

Tanzania Tax and Investment Guide

Sources:

Tanzania Revenue Authority
Tanzania Investment Center
Tanzania Trade Center
Tanzania Chamber of Commerce, Industry and Agriculture
Zanzibar Commission for Tourism
Zanzibar Investment Promotion Authority
National Bureau of Statistics Tanzania
PricewaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst & Young

Tanzania enjoys an abundance of natural wealth, which offers tremendous investment opportunities for investors. These include an excellent geographical location (six land locked countries depend on Tanzania ports as their cheapest entry and exit ports); arable land; world renowned tourist attractions (Serengeti, Kilimanjaro, Ngorongoro, and the Spice islands of Zanzibar); natural resources; a sizeable domestic and sub regional market; a wide local raw materials supply base; abundant and inexpensive skills; assurance of personal safety; warm friendly people and a suitable market policy orientation.

The following are among the major benefits of investing in Tanzania:

- i) High degree of investment security because of unparalleled political stability that is strife-free without ethnic division; democratic rule that respects diversity of opinion and a strong tradition of constitutionality and rule of law;
- ii) Business-friendly Macro-Economic Stability with fairly low inflation (7.1%), stable exchange rates supported by unrestricted and unconditional transferability of profits, loan repayments, emoluments, royalties, fees and changes;
- iii) Simplified bureaucracy, streamlined through the acclaimed services of the Tanzania Investment Centre which is a one-stop-facilitation agency of government serving registered investors and businesses;
- iv) Successful economic liberalization measures commended by both the World Bank and the IMF with business-supportive legislation continually being improved through genuine dialogue between government and the private sector;
- v) A well-balanced package of incentives to investors with additional negotiated benefits to strategic investors;
- vi) Rapidly emerging as the most effective entry point and gateway for trade into Eastern, Southern and Central Africa;
- vii) Lucrative investment opportunities in infrastructure, privatisation and valueadding facilities;
- viii) Investment guarantees, and settlement of Disputes. Investments in Tanzania are guaranteed against Political risks, Nationalization and Expropriation;
- ix) Any foreign business operating in Tanzania may obtain credit from domestic financial institutions up to the limits established by the Bank of Tanzania. Major banks like Standard Chartered, ABSA, Barclays, Citibank, Stanbic, Exim etc. have invested in Tanzania;
- x) Existing investors are ready to expand their businesses in Tanzania as depicted in the recent survey conducted by TIC, BoT and NBS;
- xi) Tanzania has been rated as number one investment destination with the highest sales growth by the UNIDO's Report of Foreign Investor Perception Survey, November 2003.

Corporate tax:

The corporate tax rate is 30% for both resident and non resident. Total income of a domestic permanent establishment, N/A for resident while 30% for non resident: Repatriated income of branch, N/A for resident while 10% for non resident.

No.	Tax source	Rate (Resident)	Rate (Non-resident)
1	Corporate Tax (Entity)	30%	30%
2	Total income of a Domestic permanent establishment	N/A	30%
3	Repatriated income of branch	N/A	10%

Withholding tax:

Withholding tax is charged for residents and non-residents covering dividends payments, pension, insurance premium, royalties, transport and disposal of assets. Due date for remittance of withholding tax: (i) Payment should be within 7 days after month of deduction (ii) Return should be 30 days after each 6 month period.

No.	Tax source	Rate (Resident)	Rate (Non-resident)
4	Withholding tax on:-		
	(i) Dividends to company controlling 25% of shares or more	0%	10%
	(ii) Dividends from DSE listed Companies	5%	5%
	(iii) Dividends from other Companies	10%	10%
	(iv) Other withholding payments	15%	15%
	(v) Interest	10%	10%
	(vi) Royalties	15%	15%
	(vii) Technical services (Mining)	5%	15%
	(viii) Transport (Non-res operator w/o perm establishment)	N/A	5%
	(ix) Rental income (Residential houses) if it exceeds shs. 500,000/= per annum	10%	15%
	Other (any amount)	10%	15%
	(x) Insurance premium	0%	5%
	(xi) Natural resource payment	15%	15%
	(xii) Service fees	N/A	15%

Business losses:

When a loss is incurred, such a loss is an allowable deduction in ascertaining the total income of that person; hence loss is carried forward indefinitely.

Income tax rates for individuals:

Progressive income tax rates are applicable. The lowest marginal rate is 18.5% while the highest marginal tax rate is 30%.

Income tax rate for non-resident individuals:

A flat rate of 20% applies. However, an employer of a non-resident is obliged to deduct PAYE at the rate of 15% from the payroll.

Taxable value of employment benefits:

The general rule that all benefits e.g. domestic staff, water, security, staff meals, electricity etc. are taxable. Generally, the taxable value is the cost of providing the benefit to the employee less any contributions that the employee makes towards the benefit. Special rules however apply to housing, loan and car benefits.

Capital gains tax:

The gain/loss upon sale realization is included in business/investment income and taxed at general rate. Exception is for land and buildings, where the rate for resident persons is 10% and 20% for non-resident persons. However, there are various gains excluded from business/investment income.

No.	Tax source	Rate (Resident)	Rate (Non-resident)
5	Disposal of Investment Assets:		
	(i) Individual	10%	20%
	(ii) Company (entity) Exemptions: Private residence gains of sh. 15,000,000/= or less Agricultural land – market value of less than sh.10,000,000/= Shares: DSE Shares held by residents or non residents which are less than 25% of total shares Shares held by a resident company with shareholding of 25% or more.	30%	30%
6	Single installment tax		
	(i) Sale of land and property	10%	20%
	(ii) Transport across borders	N/A	5%

Property Tax:

Property tax is levied at flat rates by the municipal or city councils based on the size, use and location of the property. Property tax can run from TZS15,000 (US\$12) to TZS75,000 (US\$58).

Land Rent Tax:

Lands held for purposes other than agricultural and pastoral, are taxed at a percentage of the economic value. Owners of lands are liable to pay this tax. Land is not taxed as property because all lands belong to the Tanzanian government; hence, land rent tax is imposed.

Skills and development levy:

Being levied under the Vocational Education and Training Act 1994. Employers who employ four or more employees are supposed to pay every month 6% of the gross emoluments paid to employees during the month. Farm workers are exempted.

Capital deductions/tax allowances:

A number of capital deductions are entitled under the Income Tax Act 2004, including wear and tear granted to a person who owns machinery. The machineries are classified into several categories for deductions.

Taxation treaties:

Tanzania has signed double taxation treaties with Canada, Denmark, India, Norway, Sweden, Uganda, Zambia and Finland. Countries with which negotiations are continuing include South Africa, Republic of Korea, Zimbabwe, United Arab Emirates, Russia, Seychelles, Mauritius, Egypt, and Oman.

Value Added Tax:

The VAT registration threshold is when taxable turnover exceeds sh. 40,000,000 p.a.

S/N	TAX HEAD	TAX RATES
1.	Value Added as (VAT) rates	0% and 20%
2.	VAT Threshold	Over T.shs. 40 million turnover
3.	Supply of taxable goods and services	20%
4.	Importation of taxable goods and services	20%
	Other Taxes	
5.	Stamp Duty	
	Conveyance/transfer	1% of consideration
	Conveyance agricultural for land	Shs 500 per acre
	Others	1% of the value
	Legal and Commercial Instruments	The duty is chargeable at specified rate e.g. A lease agreement rate is 1% of the annual reserved rent for the whole duration of such lease or 10 million

Specific Tourism Sector Investment Incentives:

No.	Tax source	Duty	VAT
1	All capital goods	0%	Deferred
2	Hotel facilities	0%	Deferred
3	Vehicles for Tour Operators	0%	Deferred
4	Corporation Tax	30%	
5	Capital Allowance	50%	
6	Withholding Tax on Dividends	10%	
7	Withholding Tax on Interest	10%	

Specific Investment Incentives under Zanzibar Investment Protection Act, 1986:

Administration of the Union Government taxes in Zanzibar is under TRA. These taxes are Customs Duty, Excise Duty on imports and Income Tax. TRA collects the tax and remits it to the Zanzibar Government.

The Zanzibar Revenue Board (ZRB), which is a semi autonomous tax collection agency of the Government of Zanzibar, administers other internal (local) taxes and levies. VAT is the main local tax collected by the ZRB. Other local taxes under the administration of ZRB are the Stamp Duty, Hotel Levy, Entertainment Tax, Excise Duty on locally manufactured goods and fees from various business licenses.

Investors, who wish to invest in Zanzibar, are granted investment incentives which are specifically provided for in the Investment Protection Act. (IPA) of 1986. Those who are not fully covered by the tax incentives provided under the IPA Act, could still enjoy the tax incentives provided under various tax laws such as the Income Tax and Customs & Excise Duty statutes and the Zanzibar Free Economic Zones Authority (ZAFREZA).

Similarly, the Zanzibar VAT Act has a number of provisions on tax incentives including the zero rating of exports and exemptions on a number of goods and services for social and administrative reasons.

Investment Incentives under the Zanzibar Investment Promotion Agency (ZIPA) are available to all investors whether local or foreigner provided that they fulfill the necessary legal requirements and other conditions.

Some of the incentives include: -

- i) Zero import duty rate on capital goods imported for an investment before commencement of production.
- ii) Corporate tax holiday for the first ten years. For five subsequent years corporate tax is charged at the rate of 25% of the existing corporate rate. After the additional five years the tax rate is enhanced to 50% of the prevailing corporate tax rate.
- iii) Exemption from local taxes on goods and services purchased from domestic territory provided that the goods are for use in the Export Processing Zone (EPZ) sector.
- iv) Freedom of repatriating any amount of profit.
- v) 100% foreign ownership of an investment is allowed.
- vi) Absence of exchange control restrictions.
- vii) Absence of tax or levy on exports.
- viii) Withholding tax exemptions for the initial period of ten years.
- ix) Exemption from income tax for the initial period of ten years on dividends, interest or shareholder loans on any other type of income received.
- x) Exemption from capital gains tax on the sale of interest in premises and financial assets.