

# Tanzania Tax Sumary

## Overview

Last reviewed - 02 January 2024

Tanzania is a country in East Africa bordered by Kenya and Uganda to the north; Rwanda, Burundi, and the Democratic Republic of the Congo to the west; Zambia, Malawi, and Mozambique to the south; and the Indian Ocean to the east. The United Republic of Tanzania came into being in 1964 following the union of the Republic of Tanganyika (formed in 1961) and Zanzibar. Its official languages are Kiswahili and English. Dodoma is the national capital of Tanzania, and the Tanzanian shilling (TZS) is the official currency.

Tanzania's major export industries include agriculture, mining, and tourism. A significant proportion of the population are employed in agriculture. Longer term, Tanzania's significant gas reserves are expected to generate significant export earnings. Other significant sectors of the economy include construction, financial services, manufacturing, telecommunications, and utilities.

## Quick rates and dates

Compare

| Corporate income tax (CIT) rates     |                                                                                                                                       |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| Headline CIT rate (%)                | 30                                                                                                                                    |
| Corporate income tax (CIT) due dates |                                                                                                                                       |
| CIT return due date                  | Within six months from the end of the accounting period.                                                                              |
| CIT final payment due date           | Within six months from the end of the accounting period.                                                                              |
| CIT estimated payment due dates      | Four equal instalments to be paid not later than three months, six months, and 12 months from the beginning of the accounting period. |
| Personal income tax (PIT) rates      |                                                                                                                                       |
| Headline PIT rate (%)                | Residents: 30;                                                                                                                        |
|                                      | Non-residents employment income only: 15;                                                                                             |
|                                      | Non-residents total income: 30                                                                                                        |
| Personal income tax (PIT) due dates  |                                                                                                                                       |
| PIT return due date                  | Within six months of the end of the year of income.                                                                                   |

## Personal income tax (PIT) rates

**PIT final payment due date** Within six months of the end of the year of income.

**PIT estimated payment due dates** Quarterly instalments (at the end of the third, sixth, ninth, and 12th month of the year of income).

## Value-added tax (VAT) rates

**Standard VAT rate (%)** Tanzania Mainland: 18;  
Tanzania Zanzibar: 18 - Banking, postal and telecommunication services, and all other supplies

## Withholding tax (WHT) rates

**WHT rates (%)**  
**(Dividends/Interest/Royalties)** Resident: 5 or 10 / 10 / 15  
Non-resident: 5 or 10 / 10 / 15

## Capital gains tax (CGT) rates

**Headline corporate capital gains tax rate (%)** Capital gains are subject to the normal CIT rate.

**Headline individual capital gains tax rate (%)** Residents: 10;  
Non-residents: 30;  
Sale of mineral or petroleum rights: 30

## Net wealth/worth tax rates

**Headline net wealth/worth tax rate (%)** NA

## Inheritance and gift tax rates

**Headline inheritance tax rate (%)** NA

**Headline gift tax rate (%)** NA

NA stands for Not Applicable (i.e. the territory does not have the indicated tax or requirement)

NP stands for Not Provided (i.e. the information is not currently provided in this chart)

# Tanzania

## Corporate - Significant developments

Last reviewed - 02 January 2024

### Finance Act 2023

Some of the significant changes brought in by the Finance Act 2023 include the following:

#### **Tax administration**

- Definition of a primary data server has been amended to include 'a physical server, virtual or any other server which stores data that is created or collected by a taxable or liable person in the ordinary course of business'. The implementation date for maintaining a primary data server in Tanzania has been pushed to 1 January 2024 (from 1 July 2023).
- Introduction of new definitions for the below terms:
  - 'Storage facility' to mean 'a warehouse, go-down or any other storage facility, which is used to keep own or other persons' goods for business purposes, provided that such warehouse, go-down or other facility is not part of a shop, factory, industry, or farm'.
  - 'Owner' means a person who establishes or operates and is in control of the facility and possession of the storage facility or a person to whom the storage facility has been leased or sublet to.

The above terms are relevant for the requirement by an owner of a storage facility to register the facility with the Tanzania Revenue Authority (TRA) and provide a monthly report of the nature and value of stock of goods stored in the facility (a requirement introduced by Finance Act 2022 effective July 2022).

- Application for a tax refund: Timeline of three years is extended to overpayments resulting from a tax decision or any other decision made.
- Companies in extractive and construction sectors are required to disclose to the Commissioner General of the TRA the names of all contractors and subcontractors within 30 days from the date of execution of a contract.
- Amendment of electronic fiscal device (EFD) offence penalties:
  - Failure to use an EFD or issue a fiscal receipt: Higher of (i) 20% of the value of goods sold or service rendered or (ii) 100 currency points (currently 1.5 million Tanzanian shillings [TZS]).

- Failure to demand a receipt or report a denial of issuance of receipt: Higher of (i) 20% of the value of tax evaded or (ii) 2 currency points (currently TZS 30,000).

### **Taxpayer portal (upgraded e – filing system)**

The TRA has upgraded the e-filing portal (now called the 'taxpayer portal') effective February 2023. The followings tax returns are filed in the taxpayer portal (new additions include withholding tax [WHT] and digital service tax returns):

- Corporate income tax (CIT) returns.
- Employment tax returns (both pay-as-you-earn [PAYE] and skills and development levy [SDL] returns).
- WHT returns.
- Digital service tax returns.
- Value-added tax (VAT) returns.

### **Income tax**

- Change in control provisions (section 56 ITA 2004) will not apply where the change is (i) a result of allotment of new membership interest of the entity or (ii) a sole result of transfer of membership interest of a resident entity to another resident person.
- Payments having a source in the United Republic of Tanzania would include 'payments received by a non-resident in respect of an electronic service consumed by or attribute to an individual in the United Republic regardless of the place of payment, provided that the consumption of the services by an individual is not made in the course of doing business in Tanzania'.
- Extension of the monthly return filing deadlines for non-resident service providers of electronic services from the 7th to 20th day of the following month.
- Resident individuals who do not have records of the costs are to be subjected to capital gains tax on realisation of interest in land or buildings at rate 3% of the higher of the incomings from the realisation or the approved asset value (instead of 10% on the profits).
- Removal of the requirements for individuals (tenants) to withhold tax on rental payments unless such payments are made in conducting business.
- Introduction of final WHT at the rate of 2% to buyers of precious metals, gemstones, and other precious stones supplied by the holder of primary mining licences or an artisanal miner.
- Introduction of a final WHT at 10% on payments made to resident persons in respect of verified carbon emission reductions.

- Exempt amounts: The followings amounts are exempt from income tax:
  - Gains derived from internal restructuring of mining companies pursuant to the requirements of a framework agreement entered between the government and an investor to form a partnership entity.
  - Amounts derived from investments made by the National Health Insurance Fund on fixed deposits, treasury bonds, treasury bills, or dividends.
- Transportation sector:
  - Entities engaged in the business of transporting passengers or goods are no longer required to pay advance income tax per vehicle (a requirement that was introduced in July 2022). Instead, there is a fixed tax liability applicable to individuals engaged in such business (including tour and private hire service) whose turnover is not more than TZS 100 million in a year.
- Mining sector:
  - Mineral royalty cost incurred by mining companies is non-deductible for CIT purposes.
  - The royalty rate for salt has been reduced to 1% (from 3%).
  - Refineries are no longer required to pay 1% inspection fee.

## **Value-added tax (VAT)**

- Increase VAT registration threshold from TZS 100 million to TZS 200 million *per annum*, and the intention is to gradually increase the threshold to TZS 500 million *per annum*.
- VAT deferment on specified capital goods is now extended to domestically manufactured capital goods.
- Cessation of VAT deferment on imported capital goods from 1 July 2026.
- Exemptions:
  - Exemption on importation of raw materials of heading 39.02 and 39.07 to be used in the manufacture of packaging materials of pharmaceutical products, subject to having a performance agreement with the government.
  - Exemption on importation of moulds by a local manufacturer of pharmaceuticals for exclusive use in manufacturing pharmaceutical products in Mainland Tanzania.
  - Exemption on importation of prefabricated structures or supply of locally manufactured prefabricated structures of H.S Code 9406.20.90 to be used solely in poultry farming, subject to having a performance agreement with the government.

- Exemption on the supply of automobile accessories used in the conversion of motor vehicle fuel systems to natural gas or electricity systems to persons engaged in the conversion of such motor vehicles.
- Exemption on the supply of aircraft, aircraft engines, aircraft parts, and aircraft maintenance to a local operator of air transportation has been extended to local supplies.
- Exemption on raw materials (benzalkonium chloride and glutaraldehyde) of HS Code 2916.32.00 for the manufacture of insecticides and acaricides that have been approved by the relevant Minister.
- Extension of exemption on a supply of double-refined edible oil from locally grown seeds by a local manufacturer for another one year up to 30 June 2024.
- Exemption on supply of precious metals, gemstones, and other precious stones extended to those sold at refineries, buying stations, or mineral and gem houses designated by the Mining Commission under the Mining Act, Cap. 123. The exemption has also been amended to exclude the limitation on supplies by small scale miners.
- Exemption on the sale by a real estate developer of a house with a value not exceeding TZS 50 million.
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- VAT exemption on air charter services to apply until 30 June 2026.
- Zero rating:
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  - Garments manufactured using domestically produced cotton for a period of one year, up to 30 June 2024.
  - Extension of zero rate on locally manufactured fertiliser for another year, up to 30 June 2024.

## **Excise duty**

- Amendment of the adjustment period of specific excise duty rates in accordance with projected inflation rate and other key macroeconomic indicators from annually to every three years.
- Inflationary adjustments of fixed excise duty tariffs for non-petroleum products as follows:
  - Beer and tobacco products, except for malt beer made from 100% locally grown barley, which remains the same: 20%.
  - Other non-petroleum products, except for domestically manufactured wines, spirits, and confectionery products: 10%.

- Imposition of excise duty on cement at the rate of TZS 20/kg.

### **Other taxes and levies**

- Reduction of SDL to 3.5% (from 4%).
- Removal of requirement to file an SDL return if there is no levy payable.
- Removal of mobile money transaction levy on sending and receiving monies electronically.
- Abolishment of the daily SIM card/airtime levy.
- Increase road and fuel toll by TZS 100 per litre (of petrol and diesel).
- Amendment of the property rates from TZS 12,000 to TZS 18,000 for a normal building, and from TZS 60,000 to TZS 90,000 per storey for a storey building.
- Include all district councils' areas as rateable areas with exceptions such as public libraries, public museums, cemeteries, etc.
- Obligation to evaluate, assess, collect, and account for property rate shall be vested to local government authorities from 1 January 2024.

## **Tanzania**

### **Corporate - Taxes on corporate income**

**Last reviewed - 02 January 2024**

A Tanzanian resident is taxed on worldwide income, irrespective of source. Non-residents are taxable on income with a source in Tanzania.

Income tax is charged at a rate of 30% on income of a resident corporation and of a permanent establishment (PE) of a non-resident corporation or 5% of turnover for technical and management service providers to mining, oil, and gas entities (deducted by way of WHT). Certain payments to non-residents are subject to tax at the relevant non-resident WHT rates (*see the Withholding taxes section for the relevant rates*).

Gain from the disposal of investments in Tanzania is subject to income tax where such investments fall within the source rules, and, in such a case, the gain will be taxed at a rate of 30%.

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### **Reduced rate for newly listed companies**

A reduced CIT rate of 25% applies for three consecutive years for companies newly listed on the Dar es Salaam Stock Exchange (DSE). To qualify, at least 30% of the company's shares must be issued to the public.

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## Reduced rate for specific persons

Reduced CIT rates apply as follows:

- 10% CIT applies to new assemblers of vehicles, tractors, and fishing boats for the first five years from commencement of operations.
- 20% CIT applies to new manufacturers of pharmaceutical or leather products who have a performance agreement with the Tanzanian government for the first five years from commencement of operations.

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## Alternative minimum tax (AMT)

AMT applies at a rate of 0.5% to the turnover of companies with perpetual unrelieved tax losses for the current and preceding two income years. Exemption applies to (i) agricultural companies and (ii) companies engaged in provision of health or education.

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## Local income taxes

There are no local income taxes levied by local authorities. *Please see Local taxes in the [Other taxes](#) section for a description of the local service levy based on turnover.*

# Tanzania

## Corporate - Corporate residence

**Last reviewed - 02 January 2024**

A company is tax resident if it is incorporated or formed under the laws of Tanzania or if the management and control of its affairs is exercised in Tanzania, whether physically or through any electronic means.

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## Permanent establishment (PE)

A non-resident entity has a PE in Tanzania if it carries on business in Tanzania. This includes a place where a person:

- is carrying on business through an agent, other than a general agent of independent status acting in the ordinary course of business as such, 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 PE if:



- the agent, other than an independent agent, has and habitually exercises authority to conclude contracts or issue invoices on behalf of that other person, unless their activities are limited to the purchase of goods or merchandise for that other person
- the agent, other than an independent agent, has no authority to conclude contracts but habitually maintains stock of goods or merchandise from which they regularly deliver goods or merchandise on behalf of that other person, or
- the agent, other than an 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
- has used or installed, or is using or installing, substantial equipment or machinery, and
- 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.

# Tanzania

## Corporate - Other taxes

**Last reviewed - 02 January 2024**

### Value-added tax (VAT)

VAT is chargeable on all taxable goods and services supplied in, or imported into, the United Republic of Tanzania. The standard rate of VAT is 18% in Mainland Tanzania and 15% in Tanzania Zanzibar, except for banking, postal, and telecommunication services where an 18% rate is applicable. Additionally, the export of goods and certain services is eligible for zero rating. Generally, businesses with or expecting to generate an annual taxable turnover of more than TZS 200 million in Mainland Tanzania and TZS 100 million in Tanzania Zanzibar must register for VAT. The Commissioner has the discretion to register (as intending traders) investors whose projects have not commenced production of taxable supplies but wish to be VAT-registered in order to reclaim the tax they incur on start-up costs. A business that only makes exempt supplies is unable to register for VAT and, consequently, unable to recover the VAT incurred on inputs.

Registered businesses must submit VAT returns, and pay any tax due, monthly.

There is also mandatory registration for professional service providers (e.g. lawyers and accountants) and government entities/institutions carrying out economic activities. A non-

resident who carries on an economic activity in Mainland Tanzania without a fixed place (e.g. non-resident suppliers of B2C electronic services) and makes taxable supplies in excess of the VAT registration threshold (no threshold for non-resident suppliers of B2C electronic services) is required to appoint a VAT representative unless it is impractical to do so due to business circumstances, in which case the non-resident would be required to apply for a simplified registration in accordance with procedures prescribed in regulations.

For imported goods, VAT is payable at the time of importation together with any customs and excise duties. VAT payable with respect to specific capital goods (as defined) may be deferred, subject to certain procedures being followed. However, VAT deferment on imported capital goods will cease to apply from 30 June 2026.

For imported services, VAT is accounted for by registered businesses through a 'reverse-charge' mechanism, and such accounting is only relevant where a taxpayer has exempt supplies of 10% or more of the total supplies.

Depending on the industry, there are a number of exempt supplies. These include (this list is not exhaustive):

- Agricultural implements, agricultural inputs, livestock, basic agricultural products and food for human consumption; implements for fisheries; bee-keeping implements; dairy equipment; and medicine or pharmaceutical products.
- Import of food, clothing, and shoes donated to non-profit organisations for free distribution to orphanages or schools for children with special needs in Mainland Tanzania.
- Goods imported by non-profit organisations for the provision of emergency and disaster relief (conditional).
- Goods imported by religious organisations for the provision of health, education, water, and religious services (conditional).
- Educational services provided by a relevant approved educational institution; education materials.
- Import of laboratory equipment and reagents by a registered educational institution to be used solely for educational purposes.
- Goods eligible for relief under the East African Customs Management Act (where imported by a registered and licensed explorer or prospector for exclusive use in oil, gas, or mineral exploration or prospecting activities).
- Various goods imported by a natural gas distributor (including compressed natural gas [CNG] plants equipment, natural gas pipes, transportation and distribution pipes, CNG storage cascades, CNG special transportation vehicles, natural gas metering equipment, CNG refuelling of filling, gas receiving units, flare gas system, condensate tanks and leading facility, system piping and pipe rack, and condensate stabiliser).

- Healthcare, medicine, or pharmaceuticals products, including food supplements or vitamins supplied to the government; articles designed for people with special needs; funeral services.
- Fire-fighting vehicles imported by the government and fire-fighting equipment.
- Sale of vacant land.
- Lease, license, hire, or other form of supply, to the extent that it is a supply of the right to occupy and reside in residential premises.
- Water (except bottled or canned water or similarly presented water).
- Supply of solar panels, modules, solar charger controllers, solar inverters, vacuum tube solar collectors, and solar batteries.
- Unprocessed edible vegetables.
- Insurance for health, life, aircraft, workers compensation, crop agriculture, and livestock farming.
- Gaming supply.
- Specified petroleum products.
- Pasteurised and unpasteurised goat and cow milk.
- The transportation of person by any means of conveyance, other than taxi cabs, rental cars, or boat charters.
- Importation of arms and ammunition, parts, and accessories thereof, equipment, and machineries for the official use of the armed forces as certified by the Ministry responsible for security and defence.
- Supply of air charter services up to 30 June 2026.
- A supply of sisal ropes of HS Code 5607.21.00 and 5607.29.00.
- A supply of locally manufactured sisal bags of HS Code 6305.90.00.
- Supply of aircraft lubricants of HS Codes 2710.19.51, 2710.19.52, 3403.19.00, and 3403.99.00 to a local operator of air transportation.
- Imported refrigerated containers of HS Code 8418.69.90 by a person engaged in horticulture for exclusive use in horticulture.
- Imported grain drying equipment of HS Code 8419.34.00 by a person engaged in agriculture for exclusive use in agriculture.
- Importation of aircraft lubricants, airline tickets, brochures leaflets, calendars, diaries, headed papers, and airline uniforms engraved or printed or marked with airline logo and imported under a Bilateral Air Services Agreement between the Government of United Republic of Tanzania and a foreign government.
- Import of precious minerals, tin, tungsten, tantalum, mineral concentrates, and loaded carbon by any person for processing, smelting, refining, or sale in the Mineral and Gem Houses or buying stations designated by the Mining Commission.
- Import of contactless smart cards and consumables of HS Code 8523.52.00 by the National Identification Authority.

- An import of cold rooms of HS Code 9406.10.20, 9406.20.20, and 9406.90.20 and refrigerated truck of HS Codes 8704.21.90, 8704.22.90, 8704.23.90, 8704.31.90, 8704.32.90, and 8704.90.90 by a person engaged in livestock, fishery, or agriculture duly certified by the Ministry responsible for livestock, fishery, or agriculture.
- Import of artificial grass of HS Codes 5703.21.00, 5703.29.00, 5703.31.00, and 5703.39.00 for football pitches located in a City or Municipal Council approved by the National Sports Council of Tanzania.

The VAT Act contains restrictions on claiming of input tax. For example, one cannot claim VAT incurred on entertainment; membership to sporting, social, or recreational clubs or associations; and spare parts and repair or maintenance costs in respect of passenger vehicles.

The input tax claim time limit is six months. However, this time limit starts to run by reference to the date of the fiscal receipt.

Input tax incurred on goods in the six months prior to VAT registration can be claimed no later than in the third VAT return submitted following registration.

A company with taxable supplies of more than 90% of total supplies is entitled to full input tax credit while a company with taxable supplies less than 10% of total supplies is not entitled to claim any input tax incurred.

A company with taxable supplies between 10% and 90% of total supplies is entitled to partial input tax recovery. Two methods of apportionment, namely the average method and direct attribution method, can be used. Imported services are not taken into account as supplies when determining the allowance of input tax for partial exemption purposes.

Businesses entitled to VAT refunds can claim any remaining credit six months after the refund first became due, subject to all intervening returns being rendered. Any claim for a VAT refund must be supported by an auditor's certificate of genuineness. Businesses in a consistent refund position (e.g. exporters) may apply for approval to lodge their refund claims monthly.

The VAT Act includes specific requirements to be met by a fiscal receipt to facilitate a refund claim. This includes claims made by diplomats and international organisations. A fiscal receipt is defined to include receipt issued by a fiscal device, by the Government Electronic Payment Gateway, and any other electronic system approved by the Commissioner General.

VAT in Tanzania Zanzibar is administered under a separate but similar legislation.

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## Digital service tax

A non-resident involved in digital transactions (i.e. providing electronic services) is required to account for tax of 2% on the turnover (excluding VAT). The Regulations (Income Tax

(Registration of Non-Resident Electronic Service Suppliers) Regulations, 2022) provide for procedures to be followed by non-residents providing electronic services, covering matters including scope of services, registration (online), filing simplified income tax returns (online), and payment requirements.

There is a monthly filing requirement of digital service tax returns to be done by the 20th day of the month following the month to which the payment relates.

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## Customs duty

Tanzania is a member of the East African Community, which became a Customs Union on 1 January 2005 on the implementation of the East African Customs Union Protocol. This protocol provides for a common external tariff (CET), elimination of internal tariffs, rules of origin, anti-dumping measures, a common customs law, and common export promotion schemes.

Generally, the import duty rates applicable under the CET are as follows:

| Category                                                                                                                                                                                                                   | Rate (%) |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Raw materials, capital goods, agricultural inputs, pure-bred animals, medicines                                                                                                                                            | 0        |
| Semi-finished goods                                                                                                                                                                                                        | 10       |
| Finished consumer goods                                                                                                                                                                                                    | 25       |
| Specified products                                                                                                                                                                                                         | 35       |
| Machinery and spare parts imported by licensed mining companies and used in mining activities                                                                                                                              | 0        |
| Machinery and inputs (excluding motor vehicles) imported by a licensed company for direct and exclusive use in oil, gas, or geothermal exploration, development, and distribution upon approval by the competent authority | 0        |

Goods originating in Southern Africa Developing Countries (SADC) or the East African Community (EAC) have preferential or nil customs duty rates, subject to meeting the Rules of Origin Criteria. Most imports are also subject to Railways Development Levy of 1.5% (except goods that are exempted from import duty, pharmaceutical goods, fertilizers as defined in the EAC Common External Tariff, and kerosene type jet A1 fuel classified under HS Code 2710.19.21) and Destination Inspection Fee of 0.6% of the FOB value.

## Excise duty

Excise duty rates apply on a specific or *ad valorem* basis as follows (this list is not exhaustive, and exceptions may apply in some cases):

| Item                                                                                                                                                                                                             | Rate for FY 2023/24<br>(TZS)                     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter                                          | 9.9 per litre/255.2 per litre                    |
| Imported powdered juice                                                                                                                                                                                          | 255.2 per litre                                  |
| Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter or flavoured; ice and snow                                                      | 63.8 per litre/70.4 per litre                    |
| Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, not including fruit or vegetable juices of heading 20.09 | 67.1 per litre                                   |
| Non-alcoholic beer                                                                                                                                                                                               | 673.2 per litre/706.86 per litre                 |
| Imported powdered beer                                                                                                                                                                                           | 1,012.8 per litre                                |
| Beer made from malt                                                                                                                                                                                              | 620 per litre/ 918 per litre/963.9 per litre     |
| Beer made from 100% local unmalted cereals                                                                                                                                                                       | 540 per litre                                    |
| Wine with more than 25% imported grapes; cider                                                                                                                                                                   | 5,600 per litre                                  |
| Wine with domestic grapes, banana, tomato, rosella content exceeding 75%                                                                                                                                         | 200 per litre                                    |
| Spirits, vodka, and whiskies                                                                                                                                                                                     | 540 per litre/3,978 per litre/4,386.06 per litre |

| Item                                                                                  | Rate for FY 2023/24<br>(TZS) |
|---------------------------------------------------------------------------------------|------------------------------|
| Cigarettes without filter containing more than 75% domestic tobacco                   | 14,936.4 per mil             |
| Cigarettes with filter containing more than 75% domestic tobacco                      | 35,310 per mil               |
| Other cigarettes not mentioned above                                                  | 67,076.1 per mil             |
| Cut rag/filler (imported)                                                             | 33,878.88 per kg             |
| Cut rag/filler (locally produced containing more than 75% domestic tobacco)           | 9,600 per kg                 |
| Motor spirit (gasoline) premium                                                       | 339 per litre                |
| Motor spirit (gasoline) regular                                                       | 379 per litre                |
| Gas oil (diesel)                                                                      | 255 per litre                |
| Kerosene type jet fuel                                                                | Nil                          |
| Illuminating kerosene                                                                 | 465 per litre                |
| Industrial diesel oil                                                                 | 392 per litre                |
| Heavy furnace oil                                                                     | 0 per litre                  |
| Lubrication oil (containing petroleum oils or oils obtained from bituminous minerals) | 735.9 per m <sup>3</sup>     |
| Other lubrication oils                                                                | 735.9 per m <sup>3</sup>     |
| Lubrication greases                                                                   | 0.87 per kg                  |
| Music and film products                                                               | 55 per unit                  |
| Cement                                                                                | 20 per kg                    |

| Item                                                                                                                                                                            | Rate for FY 2023/24 (%) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| Satellite, terrestrial infrastructure, cable television broadcasting or other technology                                                                                        | 5                       |
| Electronic communication services                                                                                                                                               | 17                      |
| Charges or fees by a telecommunication service provider or other payment system provider licensed under the National Payment Systems Act for money transfer and payment service | 10                      |
| Charges or fees by a financial institution for services provided by such institution                                                                                            | 10                      |
| Disposable plastic bags                                                                                                                                                         | 50                      |
| Liquefied petroleum gas (LPG)                                                                                                                                                   | 0                       |
| Motor vehicle with cylinder capacity exceeding 1,000cc but not exceeding 2,000cc                                                                                                | 5                       |
| Motor vehicle with cylinder capacity greater than 2,000cc                                                                                                                       | 10                      |
| Old motorcycles (more than three years)                                                                                                                                         | 10                      |
| Old passenger motor vehicles (more than five years)                                                                                                                             | 10                      |
| Old motor vehicles (eight years but not more than ten years)                                                                                                                    | 15                      |
| Old motor vehicles (more than ten years)                                                                                                                                        | 30                      |
| Imported used spare parts (for vehicles, motorcycles, domestic and electrical appliances)                                                                                       | 25                      |
| Imported furniture (per unit)                                                                                                                                                   | 20                      |



| Item                                                                                                                            | Rate for FY 2023/24 (%) |
|---------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| Aircraft (including helicopters, aeroplanes) but excluding commercial aircraft, yachts, and other vessels for pleasure or sport | 20                      |

## Fuel levy

Fuel levy is charged on petroleum and diesel at a rate of TZS 513 per litre.

## Petroleum levy

Petroleum levy is charged on petroleum, diesel, and kerosene at TZS 100 per litre.

## Stamp duty

Examples of instruments giving rise to stamp duty obligations include conveyances, leases, share transfers, and issue and transfer of debentures. For most of these instruments, the applicable stamp duty rate is 1% of the consideration.

## Railways Development Levy (RDL)

RDL applies at the rate of 1.5% of the cost, insurance, and freight (CIF) value of goods entered for home consumption. The levy is not applicable to imported goods that have relief or exemption under the East African Community Customs Management Act 2004 (EACCMA 2004), pharmaceutical goods, etc.

## Payroll taxes and social security contribution

Apart from individual income tax (deducted at source by the employer), payroll taxes include:

- Skills and development levy at 3.5% of payroll cash costs. This applies to every employer who has ten or more employees.
- Employers who are not required to pay SDL are not required to file SDL returns.
- 20% social security contribution, which is normally split equally between employer and employee (i.e. 10% each).
- Workers compensation fund tariff charged at 0.5% of cash sums paid to employees. The tariff is payable on a monthly basis.

## Gaming tax

Under the gaming tax, gaming activities are taxed at a maximum of 25% and gaming prize winners are taxed at a maximum of 15% on the amount or value of the winnings.

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## Local taxes

### Property taxes

The TRA levies a property tax based on the value of a premises. The rates vary depending on the value and location of the property. For unvalued properties, TZS 18,000 is payable for a normal building and TZS 90,000 per storey for a storey building.

### Service levy

The Local Government Authorities are entitled to charge up to a maximum of 0.3% service levy based on turnover generated by corporate bodies in the relevant district.

### Produce cess

Produce cess is capped at 3% on food and cash crops and 5% on forest products such as timber, charcoal, and logs. However, there is an exemption on the transportation of crops of less than one tonne from one district to another.

## Tanzania

### Corporate - Branch income

**Last reviewed - 02 January 2024**

The income tax liability of a person with a PE in Tanzania is calculated as if the person and the PE are independent but as if the PE is resident in Tanzania. The income of the PE is taxed at the normal income tax rate for entities, namely 30% on net income or 5% of turnover for technical and management service providers to mining, oil, and gas entities.

The PE is also subject to a tax on 'repatriated income', which applies at a rate of 10% (the same rate as a company would withhold on dividends).

In certain circumstances, business activities of the head office may be attributed to the branch. Arrangements between a PE and head office generally are not recognised, other than the transfer of an asset or liability between the two. Amounts derived (or payments received) and expenditures incurred (or payments made) that relate to assets held by, or liabilities owed by, the business of the PE are attributed to the PE.

## Tanzania

# Corporate - Income determination

**Last reviewed - 02 January 2024**

Subject to any provision to the contrary in the Income Tax Act, income is to be calculated in accordance with generally accepted accounting principles (GAAP). Local GAAP is in accordance with International Financial Reporting Standards (IFRS). Corporations must apply an accrual basis of accounting.

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## Inventory valuation

Trading stock is valued at the end of the year at the lower of cost and market value. No explicit method is stated for determining inventory cost, and, so far, for tax purposes, such cost will match the cost determined in accordance with GAAP. Special rules apply for the valuation of long-term work in progress.

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## Capital gains

There is no separate capital gains tax in Tanzania. Instead, income tax is charged on the taxable profit arising on a gain arising from the realisation of an 'investment asset' (a term that [subject to certain exceptions] includes shares, interests in land and buildings, and a beneficial interest in a trust). The gain is determined as the difference between costs incurred and sale proceeds.

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## Dividend income

Dividend income will be included in calculation of taxable income unless it is exempt or a final withholding payment.

Dividend payments are taxed by way of WHT, and this is a final tax. The normal rate of WHT on dividends is 10%.

Where a dividend is paid by a resident corporation to another resident corporation holding 25% or more of shares and voting rights in the corporation paying the dividend, the WHT rate is 5%.

Dividends paid by a company listed on the DSE are subject to 5% WHT (regardless of whether they are paid to a resident or non-resident).

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## Interest income

Interest income will be included in calculation of taxable income unless it is exempt or a final withholding payment.

The term 'interest' is defined as payment for the use of money and includes payment made or accrued under a debt obligation that is not a repayment of capital, as well as any gain realised by way of a discount, premium, swap payment, or similar payment.

Interest payments made by residents are taxed by way of WHT at 10%.

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## Royalty income

Royalty income will be included in calculation of taxable income unless it is exempt or a final withholding payment.

Royalty payments made by residents are taxed by way of WHT at 15% (regardless of whether it is paid to a resident or non-resident), except for payment relating to the use of cinematography film, videotape, sound recording, or any other like medium, where the applicable rate is 10%. WHT on royalty payments to a non-resident is a final tax.

The term 'royalty' means any payment made by the lessee under a lease of an intangible asset and includes payments for:

- i. the use of, or the right to use, a copyright, patent, design, model, plan, secret formula or process, or trademark
- ii. the supply of know-how, including information concerning industrial, commercial, or scientific equipment or experience
- iii. the use of, or right to use, a cinematography film, videotape, sound recording, or any other like medium
- iv. the use of, or right to use, industrial, commercial, or scientific equipment
- v. the supply of assistance ancillary to a matter referred to in paragraphs (i) to (iv), or
- vi. a total or partial forbearance with respect to a matter referred to in paragraphs (i) to (v), but excludes a natural resource payment.

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## Foreign income

A resident person's foreign-source income or loss (from employment, business, and investment) is calculated as that person's worldwide income or loss less any income sourced in Tanzania and plus any loss sourced in Tanzania.

A resident person may claim a foreign tax credit on any foreign tax paid by the person on foreign income. However, such credit should not exceed the Tanzanian tax rate applicable to that income. Any unrelieved amount of foreign tax credit may be carried forward (subject to 'change in control' provisions *as detailed in the Group taxation section*). An election may be made to relinquish foreign tax credit and claim a deduction for the amount of foreign income tax.

There are no provisions for the deferral of the taxation of foreign income.

# Tanzania

## Corporate - Deductions

**Last reviewed - 02 January 2024**

In calculating taxable profit, deductions are allowed for revenue expenditures incurred wholly and exclusively in the production of income, with some statutory exceptions. For capital expenditures, there are specific tax depreciation allowances.

There are special rules with regard to the valuation of trading stock and long-term contracts and in relation to the treatment of instalment sales and finance leases.

There is ring-fencing of mining or petroleum operations by reference to the relevant mining or petroleum licence area.

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## Depreciation

The categories of depreciable assets and their tax depreciation rates are set out in the table below.

Expenditures on plant and machinery are generally written off on a reducing-balance basis at rates of 37.5%, 25%, or 12.5%, depending on the category of the asset. Certain plant and machinery for manufacturing, fish farming, and tourist hotels benefit from a 50% allowance in the first year, with the normal rates applying to the remaining balance in subsequent years. There is an immediate write-off of expenditures on plant and machinery used in agriculture.

Expenditures on buildings qualify for a depreciation allowance of 5% per year on a straight-line basis. For intangible assets, the write-off is over the useful life of the asset.

Apart from the immediate write-off of plant and machinery, agricultural businesses also benefit from the immediate write-off of agricultural improvement expenditures (including the costs of clearing land, excavating irrigation channels, and planting perennial crops or tree bearing crops). Buildings, structures, dams, water reservoirs, fences, and similar works of a permanent nature used in agriculture, livestock, or fish farming are written off on a straight-line basis over five years.

Expenditure incurred in respect of mineral or petroleum operations during a year of income qualifies for depreciation allowance at the rate of 20% per year on a straight-line basis.

### **Depreciation allowances rates**

| Class | Depreciable assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                               |
|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| 1     | Computers and data handling equipment, together with peripheral devices; automobiles, buses, and minibuses with a seating capacity of less than 30 passengers; goods vehicles with a load capacity of less than seven tonnes; construction and earth-moving equipment.                                                                                                                                                                                                                                                                              |                                               |
| 2     | Buses with a seating capacity of 30 or more passengers, heavy general purpose or specialised trucks, trailers, and trailer-mounted containers; railroad cars, locomotives, and equipment; vessels, barges, tugs, and similar water transportation equipment; aircraft, other self-propelling vehicles; plant and machinery (including windmills, electric generators, and distribution equipment) used in agriculture or manufacturing; specialised public utility plant, equipment, and machinery or other irrigation installations and equipment. |                                               |
| 3     | Office furniture, fixtures, and equipment; any asset not included in another class.                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                               |
| 5     | Buildings, structures, dams, water reservoirs, fences, and similar works of a permanent nature used in agriculture, livestock farming, or fishing farming.                                                                                                                                                                                                                                                                                                                                                                                          |                                               |
| 6     | Buildings, structures, and similar works of permanent nature other than those mentioned in Class 5.                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                               |
| 7     | Intangible assets.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 1 divided by the asset in the pool and to the |
| 8     | Plant and machinery (including windmills, electric generators, and distribution equipment) used in agriculture and electronic fiscal devices purchased by a non-VAT-registered trader.                                                                                                                                                                                                                                                                                                                                                              |                                               |

## Interest in land

Interest in land does not qualify for depreciation allowance as it is excluded from the definition of 'depreciable asset'.

## Goodwill

Goodwill does not qualify for depreciation allowance as it is excluded from the definition of 'depreciable asset'.

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## Start-up expenses

Start-up expenses are deductible to the extent that they meet the general deduction criteria (i.e. they are revenue in nature and were incurred wholly and exclusively in the production of income). The definition of 'business' includes a prospective business.

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## Interest expenses

Interest expenses are deductible on an accrual basis, subject to thin capitalisation rules *as detailed in the Group taxation section.*

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## Bad debt

In order to claim relief for a bad debt, it is necessary to demonstrate that all reasonable steps have been taken to pursue payment and that there is a reasonable belief that the debt claim will not be satisfied.

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## Charitable contributions

The Income Tax Act allows deduction for contributions made:

- i. to charitable institutions (approved by the Commissioner to operate as such) and social development projects
- ii. under Section 12 of the Education Fund Act 2001
- iii. to local government authorities under statutory obligations to support community developments projects
- iv. to the AIDS Trust Fund established under the Tanzania Commission for AIDS Act, or
- v. to the government in the fight against COVID-19.

The deduction available under item (i) above is restricted to 2% of the company's taxable income before such deduction.

The deduction available under item (v) shall cease to have effect when the Minister may determine by notice in the Gazette.

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## Fines and penalties

Fines and similar penalties payable to a government or a political subdivision of any country for the breach of any law or subsidiary legislation are not deductible.

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## Taxes

Taxes payable under the Income Tax Act 2004 are not deductible.

## **WHT paid by withholder**

WHT paid by withholder is not deductible.

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## **Net operating losses**

There is no limit on the carryforward period for tax losses. However, there is ring-fencing of tax losses as follows:

- Losses from agricultural business can only be offset against profits derived from agricultural business.
- Losses from one mining licence area can only be offset against profits from the same mining licence area.
- Losses from one petroleum licence area can only be offset against profits from the same petroleum licence area.
- Foreign-source losses can only be offset against foreign-source profits.
- Losses on investments can only be offset against investment income.
- Foreign-source losses on investments can only be offset against foreign-source investment income.
- Losses incurred on speculative transactions can only be offset against income derived from speculative transactions.

In addition, the following restrictions apply to tax losses:

- The deductibility of the losses carried forward is restricted (for holders of a petroleum exploration licence, mineral licence, and licence in respect of midstream and downstream activities) such that only 70% of the taxable profits of the company can be sheltered by losses brought forward (with any excess losses carried forward to future years).
- For businesses other than agriculture, health, and education services, the deductibility of the losses carried forward is restricted after a period of four years of continuous losses such that only 70% of the taxable profits of the company in the fifth year can be sheltered by losses brought forward (with any excess losses carried forward to future years).

In certain circumstances, tax losses may be forfeited on a change in the underlying control of an entity.

Tax losses can be carried back only in long-term contracts in a case where a contract is completed and a person has unrelieved losses for that period or a previous period that is attributable to the long-term contract. These losses can then be carried back to a previous year of income and treated as unrelieved loss for that year.



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## Payments to foreign affiliates

Payments to foreign affiliates are deductible to the extent they are wholly and exclusively incurred in the production of the company's income. The deduction is subject to transfer pricing provisions *as detailed in the Group taxation section*.

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## Tanzania

### Corporate - Group taxation

**Last reviewed - 02 January 2024**

There are no provisions for tax consolidation or group relief in Tanzania.

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## Transfer pricing

With respect to transactions between related parties, there is an obligation to 'quantify, apportion, and allocate amounts' for income tax purposes on an arm's-length basis. The Transfer Pricing Regulations and Guidelines require:

- Any taxpayer whose transactions with associates exceed TZS 10 billion to file the CIT returns together with transfer pricing documentation.
- Any other taxpayer with related-party transactions to have transfer pricing documentation in place and provide this within 30 days from the date of request by the TRA.
- The penalty for any adjustment made during an audit is 100% of the underpaid tax.

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## Thin capitalisation

There is a thin capitalisation restriction on the amount of deductible interest for what are termed 'exempt-controlled resident entities', where the debt-to-equity ratio exceeds 7:3. There are specific definitions of 'debt' and 'equity' for the purposes of thin capitalisation.

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## Controlled foreign trusts and corporations

There are provisions that relate to the treatment of unallocated income of controlled foreign trusts and corporations.

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## Change in control provisions

The change in control provisions are triggered at the moment the underlying ownership of an entity changes by more than 50% as compared to any time during the previous three years. Where there is such a change, the consequences are that:

- the accounting period of the entity is split at the point of such a change, so that the parts of the year of income before and after the change are treated as separate years of income, and
- there is deemed realisation of assets and liabilities at market values.

In certain cases, such a change can also result in the forfeiture of unutilised tax losses and tax credits.

The Commissioner has to be notified immediately before and after the change in control has occurred.

## **Exemptions**

The change of control provisions do not apply in the following circumstances:

- Where the change is a result of allotment of new membership interest of the entity.
- A sole result of transfer of membership interest of a resident entity to another resident person.

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## **Other anti-avoidance provisions**

Other anti-avoidance provisions exist to address the following:

- Income or dividend stripping arrangements.
- Income splitting.

## **Taxing right on an agent of a non-resident person or of a beneficial owner**

A new taxing right on a 'representative assessee' will apply in respect of income of a non-resident person or 'beneficial owner' for whom the 'representative assessee' acts as an agent.

Activities that can create the categorisation of 'agent of a non-resident person or of a beneficial owner' include employment, any 'business connection', receipt of income for the other party, or acting as a trustee.

The definition of the term 'beneficial owner' includes reference to aspects (whether direct or indirect) of 'substantial control', 'substantial economic interest in or ... substantial economic benefit'.

The term 'business connection' includes reference to:

- Conclusion of or significant role leading to conclusion of contracts.
- Maintenance of stock of goods or merchandise.
- Habitually securing orders.
- Carrying on business or investment through an entity or an arrangement for the benefit of the other party (directly or indirectly).

## Tanzania

### Corporate - Tax credits and incentives

Last reviewed - 02 January 2024

#### Foreign tax credit

See Foreign income in the [Income determination](#) section for a description of the foreign tax credit regime.

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#### Agriculture, manufacturing, and tourism incentives

Tax incentives by way of generous capital deduction provisions are given for specific sectors, namely agriculture, manufacturing, and tourism. See the [Deductions](#) section for more information.

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#### Export processing zones (EPZs) and special economic zones (SEZs)

There are special benefits for EPZs and SEZs. Included in the benefits available to a person licensed to carry on business in an EPZ, as well as to SEZ investors selling in export markets, are a ten-year income tax holiday and WHT holiday, subject to a requirement to export at least 80% of production.

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#### Assemblers of vehicles, tractors, and fishing boats

There is a tax incentive by way of a reduced CIT rate for new assemblers of vehicles, tractors, and fishing boats from 30% to 10% for the first five years from commencement of operations.

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#### New manufacturers of pharmaceutical or leather products

There is a tax incentive by way of a reduced CIT rate for new manufacturers of pharmaceutical or leather products who have a performance agreement with the Tanzanian government from 30% to 20% for the first five years from commencement of operations.

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## Newly listed companies

Companies that are newly listed on the DSE get an incentive of a reduced CIT rate for the first three years from 30% to 25%, provided at least 30% of shares are publicly listed.

# Tanzania

## Corporate - Withholding taxes

Last reviewed - 02 January 2024

### WHT rates

| Payment                                                                                        | WHT (%)  |              |
|------------------------------------------------------------------------------------------------|----------|--------------|
|                                                                                                | Resident | Non-resident |
| Dividend:                                                                                      |          |              |
| To a company controlling 25% or more of the voting power and holding 25% or more of the shares | 5        | 10           |
| From a DSE-listed company                                                                      | 5        | 5            |
| Otherwise                                                                                      | 10       | 10           |
| Interest                                                                                       | 10       | 10           |
| Rent:                                                                                          |          |              |
| Land and buildings                                                                             | 10       | 10           |
| Aircraft lease                                                                                 | 10       | 10           |
| Other assets                                                                                   | 0        | 10           |

| Payment                                                        | WHT (%)  |              |
|----------------------------------------------------------------|----------|--------------|
|                                                                | Resident | Non-resident |
| Royalty*                                                       | 15       | 15           |
| Natural resource payment                                       | 15       | 15           |
| Service fees                                                   | 5        | 15           |
| Director fees (other than full time service)                   | 15       | 15           |
| Insurance premium                                              | 0        | 5            |
| Money transfer commission paid to money transfer agent         | 10       | N/A          |
| Fees paid to commercial bank agents and digital payment agents | 10       | N/A          |
| Payments for goods by government institutions                  | 2        | N/A          |

\* If payment relates to use of cinematography film, video tape sound recording, or any other like medium, the applicable rate is 10%.

## Double tax treaty (DTT) rates

| Recipient         | WHT (%)   |              |           |                             |
|-------------------|-----------|--------------|-----------|-----------------------------|
|                   | Dividend  | Interest (8) | Royalties | Management / technical fees |
| Domestic rate (1) | 10        | 10           | 15        | 15                          |
| Treaty:           |           |              |           |                             |
| Canada            | 20/25 (2) | 15           | 20        | 20                          |
| Denmark           | 15        | 12.5         | 20        | 20                          |

| Recipient    | WHT (%)   |              |           |                             |
|--------------|-----------|--------------|-----------|-----------------------------|
|              | Dividend  | Interest (8) | Royalties | Management / technical fees |
| Finland      | 20        | 15           | 20        | 20                          |
| India        | 5/10 (3)  | 10           | 10        | 0                           |
| Italy        | 10        | 15           | 15        | 15 (6)                      |
| Norway       | 20        | 15           | 20        | 20                          |
| South Africa | 10/20 (2) | 10           | 10        | 15 (7)                      |
| Sweden       | 15/25 (4) | 15           | 20        | 20                          |
| Zambia       | 0 (5)     | 0 (5)        | 0 (5)     | 0                           |

#### Notes

1. The domestic WHT rate applies unless the DTT rate is lower, in which case the lower DTT rate applies.
2. The lower rate applies if the beneficial owner is a company that controls, directly or indirectly, at least 15% of the voting power in the company paying the dividends; otherwise, the higher rate applies.
3. The lower rate applies if the recipient is a company that owns at least 25% of the shares of the company paying the dividends; otherwise, the higher rate applies.
4. The lower rate applies if the recipient is a company that owns at least 25% of the shares of the company paying the dividends during the six-month period immediately preceding the date of payment of the dividends; otherwise, the higher rate applies.
5. The domestic rate applies if income is exempt from tax in Zambia.
6. The domestic rate applies in the absence of a rate specified in the DTT.
7. The DTA does not have a management, technical, or service fee article. WHT is still usually deducted.
8. Government borrowing: There is an introduction of WHT exemption on payments of interest, fees, and other payments in respect of loans to the government from non-resident banks, financial institutions, and other governments, which have a retrospective effect from 1 June 2017.

# Tanzania

## Corporate - Tax administration

Last reviewed - 02 January 2024

### Taxable period

While the year of income for tax purposes is the calendar year, an entity may apply to use its own accounting period rather than the calendar year.

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### Tax returns

A statement of estimated tax payable, which contains an estimate of the chargeable income and the tax payable thereon, is due for submission within three months from the beginning of the accounting period. A final tax return must be furnished within six months from the end of the accounting period.

WHT returns must be submitted every month. The due date for filing the WHT return is the seventh day of the month following the month to which the tax relates.

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### Payment of tax

Instalment tax is payable in four equal instalments not later than three months, six months, nine months, and 12 months from the beginning of the accounting period. Final tax is payable on the date on which the final return is due for submission, namely six months after the end of the accounting period.

WHT is due seven days after the month of deduction.

### Penalties

A late filing penalty applies monthly at an amount equal to the higher of (i) TZS 225,000 or (ii) 2.5% applied to unpaid tax. If estimated tax is significantly underestimated, a penalty may also apply.

Interest on late payment is charged at the Bank of Tanzania discount rate.

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### Tax audit process

The normal practice is for the TRA to carry out a review every two or three years.

### Time limit set for the Commissioner to determine an objection

If no determination is issued within six months of an objection, the underlying tax assessment or decision will be treated as final/confirmed, and the taxpayer can appeal to the Board.

### **A 100% tax deposit on objection to tax decisions where there is a flight risk**

The Commissioner can demand a deposit of 100% of assessed tax where the Commissioner has reasonable cause to believe that the objector intends to permanently leave the country.

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## **Statute of limitations**

There is a five-year time limit for the TRA to adjust an income tax return filed by a taxpayer. The five years runs from the due date of filing the final tax return.

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## **Topics of focus for tax authorities**

Currently, the topics of particular focus for the TRA include transfer pricing, VAT compliance, WHT on payments to both residents and non-residents, compliance on payroll taxes, and post clearance audits for importers and exporters of goods. They generally perform various reconciliations, including (i) sales declared in the VAT returns compared to the revenue in the financial statements and the sales per the EFDMS, (ii) payroll costs per financial statements compared to the amount of pay-as-you-earn (PAYE) remitted, (iii) expected WHT per the expenses in the financial statements compared to the amount remitted, and (iv) deposits in the bank account compared to the sales per the financial statements.

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## **Functional currency**

Taxable income and deductible expenditure is quantified in Tanzanian shillings. Upon request by the taxpayer, the Commissioner has the power, by notice in writing, to permit quantification in a foreign currency convertible to Tanzanian shillings.