

# Tanzania relaxes protectionist regulations in mining sector



Tanzanite miner at the Mererani mine in northern Tanzania. The country has relaxed the mining sector regulations. FILE PHOTO | NMG

Tanzania has relaxed the mining sector regulations that require local companies to own controlling stake in multinationals.

Once seen as too ambitious, the Mining Sector Regulations 2018 required Tanzanian companies to have at least 51 per cent stake in mining firms while multinationals were to partner with their locally owned institutions.

The regulations and the Mining Act amendments, which were part of mineral sector reforms, were meant to give the government a bigger share of the mining sector pie.

Additionally, they sought to boost the participation of Tanzanian nationals and firms in multinationals' operations.

But a year later, further amendments have seen procedural ownership percentage reduced to 20 per cent.

Analysts say that Tanzania, though endowed with abundant minerals, still feels little impact on its revenue collection or even on lives of most Tanzanians over the years.

The new Mining (Local Content) (Amendments) Regulations, 2019 reduced ownership restriction for local mining firms and financial institutions' preference.

Indigenous Tanzanian companies, under the amended regulations, now have to own a minimum 20 per cent equity.

The Mining Regulations on Local Content (2018) defined an indigenous Tanzanian company as one “incorporated under the Companies Act that (a) has at least 51 per cent of its equity owned by a citizen or citizens of Tanzania; and (b) has Tanzanian citizens holding at least 80 per cent of executive and senior management positions and one hundred per cent of non-managerial and other positions.”

Miners have welcomed the amendment, saying it will make the mining industry vibrant.

“Many local companies, be they contractors, sub contractors, licensees, do not have the capital and capacity needed to bring about development in the mining activities,” said Mbwaike Mahyenga one of the miners in Mwanza.

“As much as we find it hard to admit that we run short in that respect, things such as machinery are expensive for some local companies.”

The Mining Regulations on Local Content (2019), which came into effect on February 8, opened the gates for more local commercial banks to participate in mining activities.

The new regulations slightly reduced the stringent banking requirements, as not many banks operating in Tanzania fall under the definition of “indigenous Tanzanian banks.”

The word ‘indigenous’ was deleted, allowing mining companies and all other entities involved in the sector to maintain bank accounts in a Tanzanian bank with not less than 20 per cent Tanzanian shareholders.

Amendment of regulation 36 (2) states that, “For the purpose of this regulation, ‘Tanzanian Bank’ means a bank that has 100 per cent Tanzanian or not less than 20 per cent of Tanzanian shareholding.”

Keeping the local content spirit as previous regulations, the Mining Regulations on Local Content (2019) still affects international banks like Barclays, Standard Chartered Plc, Stanbic Bank and First National Bank Tanzania Ltd — which is 100 per cent owned by the First Rand Group — a large financial services provider based in South Africa. Other banks are KCB Bank, Commercial Bank of Africa and Access Bank Plc.

Economists say that it is a welcome move since the new regulations will allow more local banks, which are not wholly Tanzanian-owned to provide services to the sector.

Before the new rules — both old and the amended mining local content regulations — mining firms were allowed to have bank accounts abroad and repatriate some of their profits, which the government felt was weakening the local currency.

The calls for changes in the mining laws were partly due to claims that some miners, especially multinationals, were evading tax.

The new structure seeks to establish even participation in mining activities by local entities including contractors, subcontractors, insurance companies and financial institutions.

Early last month, parliament of Tanzania approved a Bill designed to relieve small-scale miners of the burden of paying withholding tax of 5 per cent and 18 per cent value added tax, leaving the holders of a primary licence with a 7 per cent tax obligation only.