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## TANZANIA – TAXATION OF DIGITAL SERVICES

### Introduction

In July 2022, the Finance Act introduced both VAT and Income tax on digital (electronic) services provided by non-residents to resident individuals at the rate of 18% and 2%, respectively.

### The scope of electronic services

Electronic services are defined under Section 51 (2) of the Value Added Tax Act and include the following services listed in the table below:

Main Category	Sub-Category
Websites, web-hosting or remote programs and equipment	<ul style="list-style-type: none"> <li>i. search engine and automated helpdesk services; and</li> <li>ii. customizable search engine services;</li> <li>iii. downloadable digital content, including downloadable mobile applications, e-books, and films;</li> </ul>
Software and updating thereof	<ul style="list-style-type: none"> <li>i. application software;</li> <li>ii. system software;</li> <li>iii. drivers;</li> <li>iv. filters and firewalls; and</li> <li>v. plugins;</li> </ul>
Images, texts, or information	<ul style="list-style-type: none"> <li>i. desktop theme;</li> <li>ii. photographic image;</li> <li>iii. pictorial image;</li> <li>iv. screensaver; and</li> <li>v. any right to view any item listed under this paragraph;</li> </ul>
Access to database	<ul style="list-style-type: none"> <li>i. subscription-based media, including news, magazines, journals, periodicals, and publications; blogs; database; etc</li> <li>ii. electronic data management;</li> <li>iii. sharing and gig economic services, including transport hailing services or platforms;</li> <li>iv. electronic booking or electronic ticketing services;</li> </ul>
Self-education packages	<ul style="list-style-type: none"> <li>i. distance teaching program;</li> <li>ii. educational webcast;</li> <li>iii. internet-based course;</li> <li>iv. internet-based education program;</li> <li>v. webinar; and</li> <li>vi. digitized content of any book or electronic publication;</li> </ul>

Music, films, and games, including gaming activities	<ol style="list-style-type: none"> <li>i. audio clip;</li> <li>ii. broadcast not simultaneously broadcast over any conventional radio network;</li> <li>iii. jingle;</li> <li>iv. live streaming performance;</li> <li>v. ringtone;</li> <li>vi. song;</li> <li>vii. broadcast not simultaneously broadcast over any conventional television network in Mainland Tanzania;</li> <li>viii. documentary; etc</li> </ol>
Games and games of chance	internet-based game, including electronic game and multiplier role-playing game; interactive games, where the such interactive game is a game of chance or game where the result is influenced by the skill of the player and game which is a combination of chance and skill; and electronic betting or wagering;
Political, cultural, artistic, sporting, scientific, and other broadcasts and events, including broadcast television	N/A

### Source of payment subject to tax in Tanzania

Based on the Tanzanian tax law, tax is imposed on payments having a source in Tanzania. Hence, the Regulations provide clarity in terms of the payment for digital services that have a source in Tanzania as follows:

- The payment proxy, including credit or debit card information and bank account details of the recipient of the electronic services, is in the United Republic; or
- The resident proxy includes the billing or home address or access proxy, including the internet address and mobile country code of the SIM card of the recipient in the United Republic.

### Registration and payment of the requisite tax

Subsequent to the Finance Act, the Minister of Finance and Planning issued Regulations for both, Value Added Tax and Income Tax governing the manner and timelines for registration and payment of the Digital Service Tax (DST).

According to the Regulations, a non-resident person providing digital services to a resident individual is required to apply to the Commissioner General, Tanzania Revenue Authority (TRA) by using an online form.

Upon successful registration, a non-resident person shall be required to file with TRA monthly returns for both income tax and VAT using an online form which shall be filed electronically. However, it seems that the Revenue Authority is yet to set up the online registration portal.

Further, the payment of tax shall be made to the designated account for TRA. The payment can either be made in shillings or equivalent convertible currency using the exchange rate provided by the Bank of Tanzania (BOT) on the date of the transaction.

### Key points

- The income tax of 2% shall be computed on the revenue and not profit;
- Registration for VAT is applicable, irrespective of the revenue threshold, where the services are rendered to an un-registered individual, and the non-resident has not appointed a VAT representative person in Tanzania;
- The filing of both income tax and VAT returns shall be on or before the seventh day of the following month;
- A non-resident shall not be eligible to claim any input VAT incurred either in Tanzania or outside Tanzania for the provision of such services; and
- A non-resident person referred in the Regulations is exonerated from the acquisition and use of Electronic Fiscal Devices (EFD).

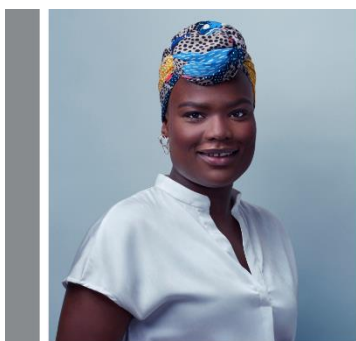
### Conclusion

The laws and the respective regulations came into force from 1<sup>st</sup> July 2022. However, in the absence of the online window for registration and filing of returns, it is unclear whether tax liability will accrue for the entire period from 1<sup>st</sup> July 2022 until such time the registration is effected. We believe that the Revenue Authority shall issue further notice to provide clarity on the same.

### The way forward

Whilst there are uncertainties on the registration process, filing the returns and payment of taxes, it is imperative to communicate and consult the Revenue Authority by seeking clarifications and ensuring you are compliant with the new requirements.

It is therefore important to ensure you reach out to your tax consultants who can assist in seeking clarification from the Authority on a case by case basis.



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