



SNEAK PEEK INTO THE FOREIGN CURRENCY USAGE REGULATIONS OF 2025

Author: Hanif Fattehali Habib

MSc, UK ; BSc (Hons), UK ; FCCA, UK ; CIA®, USA ; CPA, T ; CPA, CGA (Canada), UAECA

2 April 2025



Introduction

With effect from 1 July 2024, Section 26 of the Bank of Tanzania Act was amended by labelling the first paragraph of Section 26 as sub section 1 and introducing sub section 2 as follows:

Section 26(1) The Bank shall have the sole right to issue bank notes and coins in and for Tanzania which shall be the only legal tender in Tanzania; and

Section 26(2) Save as otherwise prescribed by the Minister in the regulations, a person who transacts using any other currencies other than the legal tender issued by the Bank, commits an offence.

The Regulations referred to in the above amendment came into force with effect from 28th March 2025.

Summary of Foreign Currency Usage Regulations of 2025

All transactions for goods and services conducted within the United Republic of Tanzania shall be quoted, advertised, specified, published, paid for and received in local currency, that is Tanzanian Shillings.

Contracts for supply of goods and services that are in force as on 28th of March 2025 and priced in foreign currency have to be amended within a period of one year, that is by 27th March 2026. The amendment primarily relates to changing of contractual prices and remuneration for goods and services from foreign currency to local currency.

The Regulation further quotes that, "Any contract not amended within the specified time shall be void unless an extension is granted by the Minister, not exceeding the contract's original term."

This includes employment contracts with expatriate employees working in the United Republic of Tanzania. Their remuneration can no longer be pegged with any foreign currency. It has to be denominated and paid for in local currency.

The Regulation further lists transactions that may enjoy foreign currency pricing. These are as follows:

- (a) Membership contributions paid by the Government of the United Republic of Tanzania to regional institutions based in the country;
- (b) Transactions involving embassies and international organizations based in the country;
- (c) Foreign currency loans issued by commercial banks and financial institutions in the country; and
- (d) Payments for goods in duty-free shops.



The Foreign Exchange Regulations of 2022, subsequently amended in 2023

We should not forget that Section 3(1) of the Foreign Exchange Regulations permits one to:

- (a) Hold any amount of foreign currency;
- (b) Sell to or purchase any amount of foreign currency from a bank, financial institution or bureau de change; and
- (c) Open and maintain a foreign currency account with a bank or financial institution.

Hence it should be noted that it is not illegal to hold foreign currency in Tanzania.

Other considerations

- Interestingly the new Regulation do not quantify the offence for non-compliance. What happens in case one doesn't comply with this Regulation and prices his/her goods or services in foreign currency? Penal measures remain unspecified.
- It can also be noted that where most of the goods and services are imported in the United Republic of Tanzania, demand for converting local currency (arising from sale of goods and services in Tanzania) into foreign currency will be on the rise at banks, financial institutions and bureau de changes so that importers can remit payments to their suppliers. Will banks, financial institutions and bureau de changes be able to cope with this ever-increasing demand?
- Importers who are now mandated to price their goods in local currency will most likely shift their foreign currency conversion risk to their customers by increasing their prices of goods and services (in local currencies). This may have a direct adverse impact on inflation.
- We have businesses in Tanzania who have borrowed funds in foreign currency for their working capital requirements. How are these businesses going to cope with their repayment plan in an event their bank doesn't have enough foreign

currency reserve to convert the local currency into foreign currency for loan repayment purposes? Such businesses may most likely end up with surplus local currency in their current account and stressed foreign currency loan account with the same bank.

- Businesses in Tanzania may find it harder to attract international talent as remuneration in Tanzanian Shillings may not be as much attractive to expatriate staffs, whose families reside out of Tanzania and they need to send monthly remittances out of Tanzania and expose themselves to foreign currency risks, and availability of foreign currency with banks, financial institutions or bureau de changes.
- Surprisingly, to the date writing this article, the new Regulation is not to be seen on the Bank of Tanzania website (<https://www.bot.go.tz/Publications/Filer/38>).

Conclusion

While businesses in Tanzania will struggle to cope with these and many more other challenges, we strongly recommend businesses to ensure they adapt their operations to these new pricing requirements for doing business in the United Republic of Tanzania.

Caveat

This article has been prepared by **Hanif Habib & Cco. Certified Public Accountants in Public Practice**. No part may be reproduced or published without our prior written consent of the author. The professional opinion expressed herein is subject to change based on changes in relevant Tanzanian Tax Laws and Regulations. The information contained herein is for implementation guidance only and **does not** substitute the relevant Tanzanian Tax Laws and Regulations.

Whilst every care has been exercised in ensuring the accuracy and the completeness



of the information in this article, **Hanif Habib & Cco. Certified Public Accountants in Public Practice** and its staff involved in the preparation and review of this article will not accept any liability for any errors or omissions contained herein whether caused by negligence or otherwise; or for any loss, howsoever caused or sustained by readers when they act or refrain from acting as a result of placing reliance on the contents of this article.

About the author:

Hanif Fattehali Habib has an extensive auditing, tax and accounting career with experience in various roles spanning over 20 years. Prior to establishing his audit and tax consultancy firm M/S Hanif Habib & Cco., he served in leading audit firms in Tanzania. Hanif's solid experience, across various functions, is a testament to his diverse background within Audit, Tax and Finance. Hanif also chairs the technical committee of the Tanzania Association of Tax Consultants (TATC).

