



Taxation in Tanzania

Hanif Habib Advisory Limited is based in Dar es Salaam. Managing Partner Hanif Habib, Sr. always aspired to establish an audit firm and consulting company that allowed him to use his professional financial expertise, extensive business experience and ability to interact with his clients and the business community at large on a worldwide basis. He is a Tanzania Revenue Authority-registered Tax Consultant; a UK Chartered Certified Accountant; a General Tax Practitioner with the South African Institute of Tax Practitioners; Commissioner of Oaths (Republic of South Africa); a Certified Forensic Investigation Professional, and an active member of the Institute of Internal Auditors and the Association of Certified Fraud Examiners. He talks to Acquisition International about taxation in Tanzania...

The basic principles of Tanzanian tax laws will be familiar to anyone in the UK or the US but the devil, as they say, is in the detail.

For instance, unlike the UK and the US the Tanzanian tax year is the calendar year, although companies may request a different 12-month period.

Corporation Income Tax

At first glance corporation tax for Tanzanian-resident companies and non-resident businesses is the same at 30% but a non-resident corporation with a permanent establishment also has to account for tax of 10% on 'repatriated income'. To be Tanzanian-resident a company must be incorporated under the Tanzanian Companies Act or, at any time during the tax year, management and control of its affairs must be exercised in Tanzania. Branch profits are also taxed at 30%.

Newly listed companies pay a reduced rate of

25% corporation tax for three years, provided at least 30% of their shares are publically issued.

Capital Deductions

The government has given help to the agricultural sector by offering 100% capital deduction allowances on plant & machinery used in Agriculture. This compares to the 20% offered to the Oil and Gas Exploration Industry & 25% to Manufacturing & Mining Operations.

A straight line capital deduction for agricultural or fish farm buildings of 20% also applies – it is 5% for buildings in all other sectors.

For companies with more than four employees a skills and development levy of 5% applies to gross emoluments, which include: leave pay, sick pay, payment in lieu of leave, fees, commissions, gratuity, bonuses, subsistence allowances, travelling allowances and entertainment allowances, and other taxable benefits, as well as wages or salary.

Presumptive Income Tax

Specific and presumptive income tax rates apply for individuals with businesses where the annual turnover does not exceed TZS 20 million. Any businesses with a higher turnover is obliged to prepare audited financial statements in respect of their business.

Any taxpayer whose turnover exceeds TZS 14 million a year is obliged to acquire and use an Electronic Fiscal Device. Failure to acquire and use an Electronic Fiscal Device or issue a fiscal receipt/invoice can lead to a minimum fine of not less than TZS 3 million or a prison sentence of up to 12 months, or both. Anyone who fails to demand and retain fiscal receipt or invoice is liable to a fine of TZS 1 million or imprisonment, not exceeding three months, or both.

Withholding Tax Rates

Dividends paid to a resident company controlling 25% or more of the distributing company's shares and dividends paid by a company listed

on the Dar es Salaam stock exchange are subject to a 5% withholding tax. Otherwise the withholding tax is 10%.

The withholding tax rate on interest paid to a resident or non-resident is 10%. The withholding tax on royalties and natural resource payments paid to residents and non-residents is 15%. Withholding rates for rent on land and buildings and aircraft leases is 10% for resident corporations and 15% for non-residents. Other assets are fixed at zero for residents and 15% for non-residents.

Indirect Taxes: VAT

The supply of taxable goods and services in Mainland Tanzania and the import of taxable goods and services into Mainland Tanzania is fixed at 18%. The export of goods and certain services from the United Republic of Tanzania is zero.

Registration threshold (turnover) where the taxable turnover of any taxable person exceeds or is likely to exceed: TZS 40 million in a period of 12 consecutive months; or TZS 10 million in a period of three consecutive months.

The payment due date for monthly VAT returns and any related payments are due on the last working day of the following month to which it relates. VAT on the importation of goods is payable at the time customs becomes duty payable. Refund claims can be made a standard six months after the due date of the tax return on which the refund became due or the submission of the last VAT return for that six month period, whichever is the later. 'Regular repayment' businesses in a constant refund position may apply for authorisation to lodge claims on a monthly basis.

Customs Duty

Again, to support the agricultural and mining exploration industries there is a zero customs charge for capital goods, raw materials, agricultural inputs, pure-bred animals and pharmaceutical goods. Also included at zero are equipment and supplies for petroleum and gas exploration.

Individual Income Tax Rates

As with many other countries, personal income tax is based on a graduated scale, with the scale being based on a monthly income. The currency in Tanzania is the Tanzanian Shilling (TZS), at the time of writing £1 equated to TZS2,650 while US\$1 equated to TZS1,620.

The tax payable on monthly income ranges is:
0 – 170,000

0%

170,000 – 360,000

13% of the amount in excess of TZS170,000

360,000 – 540,000

24,700 plus 20% of the amount in excess of TZS360,000

Customs Duty:		
Capital goods, raw materials, agricultural inputs, pure-bred animals, pharmaceutical goods		0
Semi-finished goods		10
Finished commercial or final consumer goods		25
Equipment and supplies imported by mining operator / subcontractor - up to 1 year after commencement of production		0
- thereafter		5 (max)
Equipment and supplies for petroleum and gas exploration		0

Mineral Royalties:		
Rate %	Mining Act 1998	Mining Act 2010
5	Diamonds	Diamonds, Gemstones, Uranium
4	N/A	Metallic minerals (incl. copper, gold, silver and platinum group minerals)
3	General rate	General rate
1	N/A	Gems
0	Polished & Cut Stones	N/A
Base:	"Net back value"	"Gross value"

540,000 – 720,000
60,700 plus 25% of the amount in excess of TZS540,000
720,000 and above
105,700 plus 30% of the amount in excess of TZS720,000

As in other countries some benefits offered by employers to employees are also taxable. Company cars are taxable according to engine size and vehicle age but this tax is not charged when the employer does not claim deductions in respect of the ownership, maintenance, or operation of the vehicle. The social security levy is 20%, of which the employee pays a maximum of 10%. Donations made by employees as per Section 12 of the Tanzanian Education Fund Act are exempt from tax. But these exemptions are only allowed upon approval by the commissioner.

With the exception of housing – where the taxation rate depends on the market value of the property, the employee's income and the expenditure claimed on the property by the employer – calculations of taxable benefits depend on the market value of the benefit.

Stamp Duty

Stamp duty for conveyance/transfer, transfer of share or debentures, lease agreement, legal and commercial instruments is fixed at 1%.

Disposal of Investments

Tax on disposals is charged at 30% for corporations. For non-resident individuals selling a Tanzanian asset it is 20%. For resident individuals selling a Tanzanian asset the tax is 10%, 30% if selling an overseas asset. There are

exemptions for agricultural land, certain shares and private residences whose value rises by less than TZS 15 million.

There is also a single instalment tax on gains from the sale of investment assets (land, buildings and shares) which is levied at 10% for residents and 20% for non-residents.

Excise Duty on Electronic Money Transfer & Electronic Communication Services

There is an imposition of 0.15% Excise Duty on money transfers via banks, financial institutions and telecommunications company for amounts exceeding Tshs. 30,000 (approximately USD 18.5). Excise Duty on Electronic Communication Services (internet, voice calls, etc.) is charged at 17%. These taxes are borne by final consumer.

Tax Treaties in Force

The Tanzanian Government has tax treaties in force with the following countries: Canada, Denmark, Finland, India, Italy, Norway, South Africa, Sweden and Zambia.



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