

Country Tax Guide United Republic of Tanzania



Corporate Income Taxes

Resident companies, defined as those incorporated, established or formed in United Republic of Tanzania, or which have their place of effective management in United Republic of Tanzania are subject to corporate income tax on their worldwide income.

Non-resident companies are taxed on their income from sources in United Republic of Tanzania subject to the terms of any relevant double tax treaty.

The general corporate income tax rate is 30%.

Newly listed resident and non-resident companies with the Dar es Salaam Stock Exchange with at least thirty five percent of its equity ownership issued to the public - reduced rate for 3 years tax rate is 25%

Corporations with perpetual unrelieved losses for 3 consecutive years (excluding corporation conducting agricultural business, provision of health or education) - tax rate 0.3% of annual turnover

The repatriated income of a domestic permanent establishment of a non-resident person for a year of income shall be taxed at the rate of 10 percent.

Group tax consolidation is not available in Tanzania; hence, losses cannot be offset against the profits of another company in the same group.

Generally, tax year (year of assessment) is the calendar year. However, an alternative tax year is also permitted.

Companies are generally required to file estimated quarterly tax returns and make quarterly instalment tax payments on or before the end of the third, sixth, ninth, and twelfth months of the year of income.

Any remaining tax payable is generally due by the tax return filing deadline. However, that should not be more than 20% of total tax payable for that year; otherwise interest will be applicable on short paid tax at the rate of Bank of Tanzania discount rate for each month or part of a month up to the due date of the income tax return.

If the Company chooses a tax year other than calendar year, provisional tax payment deadlines changes accordingly.

Final tax returns, and any remaining corporate income tax due, are generally due for filing within six months following the end of the year of income. Final tax returns must be prepared or certified by a qualifying certified public accountant.

Personal Taxes

Resident individuals are generally subject to income tax on their worldwide income.

Non-resident individuals, and resident individuals who have been resident in Tanzania for two years or less, are generally subject to income tax on their Tanzanian source income, subject to the terms of any relevant tax treaty.

Individuals are subject to tax on their taxable income from employment, business, and investments (subject to deductions and exemptions).

Resident individuals in the Tanzanian mainland are subject to tax at the following rates:

Taxable Income	Tax Rate
Up to TZS 2,040,000	Nil
Over TZS 2,040,000 – TZS 4,320,000	9 % on the amount exceeding TZS 2,040,000
Over TZS 4,320,000 – TZS 6,480,000	TZS 205,200 plus 20% on the amount exceeding TZS 4,320,000
Over TZS 6,480,000 – TZS 8,640,000	TZS 637,200 plus 25% on the amount exceeding TZS 6,480,000
Over TZS 8,640,000	TZS 1,177,200 plus 30% on the amount exceeding TZS 8,640,000

Resident individuals in Zanzibar are subject to tax at the following rates:

Taxable Income	Tax Rate
Up to TZS 1,800,000	Nil
Over TZS 1,800,000 – TZS 4,320,000	13 % on the amount exceeding TZS 1,800,000
Over TZS 4,320,000 – TZS 6,480,000	TZS 327,600 plus 20% on the amount exceeding TZS 4,320,000
Over TZS 6,480,000 – TZS 8,640,000	TZS 759,600 plus 25% on the amount exceeding TZS 6,480,000
Over TZS 8,640,000	TZS 1,299,600 plus 30% on the amount exceeding TZS 8,640,000

Resident individuals whose income during the tax year is exclusively Tanzania business source income and whose turnover does not exceed TZS20m are subject to presumptive tax unless the individual opts to be taxed at the standard income tax rates. The presumptive tax rates are as follows:

Turnover	Tax Payable (where documentation requirements are not complied with)	Tax Payable (where documentation requirements are complied with)
Up to TZS 4m	Nil	Nil
Over TZS 4m – TZS 7.5m	TZS150,000	3% on turnover exceeding TZS 4m
Over TZS 7.5m – TZS 11.5m	TZS318,000	TZS 135,000 plus 3.8% on turnover exceeding TZS 7.5m
Over TZS 11.5m – TZS 16m	TZS546,000	TZS 285,000 plus 4.5% on turnover exceeding TZS 11.5m
Over TZS 16m – TZS 20m	TZS862,500	TZS 487,000 plus 5.3% on turnover exceeding TZS 16m

The employment income of non-resident individuals is generally subject to a tax at the rate of 15% which is deducted by the employer.

Amounts received by way of inheritance or gift which is not taxed as employment, business, or investment income is tax exempt.

Employment Related Costs and Taxes

Fringe benefits

There is no separate fringe benefits tax. Unless specifically exempt, the taxable value of benefits-in-kind forms part of the taxable income of individuals and is subject to income tax.

Social Security Costs

Employers and employees are generally required to make the following social security contributions (subject to exemptions):

Contribution Category	Employer Rate	Employee Rate
National Social Security Fund (NSSF) or Parastatal Pension Fund (PPF)	10% or 15%, depending on fund	10% or 5%, depending on fund
Skills and Development Levy (SDL)	4.5%	N/A
Workers Compensation Fund (WCF)	1% for private sector employers; 0.5% for public sector employers	N/A

Withholding Taxes

Domestic payments

The withholding tax should be calculated on the amount exclusive of any value added tax or any other indirect tax, if included in the Payment amount.

Withholding tax shall be paid to the Commissioner within seven days after the end of each calendar month.

A return for withholding tax shall be filed with the Commissioner within 30 days after the end of each six-month calendar period.

For payments made to recipients in countries with which Tanzania has double tax treaty, the rates of withholding tax may be reduced under the terms of treaty.

The rates of withholding tax for FY 2016-17 are as under:

Description of Payment	Rate for Resident	Rate for Non Resident
Salaries	Refer personal taxes section	15%
Dividends from the Dar es salaam Stock Exchange listed corporations	5%	5%
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.
Dividends from other corporations	10%	10%
Interest	10%	10%
Royalties	15%	15%
Other withholding payments from investment returns	15%	15%
Rental Income	10%	15%
Technical services fees (mining)	5%	15%
Transport (Non-resident operator/ charterer without permanent Establishment).	N.A.	5%
Insurance Premium	0%	5%
Natural Resources Payment	15%	15%
Service Fees	5%	15%
Directors Fee (Non full time Directors	15%	15%
Commission to agents by service providers on money transfer through mobile phones.	10%	10%
Payments for goods supplied to Government and its institutions by any person.	2% of gross payment	N/A

Value Added Tax (VAT)

VAT is generally levied on the supply of goods and services in Tanzania and on the importation of goods and services.

The standard rate is 18%, 0% rate applies to export of goods and services.

Certain supplies are VAT exempt, including certain, education services, medical services, petroleum products, agriculture products and lease of land for residential purpose.

Financial services, other than health and life insurance as well as aviation insurance are no longer exempt unless supplied free of charge.

The VAT registration threshold limit is generally taxable supplies exceeding or expected to exceed TZS 100 Million in previous 12 months period and application for registration must be filed to the Commissioner General within thirty days from the date of exceeding threshold limit.

Registered traders can generally recover the VAT with which they themselves are charged on their purchase of goods and services, subject to conditions and possible exceptions.

Due date for filing VAT returns changed to the 20th day of the month following the end of tax period.

Other Taxes

Property taxes

There are local taxes on the occupation of business property. Transfer duty also applies on the transfer of ownership of immovable property and real estate (see below).

Stamp duty

Stamp duty is generally levied within 30 days of execution of specific instruments such as bonds, lease, partnership agreements, share warrants and acquisition of immovable property which is executed in Tanzania mainland or if executed outside Tanzania mainland relating to any property or any matter or thing performed in Tanzania mainland.

Stamp duty rates vary from instrument to instrument. Minimum stamp duty charges are TZS 500/-

Stamp duty rates are 1% of annual reserved rent for lease/sub-lease/let/sub-let.

Capital Gains Tax

Capital gains tax is generally imposed on the disposal of immovable property at the rate of 10% for resident and 20% for non-resident.

No capital gains tax is required to be paid if:

- the residence has been owned continuously by the individual for 3 years or more and lived in by the individual continuously or intermittently for a total of 3 years or more; and the land was realized for a gain of not more than TZS 15 Million.
- an interest in land held by an individual that has market value of less than TZS 10 Million at the time it is realized and has been used for agricultural purposes for at least 2 of the 3 years prior to realization.

Capital gains tax is also required to be paid on disposal of investments assets (shares, bonds, debentures, derivative securities) @ 30% of net gains for Corporate and at the rate of personal income tax rates for individual.

No capital gains tax is required to be paid if shares are listed on Dar Es Salaam Stock Exchange and they are owned by a resident or a non-resident person who controls less than 25% of the controlling shares of the Company.

Offsetting of loss arise from sale of investment assets can only be set off against gain from other investment assets only. Similarly, loss on sale of foreign investment assets can only be set off against foreign investment gain.

Excise duty

Excise Duty is a duty charged on specific goods and services manufactured locally or imported on varying rates. It is charged in both specific and ad valorem rates.

Items charged under specific rates includes wine, spirits, beer, soft drinks, mineral and aerated waters, fruit and Vegetable juices, stout and Porter, Recorded DVD,VCD,CD and audio tapes, smart Cards, magnetic media, recorded Video, optical media, cigarettes, tobacco, petroleum products, Lubricants and Natural gas.

Items charged under ad-valorem rates includes money transfer services, electronic communication services, pay to view television services, imported furniture, motor vehicles, plastic bags, specified aircrafts, firearms, specified cases, cosmetics and medicaments. Ad-valorem rates are 0%, 5%, 10%, 17%, 15%, 20%, 25%, 30% and 50%.

Manufacturers are required to file initial return to the Commissioner within 21 days from the date of manufacturing becoming liable to duty.

Manufacturers are also required to file monthly returns by the last working day of the next month to which the return relates, otherwise, a penalty of TZS 100,000 or 1% of the tax payable in respect of the period covered by the return whichever is greater and a Further Penalty of TZS 200,000 or 2% of Tax Payable in respect of the period covered by the return whichever is greater shall be payable for each month or part of the month thereafter.

Other taxes

Other taxes includes fuel levy, import duty, production base levy on soft drinks, tobacco products, petroleum, products and alcoholic beverages.

Tax Incentives for Businesses

Research and development (R&D) expenditure

Qualifying R&D expenditure may be deducted from taxable income.

Reduced corporate income tax rate for newly listed companies

Companies which are newly listed on the Dar es Salaam Stock Exchange (DSE) benefit from a reduced corporate income tax rate of 25% for three years from the date of listing if a specified percentage of the company's equity ownership is issued to the public.

Enhanced capital deductions and allowances

Enhanced capital deductions and allowances are available to businesses in certain sectors, including agriculture, manufacturing, tourism, and mining.

Export processing zones (EPZs) and special economic zones (SEZs)

Qualifying business in an EPZ or SEZ in Tanzania benefit from incentives, including:

- Income tax exemption for a period of 10 years, and
- Withholding tax exemption on certain dividend, interest, and rental payment for a period of 10 years.

This Country Tax Guide is designed to provide a summary of the taxes which Apply to business and individuals, and is for information purpose only. Whilst every effort has been made to ensure accuracy, information contained in this guide may not be comprehensive and is subject to frequent change. Recipients should not act upon it without seeking professional advice. For more information contact details can be found at www.bakertillydgp.com