

# TANZANIA TAX GUIDE 2023 / 2024

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## INCOME TAX FOR CORPORATIONS:

	<u>%</u>
Resident corporation	30
Non-resident corporation with a domestic permanent establishment	*30
Newly listed companies – <i>reduced rate for 3 years</i>	**25
A corporation with newly established plant for assembling motor vehicles, tractors, fishing boat or out boat engine	****10
A newly established entity dealing in manufacture of pharmaceuticals or leather products	****20
Alternative minimum tax (on turnover)	*** 0.5

\* A non-resident corporation with a Domestic Permanent Establishment (DPE) also has to account for additional tax of 10% on "repatriated income" (branch remittance) – which is over and above the 30% Corporate Tax in accordance with Section 72 of the ITA.

\*\* Provided at least 30% of shares are publicly issued.

\*\*\* Where a corporate entity reports unrelieved tax losses for 3 consecutive years. This will not apply to a corporation conducting agricultural business or engaged in the provision of health or education. This tax becomes payable on year 3 of perpetual unrelieved tax loss. Unrelieved tax loss means unutilized tax losses to be carried forward to next year.

\*\*\*\* must have a performance agreement with Tanzanian government and the reduced rate will apply for first 5 years from commencement of production.

## INCOME TAX FOR INDIVIDUALS IN TANZANIA (PAYE):

### Monthly Individual Income Tax Rates – for Tanzania Mainland and Zanzibar:

Monthly Taxable Income Range Tshs	Tax rate (PAYE) %
0 – 270,000	NIL
270,001 – 520,000	8% of the amount in excess of Tshs. 270,000
520,001 – 760,000=00	Tshs. 20,000 plus 20% of the amount in excess of Tshs. 520,000
760,001 – 1,000,000	Tshs. 68,000 plus 25% of the amount in excess of Tshs. 760,000
1,000,001 and above	Tshs. 128,000 plus 30% of the amount in excess of Tshs. 1,000,000

**THRESHOLD PER ANNUM:** annual income of TZS 3,240,000/= is not taxable.

An employee with secondary employment is charged income tax at source using the rate of 30%.

Monthly taxable income means basic salary, overtime, bonus, commission, allowances and benefits in kind but after deducting employee's share of contribution to the approved retirement Fund.

Monthly PAYE and SDL is payable within first 7 days following the payroll month.

Monthly PAYE and Skills and Development Levy (SDL) returns must be filed with Tanzania Revenue Authority via the e-filing portal within the first 7 days following the payroll month. **W. E. F 1 July 2023, where no SDL is payable, there is no requirement to file SDL returns.**

## EMPLOYMENT BENEFITS:

### Housing:

Lower of

- (a) Market value rental of the premises; and
- (b) The higher of the following:

- (i) 15% of employee's total annual income; and
- (ii) the expenditure claimed as deduction by the employer in respect of the premises

### Illustrative Example of How to Compute Housing Benefit:

Mr. Habib is a resident of United Republic of Tanzania. He is employed by a company dealing with manufacturing of fast-moving consumer goods (FMCG).

During the year of income 2023 he had the following details:

Total employment income for the year before housing benefit is Tshs. 21,763,333

He was provided a house by employer where Mr. Habib contributed only Tshs. 100,000 per month as rent. The house costs the employer Tshs. 500,000 per month in rent which the employer claims as a deduction from his company's books of accounts/tax computation.

Mr. Habib occupied the house for 9 months only during the year 2023.

The market value of rent is Tshs. 350,000 per month.

Based on above facts, housing benefit is arrived at as follows:

(a) Market rent = Tshs. 350,000 x 9 = Tshs. 3,150,000

(b) 15% of total employment income = 15% x Tshs. 21,763,333 x 9/12 = Tshs. 2,448,375

(c) Expenditure claimed by employer in relation to house Tshs. 500,000 X 9 = Tshs. 4,500,000

(d) Compare (b) and (c) and take the greater (here the greater is Tshs. 4,500,000)

(e) Then compare (a) and (d) above and take the lesser (here the lesser is Tshs. 3,150,000)

(f) Then this lesser amount is to be reduced by rent paid by employee (Mr. Habib). Rent paid by Mr. Habib is Tshs. 100,000 X 9 = Tshs. 900,000

(g) Hence, housing benefit [taxable under section 7(2)] will be Tshs. 3,150,000 - 900,000 = Tshs. 2,250,000

#### Car:

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

Engine size	up to 5 years old Tshs	> 5 years old Tshs
<= 1,000 cc:	250,000	125,000
1,000 - 2,000 cc:	500,000	250,000
2,000 - 3,000 cc:	1,000,000	500,000
> 3000 cc:	1,500,000	750,000

Note: not chargeable where employer does not claim deduction in respect of the ownership, maintenance, or operation of the vehicle.

#### Loans:

Excess of "market interest rate" over "actual interest rate paid". However, in accordance with Section 27 of the Income Tax Act, any interest free or discounted loan(s) given to staff which are amounting to a maximum of 3 months basic salary (in total) and repayable within one year shall **NOT** be taxable.

#### Donations:

An employee who makes donation as per Section 12 of the Tanzanian Education Fund Act, such donation is exempt from tax. But such exemption is upon approval by the Commissioner.

## EMPLOYMENT BENEFITS (Continued):

### Non-resident employees of a resident employer

- i. Income of a non-resident employee of a resident employer is subject to withholding tax of 15%. This is non-final tax.
- ii. The total income of non-resident individual is chargeable at the rate of 30%

*NOTE: non-resident employees = employee who work in Tanzania for less than 183 days, doesn't have a permanent home in Tanzania, is not present in the United Republic during the year of income and in each of the two preceding years of income for periods averaging more than 122 days in each such year of income, or is not an employee or an official of the Government of the United Republic posted abroad during the year of income.*

### Others

The market value will apply in determining other benefits in kind.

## OTHER EMPLOYMENT TAXES:

Social Security (NSSF, PPF)	20%
<i>(Up to half (10%) can be deducted from employee)</i>	

*For computing NSSF, "Salary" means gross salary payable to an employee in consideration of the service rendered under the contract of service or apprenticeship or any other form of office of call, including bonus, commission, cost of living allowance, benefits in kind, overtime payment, Director's fees or any other additional emoluments;"*

*All NSSF payments and filing of returns should be processed online via <https://employer-portal.nssf.go.tz/>*

Skills and Development Levy (employer) Tanzania Mainland	3.5%
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Skills and Development Levy (employer) Zanzibar	5.0%
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*This tax is payable where total number of employees exceed 10 (ten) in any one organization in Mainland Tanzania and 3 (three) in any one organization in Tanzania Zanzibar.*

*SDL rate is to be applied on monthly gross emoluments. Gross emoluments include: wages, salary, leave pay, sick pay, payment in lieu of leave, fees, commissions, gratuity, bonuses, subsistence allowances, travelling allowances and entertainment allowances, and other taxable benefits.*

*SDL is not payable on payments made to intern students who are from learning institutions that fall under the umbrella of the Tanzania Employment Service Agency program.*

## OTHER EMPLOYMENT TAXES (Continued):

### Exempted employers from Skills and Development Levy:

- (a) A Government Department or a Public Institution which is wholly financed by the Government
- (b) Diplomatic Missions
- (c) The United Nations and its organizations
- (d) International and other foreign institutions dealing with aid or technical assistance
- (e) Religious institutions whose Employees are solely employed to administer places of worship, to give religious instructions or generally to minister religion
- (f) Charitable organizations
- (g) Local Government Authority
- (h) Farm employers whose employees are directly and solely engaged in farming
- (i) Registered educational Institutions (Private schools including Nursery, Primary and Secondary Schools; Vocational, Educational and Training Schools; Universities and Higher Learning Institutions)

*Exemptions for Zanzibar is applicable only from (a) to (d) and (g) above.*

**Where no SDL is payable, employers are not required to file monthly SDL returns with TRA.**

Workers Compensation Fund (WCF)

*Contributions shall be made on monthly basis. Payment of contributions for a particular month shall be made within a period of one month after the end of the month to which the tariff relates. Late payments will attract penalties in line with Section 75(2), 75(3) and (4) of the Workers Compensation Act.*

*Monthly contributions shall be 0.5% of the employer's monthly wage bill for employers in the private sector and the public sector.*

*All WCF payments and filing of returns should be processed online via [www.wcf.go.tz](http://www.wcf.go.tz)*

**Annual WCF return covering annual period of 1 March 2023 to 28 February 2024 should be filed online with WCF by 31 March 2024.**

## PRESUMPTIVE INCOME TAX (for Businesses):

For individuals ([who are not independent professionals and providers of technical, management, construction and training services](#)) having revenues that do not exceed Tshs 100,000,000=00 (Tanzanian Shillings One Hundred Million) per annum from business having a source in Tanzania and who do not elect to apply PAYE tax scheme, presumptive income tax rates shall apply.

Where turnover exceeds Tshs. 11,000,000=00 (Tanzanian Shillings Eleven Million) per annum the taxpayer is obliged to maintain accounting records (Sec. 35 of the Tax Administration Act, 2015) and prepare financial statements in respect of his/her business.

### Conditions precedent for presumptive tax rates to apply:

- The individual's income for a year of income consists exclusively of income from a business having a source in the United Republic;
- The turnover of the business does not exceed the threshold of Tshs. 100,000,000 per annum; and
- The individual does not elect to disapply this provision for the year of income

All taxpayers registered under the Value Added Tax (with VRN certificates) automatically do not fall under the presumptive tax rates, regardless of their annual turnover values – even if it is below Tshs. 100,000,000 per annum.

Annual Turnover	Compliance with Section 35 of The Tax Administration Act, 2015		Requirement to use EFD Machine	Maximum Tax to Pay under Each Tax Bracket Where Books of Accounts Have Been Compiled
	If financial statements/books of accounts have not compiled	If financial statements/books of accounts have been compiled		
Where turnover do not exceed Tshs. 4,000,000/-	NIL	NIL	Not Mandatory	NIL
Where turnover is between Tshs. 4,000,000/- and Tshs. 7,000,000/-	Tshs 100,000/-	3% of the turnover in excess of Tshs 4,000,000/-	Not Mandatory	Tshs. 90,000/-
Where turnover is between Tshs. 7,000,000/- and Tshs. 11,000,000/-	Tshs 250,000/-	Tshs 90,000/- plus 3% of the turnover in excess of Tshs 7,000,000/-	Not Mandatory	Tshs. 210,000/-
Where turnover is between Tshs. 11,000,000/- and Tshs. 100,000,000/-	N/A	3.5% of turnover	Mandatory	Tshs. 3,500,000/-



## PRESUMPTIVE INCOME TAX (for Businesses) (Continued):

Presumptive tax rates for resident individuals engaged in transportation business:

Class A: Passenger Service Vehicles		
No.	Number of Passengers	Tax Payable in Tshs.
1	Up to 15	250,000/-
2	16 to 25	550,000/-
3	26 to 45	1,100,000/-
4	46 to 65	1,600,000/-
5	Above 65	2,200,000/-
Class B: Tour Service Vehicles		
No.	Number of Tourists	Tax Payable in Tshs.
1	Up to 15	650,000/-
2	16 to 25	900,000/-
3	26 to 45	1,300,000/-
4	46 to 65	1,800,000/-
5	Above 65	2,400,000/-
Class C: Goods Carrying Vehicles		
No.	Capacity in Tonnes	Tax Payable in Tshs.
1	Less than 1	250,000/-
2	1 to 5	500,000/-
3	6 to 10	750,000/-
4	11 to 15	1,100,000/-
5	16 to 20	1,300,000/-
6	21 to 25	1,650,000/-
7	26 to 30	1,900,000/-
8	More than 30	2,200,000/-
Class D: Private Hire Service Vehicles		
No.	Category of Vehicles	Tax Payable in Tshs.
1	Motor Cycle	65,000/-
2	Tricycle	120,000/-
3	Taxi	180,000/-
4	Ride Hailing	350,000/-
5	Ride Sharing	450,000/-

**NOTE: PRESUMPTIVE TAX RATES ARE APPLICABLE TO SOLE PROPRIETORSHIPS ONLY**  
 (who are **NOT** independent professionals and providers of technical, management, construction and training services)

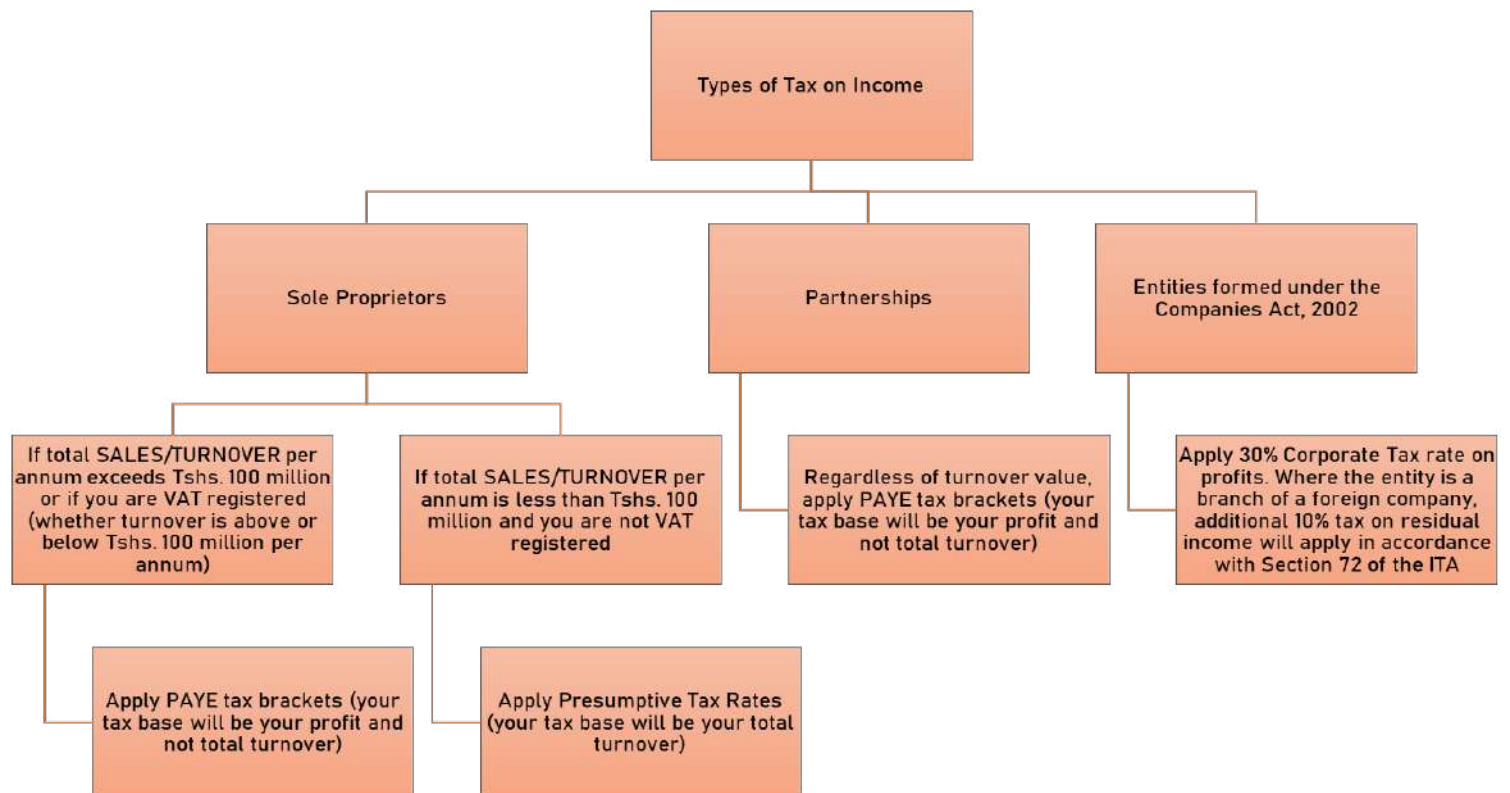


## PRESUMPTIVE INCOME TAX (for Businesses) (Continued):

Registration of small vendors and service providers conducting business in an informal sector shall be recognized and registered with TIN and be issued with an Identification Card.

A person whose annual turnover is below Tshs. 11 million shall issue manual receipts in duplicate copies. Such manual receipts should contain the following information: date, customer name, address and TIN, and description of goods sold.

## TYPES OF TAX ON INCOME:



**TAXABLE PROFIT = TOTAL TURNOVER MINUS ALL EXPENSES INCURRED WHOLLY AND EXCLUSIVELY FOR BUSINESS PURPOSE (SEC.11 OF ITA)**

## WITHHOLDING TAX RATES:

	Resident %	Non-resident %
<b>Dividend (Final Withholding Tax)</b>		
- Dividend from <i>resident</i> corporation to another <i>resident</i> corporation where the corporation receiving the dividend holds 25% or more of the shares in the corporation	5	n/a
- from DSE listed company	5	5
- otherwise	10	10
<b>Interest</b>	10	10
<b>Rent</b>		
- land and buildings	10	20
- aircraft lease	10	15
- other assets	n/a	15
<b>Director Fees (non-full-time service director fees) (Non-Final Withholding Tax)</b>	15	15
<b>Royalties (for use of cinematographic film, video tape, sound recording or any other-like medium)</b>	10	n/a
<b>All other royalties (including purchase price of computer software)</b>	15	15
<b>Natural resources service fees</b>	15	15
<b>Service fees (all services including professional services<sup>^^</sup>) (taxpayers with/without TIN)**</b>	5	15
<b>Management and technical services to mining, oil and gas companies</b>	5	15
<b>Insurance premium</b>	n/a	5
<b>Payments for goods supplied to Government and its institutions by any person</b>	2	n/a
<b>Commission on money transfer through mobile phones</b>	10	n/a
<b>Transport (non-resident operator/charterer without permanent establishment)</b>	n/a	5%
<b>Transport across borders***</b>	n/a	5%
<b>Other withholding payments</b>	15	15
<b>Payments for livestock, agricultural and fishery products to a resident individual</b>	2	n/a
<b>Payments to holder of a primary license or artisanal miner for purchase of minerals</b>	2	n/a
<b>Payments made to resident person in respect of verified carbon emission reduction</b>	10	n/a

## WITHHOLDING TAX RATES (Continued):

	Resident %	Non-resident %
Commission, fees and/or other charges relating to commercial bank services and digital payment services paid to an agent	10	n/a

### Notes:

1. Payment of withholding taxes should be within 7 days after the month of deduction/accrual/payment; and
2. Computation and payment of withholding taxes must be done online through <https://taxpayerportal.tra.go.tz/>

\*\* does not include the following services: hotel/accommodation services, clearing services, loading and off-loading services, storage services, packaging services, vehicle rental, equipment rental, supply of agency staff, and telephone services.

\*\*\* payment made in respect of carriage of fish or horticulture products to a foreign aircraft operator is exempted from this tax.

Investment returns earned by approved retirement funds will now be subjected to Withholding Tax.

Where service involves construction works, the payment which is subject to Withholding Tax shall be based on the ratio of 3:2 for materials and services respectively.

^^ = "professional service" means services rendered by a person licensed as a practitioner by any recognized professional body and shall include other services or activities of an independent business character including consultancy, legal, architectural, engineering, supervisory, accounting, auditing, medical artistic, survey, theatrical performance, sports, exhibition, private security services, private investigation and consultancies in various disciplines or any entertainment held or given other than those for remuneration under contract of employment.

## DISPOSAL OF INVESTMENTS:

	Tax rates	
	Tanzanian asset %	Overseas asset %
Individual		
- Resident	10	30
- Non - resident	20	n/a

### Exemptions:

1. Private Residence - Gains of Tshs 15,000,000=00 or less
2. Agricultural land - Market value of less than Tshs 10,000,000=00
3. DSE shares held by resident (less than 25% holding)

	Tanzanian asset %	Overseas asset %
Company		
- Resident	30	30
- Non - resident	30	n/a

## DISPOSAL OF INVESTMENTS (Continued)

With effect from 1 July 2023, where a company issues and allots new shares, or transfers already issued shares from a Tanzanian shareholder to another Tanzanian shareholder, provisions of Section 56 of the Income Tax Act shall not apply. This means no capital gains tax shall become payable on such transactions.

Where a resident individual realizes an interest in land or building and doesn't have records of costs of acquisition of such an interest, capital gains tax shall be based on 3% of disposal proceeds or market value of the sold interest in land or building, whichever is greater.

## SPECIAL REPORTING REQUIREMENTS FOR CONSTRUCTION AND EXTRACTIVE INDUSTRIES/BUSINESSES

In accordance with Section 44A of the Tax Administration Act, all businesses engaged in the construction and extractive industry shall disclose to the Commissioner General of Tanzania Revenue Authority the names, nature and duration of work (of all persons) contracted and subcontracted in the course of performance of their businesses. **This disclosure should be done within 30 days from the date of executing a contract for contracted or sub-contracted services.**

Failure to comply with this requirement of Section 44A of the Tax Administration Act will attract fine equal to 25% of contract value or 4,000 currency points (Tshs. 60,000,000), whichever is greater.

## SINGLE INSTALMENT TAX:

	<u>%</u>
Gain on Sale of investment assets (land, buildings and shares)	
- by resident	10*
- by non - resident	20*
Transport across borders: non-resident transport operator/charterer without permanent establishment	5**

\* applied to gain, credit against final tax liability

\*\* applied to gross payment

### Exemptions:

Payment received in respect of carriage of fish or horticulture products by a foreign aircraft.

## INDIRECT TAXES: VALUE ADDED TAX

### Value Added Tax (Tanzania Mainland):

<b>Taxable Supplies</b>	<b>Rate</b>
	%
Supply of taxable goods & services in Mainland Tanzania	18
Import of taxable goods & services into Mainland Tanzania	18
Export of goods & certain services from the United Republic of Tanzania	0
A supply of ancillary transport services of goods in transit through mainland Tanzania that is:	
(a) An integral part of the supply of international transport services; and	
(b) In respect of transit goods stored at the port, airport, or a declared customs area for not more than 30 days while awaiting onward transport or for such further additional period as the Commissioner for Customs and Excise may authorize	0

Export of exempted items shall form part of zero-rated supplies.

## Value Added Tax (Zanzibar):

Taxable Supplies	Rate
	%
Supply of taxable goods & services in Zanzibar	15
Import of taxable goods & services into Zanzibar	15
Export of goods & services from Zanzibar	0

### REGISTRATION THRESHHOLD (based on annual turnover)

The threshold for registration is Tshs. 100,000,000/- for businesses registered in Tanzania Mainland.

Registration threshold for businesses registered in Zanzibar is Tshs. 50,000,000/-

## OTHER VALUE ADDED TAX REQUIREMENTS IN MAINLAND TANZANIA:

### MANDATORY REGISTRATION:

A registered professional is required to be registered for VAT purposes regardless of his/her taxable turnover.

A government entity or institution carrying on economic activities is also required to be registered for VAT purposes.

In line with Section 64 of the VAT Act, a non-resident person conducting business via online/digital market place is mandated to register the business for VAT purposes, either through a tax representative resident in Tanzania or as a non-resident business.

### Payment due date

In accordance with Section 15 of the Value Added Tax Act, VAT on supply of goods and services is payable to TRA at the earliest occurrence of any of these 3 events: (a) when advance payment is received from customer; (b) when goods are delivered or services have been performed; or (c) tax invoice is issued.

Monthly VAT returns and any related payments are due on the 20th day of the following month to which it relates. In case the 20<sup>th</sup> day falls of Saturday, Sunday or public holiday the due date will change to first working day following that Saturday, Sunday or public holiday. VAT on the importation of goods is payable at the time customs duty becomes payable.

### Refund claims

- A taxable person is allowed to carry forward of net negative amount from earlier VAT returns; and
- A taxable person who has paid more than the net amount for a tax period may apply for a refund provided that the application is made within 3 years after overpayment.

A supply of locally manufactured goods by a local manufacturer shall be zero rated if the goods are supplied to a taxable person registered under the Value Added Tax law administered in Zanzibar and such goods are removed from Mainland Tanzania without being effectively used or enjoyed in Mainland Tanzania.

## **OTHER VALUE ADDED TAX REQUIREMENTS IN MAINLAND TANZANIA (Continued):**

A supply of electricity services by a supplier of electricity service in mainland Tanzania to another supplier of electricity service in Tanzania Zanzibar shall be zero rated (Ref. Sec. 61B of the Value Added Tax Act, vide Finance Act 2019).

### **Requirements of a Valid Tax Invoice for VAT purposes:**

According to Section 86 of the new VAT Act 2014, registered persons should issue fiscal receipts for supplies made by them.

The contents of fiscal receipts should include the following information:

- Date of supply and of invoice;
- Supplier name, address, TIN & VRN;
- Customer name, address, TIN & VRN;
- Description of goods/services;
- Total Consideration payable for supply;
- EFD/ESD number;
- QR Code
- VAT rate and amount included in the supply; and
- Name and address of recipient of supply

If the value of the supply exceeds Tshs. 100,000/= (Say, Tanzanian Shillings One Hundred Thousand Only), the name, address, TIN and VRN of the customer should mandatorily be mentioned on the fiscal receipt.

## **VAT DEFERMENT – Sec. 11 of the Value Added Tax Act, 2014**

In accordance with the VAT Act and VAT (General) (Amendment) Regulations of 2018 an importer of capital goods and now, (W.E.F. 1 July 2023), buyer of locally manufactured capital goods may apply for VAT deferment. One of the requirements for application of VAT deferment is that input VAT on imported capital goods should be at least Tshs. 10,000,000/- in value.

Moreover, the tax exemption granted under Part II of VAT Act, 2014 under items 17 to 20 shall not apply to a taxable person who qualifies for VAT deferment granted under Section 11 of the VAT Act, 2014

VAT deferred on the imported capital goods shall cease to apply W.E.F. 1 July 2026.

## **VAT INPUT APPORTIONMENT FOR PARTIALLY EXEMPTED ENTITIES**

A taxable person who supplies (sells) both taxable items and non-taxable items (exempt items) is not allowed to claim 100% input tax. Originally, the taxpayer was supposed to apportion total input tax claim as follows:

$I \times T/A$

Where:  $I$  = total input tax claim;  $T$  = taxable sales (standard rated + zero rated sales); and  $A$  – total sales (standard rated, zero rated and exempted).

If  $T/A$  was more than 90%, then the concerned taxable person could claim fully its input taxes. But, if  $T/A$  was less than 10%, then the concerned taxable person would lose entirely the right to claim input tax. Hence no input tax would be claimable where  $T/A$  would be less than 10%.



## VAT INPUT APPORTIONMENT FOR PARTIALLY EXEMPTED ENTITIES (Continued)

The new VAT regulations (amended in October 2018) now alternatively require partially exempt taxpayers to allocate total input tax **each month** as follows:

(a) Input tax directly attributable to production/sell of taxable supplies.

*For example: direct cost of acquiring stock which are re-sold at profit with 18% VAT.*

(b) Input tax directly attributable to production/sell of exempt supplies

*For example: direct cost of acquiring stock which are re-sold at profit without 18% VAT as exempted items.*

(c) Input tax attributable to both supplies – those which are not easy to directly attribute to either taxable or exempt supplies.

*For example: indirect company expenses, administration expenses, and the likes.*

Thereafter, the new input claim process shall work as follows:

Step 1: fully claim all input tax under (a)

Step 2: do not claim any input tax under (b)

Step 3: apportion input tax under (c) using old input tax claim formula:  $I \times T/A$

Where:  $I$  = total input tax claim;  $T$  = taxable sales (standard rated + zero rated sales); and  $A$  – total sales (standard rated, zero rated and exempted).

At the end of each year, an annual adjustment is then required to be made to input claim claimed under (c) **so that total input tax incurred under category (c) is equal to annualized formula:**

:  $I \times T/A$

Where:  $I$  = total input tax claim incurred in the year;  $T$  = taxable sales (standard rated + zero rated sales) for the year; and  $A$  – total annual sales (standard rated, zero rated and exempted).

NOTE: A TAXPAYER CANNOT CHANGE THE APPORTIONMENT METHOD ONCE IT HAS BEEN CHOSEN.

### Total Sales Figure for VAT Input Apportionment for Supplier of Financial Services

Usually, most suppliers of financial services are partially exempted entities. Hence, they are required to apportion their total input tax for VAT filing purposes.

*In essence the same concept and formula shall apply for supplier of financial services as described above.*

*However, for ascertaining  $T$  and  $A$ , the supplier of financial services needs to also take into account interest expense.*

*Hence its total sales will be made of total standard rated sales plus interest income less interest expense.*

*At the same time, reverse VAT on imported services shall not form part of sales figure for VAT input apportionment purposes.*

*For avoidance of doubt, the value of taxable supplies ( $T$ ) shall not include taxable supplies which are treated as made by the recipient of the imported services.*



## **INPUT VAT CLAIMS ON GENERAL INSURANCE PREMIUMS AND BANK CHARGES**

Regulation 35 (VAT on Insurance Business) has been deleted and substituted with Regulation 35 (VAT on Financial Services) with effect from October 2018. With this amendment, restriction to taxpayers for claiming input tax on general insurance premiums is automatically lifted/removed. Hence taxpayers can now be assumed to be able to claim input tax paid on general insurance premiums.

Before claiming input tax on bank charges, each taxpayer must obtain a periodic statement from his/her banker which clearly states the following:

- (a) Name, address, TIN, VRN of the banker and taxpayer/customer;
- (b) Date of the periodic statement;
- (c) Description and value of each transaction;
- (d) Total consideration excluding VAT for each transaction;
- (e) Applicable VAT rate and amount on consideration;
- (f) Total price payable by the recipient of service/customer

Failure to have this periodic statement, shall render all input tax on bank charges as unclaimable.

## **PENALTIES FOR FAILURE TO USE ELECTRONIC FISCAL DEVICES (Sec. 86 of the Tax Administration Act):**

Persons with a turnover ranging from Tshs. 11 million and above per year are required to issue an EFD receipt or tax invoice.

1. Any person who fails to acquire or use electronic fiscal device, fails to issue fiscal receipt or fiscal invoice, issue fiscal receipt/invoice that is false or incorrect, use of EFD device that misleads the system or Commissioner, tempers with or causes EFD to work improperly or in a manner that does not give correct or true picture commits an offence and shall be liable, on conviction to a fine of not less than 20% of the value of goods sold or service rendered or 100 currency points, whichever is greater or to imprisonment for a term not exceeding 3 years or both.
2. Any person who fails to demand or report a denial of issuance of fiscal receipt or fiscal invoice upon payment for goods or services commits an offence and shall be liable upon conviction to a fine not less than 20% of the tax evaded or 2 currency points, whichever is greater.
3. Section 86 of the Tax Administration Act has been amended via Finance Act 2022 to mandate issuance of EFD receipts upon receipt of payment from customer even if goods or services have not been delivered/performed. Failure to comply shall attract penalty.

*(1 currency point is equivalent to Tshs. 15,000/=)*

For details on additional offences and penalties, please refer to Regulations 46 to 51 of Tax Administration (General) Regulations.

In accordance with the Finance Act, 2019 the following change was introduced in the Tax Administration Act, 2015 pertaining to use of EFD machines:

*Definition of the word "fiscal receipt" was added into the said Act. The essence of this word's definition is that for a receipt or invoice being issued from an EFD machine to be construed as a fiscal receipt, it needs to be approved by the Commissioner General of Tanzania Revenue Authority. This means that fiscal receipts issued vide old EFD machines (which now happen to be outdated) and do not contain particulars as required by the relevant EFD Regulations shall be deemed not approved by the Commissioner General of Tanzania Revenue Authority and thus stand as unacceptable. These machines therefore need to be discontinued and replaced.*

### IMPORT DUTY:

	%
Capital goods, raw materials, agricultural inputs, pure-bred animals, pharmaceutical goods	0
Semi-finished goods	10
Finished commercial or final consumer goods	25

### STAMP DUTY:

Transfer of shares	1% of sale consideration
Lease agreements	1% of annualized rent

*Stamp Duty is payable within 30 days from the date an instrument is signed.*

**For specific Stamp Duty rates please refer to the relevant Schedule of the Stamp Duty Act (as amended vide Finance Act 2021).**

### TAX TREATIES IN FORCE:

Canada, Denmark, Finland, India, Italy, Norway, South Africa, Sweden, Zambia

### TAX REFUNDS:

In accordance with Section 71 of the Tax Administration Act, taxpayers may apply for a refund of excess tax paid to Tanzania Revenue Authority. The Commissioner will make decision whether to refund or not within 90 days from the date of receipt of correct application. The Commissioner will affect a refund within 14 days from the date of making decision. The request for a refund of the tax paid in excess must be done within three years since the tax paid date or the date a tax decision or other decision giving rise to a tax overpayment is made.

## DEADLINES, INTEREST AND PENALTIES:

### Income Tax:

#### **Instalment tax/return**

*Filing of provisional tax returns*

*Payment*

*Under-estimation will attract interest and penalty.*

#### **Final tax/return**

*Filing of return*

*Payment*

### Withholding tax:

*Payment and Returns*

### Payroll:

#### **Payment and Returns**

*PAYE*

*Skills & Development Levy*

*NSSF*

*PPF*

*WCF*

*Interest chargeable on late payment*

### VAT:

*Filing / payment*

*Interest chargeable on late payment*

*Interest due to taxpayer on late payment of VAT refunds*

### Excise Duty:

*Payment and Returns*

### Stamp Duty:

*Payment / Stamping*

### Tourism Development Levy:

*Payment and Returns*

### Deadline/Obligation

*By end of 1st quarter*

*Instalment tax to be paid by end of each quarter*

*Within 6 months after accounting period*

*To be paid within 1 month after filing of final tax returns*

*Within 7 days after month of deduction or accrual*

*Within 7 days after month of deduction*

*Within 7 days after month end*

*Within 1 month after month end*

*Within 30 days after month end*

*Within 1 month after month end*

*By 20th day of following month*

*By last working day of the following month*

*Within 30 days after execution / entry of instrument*

*By last working day of the following month*

## DEADLINES, INTEREST AND PENALTIES (Continued):

### City Service Levy:

#### Deadline/Obligation

#### Payment and Returns

By end of each quarter to which it relates.

In prior years, when a taxpayer's estimated taxable profits (declared vide provisional tax returns) deferred with actual taxable profits (declared vide final tax returns) by more than 20%, then interest would be levied for under declarations. Henceforth, the 20% threshold has been removed. **As a result, any positive difference between actual taxable profits and estimated taxable profits will be subject to tax interest (Section 75 of the Tax Administration Act, 2015) and penalty (Section 78 of the Tax Administration Act, 2015) – for under declaration cases only.**

**A person who becomes potentially liable to tax by reason of carrying a business, investment or employment shall apply for a TIN within 15 days from the date of commencing the business, investment or employment.**

Where a person is registered and given a Taxpayer Identification Number (TIN) for the first time for the purpose of carrying on business or investment the requirement to pay installment tax under the Income Tax Act shall be deferred for a period of six months from the date when the TIN was issued. Any person doing business without a TIN shall be liable to pay a fine of Tshs. 1,500,000/- and/or imprisonment not exceeding 1 year.

## REMISSION OF INTEREST AND PENALTIES

In accordance with Section 70 of the Tax Administration Act, a taxpayer can seek for remission/forgiveness/waiver of tax interest and tax penalty. An application for remission has to be made to the Commissioner General of Tanzania Revenue Authority in a prescribed format. For more details on this please contact us.

## THIN CAPITALIZATION

In accordance with Section 12(2) of the Income Tax Act, for **exempt-controlled resident entities**, the amount of interest expense from loans obtained from non-registered financial institutions/persons (within Tanzania and outside Tanzania) can only be deducted to the tune of 7/3rds of the actual interest expense divided by actual debt to capital ratio using any of the 2 formulas below:

$$B/A * 7/3 \quad \text{OR} \quad B/A * 2.333$$

Where:

A = Actual debt divided by Actual capital (**excluding retained earnings or accumulated losses, whichever is applicable**); and B = Actual interest expense from loans obtained from non-registered financial institutions/persons (within Tanzania and outside Tanzania)

**The so-disallowed interest expense shall form part of permanently disallowed expenses. The direct implication of Section 12(2) of the Income Tax Act is that lenders will suffer Withholding Tax of 10% on interest and borrowers will pay 30% Corporate Tax on disallowed interest expense.**

**An entity is an exempt-controlled resident entity for a year of income if it is resident and at any time during the year of income 25 percent or more of the underlying ownership of the entity is held by entities exempt under the Second Schedule of the Income Tax Act, approved retirement funds, charitable organisations, non-resident persons or associates of such entities or persons.**

### DETAILS OF DEPRECIABLE ASSETS:

Class	Depreciable Assets	Rates
1*	Computers and data handling equipment together with peripheral devices, automobiles, buses and minibuses with a sitting capacity of less than 30 passengers, goods vehicles with a seating capacity of less than 7 tones, construction and earth moving equipment.	37.5%
2*	Buses with a seating capacity of 30 or more passengers, heavy general purpose or specialized 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 wind mills, electric generators, and distribution equipment) used in agriculture or manufacturing operations, specialized public utility plant and equipment, and machinery or other irrigation installations and equipment.	25%
3*	Office furniture, fixtures and equipment, any asset not included in another class.	12.5%
5**	Buildings, structures, dams, water reservoirs, fences, and similar works of a permanent nature used in agriculture, livestock farming or fishing farming.	20%
6**	Buildings, structures, international pipeline and similar works of permanent nature other than those mentioned in Class 5.	5%
7**	Intangible assets other than those mentioned in Class 4.	Over useful life of the asset
8**	Plant and machinery (including windmills, electric generators and distribution equipment) used in agriculture; Electronic Fiscal Devices (EFDs) purchased by non-VAT registered traders; and equipment used for prospecting and exploration of minerals or petroleum.	100%

\* Pools of depreciable assets calculated basing on Diminishing Value Balance Method.

\*\* Pools of depreciable assets calculated basing on Straight Line Method

Class 4 of depreciable assets has been removed from the Income Tax Act vide Finance Act 2016.

Expenditure incurred in acquiring a road vehicle, other than a commercial vehicle, to the extent that the expenditure exceeds Tshs. 30,000,000/= the excess shall not be recognized.

Commercial vehicle means a vehicle designated to carry more than ½ ton or more than 13 passengers or is used in transport business.

International pipeline means a cross border pipeline for transportation of crude oil from a foreign country to a port facility in the United Republic of Tanzania through which such crude oil is exported to another foreign country.

## **DEPRECIATION ALLOWANCES FOR MINERAL OR PETROLEUM OPERATIONS:**

- (a) The whole of depreciation allowance expenditure incurred in respect of mineral or petroleum operations during a year of income shall be placed in a separate pool.
- (b) The depreciation allowances shall be granted with respect to each pool at the rates provided below:

Year of income	Depreciation allowance
First year	20% of expenditure
Second year	20% of expenditure
Third year	20% of expenditure
Fourth year	20% of expenditure
Fifth year	20% of expenditure

- (c) The depreciation allowance granted with respect to a particular year of income shall be taken in that year and shall not be deferred to a later year(s) of income.

## **FIRST YEAR ALLOWANCE:**

Certain depreciable assets are allowed 50% initial allowance (first year allowance). This means that the proportionate amount of the cost of the asset is deducted in the first year. In the following years the remaining cost of the asset may be depreciated using the normal method according to which class the asset is in (annual allowance). This special allowance applies to plant and machinery –

- I. that is –  
 used in manufacturing processes and fixed in a factory; and  
 used for providing services to tourists and fixed in a hotel
- II. that is added to the person's Class 2 or 3 pools of depreciable assets for a business of the person.

**Where the tax written down value for a pool of asset(s) has reached an amount which is below Tshs. 1,000,000/-, then the entire value of tax written down balance for that pool(s) shall be considered for capital allowance purposes in that year of income.**

## **TOURISM DEVELOPMENT LEVY**

Every owner of a registered tourism accommodation facility is obliged to collect from every tourist a Tourism Development Levy of an amount equal to 1% of room tariff rate. Moreover, each hotelier is required to file with TRA every month a return under Tourism (Tourism Development Levy) Regulations.

## **RAILWAYS DEVELOPMENT LEVY**

There shall be charged a levy known as Railways Development Levy at the rate of 1.5% of customs value (CIF) on importation of goods entered for home consumption in Mainland Tanzania.

## **EXCISE DUTY ON IMPORTATION OF USED VEHICLES**

Imported vehicle aged 8 years but not more than 10 years	15%
Imported vehicle aged more than 10 years	30%

### **PROHIBITED GOODS**

Narcotic Drugs, Tear Gas Substances, Seditious, Obsceneness Materials or Literature.

### **RESTRICTED GOODS**

Live Animals, Plants, Fire Arms, Ammunitions, etc.

These require permit from relevant authorities.

### **DESTINATION INSPECTION**

Imported goods regardless of their value are required to be inspected in the country.

A fee of 0.6% on FOB value is chargeable. Exempted goods are enshrined in the law.

### **IMPORTS FROM EAST AFRICAN COMMUNITY MEMBER STATES**

Goods within member states are chargeable at the rate of 0% provided that the criteria of rules of origin are adhered to.

EAC Member states are Tanzania, Kenya, Uganda, Rwanda, South Sudan and Burundi.

### **KEY DATES TO REMEMBER EACH MONTH FOR TAX COMPLIANCE**

7<sup>th</sup> – deadline for payment and filing of PAYE and SDL; and filing of monthly PAYE and SDL form relating to previous month

20<sup>th</sup> – deadline for payment of VAT and filing of VAT returns relating to previous month

End of month (30<sup>th</sup>/31<sup>st</sup>) – deadline for payment of NSSF/WCF relating to previous month

March/June/September/December 30<sup>th</sup> or 31<sup>st</sup> (end of each quarter) – deadline for payment of provisional taxes (for entities whose financial year falls within calendar year) and City Service Levy

30<sup>th</sup> June – deadline to file final tax returns and audited financial statements relating to previous financial year ended on 31 December

### **EXCISE DUTY ON ELECTRONIC COMMUNICATION SERVICE**

This tax is levied at the rate of 17%.

The formula for determining this tax is as follows:

*Total sales value excluding VAT/117 \* 17*

A monthly Excise Duty return is also required to be submitted to TRA by end of the following month to which it relates.

Imposition of this tax is not required to be mentioned on the face of the tax invoice. This tax is a cost to Electronic Communication Service provider and not to be shifted/moved on to their customers. Examples of businesses that fall under this tax net: mobile telephone operators, internet service providers, vehicle tracking service providers, etc. For more information on inclusions and exclusions entail into the 'Electronic Communication Service' please contact us.



## **EXCISE DUTY ON NON-INTEREST BANK CHARGES IMPOSED BY FINANCIAL INSTITUTIONS**

This tax is levied at the rate of 10%.

The formula for determining this tax is as follows:

*Total sales value excluding VAT/110 \* 10*

A monthly Excise Duty return is also required to be submitted to TRA by end of the following month to which it relates.

Imposition of this tax is not required to be mentioned on the face of the bank statement. This tax is a cost to the financial institution and not to be shifted/moved on to their customers.

## **TRANSFER PRICING RULES**

In accordance with the Tax Administration (Transfer Pricing) Regulations, 2018 every taxpayer who transacts with related parties must prepare a contemporaneous Transfer Pricing Document.

For taxpayers with related party transactions exceeding Tanzanian Shillings 10 billion in a taxable year, these Regulations require them to file the contemporaneous transfer pricing documentation along with the final return of income with Tanzania Revenue Authority.

Taxpayers that do not reach the Tanzanian Shillings 10 billion thresholds do not have to submit the contemporaneous transfer pricing documentation to the Tanzania Revenue Authority (TRA), but must have it in place by the due date for filing the corporate income tax return for that year which upon request, shall be submitted to the Tanzania Revenue Authority within 30 days.

Penalty for non-compliance - A currency point system is introduced to determine the penalty for taxpayers that fail to comply with the transfer pricing regulations. The penalty is set at a minimum of 3,500 currency points as prescribed from time to time by the Commissioner General of Tanzania Revenue Authority (currently 1 currency point = Tshs. 15,000/-) which results in a penalty of Tshs. 52,500,000/-. This penalty is in addition to a possible penalty of 100% of the adjusted amount that is applicable for failure to comply with the arm's-length principle when transacting with related parties.

For more information on transfer pricing rules kindly get in touch with us.

## **TAX OBJECTIONS**

Where taxpayers wish to object to tax assessments, they need to follow the following process:

All tax objections must be filed with Regional Tax Office within 30 days following date of receipt of the assessment(s). One of the pre-conditions for filing Notice of Tax Objection(s) is payment of 1/3<sup>rd</sup> of assessed taxes or tax not in dispute, whichever is higher.

If valid and genuine grounds exist for waiver of payment of 1/3<sup>rd</sup> of assessed taxes or tax not in dispute, whichever is higher, the same should be submitted before Tanzania Revenue Authority office in writing within the first 15 days following date of receipt of tax assessment(s).

The law provides time frame for a taxpayer to provide information or documents to facilitate tax objection decision submitted to him. The law provides 6 months for Commissioner General to make decisions on submitted objection. Failure to make decision within the given period, taxpayer shall have right to appeal using appeal procedures. No evidence or information shall be considered in the appeal machinery if it was not availed to Commissioner at the time of determining such objection.

## OTHER TAX COMPLIANCE MATTERS

- (a) Section 77A of the Income Tax Act now allows/permits all resident persons (excluding partnerships) who do business or have investments in mainland Tanzania and Zanzibar to offset tax credits in any one of these jurisdictions with the other.
- (b) In accordance with Section 90A of the Income Tax Act, all non-resident electronic service providers shall pay tax equal to 2% of gross payments received (excluding VAT) from individuals (who have consumed that service for reasons apart from that of doing business) in Tanzania.
- (c) With effect from 1 January 2023, Tanzanian citizens who have been issued with National Identity Cards (NIDA) shall be issued with a Taxpayer Identification Number by Tanzania Revenue Authority.
- (d) Henceforth only registered tax consultants or employees of taxpayers can represent a taxpayer at Tanzania Revenue Authority.
- (e) Section 37A(3) of the Tax Administration Act permits Commissioner General of Tanzania Revenue Authority to allow by notice in writing under special circumstances to permit a person to file tax returns manually or by another means.
- (f) In accordance with Section 45A of the Tax Administration Act, any person engaged in the business who owns or rents storage facility at premises that is away from place of business shall have to register such facility with Tanzania Revenue Authority. Additionally, records will have to be maintained by the owner/lessee of such a facility of all goods stored in that facility and the same has to be reported to Tanzania Revenue Authority in a prescribed manner on a monthly basis. Failure to comply with these requirements shall attract penalty of Tshs. 4,500,000/- and the owner/lessee of the facility may be held responsible for loss of tax revenue with respect to undisclosed goods, whether the same is owned or not owned by the storage facility owner(s)/lessee.
- (g) Amendment to Section 65 of the Tax Administration Act now extinguishes wholesale liability for all unpaid taxes upon managers and staffs of taxpayers. They will now be held responsible for tax evasion only if default has occurred due to fraud and the same will have to be proved in a court of law.
- (h) Any person who fails to comply with a provision of a tax law commits an offense and shall upon conviction be liable to the following fine:

Where offense has resulted into underpayment of tax revenue exceeding Tshs. 750,000/-	In any other case
Tshs. 300,000/- to Tshs. 750,000/-; and/or imprisonment for a term not more than 6 months	<b>Tshs. 150,000/- to Tshs. 300,000/-</b>

- (i) Any person who is required to be registered or licensed under any tax law to perform any function fails to apply for such registration/licensing shall be held liable to pay a fine of Tshs. 7,500,000/- and/or imprisonment not exceeding 1 year.
- (j) In line with Section 35 of the Tax Administration Act, with effect from 1 January 2024, every taxpayer maintaining records in electronic/digital format is mandated to maintain his/her primary data server in the United Republic of Tanzania. Primary data server means: a server (physical, virtual or any other) which stores data that is created or collected by a taxable or liable person in the ordinary course of business.
- (k) With effect from 1 July 2023, a sale of a house in value not exceeding Tshs. 50,000,000/- by a real estate developer shall be exempted for VAT purposes.
- (l) With effect from 1 July 2023, supply of precious metals, gemstones and other precious stones at refineries, buying stations or Mineral and Gem Houses designated by the Mining Commission under the Mining Act, CAP 123 shall be exempted for VAT purposes.

- (m) With effect from 1 July 2023 until 30 June 2024, a supply of double refined edible oil from locally grown seeds by a local manufacturer shall be exempted for VAT purposes.
- (n) With effect from 1 July 2023, supply of aircraft, aircraft engine, aircraft parts and aircraft maintenance to a local operator of air transportation shall be exempted for VAT purposes.
- (o) With effect from 1 July 2023, supply of automobile accessories used in the conversion of motor vehicle fuel system to natural gas or electricity system to persons engaged in the conversion of such motor vehicles shall be exempted for VAT purposes.
- (p) By virtue of Section 39 of the Tax Administration Act, where a taxpayer foresees delay in filing of tax returns, he or she may apply for extension of time to file the tax return with the Commissioner General. This application for extension of time must be done by 15 days before the tax return filing deadline.

### CAVEAT

**Although we have taken all reasonable care in compiling this publication, we do not accept responsibility for any errors or inaccuracies that it may contain. This tax guide has been prepared for quick reference. It is not a substitute for professional advice and action should not be taken solely on the strength of the information contained herein.**

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