

Diplomatic or Official/Service passport holders (Multiple, Ordinary or Transit) visas are issued gratis to holders of Diplomatic Passports on official visits. This visa can also be issued to a holder of an ordinary passport provided an exemption is granted by the Issuing Authority

## Multiple Entry Visa

This Visa may be issued to foreign nationals whose purposes of visits call for frequent visits to the United Republic of Tanzania. These may include Directors of Companies registered in Tanzania who do not reside in the country, Persons engaged in Bilateral Meetings, Spouses married to Tanzanians/Residents, Government Consultants, Representatives of international NGO's and any other person as may be determined by the Commissioner General of Immigration or Commissioner of Immigration Zanzibar. The maximum validity of this Visa is 12 months. However, the holder of the Multiple Visa cannot stay in the country for twelve (12) consecutive months. They are required to leave the country at most after every three months. Document required to process this visa include:

- Visa application form duly filled in;
- Security Bond duly filled;
- Valid passport copy of the invitee;
- One passport size photograph;
- Return ticket (Trip Itinerary);
- Copy of the valid Passport or any other identity (for a host citizen of Tanzania);
- Documents of the Company like TIN, VAT, Registration Certificate, Certificate of Incorporation, Memorandum etc; and
- Covering letter from the host institution/ family member or any other evidence to prove that the applicant is bound to travel frequently into the United Republic of Tanzania.

### Caution:

The Multiple Visa is not intended for those coming on business purposes such as those described under Business Visa category above.

## Referral visa

Granted to nationals of countries which require a special clearance and approval from the Principal Commissioner of Immigration Services or the Commissioner of Immigration Services (Zanzibar) prior to the issuance of a visa.

The possession of a visa for Tanzania is not the final authority to enter Tanzania. The Immigration Officer at the port of entry may refuse such a person permission to enter if he is satisfied that such a visitor is unable to fulfil the immigration requirements and that the entry and presence of such a visitor in the country would be contrary to national interests even though such a person may be in the possession of a valid visa for entry.

## Student Visa

This visa is issued to foreigners who wish to come to Tanzania for studying purposes. The application is done online while a prospective student is still outside Tanzania. Applicants must have an admission from accredited University, college or any approved Institution in Tanzania. The admission and Registration document of such Institution should be joined as a single PDF document and must be uploaded online during application.

It is to be noted that a student pass will be required for the applicants already in Tanzania and not student visa.

## Foreign Personnel

### Permits & Passes

Any foreigner intending to reside in the United Republic of Tanzania for investment, business, employment or any other legal activity may be issued with Residence Permit or Pass.

Applications for resident permits are now done online and all applications for residence permits must be made online through the Tanzania Immigration Website.

- Applicants are institutions/companies/ employers registered in Tanzania except for retired persons.
- Applications for Residence Permits Class 'B' and 'C' should obtain their Residence Permit prior to coming into the country, except for Residence Permit Class "A". Applicants should obtain relevant Registration Certificate or license from relevant professional boards as the case may be.
- All applicants of Residence Permits should first obtain the Work Permit from the Ministry of Labour done online, except those coming for other purposes such as studies, research, attending court cases and retired persons.

The classes of work permits with their respective fees are now as follows:

- Class A: Investors and self-employed – US\$ 1000
- Class B: Non-citizens professionals such as medical/health, experts in oil and gas, teachers and lecturers in Mathematics and science – US\$ 500
- Class C: Other Professions – US\$ 1000
- Class D: Employed or engaged in registered religious or charitable activities – US\$ 500
- Class E: Refugees – Gratis

**STP:** Short Term permit valid for 6 months – US\$ 600

The following are classes of resident permits and their respective fees:

Class A: Investors and self-employed – US\$ 3,050. For EAC Citizens, it is US\$1,550 ; for professional artists, settled migrants, diaspora investors/ entrepreneurs the fee is US\$ 1,050 and for EAC Citizens US\$ 550.

Class B: Specific Employment – US\$ 2,050. For EAC Citizens, it is US\$ 550.

Class C is issued to researchers, students or members of a missionary society approved by the Government and whose presence is beneficial to the country. One is required to present a copy of the registration certificate of the organisation and academic and professional certificates of the applicant. Fee payable is US\$ 550 and US\$ 300 for EAC citizens; for winding up affairs, occupational trainee, intern and medical treatment the fee is US\$ 250 and US\$ 150 for EAC Citizens.

The maximum validity of any class of residence permit will not exceed two years, and may be renewable. It is to be noted that the validity of the residence permit also depends on the employment contract, validity of the work permit and license issued by relevant professional board.

Kindly note it is a mandatory requirement that every person who employs or engages a non-citizen in any occupation shall, on every 30th June and 31st December of every year, submit to the Labour Commissioner returns on employment of non-citizens so employed or engaged in a prescribed form. In event the term of employment of a non-citizen ceases earlier than the six months of returns, the employer shall immediately report the cessation to the Labour Commissioner.

Non-compliance of the above will result to a penalty of five hundred thousand shillings for each month or part of a month during which the delay continues.

The types of passes include dependant pass, in transit pass, special pass, re-entry pass, visitors pass, business pass, migrant pass and student pass.

### **Fees for passes are as follows:**

Special pass US\$ 600, business pass US\$ 200 and US\$ 100 for EAC citizens and re-entry pass (required for all residents with different classes of permits) US\$ 50. Fees for dependant pass are US\$ 500 for first issue and upon renewal and US\$ 150 for EAC citizens.

Exemption Certificate is issued to:

- Diplomats;
- Wife and dependent children of the Diplomats;
- Foreign Expatriates involved in Government projects; and
- Students from the EAC Member States.

NOTE: No fee is paid for the Exemption Certificate.

### **REQUIREMENTS FOR EXEMPTION CERTIFICATE:**

- Covering letter from a given institution;
- Application form dully filled;
- Letter from President's Office Public Service Management (not applicable for E.A students);
- Copy of Work Permit from the Office of Labour Commissioner (Exemption);
- Passport copy;
- 5 passport copies;
- Curriculum Vitae;
- Academic Certificates; and
- In case of renewal, previous exemption certificate should be attached.

### **EXEMPTION CERTIFICATE FOR EAST AFRICAN STUDENTS:**

- Covering letter from registered University/College/Institute;
- Application form dully filled;
- Passport copy;
- Admission letter from University/College/Institute;
- 5 passport size photos;
- Academic certificates; and
- Previous Exemption Certificate- in the case of renewal.

### **REQUIREMENTS FOR FAMILY MEMBERS IN EXEMPTION CERTIFICATE:**

- Passport copy of Dependant;
- Copy of marriage certificate for dependant wife;
- Copy of birth certificates for children.

Please note that children residing with their parents in Tanzania and going to school need to have a Student Permit. The fees for this type of permit is US\$200 for students pass 1 (children above the age of 18 years) and US\$ 100 for student pass 2 (children below the age of 18 years).



### Employment Contracts

In Tanzania, employment contracts are governed primarily by the Employment and Labour Relations Act Cap 366 R.E 2018. The contracts for employment can be oral or written.

Employment contracts must contain all employment particulars including the name, age, permanent address and sex of the employee, the name of the employer, the job description of the employment, the date of commencement of the employment, the form and duration of the contract, the place of work, the hours of work, the remuneration, scale or rate of remuneration, the method of calculating that remuneration and details of any other benefits, the intervals at which remuneration is paid.

Employment terms are negotiated by the employee and employer subject to the minimum prescribed by the Employment and Labour Relations Act.

### Wages

Although the Employment and Labour Relations Act does not make any specific provisions for wages, all wages are subject to the minimum wage provided for in the minimum wage guidelines issued and revised yearly by the Ministry of Labour. These guidelines outline the occupations and the rate of payment on a monthly/weekly/daily/hourly basis.

In practice, there are two major classes of employees – the management cadre (who primarily are not unionised by choice) and the junior staff who are unionised. The wages paid to non-unionised staff is negotiated between the employer and the employee and is contained in the employment contract. For employees that opt to join relevant trade unions, wages are normally negotiated by their union and contained in the respective Collective Bargaining Agreement (CBA).

### Working Hours

The normal working week is outlined by the specific wage regulations order for the given industry but is not more than 45 hours spread over 6 days of the week.

### Overtime

For the management employee, it is usual practice for the wages negotiated to contain the aspect of overtime and as such, it is not paid as a separate entitlement.

Overtime is paid by the employer to employees not in the senior management level at the rate of one and one-half times the basic hourly rate on weekdays, and at the rate of twice the basic hourly rate on Sundays and public holidays. There are different Regulations of Wages Orders in force, covering different sectors of the economy.

### Leave

#### Annual Leave

Under the Employment and Labour Relations Act, every employee shall be entitled to no less than 28 days of annual leave with full pay. Where the employee works for less than a year, the number of days will be reduced accordingly. An employee with less than six months of service shall not be entitled to any paid leave.

#### Sick Leave

Every employee is entitled, in each year, to 63 days sick leave with full pay and an additional 63 days with half pay, subject to certification by a registered medical practitioner.

#### Maternity Leave

Every employee is entitled to 84 days paid maternity leave or 100 days paid maternity leave in case of giving birth to more than one child. Such leave may commence at any time from four weeks before the expected date of confinement or an earlier date as prescribed by a medical practitioner.

## Paternity Leave

This is allowed with full pay for a period of 3 days if the leave is taken within 7 days of the birth of a child.

## Public Holidays

A list of public holidays is published each year in the government gazette. The list below outlines some of the public holidays.

- 1<sup>st</sup> January New Year's Day
- 12 January Zanzibar Revolution Day
- 07<sup>th</sup> April Karume Day
- 26<sup>th</sup> April Union Day
- 1<sup>st</sup> May Workers' Day
- 7<sup>th</sup> July SabaSaba
- 8<sup>th</sup> August Nanenane (Peasant's Day)
- 14<sup>th</sup> October Mwalimu Nyerere Day
- 9<sup>th</sup> December Independence Day
- 25<sup>th</sup> December Christmas Day
- 26<sup>th</sup> December Boxing Day

## Undated Public Holidays

- Good Friday and Easter Monday
- Idd-ul-fitr & Prophet Muhammad's birthday

## Statutory Deductions

### Pension Schemes

These are compulsory and contributory schemes financed by both the employer and employee during the working life for terminal and short-term benefits. In Tanzania, there are two Social Security schemes regulated by SSRA (Social Security Regulatory Authority), namely NSSF and PSSF. PSSF was established by the Public Service Social Security Fund Act No.2 of 2018 for all public employees including the employees who were registered under LAPF, PSPF and PPF while NSSF was established by the National Social Security Fund Act Cap 50 R.E 2018 for employees in the private sector.

The Social Security Schemes are the statutory retirement benefits scheme and operates as a public trust. They provide retirement benefits for employees in the formal and informal sectors. The trustees of the registered Pension Scheme registers members, receive contributions, manage funds of the scheme, process and ultimately pay out benefits to eligible members or dependants.

There is compulsory registration for all employers irrespective of the number of employees. The details required for registration include a copy of the Certificate of Incorporation/Registration, physical location and employer details. In addition, each employee subject to deductions is also required to register individually.

The employer is required to remit to the fund 20% of the monthly income of each employee, half of which is paid by the employer and half by the employee. Deductions have to be remitted by the end of the following month or last working day before the end of the month where this falls on a Saturday, Sunday or a public holiday.

The Pension Scheme provides the employee with monthly retirement benefits. Historically, the rate of return paid by the fund is considerably less than that achieved by private schemes, but participation is mandatory.

### Skills and development Levy (SDL)

SDL is payable by every employer who employs ten or more employees at the rate of 4% for Tanzania Mainland and 5% for Zanzibar. The SDL is charged based on the gross emoluments of all employees including permanent, part time, secondary and casual workers. The payment is due by the 7<sup>th</sup> day of the month following the month of payroll.

## Pay As You Earn (PAYE)

An employer is required to deduct PAYE from salary paid to an employee and remit the same to TRA. This is covered under personal taxes.

## Workers Compensation Fund (WCF)

The purpose of WCF is to provide adequate and equitable compensation for employees who suffer occupational disease arising out of and in the course of their employment and in case of death, for their dependants. This is 0.6% of the gross monthly income which is payable by the employer to the Fund. This rate applies for the private sector and for the public sector, the rate is 0.5%. WCF registration is done online.

## Union Dues

Where employees are members of a trade union, the employer is required to deduct and remit the monthly union dues to the respective union.

## Trade Union

The Constitution of Tanzania provides the right of freedom of association to every person in Tanzania and specifically recognises the freedom of association to form or belong to trade unions or other associations for the protection of the person's interests. Under the Employment and Labour Relations Act, every employee or employer has the right to join a trade union/ association. In Tanzania, the general practice is that management staff, opt of their own volition, not to join a trade union.

The affiliated trade unions are industrial based and the industries involved are: commercial, banking, metal works, bakeries and confectionaries, port workers, pilots, building and construction, chemical, engineering, game and hunting, local government, fishermen, petrol and oil, plantations and agriculture, railway workers, scientific research, shipping and clearing, domestic and hotels, entertainment, betting, journalism, printing and publishing, sugar plantations, seamen, tailoring and textile, transport, post and telecommunications.

## Accounting

### Statutory Framework Governing Financial Reporting in Tanzania

In Tanzania, the main legislation governing companies, including financial reporting is the Companies Act. However, there are other legislations that impact on financial reporting. These deal with specialised sectors such as insurance, banks, retirement benefits schemes and listed companies.

The Companies Act requires all limited liability companies to prepare and keep proper books of account as are necessary to give a true and fair view of the state of the companies' affairs. The Act further requires companies to lay before an Annual General Meeting a profit and loss account and a balance sheet, and also prescribes the contents of these.

With respect to audits, the Act requires companies to appoint auditors who must be practising members of National Board of Accountants and Auditors (NBAA) and who meet the criteria for an auditor as laid out in the Auditors and Accountants (Registration) Act, 1972. The Act further specifies that the auditor's report should appear as an annex to the profit and loss account and balance sheet and prescribes the contents of the auditor's report.

### Financial Reporting and Auditing Standards

NBAA, which is the regulatory accountancy body, requires that all financial statements must be prepared in accordance with International Financial Reporting Standards (IFRS) or International Financial Reporting Standards for Small and Medium Enterprises (IFRS for SMEs) framework.

The following are the criteria for reporting under full IFRS or IFRS for SMEs:

Entities are required to use full IFRSs if they comprise of 100 or more employees or with capital investment in non-current assets above TZS 800,000,000 (approximately US\$345,000).

Entities which include private business entities and government business entities with less than 100 employees and capital investment of less than TZS 800,000,000 are permitted to use the IFRS for SMEs. Such entities may, alternatively, use full IFRSs.

## Intellectual property rights

### Patents

The Patents (Registration) Act Cap 217 R.E 2002 governs the protection of patents. Tanzania has also ratified World Intellectual Property Organization Convention, 1967 (effective for Tanzania as from 30 December 1983); Paris Convention (International Union) 1883–1967 (effective for Tanzania as from 16 June 1963); Patent Cooperation Treaty (PCT) 1970 (effective for Tanzania as from 14 September 1999); Agreement on the Creation of the African Regional Industrial Property Organization (ARIPO), 1979 (effective for Tanzania as from 12 October 1983); (effective for Tanzania as from 01 September 1999); and Agreement on Trade Related Aspects of Intellectual Property Rights (Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization), 1994. The kinds of patents that can be protected in Tanzania are patents of inventions and utility models.

A patent may be registered for inventions (other than a discovery, scientific theory, mathematical method, aesthetic creation, computer program or presentation of information) meeting specified requirements relating to novelty, utility and inventiveness. Registered patents endure for twenty years, subject to the payment of annual fees. The duration of protection is 20 years for patent of invention and 7 years for utility models. Absolute novelty is required for patents of inventions. An invention is new if it is not anticipated by prior art. Utility model must not form part of the state of the art, that is to say, not made available to the public by means of a written description anywhere in the world or by public use in Tanzania before the filing or priority date. Currently registration of patents is done online through ORS.

A patent granted by ARIPO designating Tanzania is protected once the Patent Office is notified about the grant. Since Tanzania has also ratified PCT, patents granted through PCT designating Tanzania are also protected. The time limit for entering national phase for PCT patents is 21 months from the priority date and the time limit for filing translation is 31 months from the priority date. In order to ensure that there is interaction between the ARIPO and PCT system, Harare Protocol incorporates the PCT by inclusion of the provision to the effect that a PCT application which designates PCT Contracting State which has also ratified Harare Protocol, such PCT application is automatically considered to be an application for the grant of a patent under Harare Protocol. The provisions of PCT apply to such international application in addition to the provisions of Harare Protocol and in the case of conflict, the provisions of PCT apply.

## Trademarks

The Trade and Service Marks Act, 1986, govern protection of trademarks. Tanzania has also ratified World Intellectual Property Organization Convention, 1967 (effective for Tanzania as from 30 December 1983); Paris Convention (International Union) 1883–1967 (effective for Tanzania as from 16 June 1963); Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (Nice Union) 1957–1977 (effective for Tanzania as from 14 September 1999); Agreement on the Creation of the African Regional Industrial Property Organization, 1979 ((effective for Tanzania as from 12 October 1983); The Protocol on Marks within the Framework of African Region Industrial Property Organization (the Harare Protocol), 1993 (effective for Tanzania as from 01 September 1999); and Agreement on Trade Related Aspects of Intellectual Property Rights (Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization), 1994.

Registration of a trademark is for a period of seven years and may be renewed for further periods of ten years in perpetuity. Unregistered trademarks are also offered protection under common law provided that it can be shown that the proprietor has established goodwill associated with its mark. Trademark applications must be filed with the Tanzanian Trademark Office in a prescribed form. Currently, filings are done online through ORS. . The rights granted after registration dates back to the date of filing of the application. Trademarks are allotted goods or services for which the mark will be used. As pointed out above, both Tanzania and Zanzibar apply International Classification of Goods and Services (Nice Classification).

Since Tanzania is member of ARIPO, trademarks registered by ARIPO are protected in Tanzania. The application for a mark can be filed either directly at the ARIPO Office in Harare, Zimbabwe or via the Tanzanian Trademark Office. In both cases, the filing date is the date of receipt of the application in that respective Office. The application may be filed by the applicant or his authorized representative. The duration of registration of a mark at ARIPO is ten years from the date of registration. A mark is registered as of the date of filing of the application for registration, and such date is deemed for all purposes to be the date of registration. Registration of a mark may be renewed for consecutive periods of ten years on payment of the prescribed fee.

## Designs

There is no local system for registration of designs in Tanzania. However, Tanzania has ratified Agreement on the Creation of the African Regional Industrial Property Organization, 1979 (effective for Tanzania as from 12 October 1983); and the Protocol on Patent and Industrial Designs within the Framework of African Region Industrial Property Organization (the Harare Protocol), 1982 (effective for Tanzania as from 01 September 1999). Tanzanian Patents (Registration) Act, has provisions which recognize designs registered in the United Kingdom. Accordingly, designs can be protected in Tanzania either through ARIPO registration or by registration in the United Kingdom. The Patents (Registration) Act, provides that the rights and privileges of proprietors of designs registered in the United Kingdom are extended to Tanzania and Zanzibar during the term of design registration. Designs registered by ARIPO designating Tanzania are protected initially for ten years from the date of filing. Design protection can be renewed at ARIPO for further periods and the maximum duration of protection may be 25 years from the date of application.

## Copyright

With regard to copyright, the main legislation in Tanzania is the Copyright and Neighbouring Rights Act, No. 7 of 1999. Tanzania is also a member of the Berne Convention for the Protection of Literary and Artistic Works of 1886 as revised at Paris in 1971. Under Tanzanian law, copyright is recognized as a property right which vests in the authors of original literary, dramatic, musical and artistic works. Copyright also vests in authors of sound recordings, films, broadcasts, cable programs and typographical arrangements of published editions. Several copyrights can exist in one work. The copyright law in Tanzania protects 'neighbouring rights' as well. Neighbouring rights are secondary rights of copyright that the performers are entitled. Performers are defined under the Tanzanian copyright law to include singers, musicians, dancers, producers of sound recording (for example cassette recordings and compact discs) in their recordings, broadcasting entities in their radio and television programs, etc. Registration of copyrights in Tanzania has to be done through [Copyright Society of Tanzania](#) (COSOTA).



## Investing in Tanzania

### General Information about Investing In Tanzania

#### Gateway to East Africa

Tanzania is well placed to be the financial and air transport hub of the region, making the country an ideal investment destination for investors targeting regional markets. The country's strategic location provides easy access to the EAC and COMESA markets.

#### Fully Liberalised Economy

Tanzania has now fully liberalised its economy by removing all obstacles that previously hampered the free flow of trade and foreign private investment.

#### Money Transfers outside Tanzania

Tanzania has liberalised its exchange regime, however capital account and current account transactions are subject to procedural requirements. All foreign sourced loans must be registered with the Domestic Debt Department of BOT to facilitate repayments in the future. All cash movement of currencies equivalent to USD 10,000 or more must be reported at exit and entry points.

#### Current account transactions

As a general rule, banks and financial institutions are allowed to provide access to foreign currency facilities to residents in respect of all current account payments and transfer currency outside Tanzania free of any ceilings, subject to documentary requirements.

Full documentation relating to any transfer of currency outside Tanzania must be retained by the locally licensed commercial bank that is effecting the transfer and may be requested for review by the Bank of Tanzania.

#### Capital account transactions

Foreign loans, overdrafts, financial facilities, deferred payments or guarantees by resident individuals or companies, the term of which exceed 365 days, require a copy of the executed agreement and disbursement and debt servicing schedules to be submitted to the Bank of Tanzania (the central bank of Tanzania) for registration. The process is normally handled by the locally licensed commercial bank that is effecting the payment. The Bank of Tanzania will assess the following: the interest rate must reflect the prevailing market conditions for the relevant currency of borrowing; the repayment period should be tied to the ability of the project to generate enough funds to service the loans in a progressive manner; approved loans should not include condition precedents, which require opening foreign currency accounts with banks not registered in Tanzania. Following assessment by the Bank of Tanzania, the loan is issued with a debt record number (a DRN). The DRN may then be used to make repayments of the loan to a bank account outside Tanzania.

### Tax-Related Incentives for Investing in Tanzania

#### Tax Treaties and Investment Promotion

Tanzania has a number of tax treaties and investment promotion and protection agreements. The current treaties in force are those with Canada, Denmark, Finland, Italy, Switzerland, India, Norway, Sweden, South Africa and Zambia.

## Trade Agreements

### Bilateral Trade

Tanzania has signed bilateral trade agreements with several countries around the world. Some of the countries are already members of existing schemes offering market access/duty reduction preferences. Exports from Tanzania enjoy preferential access to world markets under a number of special access and duty reduction programmes.

### Multilateral Trade

- Africa Growth and Opportunity Act – AGOA
- EAC – East Africa Community
- SADC – Southern African Development Community
- PTA – Preferential Trade Areas
- ATI – Africa Trade Insurance Agency

### Investment Allowances

The capital allowance and other incentives, including Export Processing Zones, available to investors are covered in detail in Section 4 of this booklet.

### Capital Gains

There are few taxes on capital gains in Tanzania on specific transactions. These relate to tax on disposal of immovable and financial assets. These taxes are paid by way of final withholding taxes when assets are disposed. There are exemptions in respect of the following transactions:

- Land that has been sold for TZS 10,000,000 which has been used for agriculture for at least 2 years of the 3 years before the sale;
- TZS 15,000,000 of the net gain where the residential premises being disposed was occupied by the owner for three years (whether continuously or not) and owned by the seller for at least three years prior to disposal;
- Sale of shares and securities of companies listed on DSE where the seller is a resident or a non-resident person who owns less than 25% of the shares.
- Sale of units of approved collective investment schemes.

The law provides a clear distinction between capital gain and business income.

## The Tanzania Investment Centre Act

The centre was established in 1997 under the Tanzania Investment Centre Act, 1997. The investors are encouraged to register with the centre when investing in projects like industries, tourism, agriculture, real estate developments, financial services, transport and communications, etc. The centre does not accept applications from entities involved in mining including prospecting and exploration.

The registration of a project with Tanzania Investment Centre provides the following advantages to the investor:

- Protection of the investment under the MIGA protocols.
- Easy availability of permits for up to five expatriates for the project.
- Availability of one stop services re Brela, TRA, lands, industrial licenses and immigration at the TIC.

The investments approved by TIC are protected against nationalization by virtue of the provisions of the Act.

The reliefs provided by deferred payments of VAT on purchases help to reduce the cash outflows of the investor during the period of implementation of the project. In case of investments required on capital goods, such savings can be as high as 15.25% of the total value of eligible purchases of major items like cement, steel, hardware, plumbing materials, sanitary ware, electrical and other services.

The approval of projects entitles certificate holders to apply for and obtain work permits for up to five persons to be employed in the project. Employment of more than five persons can also be approved depending on the complexity and needs of the project.

The offices of TIC are also staffed with personnel from BRELA, TRA, Ministry of Trade and Industries and the Immigration department (One Stop Facilitation Centre), who facilitate all aspects of regulatory compliance by accepting applications and fees at the premises of TIC. This helps investors to save time, reduce inconvenience and secure assistance of TIC personnel where any difficulties arise.

The criteria for approvals are follows:

- The project must have an investment of not less than US\$ 500,000 for a non-Tanzanian and US\$ 100,000 for a Tanzanian applicant.
- The project must be in a business that is in the list of sectors for which TIC accepts applications.
- The project must demonstrate the positive effects on the labour market and revenue generation for the country in general. Projects which aim to promote exports, use and add value to local materials and promote technology transfer are given priority.

## Strategic Investors:

The following will qualify to be strategic investments:

For citizens, investments equivalent to US\$ 20,000,000;

For non-citizens or joint venture projects, investments equivalent to US\$ 50,000,000;

Employment of at least 1,500 citizens and a satisfactory number of citizens employed in senior management positions.

The project should add value and generate significant foreign exchange earnings including by way of import substitution.

Strategic investment projects are approved by the National Investment Steering Committee under the Chairmanship of the Hon. Prime Minister.

The forms for application are available at a cost of US\$ 100 and certificates are charged at US\$ 1,000, after the centre has approved the project and a letter of approval has been issued to the applicant.



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