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TANZANIA TAX GUIDE
2020 / 2021

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INCOME TAX FOR CORPORATIONS:

	%
Resident corporation	30
Non-resident corporation with a domestic permanent establishment	*30
Newly listed companies – *reduced rate for 3 years*	**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
A newly established entity dealing in manufacture of sanitary pads	*****25
Alternative minimum tax (on turnover)	*** 0.5

Capital Allowance deductions:

Buildings (straight line)	
Agriculture or livestock/fish farming	20
Other	5
Plant and machinery (initial allowance)	
Manufacturing or tourism	50
Agriculture	100
Plant & machinery (reducing balance)	
Class 1	37.5
Class 2	25
Class 3	12.5
Intangible assets (straight line)	Over useful life
Agriculture - improvements/research and development	100
EFD machine (Non-VAT taxpayers)	100

* 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.

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

*** Where 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.

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

***** must have a performance agreement with Tanzanian government and the reduced rate will apply for first 2 years from commencement of production (July 2019 to June 2021).

INCOME TAX FOR INDIVIDUALS IN TANZANIA MAINLAND:

Individual Income Tax Rates – for Tanzania Mainland:

Income Range (monthly)	*Tax rate (PAYE)*
Tshs	%
0 – 270,000	NIL
270,001 – 520,000	9% of the amount in excess of Tshs. 270,000
520,001 – 760,000=00	Tshs. 22,500 plus 20% of the amount in excess of Tshs. 520,000
760,001 – 1,000,000	Tshs. 70,500 plus 25% of the amount in excess of Tshs. 760,000
1,000,001 and above	Tshs. 130,500 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.

Individual Income Tax Rates – for Zanzibar:

Income Range (monthly)	*Tax rate (PAYE)*
Tshs	%
0 – 180,000	NIL
180,001 – 360,000	9% of the amount in excess of Tshs. 180,000
360,001 – 540,000	Tshs. 16,200 plus 20% of the amount in excess of Tshs. 360,000
540,001 – 720,000	Tshs. 52,200 plus 25% of the amount in excess of Tshs. 540,000
720,001 and above	Tshs. 97,200 plus 30% of the amount in excess of Tshs. 720,000

THRESHOLD PER ANNUM: annual income of TZS 2,160,000/= is not taxable.

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. Juma is a resident of United Republic of Tanzania. He is employed by a company dealing with manufacturing of sanitary products.

During the year of income 2020 he had the following details:

Total employment income for the year 2020 before housing benefit is TZS 21,763,333

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

Mr. Juma occupied the house for 9 months only during the year 2020.

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

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

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

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

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

(d) To compare (b) and (c) and take the greater (here the greater is TZS 4,500,000)

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

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

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

EMPLOYMENT BENEFITS (Continued):

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" (see Penalty section) over "actual interest rate paid".

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.

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.

Resident and Non-resident employee with secondary employment is chargeable at the rate of 30%.

PAYE (employee) see page 3

Social Security (NSSF, PPF) 20%
(up to half (10%) can be deducted from employee)

For computing NSSF, "Salary" means gross salary of the member 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;"

EMPLOYMENT BENEFITS (Continued):

Skills and Development Levy (employer) Tanzania Mainland	4.0%
Skills and Development Levy (employer) Zanzibar	5.0%

This tax is payable where total number of employees exceed 4 (four) in any one organization.

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.

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.

Workers Compensation Fund

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(3) and (4) of the Workers Compensation Act No. 20 of 2008.

Monthly contributions shall be 1% of the employer's monthly wage bill for employers in the private sector and 0.5% of employer's monthly wage bill for employers in the public sector.

PRESUMPTIVE INCOME TAX (for Businesses):

For individuals with business turnover not exceeding Tshs 100,000,000=00 (Tanzanian Shillings One Hundred Million) per annum specific presumptive income tax rates apply. Where turnover exceeds Tshs. 14,000,000=00 (Tanzanian Shillings Fourteen 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.

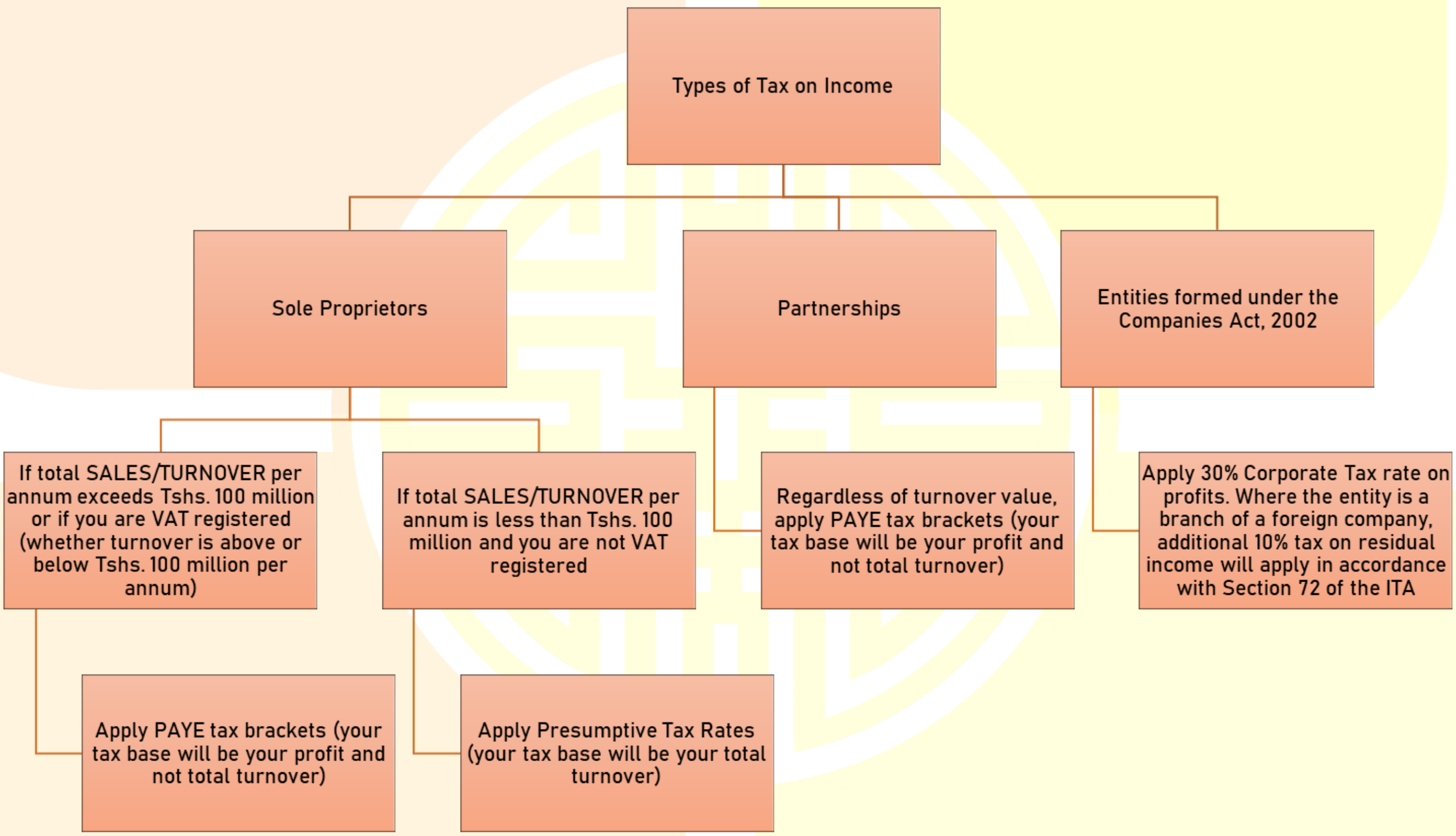
Annual Turnover	Compliance with Section 35 of The Tax Administration Act, 2015		Requirement to use EFD Machine	Maximum Tax to Pay under Each Tax Bracket Where Books of Accounts Have Been Compiled
	If financial statements/books of accounts have not compiled	If financial statements/books of accounts have been compiled		
Where turnover do not exceed Tshs. 4,000,000=00	NIL	NIL	Not Mandatory	NIL
Where turnover is between Tshs. 4,000,000=00 and Tshs. 7,000,000=00	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=00 and Tshs. 11,000,000=00	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=00 and Tshs. 14,000,000=00	Tshs 450,000/=	Tshs 230,000/= plus 3% of the turnover in excess of Tshs 11,000,000/=	Not Mandatory	Tshs.320,000
Where turnover is between Tshs. 14,000,000=00 and Tshs. 100,000,000=00	N/A	Tshs 450,000/= plus 3.5% of the turnover in excess of Tshs 14,000,000/=	Mandatory	Tshs. 3,460,000

NOTE: PRESUMPTIVE TAX RATES ARE APPLICABLE TO SOLE PROPRIETORSHIPS ONLY

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.

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 %
Dividend (Final Withholding Tax)		
- Dividend from resident corporation to another resident 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
Interest	10	10
Rent		
- land and buildings	10	10
- aircraft lease	10	15
- other assets	n/a	15
Director Fees (non-full-time service director fees) (Non-Final Withholding Tax)	15	15
Royalties	15	15
Natural resource payment	15	15
Service fees (all services including professional services^^) (taxpayers with/without TIN)**	5	15
Technical services to mining, oil and gas companies	5	15
Insurance premium	n/a	5
Payments for goods supplied to Government and its institutions by any person	2	n/a
Commission on money transfer through mobile phones	10	n/a
Transport (non-resident operator/charterer without permanent establishment)	n/a	5%
Transport across borders	n/a	5%
Other withholding payments	15	15

Note:

1. *Payment of withholding taxes should be within 7 days after the month of deduction/accrual/payment;*
2. *Computation and payment of withholding taxes is done online through www.tra.go.tz; and*
3. *The submission of withholding tax statement is within 30 days after each 6-month period.*

** 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.

WITHHOLDING TAX RATES (Continued):

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
Company		
- Resident	30	30
- Non - resident	30	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);

SPECIAL REPORTING REQUIREMENTS FOR CONSTRUCTION AND EXTRACTIVE INDUSTRIES/BUSINESSES

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. 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:

	%
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:

Taxable Supplies	Rate* %
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

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

REGISTRATION THRESHHOLD (turnover)

For the purposes of section 28 of the VAT Act, 2014, the threshold for registration shall be one hundred million shillings (100,000,000/=)

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.

Payment due date

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 20th day falls of Saturday, Sunday or public holiday the due date will change up to first working day following that Saturday, Sunday or public holiday. VAT on the importation of goods is payable at the time customs becomes duty payable.

Value Added Tax (Continued):

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.

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 valid tax invoices generated from electronic fiscal devices for supplies.

The contents of the tax invoice [generated from electronic fiscal devices] 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;
- 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 tax invoice. Non-compliance with the above requirements will render input tax claims and VAT refund claims as invalid.

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

In accordance with the VAT Act, 2014 an importer of 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 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 X 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%.

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 X 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 supported to be made to input claim claimed under (c) so that total input tax incurred under category (c) is equal to annualized formula:

: I X 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.

VAT INPUT APPORTIONMENT FOR PARTIALLY EXEMPTED ENTITIES (Continued)

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 MISUSE OF ELECTRONIC FISCAL DEVICES****:

***** Please refer Regulations 46 to 51 of Tax Administration Act, 2015 – General Regulations (Government Notice 101)*
Persons with a turnover ranging from Tshs. 14 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 200 currency points and not more than 300 currency points or to imprisonment for a term not exceeding 3 years or both.

2. A person involved in above offences upon conviction shall be liable to fine of twice the amount of tax evaded or imprisonment for term not exceeding 3 years.

3. 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 and offence and shall be liable upon conviction to a fine not less than 2 currency points and not more than 100 currency points.

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

PENALTIES FOR MISUSE OF ELECTRONIC FISCAL DEVICES (Continued):

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:

Conveyance / transfer	1% of sale consideration
Transfer of shares or debentures	1% of sale consideration
Lease agreements	1% of annualized rent
Legal and commercial instruments	Maximum Stamp Duty of Tshs. 10,000=00

Note: Stamp duty on conveyance of agricultural land is restricted to TZS 500.

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

TAX TREATIES IN FORCE:

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

DEADLINES, INTEREST AND PENALTIES:

	Deadline/Obligation
Income Tax:	
Instalment tax/return	
Payment	*Instalment tax to be paid by end of each quarter*
Filing of provisional tax returns	*By end of 1st quarter*
Under-estimation will attract interest and penalty.	
Final tax/return	
Payment	*To be paid within 6 months after accounting period*
Filing of return	*Within 6 months after accounting period*
Withholding tax:	
Payment	*7 days after month of deduction or accrual*
Return	*Within 30 days after each 6 month period*
Payroll:	
Payment and Returns	
PAYE	*Within 7 days after month of deduction*
Skills & Development Levy	*Within 7 days after month end*
NSSF	*Within 1 month after month end*
PPF	*Within 30 days after month end*
Interest chargeable on late payment	
VAT:	
Filing / payment	*By 20th day of following month*
Interest chargeable on late payment	
Interest due to taxpayer on late payment of VAT refunds	
Excise Duty:	
Payment and Returns	*By last working day of the following month*
Stamp Duty:	
Payment / Stamping	*Within 30 days after execution / entry of instrument*

DEADLINES, INTEREST AND PENALTIES (Continued):

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.

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 to the tune of 50% and tax penalty to the tune of 100%. An application for remission has to be made to the Ministry of Finance 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 OR B/A * 2.333

Where:

A = Actual debt/Actual capital; 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, tags 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, and similar works or 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.

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
Forth 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.

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 USD 1.5 per night per bed.

RAILWAYS DEVELOPMENT LEVY

There shall be charged a levy known as Railways Development Levy at the rate of 1.5% of customs value 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

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

20th – deadline for payment of VAT and filing of VAT returns relating to previous month

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

March/June/September/December 30th or 31st (end of each quarter) – deadline for payment of provisional taxes and City Service Levy

30th 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.

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.

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.

CAVEAT

If you would like any further information on this card or the services that Hanif Habib & Co. Certified Public Accountants in Public Practice can provide please contact:

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Being part of IAPA International helps our clients expand across national boundaries, granting access to first-hand knowledge of local regulations, culture and customs.

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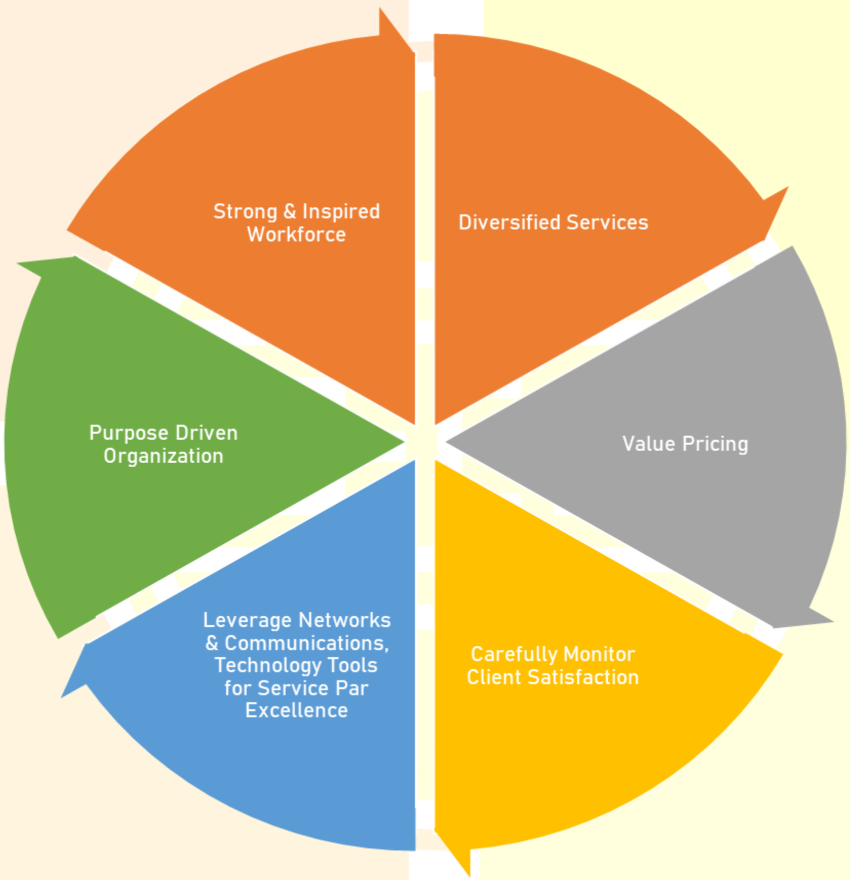
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Purpose Driven Organization
Value Pricing
Leverage Networks & Communications, Technology Tools for Service Par Excellence
Carefully Monitor Client Satisfaction