In a world of different cultures, it’s good to have advisors who are consistent everywhere.

RSM International is one of the largest networks of independent audit and consulting firms in the world. RSM International is represented in 100 countries and brings together the talents of 32,500 individuals. RSM member firms are driven by a common vision of providing high quality professional services to ambitious and growing organisations.
Foreword

Situated in East Africa just south of the equator, mainland Tanzania lies between the area of the great lakes—Victoria, Tanganyika, and Malawi (Nyassa)—and the Indian Ocean. Tanzania borders Kenya to the north, Rwanda, Burundi, and the Democratic Republic of Congo to the west, and Zambia, Malawi and Mozambique to the south, and is the largest country in East Africa (943,000 sq km), comprising both the mainland and the Zanzibar Archipelago.

A large central plateau makes up most of the mainland (at between 900m and 1800m) and the mountain ranges of the Eastern Arc and the Southern and Northern Highlands cut across the country to form part of the Great Rift Valley. A land of geographical extremes, Tanzania has the highest peak – Mount Kilimanjaro, the lowest point – the lakebed of Lake Tanganyika, and the largest lake – Lake Victoria, on the continent.

Despite being one of the poorer countries on the continent, with an annual per capital income of around USD 500, Tanzania is rich in potential. Around 30 percent of its surface area comprises protected natural habitat, making it one of the most naturally diverse countries in the world.

Investing in Tanzania provides access to the larger regional markets of the East African Community (EAC) which has a population of over 133.5 million and a combined Gross Domestic Product (GDP) of US$ 75 billion, and the Common Market for Eastern and Southern Africa (COMESA) with a population of over 400 million and a combined GDP of US$ 360 billion.

RSM Ashvir has prepared this publication for use by its clients, business associates, partners and staff. The guide provides a comprehensive coverage on the key aspects of setting up and running businesses in Tanzania including types of business entities, taxation, employment laws, accounting, listing rules and investing in Tanzania.

This document is designed to provide general information to those contemplating investing in Tanzania. We therefore advise you to consult RSM Ashvir offices listed on the last page before taking further action.

The data provided reflects current information which is subject to change. Whilst every care has been exercised in ensuring the accuracy and completeness of the information, RSM Ashvir, RSM International and staff involved in the preparation and review of this booklet will not accept any liability for any errors or omissions contained herein whether caused by negligence or otherwise; or for any loss however caused or sustained by anyone who acts or refrains from acting as a result of placing reliance on the contents of this booklet. The booklet and the information therein is intended for information purposes only, and should not be used as a basis of decision making without seeking current and independent legal and professional advice.
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1 About RSM & the RSM network

RSM Ashvir

RSM Ashvir is ranked amongst the leading accountancy firms in Tanzania. The firm provides accounting, audit and assurance, corporate finance, tax, specialist advisory and risk management services. RSM Ashvir has offices in Dar es Salaam, Tanzania and in Nairobi and Mombasa in Kenya with partner/director strength of 7 and a staff complement of over 90.

At RSM Ashvir, you work with advisers who share your values; fit seamlessly into your working culture; obtain an in-depth understanding of your business; and provide integrated and holistic business solutions that enable you to progress with a clear, confident vision of the future.

Our Vision

To be the leading regional professional services firm recognised for its commitment to ethics and upholding professional values, underpinned by a strong culture of personalised and partner-led quality service, supported by investment in its human capital.

Our Mission

• To make our clients the ambassadors of the firm by providing a unique delivery standard underpinned by personalised and partner-led provision of professional services.
• To equip and invest in our human capital, thereby empowering them to provide optimal business solutions tailored to meet the diverse needs of our clients.
• To make a useful contribution to the growth and development of the accounting profession.

Our Values

• Integrity: This is embedded in building trust, acting ethically and responsibly and demonstrating the highest levels of objectivity and independence.
• Excellence: We will understand first and deliver with quality.
• Leadership: We strive to be thought leaders through continuous professional development and contributing to the accounting profession.
About RSM International

RSM International is a worldwide network of independent accounting and consulting firms. RSM International and its member firms are separate and independent legal entities. RSM International does not itself provide accounting or consultancy services. All such services are provided by member and associate firms practising on their own account.

RSM is represented by affiliate independent members in 94 countries and brings together the talents of over 32,500 individuals in over 700 offices worldwide.

The network’s total fee income of US$ 3.9 billion places it amongst the top six international accounting organisations worldwide. RSM member and correspondent firms are driven by a common vision of providing high quality professional services, both in their domestic markets and in serving the international professional service needs of their client base.

RSM is a full member of the IFAC Forum of Firms (FOF), an association of international networks of firms that perform audits of financial statements that are, or may be, used across national borders. The Forum’s goal is to promote consistent and high quality standards of financial reporting and auditing practices worldwide.

It is not size, but the natural instinct of RSM member firms to put their client’s interest before theirs and the human capital backbone of thoughtful and incisive people that ensures the creation of a distinct differentiation in the client service proposition of the network.
2 General

2.1 Introduction

Situated in East Africa just south of the equator, mainland Tanzania lies between the area of the great lakes—Victoria, Tanganyika, and Malawi (Nyassa)—and the Indian Ocean. Tanzania borders Kenya to the north, Rwanda, Burundi, and the Democratic Republic of Congo to the west, and Zambia, Malawi and Mozambique to the south, and is the largest country in East Africa (945,000 sq km), comprising both the mainland and the Zanzibar Archipelago.

A large central plateau makes up most of the mainland (at between 900m and 1800m) and the mountain ranges of the Eastern Arc and the Southern and Northern Highlands cut across the country to form part of the Great Rift Valley. A land of geographical extremes, Tanzania has the highest peak – Mount Kilimanjaro, the lowest point – the lakebed of Lake Tanganyika, and the largest lake – Lake Victoria, on the continent. The oldest fossils of humans have been discovered in Oldupai Gorge in the northern Tanzania.

The climate varies quite a bit, considering that its environment includes both the highest and the lowest points on the continent. While the narrow lowland coastal region is consistently hot and humid, the central regions of Tanzania are sufficiently elevated so as to offer much cooler temperatures. The rainy seasons extend from November to early January and from March to May.

2.2 Population and Language

The population of Tanzania is estimated at 44 million, with approximately 45% living in the urban areas. The population is expected to grow at the rate of 2.03% per year. Tanzania’s population consists of Africans which account for 99% of the population of which 95% are Bantu consisting of more than 130 tribes and 1% consisting of mainly Arabs with some Asians and Europeans. The Constitution of Tanzania guarantees freedom of religion and worship, and there is no official state religion. The main religions practiced in Tanzania are Islam and Christianity. A significant proportion of population practices traditional indigenous religions.

The national language of Tanzania is Kiswahili, a grammatically Bantu language, written with Roman alphabets. The official languages are Kiswahili and English. English is the business language, and the majority of contracts and accounting records are maintained in English.
2.3 Foreign Relations

Tanzania is a signatory to bilateral, regional and international trade agreements that aim at facilitating and increasing trade. The agreements provide certain preferential treatment that investors benefit from doing business in Tanzania. Trade agreements where Tanzania is a signatory include Regional Trade Agreements (EAC and COMESA); Non-Reciprocal Market Access Arrangements (The African Growth and Opportunity Act (AGOA)), ACP/EU Cotonou Partnership Agreement and Generalised System of Preferences (GSP); Bilateral Trade Agreements with a number of other countries; World Trade Organisation and Intellectual Property Rights. Tanzania is the only country in East Africa which also is a member of the South African Development Community (SADC).

2.4 Business Infrastructure

2.4.1 Power and Energy

The power sector remains quite under developed with per capita electricity consumption of 46 KWh per annum. The country’s energy sources remain largely untapped. The largest share of Tanzania’s electricity supply comes from two hydroelectric power generating stations at dams constructed along the Great Ruaha River. Hydro-power constitutes a major portion of the total electricity generated in Tanzania. The 2 stations combined have an installed capacity of more than 261 MW. There are also several small hydro stations with a combined generation output of 277 MW. Tanzania’s commercial sector depends heavily on oil for its energy needs, which has serious foreign exchange implications. The sector provides for opportunities especially Public Private Partnerships (PPP) in the areas of electricity generation and alternate sources of energy both for commercial and domestic consumers. Current projects in hand will add 2,100 MW power to national grid by end of 2015. These are a new hydro power generating dam and coal and gas fired generators.

Oil exploration in Tanzania has been intermittent for the last 40 years. However, of late Tanzania has seen an increase in oil exploration in Southern Tanzania and in several off-shore sites as a result of the Tanzanian Government signing key production and data sharing agreements. Currently, there are over a dozen multinational companies conducting petroleum exploration and production in Tanzania after signing 23 Production Sharing Agreements with the GOT.

The authority in charge of this sector is Energy and Water Regulatory Authority or EWURA. This is also an autonomous authority in charge of water and utilities sector.
2.4.2 Telecommunication

In the last decade, Tanzania has undergone a transformation in the Information and Communication Technology (ICT) sector which has had a profound impact on Tanzania's social and economic structures. Tanzania’s telecom sector is the fastest growing sector of the economy, recording 21.9% growth, up from 20.5% in 2008. The last 3 years has seen the landing of 4 under-sea fiber optic cables, which will increase to 5 by this year-end. This is a significant move for a country which up to early 2009 relied solely on satellite communication for connectivity. The communications sector contributes to 2.1% of the GDP.

Since the connection of the country to the international fiber optic, SEACOM, new services have been introduced, such as mobile banking and mobile money transfer. The broadband internet prices have halved. There are three major mobile communication players amongst a total of six companies and the number of mobile subscribers has exceeded 17 million. The penetration level is only around 30%, implying that there is still room for growth. There are also 62 operators held ISP and data licenses.


The regulatory authority in charge of this business is Tanzania Communications Regulatory Authority or TCRA. It is an independent authority governing postal, broadcasting and electronic communications sectors.

2.4.3 Transportation

The country’s transport sector, and in particular the roads sub-sector, plays a key role in facilitating the marketing of agricultural produce, transportation of cargo, development of industries and import-export trade. Roads are also critical in facilitating the provision of social services in health and education.

The effectiveness, appropriateness and adequacy of the Tanzania transport system all contribute a great deal to the successful implementation of socioeconomic activities, the lowering of domestic production costs through timely delivery, the enhancement of the economies of scale in the production process and the creation of economic opportunities.
The economic opportunities in Tanzania include the ease of market access, the strengthening of competition, the promotion of trade and export, the contribution of tourism and foreign investment to government revenue and the generation of a large number of employment opportunities.

In the past five years, the transport sector in Tanzania has helped to integrate market-strengthening competition, increased access to farming techniques, promoted trade, tourism, and foreign investment, and has also contributed to the government revenue.

The growth and performance of the Tanzania transport sector have continued to improve both because of government efforts and because of private sector investment in road rehabilitation, the expansion of telecommunications services, the modernization of port services, and the improvement in marine, railway and air transport services.

Tanzania has two primary corridors; the central transport corridor, which connects Dar es Salaam and the coastal regions with the western and lake Victoria regions of Tanzania, thereby linking the country’s main port to the neighboring countries of Burundi, Rwanda, Uganda and the Democratic Republic of Congo. The southern corridor links Dar es Salaam to Zambia in the south west via the TAZARA railway line.

Tanzania has three international airports in Dar es Salaam, Kilimanjaro and Zanzibar. In addition there are aerodromes and airstrips spread all over the country. Of the 368 airports only 11 are asphalt paved. There are plenty of opportunities to service the market of air travel for business persons, local travelers and tourists.

2.5 Vision 2025 and the Economy

Tanzania is taking a number of steps to creating an enabling environment for both foreign and domestic investments. This is in line with the Government’s Vision 2025.

The overarching vision under the Vision 2025 is to achieve a high quality livelihood for its people, attain good governance through the rule of law and develop a strong and competitive economy.

According to the African Economic Outlook, the Tanzanian economy grew by 6.4% in 2011. Key drivers of growth in the short and medium term include private consumption, exports and gross fixed capital, tourism revenues, foreign investment and aid.
2.5.1 Agricultural

Agriculture is the mainstay of the economy, providing livelihood to approximately 80% of the population. Out of 44 million hectares of arable agricultural land only 25% is utilised. The sector contributed approximately 27.8% to GDP in 2011. There is considerable scope for diversification and expansion of the agricultural sector through accelerated food crop production, value addition through processing of agriculture produce and increase of non-traditional exports. Intensified irrigation and additional value added processing are marketable areas for investments.

The diverse climatic zones provide potential for many crops, livestock and forestry products, as well as sufficient water for irrigation and livestock, and large size of arable land. The increase in food demand in neighbouring countries provides further opportunities for agriculture to expand and increase exports to these countries.

The main export crops are coffee, tea, cotton, cashew nuts, sisal and cloves. Recently exports of sub-tropical fruits, vegetables, cut flowers, groundnuts, vanilla, black pepper and other spices have also been rising. Huge opportunities exist to process these for exports and local consumption.

There are opportunities in commercial farming, storage facilities, agricultural inputs, farm machinery and services, commercialization of meat and livestock industry and agro processing for local consumption and exports.

2.5.2 Manufacturing

The manufacturing sector in Tanzania remains relatively small, with most activities concentrating on the creation of simple consumer products such as foods, beverages, tobacco, textiles, kitchen utensils, plastic goods, furniture and wood and allied products.

In spite of its declining size, however, the sector continues to be of considerable importance to the Tanzania economy as is still one of the most reliable sources of government revenue in terms of import sales as well as for both corporate and income taxes, accounting for over half of the annual government revenue collection.

The contribution of the manufacturing sector to the overall GDP of the country has averaged 8% over the last decade. However activities within the sector have been registering an annual growth of over 4% and the sector is currently the third most important to the Tanzania economy behind agriculture and tourism.
2.5.3 Tourism

Tourism is Tanzania’s second largest foreign exchange earner with over US$ 1.3 billion in revenues and almost a million visitors annually. The country offers 12 national parks and 15 game reserves, providing habitat for a wide range of flora and fauna.

The tourism industry is growing as a result of the liberalisation measures, diversification of tourist generating markets, continued Government commitment to providing an enabling environment and successful tourism promotion campaigns. Tanzania is also becoming an important centre for regional and international conferences.

Enormous opportunities exist for investment in construction, eco-tourism; recreation and entertainment facilities including tour operations, conference tourism, cultural tourism, cruise ship tourism, aviation/tour and travel tourism and small aircraft and automobiles leasing and charter services.

2.5.4 Financial

The banking sector was liberalised in 1999 and most exchange controls were gradually lifted. The Bank of Tanzania (BOT) is responsible for formulating and implementing the monetary policy, fostering liquidity and solvency and overseeing the proper functioning of the financial system. The banking industry in Tanzania is governed by the Companies Act, the Banking Act, the Bank of Tanzania Act and the various prudential guidelines issued by the BOT.

The banking sector comprises 30 local and foreign owned banking institutions. Most banks operate under the traditional banking model where interest on loans is their principle source of earnings. Loans and advances are the principal assets largely funded from customer deposits. Loans are available at the rates varying between 12% and 22% based on the size of the customer, the tenure and the security pledged.

Until recently when the Government introduced long-term bonds with maturities of up to 30 years, most savings and investment products had short to medium tenures of 5 to 7 years. This model negatively affected the growth of medium and long-term lending products which were required for projects with long gestation periods, especially those in the infrastructure and real estate development sectors.

There are 14 companies listed on Dar es Salaam Stock Exchange including three cross listings. The market capitalization as at December 2011 was T. Shs. 11.5 billion. Most of the stocks are owned by foreign entities and public institutions while private individuals hold about 5% of the listed shares.
2.5.5 Building and Construction

Tanzania has a well developed construction industry. Quality engineering, building and architectural design services are readily available. The industry is currently on an upward trend with growth of 12-15%, mainly coming from infrastructure projects and new construction in residential buildings in urban centers. With increase in population, opportunities exist in construction of residential, commercial and industrial buildings, including prefabricated low-cost housing. The opportunities to participate in public work projects also abound e.g. regional and national roads, bridges, upgrading and maintenance of regional roads and other infrastructure projects. The major thrust of private residential, industrial and commercial investments will be in the cities of Dar es Salaam, Arusha, Dodoma and Mwanza.

There is also a huge opportunity to provide medium to long terms housing finance to empower the middle income population to buy housing units. Very few banks currently meet this need for affordable term finance for middle and upper middle class borrowers.

The demand for construction materials, both for primary materials as well as ready to install products has also been growing in line with new construction as well as replacement market in rural and urban areas.

There is also a demand for industrial and commercial parks to accommodate rising number of local and overseas businesses.

2.5.6 Mining

Tanzania is Africa’s fourth largest producer of gold. For the year ending July 2010, gold exports touched 38.1 metric tons. This was substantially more than 29.1 tons exported in preceding 12 months. The value of exports touched US$ 1.36 billion, outstripping tourism as the largest foreign exchange earner.

It has substantial deposits of other metals and minerals, most importantly diamonds, coloured gemstones, coal, cobalt, nickel and uranium. There are also industrial minerals like soda, kaolin, tin, gypsum, phosphate, marble and granite.

While the mining sector is relatively small in terms of its contribution to the GDP, it brings in significant export revenue. There is a huge potential to expand in these areas which offer great opportunities for prospectors and investors alike.

In recent years mineral exploration has increased in several parts of the country. The sector has attracted substantial foreign investment in mineral development exploration, with local investment surpasing one billion US dollars. Recent uranium, coal and nickel finds have spurred interest on the part of investors.
2.6 East African Community

The EAC is the regional inter-governmental organisation of the Republics of Burundi, Kenya, Rwanda, Uganda and the United Republic of Tanzania, headquartered in Arusha, Tanzania. The Treaty for Establishment of the East African Community was signed on 30th November 1999 and entered into force on 7th July 2000 following its ratification by the original three partner states - Kenya, Uganda and Tanzania. The Republic of Rwanda and the Republic of Burundi acceded to the EAC Treaty on 18th June 2007 and became full Members of the Community with effect from 1st July 2007. The Community has a population of over 133.5 million, a combined GDP (nominal) of US$ 75 billion and covers a land mass of over 1.82 million square kilometres, half of this area being Tanzania.

The EAC operates as a Common Market under a Common Market Protocol signed in July 2010 which provides for:

- Free movement of persons
- Free movement of workers
- Right of establishment
- Right of residence
- Schedule on the movement of services
- Schedule on the movement of capital.

The countries operate a common customs procedure which provides for a Common External Tariff (CET) on imports from third countries and duty-free trade between the member states.

The common goal of the member states is to have a common currency by 2012 and full political federation in 2015.
As at June 2010, the status of the complete integration of the EAC into a Common Market was as follows:

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<th>Kenya</th>
<th>Tanzania</th>
<th>Uganda</th>
<th>Rwanda</th>
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<tr>
<td>Movement of goods</td>
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<td>Movement of persons</td>
<td>Amending laws</td>
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<td>Movement of labour</td>
<td>Partial waiver</td>
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<td>Right of establishment and residence</td>
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<tr>
<td>Movement of services</td>
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</tr>
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</table>

2.7    Relationship of Government and Business

The Tanzanian Government encourages private sector participation in economic activities in the country and also engages in public-private partnerships in areas which require a huge capital outlay or technical expertise such as infrastructure development and exploration. The Government has completed divesting its interests in various non-strategic commercial enterprises in which it owned shareholding as part of its privatization programme. The stated aim of the Government is to have minimal interference in the operation of the private sector and is increasingly relegating itself to the role of a regulator rather than an active participant.

Currently most trading licenses are issued free to all businesses. For industrial licenses the fees are quite low at US$ 280 per industry. Certain sectoral registrations like construction, consultants, mining, telecoms, etc. do have to pay fees to the registration authorities in charge of regulating the sector. The fees can differ for entities with non-citizen shareholders as compared to those fully owned by citizens.
2.8 Competition Law

TANZANIA - FAIR COMPETETION ACT & COMMISSION

The Fair Competition Act, 2003, through the establishment of Fair Competition Commission, promotes fair competition in trade and commerce and protects consumers from unfair and misleading conduct by all types of suppliers of products and services. These include various types of prohibitive business practices including certain anti-competitive acquisitions, mergers, false or misleading advertising, sale of defective products and services, price fixing, restrictive bidding, collective boycott by competitors, output restrictions between competitors and similar conducts. It also prohibits businesses from abusing their dominant position in a market. A business has a dominant position if it produces, supplies, distributes or otherwise controls 35% or more of the total goods or services which are produced or rendered in Tanzania or a substantial part of Tanzania.

The Act aims to protect consumers and the public at large from unfair and misleading market conduct by criminalising false or misleading statements of or unconscionable conduct by tradesmen, banks, retailers, wholesalers, insurers, brokers, businesses, suppliers, service providers, manufacturers etc. in connection with the promotion/marketing, supply or possible supply of goods and/or services. It establishes the powers and functions of the Competition Authority (the Authority) which is mandated to implement the Act.

Consumer rights are also protected under this Act and it is an offence to supply goods to customers where the products do not meet the laid out product safety standards. Hence, businesses operating in Tanzania will need to be more cautious about their product and service offering to consumers and their products must comply with consumer safety standards.

This Act has an impact on every sector and player in the economy, including manufacturers, importers and exporters and applies to the private sector as well as the public sector (Government, state corporations and local authorities) in so far as they engage in trade. The Act also applies to conduct outside Tanzania of Tanzanian citizens or residents, companies incorporated or carrying on business in Tanzania and persons supplying goods or services into or within Tanzania.

The Act places a general prohibition against anti-competitive agreements. Any agreement which has as its object or effect, the preventing, restricting or distorting competition in Tanzania falls within the ambit of prohibition. This law governs transactions outside Tanzania as long as the transaction touches a Tanzanian entity or an asset generated or protected in Tanzania.
The Act regulates mergers and acquisitions. Approval of mergers and takeovers are now mandatory. A merger occurs when one or more undertakings directly or indirectly acquire or establish direct or indirect control over the whole or part of the business of another undertaking. Mergers may be achieved by a purchase or lease of shares, acquisition of an interest, or purchase of assets (where an asset is any real or personal property, whether tangible or intangible, intellectual property, goodwill, chose in action, right, licence, cause of action or claim and any other asset having a commercial value) of an entity, exchange of shares between or among undertakings which results in a substantial change in ownership structure through whatever strategy or means adopted by the concerned undertakings or even through amalgamations and vertical integration. The acquisition of a controlling interest in a section of the business of an undertaking capable of itself being operated independently is also considered as a merger whether or not the business in question is carried on by a company.

Furthermore, any acquisition of an undertaking under receivership by another undertaking either situated inside or outside Tanzania or an acquisition by whatever means of the controlling interest in a foreign undertaking that has a controlling interest in a subsidiary in Tanzania, constitutes a merger.

Mandatory approval by the Commission for a merger is required if a transaction falls within the scope of the Act. An application should be made at any time prior to the consummation of the merger or takeover - this is understood to mean before completion or closing of the deal takes place. The Authority is bound, subject to certain exceptions, to make a determination on a merger application within 120 days of receipt of the notification by the Authority.

Any merger carried out in the absence of an authorising order by the Commission, will be of no legal effect, and no obligations imposed on the participating parties by any agreement in respect of the merger are enforceable in legal proceedings. In addition, failure to observe this requirement could lead to imprisonment and / or to a fine.

Under certain circumstances, the FCC may provide exemption from requirements of the Act where the transactions are in national interest and would lead to efficiency, protection for consumers and environment and strengthening of economy in general.

The Act also empowers commission to regulate activities falling under production, marketing, product safety and product information, description, pricing, misrepresentation, advertising, recall of products sold and so on. These areas are covered to ensure that consumers of all types are protected against fraud, misrepresentation, unfair conduct, harassment or any other act of a seller which are detrimental to consumers.

The Act is enforced on Tanzania mainland only and does not cover Zanzibar Government jurisdictions.
3  Types of business entities

The Legal Forms

3.1  Types of Business Entities and Their Formation Procedures

In Tanzania, an investor may establish or participate in a business venture in a number of ways. The principal types of business enterprises in Tanzania are:

• Registered companies (private and public);
• Branch offices of companies registered outside Tanzania;
• Partnerships;
• Sole proprietorships; and
• Associations, Societies and Non-governmental organisations.

3.1.1  Registered Companies (Private and Public)

Companies are registered as limited liability companies and are regulated by the Companies Act, 2002. Tanzania’s legal system is based on English law and practice. A wide range of legal services are locally available.

Limited companies may be public or private. A private company is prohibited from inviting the general public to subscribe for its shares and it cannot have more than 50 members excluding persons in employment of the company. A public company may offer its shares to the general public. There is no maximum number of members and its shares are freely transferable. It may be able to raise capital by listing its shares on the stock exchange.

The process of registering a company in Tanzania may take up to four weeks and includes:

• Reservation and approval of a name by the Registrar of Companies. The company name reservation lasts 30 days and can be renewed for a similar period. The associated cost is Shs. 50,000 per each name submitted for reservation.
• Preparation of the Memorandum of Association (setting out amongst other things the object of the company and its authorised and issued capital) and Articles of Association (setting out the procedures governing the operations of the company). A private company will require at least 2 subscribers, while a public company will require at least 7.

• Completion of various forms including Statement of Nominal Capital, Particulars of Directors and Shareholders, Situation of Registered Office and Certificate of a Lawyer involved in the Formation of the Company. In addition to the above, a public company is required to complete Consent to Act as Directors, List of Persons who have Consented to Act as Directors and the Statement in Lieu of Prospectus forms.

• Stamping of the Memorandum of Association and Articles of Association and the Statement of Nominal Capital at the Lands Office together with payment of stamp duty on Nominal Capital. Stamp duty payable is 1% of the capital (subject to a maximum of Shs. 300,000) plus a fixed fee of Shs 5,000 for the stamping of each copy of the Memorandum and Articles of Association and filing fees of Shs. 51,200 for statutory forms 14(a) and 14(b).

• Issue of a Certificate of Incorporation by the Registrar of Companies.

The Companies Act also allows for the formation of a company limited by guarantee and not having a share capital. These are normally used for the formation of charitable foundations and not-for-profit entities. There are special requirements for the formation of such companies, and the period of formation may take up to 1 month.

3.1.2 Branch Office of an Overseas Company

A company incorporated outside Tanzania may carry on business in Tanzania through a branch. In order to establish a branch, the following documents and details must be submitted to the Registrar of Companies before establishing such a branch:

• Statutory Form 434, duly filled and signed by the directors of the entity;
• A certified copy of the Charter, Statutes or Memorandum and Articles of the company, or other instruments defining the constitution of the company;
• A list of the directors and the secretary of the company;
• A certified copy of the last audited accounts of the company in the country of its incorporation;
• A statement of all existing charges entered into by the company affecting properties in country of its incorporation;
• Names and residential and postal addresses of one or more persons resident in Tanzania authorised to accept, on behalf of the company, service of notices required to be served on the company;
• Full address of the registered or principal office of the company in its home country; and
• Full address of place of business of the branch in Tanzania.

The filing fees payable is US$ 1,100. Once the process is complete, the Registrar will issue a Certificate of Compliance. The process may take up to 4 weeks.

Companies that may want to have representative or liaison offices are required to register using the above process.

3.1.3 Partnership

The law relating to partnerships is largely contained in the Law of Contract Act, Chapter 345.

A partnership may be formed by any kind of agreement. This need not be formal but is usually in writing and is called Partnership Deed. The relevant applicable law is Law of Contract Ordinance Cap. 433. Whether the partnership trades under the names of the partners or by a separate name, the business name(s) to be used by the partnership must be registered under the Business Names (Registration) Ordinance.

A Partnership is required to file the statement of particulars form with the Registrar of Companies together with a filing fee of Shs 6,000. The form has to be signed by all the partners. Partnership agreements must be filed with the Registrar at Business Registrations and Licensing Agency (BRELA). The Registrar will then issue a Certificate of Registration and an “extract” certifying the name(s) of the partnership and the names of partners. The process may take up to two weeks.

3.1.4 Sole Proprietorship

A sole proprietor is personally liable for all debts incurred. Whether a proprietor trades under his personal name or any other name, the business name used by the proprietor have to be registered under the Business Names (Registration) Ordinance (Cap. 213). The proprietor is required to file the Statement of Particulars form with the Registrar of Companies together with a filing fee of Shs 6,000. The Registrar will then issue a Certificate of Registration and an “extract” certifying the name of the business and the name of the proprietor. The process may take up to two weeks.
3.1.5 Associations, Societies and Non-Governmental Organisations

Societies, which include NGOs, charitable organisations, associations, etc. are usually formed for the purposes of trade associations, not-for-profit organisations and similar organisations. They are regulated under the Non Governmental Organisations Act, 2002, as amended in 2005.

These registrations fall under the Ministry of Community Development, Gender and Children and registrations are done on completing all the statutory forms, presentation of the constitution and a list of founding members and Directors with their personal details. The board of directors and founding members must include at least two Tanzanian nationals.

The proposed entity must submit the application and the notification of registered office and postal address of the society together with the society constitution in duplicate accompanied by a registration fee. These fees vary based on the geographical level at which the NGO is registered. The fees are Shs. 41,500 for registration at district level, Shs. 56,500 for registration at regional level, Shs. 66,500 for registration at national level and US$ 267 for registration of an international NGO. The annual fees payable are Shs. 50,000 for a local NGO and US$ 60 for an international NGO. The application is considered by the Registrar of NGOs normally within three months after the receipt of application. Upon registering the entity, the Registrar shall issue to the society a certificate of registration in the prescribed form.

Every NGO must submit an activity report to the registrar each calendar year. Failure to do so can result in de-registration of the NGO by the Registrar.

3.1.6 Tax Identification Number and VAT Registration

All businesses are required to obtain a Tax Identification Number (TIN). This is the tax registration document. An application for a TIN is to be made to the Tanzania Revenue Authority in the region where the business intends to be established. Such application can only be done after completing the company registration formalities and obtaining the Certificate of Incorporation/Registration. On some occasions, the proprietor or partners or directors may be called to the TRA office where the registering officer wishes to interview the applicant company and its directors. The application form must be accompanied by the first provisional tax return for the year during which the registration is applied for. This form is officially called “statement of estimated tax payable” or SETP.
When undertaking the TIN registration online, the taxpayer is required to endorse the tax obligations in the systems which are applicable to it. These include corporation tax, PAYE, income tax, withholding tax, etc.

Where the taxpayer is required to register for Value Added Tax (VAT), such registration can be done by submitting relevant application form, but only after obtaining TIN certificate and requires some additional documents, namely, proof of availability of business premises, photographs and copies of passports of directors / partners and business license from local or central government body responsible for the business sector.

All employees and directors/partners/sole proprietor are also required to have an individual TIN. This needs to be done in the same manner as the applications for business entities.

### 3.1.7 Accounting Period Ends

The financial period end needs to be agreed at the time of submission of the application of the TIN. The Income Tax Act permits incorporated businesses to choose any period end. However, certain laws e.g. the Banking Act and the Insurance Act require banks and insurance companies to have an accounting period ending on 31st December of each year. Unincorporated businesses (partnerships and sole proprietors) are also required to have accounting periods ending on 31st December. Incorporated businesses which are not suitable to have a 31st December ending, can change their period end with prior written approval of the Commissioner by giving at least a 6 months’ notice before the date to which the financial statements are intended to be made up to.

Unless required by law, the first period end for the preparation of audited financial statements can be 18 months from the date of commencement of business.

### 3.1.8 Investment Approval Process

To facilitate the investment approval process, the Tanzania Investment Centre (TIC) operates a one-stop office as the focal point for investor assistance in the acquisition of relevant licences and permits from various Government Ministries, amongst other services.
Potential investors are required to submit their project applications to the TIC in a prescribed form and submit it together with the Certificate of Incorporation, Memorandum and Articles of Association, TIN, proof of availability of land and/or buildings, copies of registration with relevant ministry in charge of regulating the particular sector, bank’s reference letter and a resolution of the Board of Directors of the company approving application to TIC. TIC may seek further information or clearances e.g. an environmental impact assessment study from National Environmental Management Council (NEMC) or a certificate of no objection from Fair Competitions Commission.

The application form is available on payment of a fee of US$ 100. The final certificate of approved enterprise is issued after the project proposal has been approved by TIC and on payment of a fee of US$ 750.

Investors who wish to export more than 70% of their production and add value to finished goods can locate under Export Processing Zones Authority (EPZA). There are parcels of land available within the premises owned and managed by EPZA or investors can locate in one of the industrial buildings located within EPZ designated parks located in Dar es Salaam and Bagamoyo. These are owned and managed by private firms but governed by EPZA regulations. Locating in these areas offer lucrative tax breaks and exemptions from various tariffs on importation of capital goods, materials and other inputs.

3.2 Capital Contribution

3.2.1 Capital

The Memorandum of Association for a limited liability company lays maximum capital that a company is permitted to issue. This authorised level of capital is known as the “authorised” or “nominal” share capital. The company can fully issue its authorised capital or can have a certain amount of capital which remains unissued. The capital issued is known as the “issued” share capital. Shares can be issued at par (the face value of the shares) or at a premium.

The authorised capital can be increased by an ordinary resolution of members in a general meeting. Resolution and statutory form (no. 66) of increase of Nominal Capital has to be submitted to the Registrar of Companies for stamping within 30 days from the date of passing of the resolution. The rate of stamp duty payable is 1% of the amount by which the capital is increased, subject to total stamp duty of Shs. 300,000, including the stamp duty paid on incorporation.
Any allotment of shares done after the incorporation of the company must also be passed by a resolution of members and submitting the statutory form (55a) to the Registrar of Companies within 30 days after the approval of the members at a general meeting called for the purpose. The allotment of shares cannot exceed the authorised capital of the company.

3.2.2 Regulation of Foreign Investment

Subject to a few restrictions on owning shares in financial institutions and companies listed of Dar es Salaam Stock Exchange, the owning of land and buildings, transport and communications businesses, there are no restrictions on the percentage of equity that foreign nationals may hold in locally incorporated companies. However, having local partners assists access to local knowledge and market conditions. Subject to certain restrictions in the financial services sector and the owning of agricultural land, there are no regulations restricting joint venture arrangements between Tanzanians and foreigners, or prohibiting the acquisition of Tanzanian firms by foreign-owned firms. These are matters subject to mutual agreement between partners.

3.2.3 Thin Capitalisation

Thin capitalisation arises where a company falls under the definition of “exempt controlled entity”. Such a company can be one which is incorporated in Tanzania and is controlled by a non-resident person alone or together with 4 or fewer other persons or is a branch of a foreign company, also called a “Permanent Establishment” or a company exempted by the Minister under section 10 of the Income Tax Act.

Such companies are restricted in expensing the interest costs incurred during a year of income on the basis of ratio of 3:7 equity to debt. In addition, any interest expense which equals to interest earned can be fully allowed. That means the interest expense to be allowed cannot exceed interest cost on interest bearing debts of 7 shillings for every equity of 3 shillings. Equity would include all the accumulated funds and reserves distributable to the qualifying shareholders. The remaining interest costs being disallowed cannot be carried forward in the subsequent years. Debt excludes non-interest bearing debt obligation, a debt obligation owed to a resident financial institution or debt obligation owed to a non-resident bank or non-resident financial institution on whose interest tax is withheld in Tanzania.
3.3 Audit Requirements

All companies in Tanzania formed under The Companies Act, 2002, are required to have their financial statements audited at the end of each financial year. Companies, unless specifically restricted under a certain Act, can prepare their first set of financial statements for an eighteen month period from the date of commencement of operations and with prior permission of the Commissioner General of Tanzania revenue Authority.

Section 170 of the Companies Act requires that every company appoint an auditor, qualified as per the Accountants Act. The first auditor may be appointed by a resolution of the directors at any time before the first Annual General Meeting. The auditors shall hold office until the conclusion of that meeting. Subsequently, the auditor is appointed at each Annual General Meeting.

Section 171 provides for exemption from appointment of auditors to qualifying privately held companies subject to certain criteria laid down under the section. Where such exemption is valid, the Directors must provide a certificate as per Section 172 of the Act.

Societies and NGOs are also required to have their financial statements audited in accordance with Section 29 of the NGO Act. Partnerships and sole proprietors do not have any audit requirements; however by practice many of the large partnerships and sole proprietors have their financial statements audited.

3.4 Company Secretary

Any company registered under the Companies Act, except a company operating under a Certificate of Compliance, is required to appoint a Company Secretary. The duty of the Company Secretary includes amongst other things maintaining the statutory books of the company and filing the relevant returns. A company operating under a Certificate of Compliance is required to file a return showing the Company Secretary in the country of origin.

There are no such requirements for a partnership or a sole proprietor and no annual returns need to be filed.

Associations, NGOs and societies must file their annual returns with Registrar of NGOs.
3.5 Annual Statutory Filing

Every limited liability company and a company limited by guarantee must at least once in every year make an Annual Return which must be prepared within fourteen days of the Annual General Meeting and filed with the Registrar of Companies within 28 days of the return date.

For a public limited liability company, the return must be filed together with a certified copy of the audited financial statements. Private limited liability companies are not bound by this provision.

Every association, society and NGO must also file Annual Returns of the previous year latest by 31st March in the prescribed form signed by 3 officers of the society.

Branches of foreign companies operating under a Certificate of Compliance, partnerships and sole proprietors are not required to file any annual statutory returns.

3.6 Other Returns

Companies incorporated under the Companies Act or NGO Act, are required to file forms with the applicable Registrar on the change of directors/partners, change of registered office/principal place of business and changes in nominal, paid up capital and charges created on assets of the company, amongst other things. All forms are subject to payment of a nominal filing fee and have to be filed within a stipulated time after the change.
4 Taxation

4.1 Overview of Tanzania Tax System

The Tanzanian tax system comprises both direct and indirect taxes. These taxes are a major source of Government revenue and include Income Tax, Customs and Excise Duties and Value Added Tax (VAT).

The collection and administration of these taxes falls under the responsibility of the Tanzania Revenue Authority (TRA), which was established in 1995. Penalties and interest levied for non-compliance with the tax legislation are punitive, and new investors are advised to familiarise themselves with the tax regime in Tanzania before commencement of business. Brief descriptions of various taxes are given below.

4.2 Corporate Tax

4.2.1 Basis of Taxation and Tax Rates

This is a direct tax on profits made by corporate entities and it has its legal basis in the Income Tax Act, 2004. Tanzanian income tax is payable at the corporation rate by companies and unincorporated organisations and associations (excluding partnerships, sole proprietorships, and interest or dividend paid by a designated financial institution) that have taxable income as defined by the Income Tax Act.

The income of a partnership or a sole proprietorship is not taxable on the business entity but is taxed on the individual partner or the proprietor. Each partner of a partnership and a sole proprietor is therefore required to declare his/her business and professional income as part of his/her personal income and pay tax according to his respective personal tax bracket.

On the application to the Commissioner, exemptions from income taxes may be granted to entities of public character established solely for the relief of poverty or distress of the public and religious organisations for the advancement of religion, education, health and alleviation of poverty. The application for exemption from payment of income taxes is approved by the Commissioner under Section 64 of the Act by way of a ruling made under Section 131 of the Act.
The Income Tax Act prescribes a charge of income tax on all income of persons, whether resident or non-resident, which accrues in or is derived from Tanzania or outside Tanzania. A resident person in relation to a body of persons (body corporate) means:

- that the body is a company incorporated under a law of Tanzania; or
- that the management and control of the affairs of the body was exercised in Tanzania in a particular year of income under consideration; or
- that the company has a branch or an exclusive agent or has a place of business in Tanzania for a period exceeding six months in any year of income; or
- that the body has been declared by the Minister by notice in the Gazette to be resident in Tanzania for any year of income.

Where a business is carried on or exercised partly within and partly outside Tanzania by a resident person, the whole of the gains or profits from that business shall be deemed to have accrued in or to have been derived from Tanzania.

The tax rates do not differ between resident and non-resident companies as outlined in the table below.

<table>
<thead>
<tr>
<th></th>
<th>% rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident company</td>
<td>30%</td>
</tr>
<tr>
<td>Foreign owned company</td>
<td>30%</td>
</tr>
<tr>
<td>Non-resident company operating as a branch under Certificate of Compliance</td>
<td>30%</td>
</tr>
<tr>
<td>Export Processing Zone enterprises</td>
<td></td>
</tr>
<tr>
<td>• First 10 years</td>
<td>Nil</td>
</tr>
<tr>
<td>• After 10 years</td>
<td>30%</td>
</tr>
<tr>
<td>Newly listed companies following the year of listing</td>
<td></td>
</tr>
<tr>
<td>List at least 25% of its shares</td>
<td></td>
</tr>
<tr>
<td>• First 3 years</td>
<td>25%</td>
</tr>
<tr>
<td>• After the first 3 years</td>
<td>30%</td>
</tr>
<tr>
<td>List at least 30% of its shares - tax rate for unlimitd period</td>
<td>25%</td>
</tr>
</tbody>
</table>
Branches of non-resident companies (Permanent establishments) are taxable on all their incomes derived from or accrued in Tanzania.

Alternate Minimum Tax applies at the rate of 0.3% of turnover for companies with unrelieved tax losses for a period of three years. The tax will be payable starting from the third year of losses.

A permanent establishment is defined under the Income Tax Act as a place of business in which that person carries on business and includes:

- A place where a person is carrying on business through an agent, other than a general agent of independent status;
- A place where a person has used or installed or is using or installing substantial equipment or machinery; and
- A place where a person is engaged in a construction, assembly or installation project for six months or more, including a place where a person is conducting supervisory activities in relation to such a project.

Tax losses can be carried forward to the succeeding years without limitation.

4.2.2 Specified Sources of Income

Income tax is charged on the income of a resident person from employment, business and investment for the year of income irrespective of the source of income. Non residents are taxed on their income only to the extent the income has a source in Tanzania.

Tanzania residents are taxed on their worldwide employment income while non residents are taxed on income from employment with a Tanzanian resident employer or permanent establishment in Tanzania, and on other income with a source in Tanzania.

Payments of the following amounts are deemed to be sourced in Tanzania:

- Dividends paid by a resident corporation;
- Royalties paid with respect to use of an asset in Tanzania;
- Interest paid by a resident person or domestic permanent establishment;
- Rents for an asset situated in Tanzania;
- Natural resources payments for resources situated in Tanzania;
- Insurance premiums paid in respect of any risk in Tanzania;
- Services performed in Tanzania;
- Payments in respect of domestic assets or liabilities; and
- Payments in respect of activities conducted or forbearance from activities conducted in Tanzania.
4.2.3 Export Processing Zone Enterprises

An Export Processing Zone (EPZ) enterprise is an enterprise which is operated in a designated export processing zone defined under the Export Processing Zones Act, 2002. Such enterprises are exempt from paying any corporation tax for a period of 10 years from commencement of activities for which the enterprise has been licensed.

During the first 10 years where an EPZ enterprise is exempt from taxation:

- Withholding tax on rent, dividends and interest; and
- All taxes and levies imposed by local government authorities

Other benefits enjoyed by EPZ enterprises include:

- Remission of customs duty, VAT, and any other tax payable on raw materials and goods of a capital nature. The relief on capital goods is limited to 8%
- Access to the export credit guarantee scheme
- Exemption from pre-shipment or destination inspection requirements
- On site customs inspection of goods
- Provision of business visas at the point of entry to key technical, management and training staff for a maximum period of two months; thereafter the requirements to obtain a residence permit applies
- Entitlement of automatic immigration quota for five persons
- Treatment of goods destined for the EPZ as transit cargo
- Exemption from VAT on utility and wharfage charges and
- Unconditional foreign exchange transferability.

Employees and directors, other than non-residents, of an EPZ enterprise are however liable to personal income tax, and the EPZ enterprise is required to comply with rules and regulations in relation to the operation of PAYE.
4.2.4 Deductibility of Expenses

Subject to certain restrictions, all expenditure which is wholly and exclusively incurred in the production of that income shall be deducted in arriving at the taxable income including capital allowances and investment deductions.

The following expenses are specifically allowable:

• Interest incurred under a debt obligation. However, interest payments by an exempt controlled company are disallowed to the extent that they exceed the sum of interest income plus 70% of the total income excluding interest. Any interest for which a deduction is denied cannot be carried forward.
• Trading stock
• Repairs and maintenance incurred in respect of depreciable assets owned by the entity and wholly and exclusively used in the production of income
• Expenses incurred on agricultural improvement, incurred in conducting an agriculture, livestock farming or fish farming business in clearing land and excavating irrigation channels or planting perennial crops or trees bearing crops
• Environmental expenses incurred by the owner or occupier of farm land for the prevention of soil erosion or remedying any damage caused by natural resource extraction operations to the surface of the land
• Research and development expenditure
• Gifts to public and charitable institutions not exceeding 2% of an entity’s income
• Amounts paid to local government which are statutory obligations to support community development
• Any donation made to the Education Fund Act, subject to the approval from the Commissioner
• Retirement contributions to approved retirement fund
• Losses on realization of business assets and liabilities and
• Losses from a business or investment

The following expenses are specifically disallowed:

• Non-business and personal expenses (expenses not wholly and exclusively incurred in the production of income);
• All donations with the exception of those specified above;
• School fees;
• General and other provisions for bad debts with the exception of those specified above;
• General provision for gratuities/leave pay/staff dues (specific provisions are allowed provided these have been taxed on the recipient);
• Other general provisions;
• Capital expenditure, or any loss, diminution or exhaustion of capital;
• Capital repairs and maintenance including costs of extensions or replacements of buildings unless specified above;
• Fines and penalties for breach of law
• Unrealised foreign exchange losses;
• Restricted interest as stated earlier for exempt controlled entity and
• Depreciation and amortisation.

4.2.5 Capital Allowances

Wear and Tear Allowance

Where during a year of income, machinery owned by a person is used by him for the purposes of his business, there shall be made in computing his gains or profits for that year of income a deduction referred to as a “wear and tear deduction”. The deduction is calculated on cost, net of any investment deduction allowance and based on method specified under each class.

<table>
<thead>
<tr>
<th>Nature</th>
<th>% rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class 1: Computers and data handling equipment together with peripheral devices, buses with a seating capacity of under 30 passengers, goods vehicles with a load capacity of less than 7 tons, construction &amp; earthmoving equipment. (Light vehicles including non-commercial vehicles - restricted value Shs. 15,000,000).</td>
<td>37.5% Reducing balance method</td>
</tr>
<tr>
<td>Class 2: Buses with a seating capacity of more than 30 passengers, heavy general purpose or specialised trucks, trailers and trailer mounted containers, railroad cars, locomotives &amp; equipment, vessels, barges, tugs, and similar water transportation equipment, aircrafts, other self propelling vehicles, plant &amp; machinery (including windmills, electric generators and distribution equipment) used in manufacturing or mining operations, specialised public utility plant &amp; equipment and machinery or other irrigation installations and equipment.</td>
<td>25% Reducing balance method</td>
</tr>
<tr>
<td>Class 3: office furniture, fixtures and office equipment and any other asset not included in any other class of assets.</td>
<td>12.5% Reducing balance method</td>
</tr>
<tr>
<td>Class 4: natural resource exploration and production rights And assets in sub-paragraph (3) in respect of natural resource prospecting, exploration and development expenditure.</td>
<td>20% straight line method</td>
</tr>
<tr>
<td>Class 5: Buildings, structures, dams, water reservoirs, fences and similar works of permanent nature used in agriculture, livestock farming or fish farming</td>
<td>20% straight line method</td>
</tr>
</tbody>
</table>
4.2.6 Business with Non-Resident Persons, Transfer Pricing and Anti-Tax Avoidance Provisions

The Income Tax Act empowers the Commissioner to adjust profits accruing to a Tanzanian resident where such a person enters into transactions with non-residents and the transactions are such that they produce either no profits or less than the ordinary profits which might be expected to accrue to the resident person if the transactions had been conducted by independent persons dealing at arm's-length. The Act also gives powers to the Minister to issue guidelines for the determination of the arm's-length value of a transaction.

4.2.7 Tax Returns

Each corporate entity (including an EPZ enterprise) is required to file a self assessment return called Statement of estimated Tax payable (SETP). In addition, a company is required to file revised tax return.

All taxpayers, including individuals, association, societies, clubs, partnerships, incorporated entities, branches of entities incorporated outside Tanzania are required to file a final tax return (together with the audited financial statements) within 6 months after the end of the accounting period.
4.2.8  Advance, Instalment and Final Tax Payments and Deadlines

Tax payments are made by the payment of:

- Advance taxes and other taxes deducted at source e.g. withholding tax;
- Instalment taxes; and
- Final tax (being the difference between the total tax liability for the year less advance and other taxes deducted at source and instalment taxes paid).

Instalment taxes are payable quarterly on the last day of the quarter (or the last working day before the end of the quarter where this falls on a Saturday, Sunday or a public holiday) as follows:

<table>
<thead>
<tr>
<th>Instalments</th>
<th>Due date</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st instalment</td>
<td>3rd month</td>
<td>25%</td>
</tr>
<tr>
<td>2nd instalment</td>
<td>6th month</td>
<td>25%</td>
</tr>
<tr>
<td>3rd instalment</td>
<td>9th month</td>
<td>25%</td>
</tr>
<tr>
<td>4th instalment</td>
<td>12th month</td>
<td>25%</td>
</tr>
</tbody>
</table>

The basis of assessing instalment tax is the income subject to corporate tax assessed by the entity, including all incomes not subject to any final withholding taxes.

The final tax due is required to be paid on or before the end of the sixth month after the year-end or the last working day before the month-end where it falls on a Saturday, Sunday or a public holiday.

The total taxes paid on instalments plus any non-final withholding taxes paid should be more than 80% of the final tax liability established at the time the final tax return is submitted.

Failure to estimate tax correctly will result in interest charges payable as per the statutory rate for the year of income.
4.2.9 Set-Off of Tax

Where a taxpayer has any tax or duty payable to the TRA (except VAT and duty on imports), such tax may be offset on request against any refund of tax or duty confirmed by TRA. Any such request for offset must be made to the Commissioner.

4.3.1 Introduction


4.3.2 Basis of Taxation and Tax Rates

A Tanzanian resident is taxed on his worldwide employment income, while a non-resident is taxed on income from employment with a Tanzanian resident employer or a permanent establishment in Tanzania of a non-resident employer. Pension received by a resident individual from a pension fund established outside Tanzania will be subject to tax.

An individual is resident in Tanzania if he has a permanent home in Tanzania and was present in the country at any time during a particular year of income, or if he has no permanent home in Tanzania but was present in Tanzania for a period or periods amounting in the aggregate to more than 183 days in that year of income. Furthermore, an individual is also resident if he has no permanent home in Tanzania but was present in Tanzania in that year of income and in each of the 2 preceding years of income for periods averaging to 122 days in each year of income.

Taxable income from employment includes wages, salary, commission, bonus, allowances and directors’ fees. Travelling, entertainment and other similar allowances are taxable unless they are purely a reimbursement of expenses incurred by the employee in the course of their employment.

Each employer is required to operate The Pay As You Earn (PAYE) system of withholding tax at source from employment income paid to employees and remitting the same to TRA. The PAYE rules set out the manner in which the system is to be operated and also prescribes the monthly and semi-annual returns that are to be provided to TRA.
The current Personal Income Tax rates are as follows:

<table>
<thead>
<tr>
<th>Taxable Income Shs. p.m - 2012/2013</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>First 170,000</td>
<td></td>
</tr>
<tr>
<td>&gt;170,000</td>
<td>360,000</td>
</tr>
<tr>
<td></td>
<td>14% of the amount in excess of Shs 170,000</td>
</tr>
<tr>
<td>&gt;360,001</td>
<td>540,000</td>
</tr>
<tr>
<td></td>
<td>26,600 plus 20% of the amount in excess of Shs 360,000</td>
</tr>
<tr>
<td>&gt;540,001</td>
<td>720,000</td>
</tr>
<tr>
<td></td>
<td>Shs 62,600 plus 25% of the amount in excess of Shs 540,000</td>
</tr>
<tr>
<td>&gt;720,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shs 107,600 plus 30% of the amount in excess of Shs 720,000</td>
</tr>
</tbody>
</table>

Secondary employees who are residents and provide services to resident employers are subject to 30% tax on their emoluments. A secondary employment refers to employment with an employer who is not the primary employer of the employee.

4.3.3 Taxation of Benefits

As a general rule, all non-cash benefits are taxed at prescribed values and in the absence of this at their market value.

**Tax Free Benefits**

- Exempt amounts and certain payments where withholding tax is a final tax.
- Cafeteria services provided within the employer’s premises provided that those services are available on a non-discriminatory basis.
- Payment for medical services including insurance premiums for staff on a non-discriminatory basis for employee, spouse and up to 4 children.
- Foreign sourced income of expatriate resident for less than two years.
- Any subsistence, travelling, entertainment or other allowance representing reimbursement of amounts expended wholly and exclusively in the production of employment income.
- Benefits derived from use of motor vehicle where the employer does not claim any deduction or relief in relation to the ownership, maintenance or operation of the vehicle.
- Benefits derived from the use of residential premises by an employee of the government or any institution whose budget is fully or substantially out of government budget.
- Passages where the individual is domiciled more than 20 miles from the place of employment, for employee, spouse and up to 4 children.
• Retirement contributions and payments exempted under the Public Service Retirement Benefits Act, 1999.
• Payment that is unreasonable or administratively impracticable for the employer to account for or allocate to the recipients.
• Tax deduction on donations stipulated in the Education Fund Act 2011, subject to the Commissioner’s approval upon submission of an application for deduction.

**Taxable Employment Benefits**

a. **Motor Vehicles**

Taxed according to engine size and vehicle age on following annual values:

<table>
<thead>
<tr>
<th>Engine size</th>
<th>Up to 5 years old - Shs per annum</th>
<th>Over 5 years old - Shs per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 1000cc</td>
<td>250,000</td>
<td>125,000</td>
</tr>
<tr>
<td>1000 - 2000cc</td>
<td>500,000</td>
<td>250,000</td>
</tr>
<tr>
<td>2000 - 3000cc</td>
<td>1,000,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Over 3000cc</td>
<td>1,500,000</td>
<td>750,000</td>
</tr>
</tbody>
</table>

This benefit will not be taxable on the employee if the employer does not claim any deduction or relief in relation to ownership, maintenance, or operation of the vehicle.

b. **Housing**

The lesser of:

• The market rental value of the premises; and
• The greater of: 15% of the employee’s total income for the year of income; and the expenditure claimed as a deduction by the employer with respect to the premise.

c. **Employee Loans**

Loans made to directors or employees or their relatives at favourable interest rates give rise to a taxable benefit. The amount of the benefit, which is taxed monthly under the PAYE system, is the difference between the interest actually paid on the loan and the statutory rate as determined by the Commissioner.
d. Pension and Provident Funds

- The amount that is deductible against taxable income of an employee for contributions made by an employee to a registered fund, including the National Social Security Fund (NSSF), up to half of the actual contribution paid or the statutory amount.
- Registered funds must comply with conditions laid down by the Commissioner, which mainly have to do with limits on contributions and circumstances in which benefits can be paid out. Registration requires the Commissioner’s approval. The income of registered funds is exempt from tax to the extent that it relates to members retirement contributions and payments.

4.3.4 Tax Returns and Payment Deadlines

Every person with income chargeable to tax including a partner in a partnership and a sole proprietor, with the exception of individuals earning only employment income which is fully taxed at source, is required to file a Return of Income. The Return is due for filing no later than six months after the end of each year of income.

Every employer who is an instalment payer for a year of income is required to file a provisional return with the Commissioner. All resident persons who conduct agricultural business are required to file the return by September of the year of income and for all other resident persons, on or before the third month for the year of income.

Every employer operating the PAYE system is required to file the following returns:

- Employment Taxes Payment Credit Slip - To be stamped by the bank on payment of PAYE and Skills and Development Levy (SDL) deductions. To be paid by the 7th of the following month or the last working day before the 7th where this falls on a Saturday, Sunday or a public holiday.
- PAYE Deduction Summary to be completed and filed half yearly. The deadline is the end of the month following the six month calendar period i.e January to June summary by end of July and July to December by the following month end.

4.3.5 Advance, Instalment and Final Tax Payments and Deadlines

Under the PAYE rules, all deductions made by an employer must be paid on or before the 7th day of the following month or the last working day before the 7th where this falls on a Saturday, Sunday or a public holiday.

For a resident individual whose only source of income is from employment or whose only income is from capital gains on investments, Return of income is not required.
4.4 Withholding Tax

Withholding tax is deducted on payment by a resident person or a non-resident person with a permanent establishment on certain income deemed to have been derived from Tanzania (irrespective of whether paid to resident or non-resident persons). Withholding tax deducted is payable by the 7th day of the following month (or the last working day before the 7th where this falls on a Saturday, Sunday or a public holiday). Withholding tax return is required to be submitted by the end of the following month in which the withholding tax is paid. In addition, withholding tax returns are required to be filed with TRA semi annually, namely by 31 July for the period January to June and by 31 January for the period July to December. The rates of withholding tax are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Resident</th>
<th>Non-resident</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance premium</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Technical services to mining companies</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Service fees</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>Natural resource payment</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Royalty</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>interest</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Rent:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Land and buildings</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>• Aircraft lease</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>• Other assets</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>Dividends:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• To company controlling 25% or more</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>• From DSE listed company</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>• otherwise</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

Payments for goods and services by any business to suppliers without TIN are subject to 2% withholding tax.
4.5 Income Tax Penalties

The Income Tax Act provides for various penalties in case of non-compliance. The Commissioner has discretionary powers under the Act to remit penalties and interest where the person liable shows good cause. Some of the penalties levied under the Income Tax include:

<table>
<thead>
<tr>
<th>Failure to keep adequate books of account, file a provisional return or file a final return</th>
<th>The higher of 2.5% of the difference between the income tax payable and the amount of income tax paid by the start of the month or Shs 10,000 in the case of an individual or Shs 100,000 in the case of a corporation.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure by a withholding tax agent to file a return</td>
<td>The statutory rate applied to the amount of income tax required to be withheld during the month in which the failure relates or Shs 100,000 whichever is higher.</td>
</tr>
<tr>
<td>Penalty for making false or misleading statements</td>
<td>Where the omission or statement is made without reasonable excuse, 50% of the underpayment of tax. Where the omission or statement is made knowingly or recklessly, 100% of the underpayment of tax.</td>
</tr>
<tr>
<td>Penalty for aiding and abetting</td>
<td>100% of the tax unpaid.</td>
</tr>
<tr>
<td>Interest on underestimated instalment tax</td>
<td>Applicable when the margin by which a tax payer’s estimated instalment tax paid is less than 80% of the actual income tax payable for the year of income. The interest payable is the statutory rate compounded monthly applied to the difference between the instalment tax paid and the instalment tax that would have been payable.</td>
</tr>
<tr>
<td>Interest on failure to pay tax</td>
<td>Interest for each month or part of the month for which any of the tax is outstanding calculated at the statutory rate, compounded monthly, and applied to the amount outstanding at the start of the period.</td>
</tr>
<tr>
<td>Offence of failure to comply with the Act</td>
<td>Where the failure results to an underpayment of tax exceeding Shs 500,000, a fine of not less than Shs 100,000 and not more than Shs 500,000. In any other case, to a fine of not less than Shs 25,000 and not more than Shs 100,000</td>
</tr>
</tbody>
</table>
| Offence of failure to pay tax | Any person who without reasonable excuse fails to pay any tax on or before the date on which the tax is payable commits and offence shall be liable on summary conviction:  
  • Where the failure is to pay tax in excess of Shs 500,000, to a fine of not less than Shs 250,000 and not more than Shs 1,000,000, imprisonment for a term of not less than three months and not more than one year or both; and  
  • In any other case, to a fine of not less than Shs 50,000 and not more than Shs 250,000, imprisonment for a term of not less than one month and not more than three months or both. |
4.6 Income Tax Objection and Appeals

The relevant legislation for objections and appeals against assessments and other matters determined by TRA is Tax revenue Appeals Act, 2000.

Where a taxpayer receives an assessment from the Commissioner, he may within 30 days of the service of the assessment object to the assessment. All such objections shall be accompanied with supporting documentation and the return of income. The Commissioner may amend the assessment in accordance with the objection; amend the assessment in light of the objection according to the best of his judgement; or refuse to amend the original assessment.

Where the taxpayer still disputes with the original or the amended assessment, he may appeal to the Tax Revenue Appeals Board followed by the Tax Revenue Appeals Tribunal by first giving the Commissioner a Notice of Appeal within 30 days of being issued with the assessment, and the appeal is lodged with the Board within 45 days following the date on which the notice of final determination of assessment of tax is served on the appellant.

Where a taxpayer is not satisfied with the ruling or decision of the board, the taxpayer may file an appeal with the tribunal within 30 days after the decision of the board and by giving a notice to TRA of the filing of the objection at the Tribunal within 15 days after the objection is filed with the Tribunal.

A further right of appeal against the decision of the Tribunal lies with the Court of Appeal.
4.7 Double Taxation Treaties

Tanzania has entered into double taxation treaties which mitigate the tax chargeable on the income of persons derived from a country other than the country in which they are resident. Countries with which Tanzania has such treaties are Canada, Zambia, Sweden, Italy, India, Denmark, Norway, Finland and South Africa.

4.8 Value Added Tax

4.8.1 Basic Concepts and Rates

The operation of VAT has its legal basis in The Value Added Act, 1997. The Schedules referred to below are Schedules of the VAT Act.

VAT is levied on:

- The supply of goods or services, where it is a taxable supply made by a taxable person in Mainland Tanzania in the course of or in furtherance of any business; or
- The importation of taxable goods or services into Mainland Tanzania.

VAT is payable by the:

- Taxable person making the taxable supply;
- The importer of imported goods; or
- The recipient of imported services (reverse VAT).

A taxable person who makes or intends to make taxable supplies of taxable goods or services, or both, the value of which is Shs 40 million or more in a period of 12 months is required to be registered under the VAT Act. In the case of an importer of goods or services, the onus to pay VAT is on the importer.

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard rate on supply of goods and services</td>
<td>18%</td>
</tr>
<tr>
<td>Import of goods and services</td>
<td>18%</td>
</tr>
<tr>
<td>Export of goods and qualifying services</td>
<td>0%</td>
</tr>
</tbody>
</table>

Import of capital goods qualifies for special relief of 8% or 18% depending on the nature of the business. (or 45% of VAT payable).
An exempt supply is a supply of goods specified in the Second Schedule of the VAT Act. Where a person makes exempt supplies:
- No tax is charged on the exempt supplies.
- The value of exempt supplies is disregarded in determining the annual registration threshold.
- Any input VAT suffered in the provision of exempt supplies is not deductible as input VAT and is therefore a cost to the person.

A zero-rated supply is a supply of goods and services listed in the First Schedule of the VAT Act. Where a person makes zero-rated supplies:
- No tax is chargeable on the supply; but
- The supply will in all other respects be treated as a taxable supply (including in determining the registration threshold).

Taxable supply refers to the supply of any other goods or services which are not exempt and are deemed to be taxable at the standard rate of 18% or zero rated.

Special relief supply is a supply of goods and services listed in the Third Schedule of the VAT Act. The VAT treatment of special relief supplies is similar to zero-rated supplies.

All eligible input taxes paid in respect of sales at standard rate or zero rate are deductible by the registered person / VAT trader.

4.8.2 Application for Registration

A person who meets the registration requirements should, within 30 days of becoming a taxable person, apply for registration.

Every registered person is required to display the registration certificate in a clearly visible place in his business premises. Where a person has more than one place of business, certified copies (certified by the Commissioner) must be displayed in each of those places.
4.8.3 Pre-registration Input VAT

Where a person not registered for the purposes of VAT, imports any goods or services, and that person becomes subsequently registered, he may claim input tax credit or deduction in respect of those goods and services. The claim of input tax credit or deduction can only be done on the following conditions:

• The goods were in the ownership and possession of that person on the date of registration and such goods were received not more than six months prior to the registration;
• The services were received not more than six months prior to registration.

4.8.4 De-registration and Disposal of a Business as a Going Concern

A person may apply to be de-registered if the taxable turnover of goods or services in a period of 12 months does not exceed Shs 40 million; and it is not expected to increase in the next period of 12 months. On receipt of the application, the Commissioner shall, if satisfied that the person should be de-registered, de-register that person with effect from the date when the registered person pays tax due and payable on supplies made on stock of materials and other goods on which output tax has not been paid or on which input tax has been claimed.

Where a person ceases to make taxable supplies, he shall, within 30 days from ceasing to make such supplies, notify the Commissioner of the date of cessation and furnish the Commissioner a return showing details of: i) materials and other goods in stock and their value and shall pay any tax due thereon and ii) all other taxable assets and their values.

In practice, the Commissioner will conduct a VAT audit before granting de-registration.

Where a person disposes off a registered business as a going concern to another registered person, and wishes to do so without charging VAT on the assets and stocks being transferred, both persons must, within 30 days, provide the Commissioner with details of the description, quantities and values of assets and stock of taxable goods on hand at the date of disposal. They should also provide details of the arrangements made for transferring the responsibility for keeping the records and producing books of the business for the period before disposal. Where the Commissioner has any objection, he will notify the taxpayers within 14 days, failing which the application is deemed to be accepted as long as it complies with the requirements. The purchaser will therefore not claim input VAT on such assets and stock. Except to the extent the Commissioner determines otherwise and upon written request by both parties, any entitlement under the Act to credit or repayment of input tax immediately prior to the transfer takes effect shall vest in and becomes the entitlement of the transferee, and shall cease in so far as the transferor is concerned.
4.8.5  Continuing Obligations of a Taxpayer

A registered person is required to notify details to the Commissioner within 30 days of the following changes:

- Cessation of making taxable supplies;
- The taxable turnover falls below the Shs 40m
- A change in ownership of the business including change in the constitution of, or the terms of governing the business
- Change in the name or trading name of business or in the name or address of the owner or any of the owners of the business
- Change of address of the place of business;
- Additional premises to be used for the purposes of the business; or
- Any other major change in the nature, control or conduct of the business.

4.8.6  Output Tax in Relation to Supply of Goods and Services

Output Tax and Supply

Output tax is the tax due on taxable supplies. A supply is defined to include:

- The sale, supply or delivery of taxable goods to another person;
- The sale or provision of taxable services to another person;
- The appropriation by a registered person of taxable goods or service for his own use outside of the business;
- The letting of taxable goods on hire, leasing or other transfers;
- The appropriation by a registered person of taxable goods or services for his own use inside of the business where if supplied by another registered person, the tax charged thereon would have been excluded from the deduction of input tax; or
- Any other disposal of taxable goods or provisions of taxable services.
Services are deemed to have been supplied in Mainland Tanzania if the supplier of the services has:

- A place of business in Mainland Tanzania and no place of business elsewhere;
- Has no place of business in Mainland Tanzania or elsewhere but his usual place of residence is in Mainland Tanzania; or
- Has place of business in Mainland Tanzania and elsewhere but the place of business most concerned with the supply of the services is the place of business in Mainland Tanzania.

**Time of Supply**

The time of supply is technically referred to as the tax point. Generally, a tax point in respect of the supply of goods and services falls on the earliest date on which:

- The goods are removed from the premises of the supplier or from other premises where the goods are under his control to the person to whom they are supplied, or goods are made available to the person to whom they are supplied;
- A tax invoice is issued in respect of the supply;
- Payment is received for all or part of the supply; or
- Service is rendered or performed.

VAT on imported goods shall be charged and payable at the time customs duties taxes and levies are payable in accordance with the Customs Laws, unless prescribed otherwise in the regulations made by the Minister.

Where a supply is made on a continuous basis or by metered supply, the time of the supply is the time of each determination or meter reading.

The above rules are crucial in many business decisions and should be considered very carefully before entering into an agreement or a contract.

**Value of Supply**

The charge for VAT is determined by the value attributable to the supply of goods or services and the general rule for determining the value of a supply is as follows:

- Where a supply is for a monetary consideration the amount of the consideration excluding the VAT;
- Where the supply is not for a monetary consideration, or is only partly for such a consideration, the open market value excluding the VAT; or
- Where the supply is not the only matter to which a consideration in monetary terms relates, the supply shall be deemed to be for such part of the consideration as is properly attributed to it.
Open market

The “open market” referred to above, means the value that such goods or services would fetch in the ordinary course of business between the supplier and recipient dealing at arm’s-length or any other person concerned in the transaction completely independent of each other. The open market transaction will have the following assumptions:

- That the supply shall be treated as having been delivered to the recipient at the supplier’s place of business;
- That the supplier will bear any duty or tax chargeable in Mainland Tanzania other than the tax payable under the VAT Act;
- That the recipient will bear freight, insurance and other costs, charges and expenses incidental to the supply and the delivery of the goods to him; and
- That the value covers the right to use the patent, design or trademark in respect of the supply.

Independent supplier and recipient

A supply in the open market between a supplier and a recipient independent of each other pre-supposes the following:

- That the value is the sole consideration
- That the value is not influenced by any commercial, financial or other relationship, whether by contract or otherwise

Other provision in relation to determining the value of supply

- The taxable value of imported goods is the sum of:
  - The value of the goods as ascertained for purposes of customs duty (whether duty is payable or not); and
  - The amount of customs duty actually paid.
- The taxable value of imported services is the price at which the supply is provided.
- The taxable value for prepaid airtime mobile phone voucher shall be the face value of the voucher plus and premium paid.
- Disposal of items of property, plant and equipment by an exempt person on which no input tax has been claimed are not subject to output tax on disposal.
4.8.7 *Records, Invoices, Credit and Debit Notes*

**Records**

A registered person must maintain the following records in Tanzania in Kiswahili or English for at least 5 years after the tax period to which they relate to:

- Copies of all invoices issued in serial number order;
- Copies of all credit and debit notes issued, in chronological order;
- A VAT account showing totals of output and input tax in each period and the tax payable or refundable;
- Original purchase invoices, original copies of customs entries, receipts for payments of customs duty or tax, and original credit notes and debit notes received, to be filed chronologically (by practice either by date of receipt or under each supplier’s name);
- Details of the amount of VAT charged on each supply made or received (including fixed assets, scrap sales etc.);
- Totals of the output tax and the input tax in each period and a net total of the tax payable or excess tax carried forward, as the case be, at the end of each period;
- Details of goods manufactured and delivered from the factory;
- Details of each supply of goods and services from the business premises;
- Copies of stock records kept in a chronological order; and
- Journals, ledgers, cash/petty cash books, audited accounts and bank statements.

The Commissioner, or an officer authorised in writing by the Commissioner, is empowered at all reasonable times to inspect the records.

**Tax Invoices and Fiscal receipts**

Every registered person who makes a taxable supply is required to issue a tax invoice and a fiscal receipt to the purchaser at the time of the supply.

The tax invoice must contain the following particulars:

- “Tax Invoice” to be shown prominently on the invoice;
- The name, address, TIN and VAT registration number of the supplier;
- The date and serial number of the invoice;
- The name, address and TIN and VAT registration number of the customer;
- The taxable value of the supply, if different from the price charged;
• The rate and amount of tax charged on each supply;
• The total value of the supply and the total amount of VAT charged;
• Electronic signature (for persons using an Electronic Signature Device (ESD)). Where a person uses an Electronic Tax Register (ETR), the ETR receipt should be attached to the invoice.

Any invoice not containing any of the above particulars is not a tax invoice. Taxable persons require a valid tax invoice before they can claim credit for input tax.

Registered persons who make cash sales from retail premises may issue a simplified tax receipt, which must satisfy the following requirements:

• The name, address, TIN and VAT registration number of the supplier;
• The serial number of the receipt;
• The date and time of issue of the receipt;
• Name, quantity, unit price chargeable to tax, tax rate and the value of the recorded sale of the goods or services supplied;
• The tax amount payable and total amount payable inclusive of VAT; and
• An explicit statement that the price includes VAT.

Such simplified tax invoices must either have an electronic signature or be accompanied by an ETR.

Where a registered person is a retailer or is primarily supplying taxable goods or services to unregistered persons, he is required to quote or label prices inclusive of VAT.

Credit and Debit Notes

A credit note may be issued where goods are returned or where a supplier decides to reduce the value of the supply after a tax invoice has been issued. The amount to be shown on the credit note is the amount of reduction. A credit note must be issued within 12 months after the issue of the relevant tax invoice.

A credit note should be serially numbered and should have the following details:

• The name, address and the TIN of the person to whom it is issued;
• The amount of the credit; and
• A statement of the reason for credit.
4.8.8 Input Tax

Input tax is tax paid by a registered person on the purchase or importation of goods or services to be used by him for the purposes of his business.

Registered suppliers are allowed to deduct the input tax charged to them on supplies from output tax on supplies made by them in the course of furtherance of their business. The difference between the output tax and input tax is tax payable to TRA or recoverable from TRA (where input exceeds output).

General Rule

VAT paid can be claimed as input tax:

• Only by a taxable person;
• If it is attributable to taxable supplies;
• If the person claiming input VAT has a valid tax invoice and fiscal receipt;
• If the person claiming input VAT has an original tax invoice from the supplier; and
• The tax relates to supplies in respect of which the law does not expressly prohibit the claiming of a credit.

Time Limit

Input tax cannot be deducted more than six months from the date the input tax became due and payable.

Partial Exemption

Where a taxable person makes both taxable supplies and exempt supplies, then only part of the tax attributable to taxable supplies qualifies as input tax.

Where a person makes both taxable and exempt supplies, one of the two following methods may be used without seeking the prior approval of the Commissioner:

a. Value of taxable supplies x input tax = deductible input tax; or Value of total supplies

b.

• full deduction of all the input tax attributable to taxable goods purchased and sold in the same state;
• no deduction of any input tax which is directly attributed to exempt outputs;
• deduction of the input tax attributable to the remainder of the taxable supplies, calculated as under sub-paragraph (a).
A person who has restricted the claim for input tax using the above methods is required at the end of each accounting year to perform the above calculation based on:

- Total value of input tax for the year;
- Total value of taxable supplies for the year; and
- Total value of supplies including exempt supplies for the year.

The method of calculating partial input tax must remain the same during a given year. The two methods cannot be changed during a given year.

4.8.9 Collection, Recovery and Refund of Tax

VAT Return and Payment of Tax

A taxable person is required to lodge a return for each month to the Commissioner by the last working day of the month. Any tax due is payable on the same day.

The return must show the following:

- Separately for each tax rate, the total value of the supplies, the rate of tax and the amount of output tax;
- Separately for each rate of tax, the total value of taxable supplies, the rate of tax and the amount of input tax claimed; and
- The tax payable after deducting any overpayment claim from the last return and adjusting any amounts of overpayments submitted for a VAT Refund Claim.

Where there is no tax payable a ‘NIL’ return is required.

Refund of Tax

Any taxable person whose tax liabilities in respect of particular prescribed accounting period are not exhausted by allowable deductions shall, within the time allowed for lodging the tax return for that period, remit the net amount due to the Commissioner-General.

Where, in respect of a particular prescribed accounting period, a taxable person’s allowable credits exceed the tax on supplies has made for the period, the Commissioner-General shall, within thirty days after:

a. the due date for lodging of the return for the last prescribed accounting period in the half year or;
b. receipt of the last outstanding tax return due for any prescribed accounting period falling within that half year;

Whichsoever is later, remit to him the amount to which he stands in credit by reason of the excess, subject to the provisions of this Act and in particular the provisions of the Act.
Any claims lodged covering the period beyond three years from the date of its lodgement shall not be remitted. Where the excess credits recur regularly, an application can be made to the Commissioner for refunds to be made on a monthly basis.

All refunds must be supported with a certificate of genuineness issued by a registered auditor and tax consultant.

**Recovery of Tax**

The Commissioner has been granted very wide powers under the VAT Act to collect tax that is due and payable. These include:

- The Commissioner is empowered to order and empower an authorised officer (with or without a police officer being present) to exercise distress upon the goods and chattels of the person from whom tax is recoverable. A distress levied shall be kept for ten days during which the taxpayer can pay the tax and distress costs to recover the goods and chattels distained upon or else they shall be sold by public auction. The proceeds from the auction shall first be applied towards the costs of levying the distress, keeping and selling the distained goods and finally, towards tax. Any amounts remaining shall be paid to the distrainee.

- The Commissioner may recover money by issuing an agency notice. He may by notice require any person:
  - From whom money is due or accruing or may become due to the taxable person.
  - Who holds or may subsequently hold money on account of the taxable person.
  - Who holds or may hold money on account of some other person for payment to the taxable person.
  - Any person having authority from some other person to pay money to the taxable person.
Where the person does not hold any funds, he is required to inform the Commissioner within 7 days of receiving the notice.

- If there is likelihood of the person to frustrate collection of the tax, the Commissioner may apply to the High Court to obtain an order prohibiting transfer, withdrawal or disposal of the funds. Within 30 days of the order, or any extension given by the Court upon application by the Commissioner, the Commissioner is required to issue an assessment, which shall automatically remove the order. The taxpayer has 15 days after the service of the order to make an application challenging the order.

- Charge of property and subsequent sell. Where a person liable for tax fails to remit the tax within the prescribed time, the Commissioner may, by notice in writing, inform the person of his intention to apply to the Registrar of Lands to attach any land and buildings owned by the person. If within 30 days of such notice, the tax remains unpaid, the Commissioner may by notice in writing, direct the Registrar of Lands to hold the land and buildings as security. The Commissioner is now empowered to sell land and buildings to recover tax. The proceeds from the sale firstly apply towards the selling costs and then recovery of tax. Any surplus is paid to the taxpayer.

- The Commissioner is empowered to recover outstanding tax as a civil debt due to the Government, where he has reasonable belief that:
  - taxable supplies were made and no tax was charged; or
  - tax was charged but not remitted to the Authority
### VAT Penalties

The VAT Act provides for various penalties in case of non-compliance. The Commissioner has discretionary powers under the Act to remit penalties and interest. Where any amount of tax, including any penalties imposed remain unpaid after the due date, interest at the rate prescribed in the Act shall be payable. Some of the penalties levied include:

<table>
<thead>
<tr>
<th>Offence</th>
<th>Penalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late payment of tax or filing of returns</td>
<td>Fine of Shs 50,000 or one percent of the tax shown as payable whichever is greater, and a further penalty of Shs 100,000 or two percent of the tax shown as payable, whichever is greater.</td>
</tr>
<tr>
<td>Failure to produce books, records or provide information as required by an authorised officer.</td>
<td>Fine not exceeding Shs 500,000 and/or up to 2 years imprisonment.</td>
</tr>
<tr>
<td>Making false statements, providing false information, involvement in fraudulent evasion of tax, a non-registered person who holds himself out as a registered person.</td>
<td>Fine not exceeding Shs 500,000 and/or up to 2 years imprisonment.</td>
</tr>
<tr>
<td>Failure to display registration certificate in a visible place in the business premises.</td>
<td>Fine of up to Shs 200,000 and/or imprisonment for up to 1 year.</td>
</tr>
<tr>
<td>Failure to apply for registration.</td>
<td>Fine of up to Shs 200,000 and/or imprisonment for up to 1 year.</td>
</tr>
<tr>
<td>Failure to issue a tax invoice as required.</td>
<td>Fine not exceeding Shs 500,000 and/or imprisonment up to 12 months.</td>
</tr>
<tr>
<td>Failure to keep proper books or records.</td>
<td>Fine not exceeding Shs 500,000 and/or imprisonment up to 6 months.</td>
</tr>
<tr>
<td>Failure to submit a return.</td>
<td>Fine of up to Shs 200,000 and/or imprisonment for up to 1 year.</td>
</tr>
<tr>
<td>Failure to maintain an ETR and other general penalty for offences under the Act for which no specific penalty is prescribed.</td>
<td>A maximum fine of Shs 1,000,000 and/or up to 1 year imprisonment.</td>
</tr>
<tr>
<td>False VAT refund claims.</td>
<td>Fine not exceeding Shs 500,000 and/or imprisonment up to 2 years.</td>
</tr>
</tbody>
</table>
4.9 Customs Duty

The East African Community Customs Management Act provides the rates of duty and circumstances in which duty shall be paid on goods. The goods originating from the EAC partner states are accorded community tariff treatment according to the Rules of Origin provided under the Protocol. Goods imported from outside the EAC are subject to a Common External Tariff (CET) as follows:

- 0% on raw materials and capital goods.
- 10% on semi-processed and intermediate goods.
- 25% on finished goods.
- 2.25% Import Declaration Fees (exempt for imports for EAC countries).

EAC member countries have powers to levy additional anti-dumping or countervailing duty rates in addition to the normal duty rates. Certain capital goods for investment, subject to Treasury approval, are eligible for duty remission. Goods imported for COMESA have preferential duty rates.
5  Employment

5.1  Foreign Visa

5.1.1  Visa Requirements

A Visa is required by all persons, other than citizens of specific countries, wishing to enter Tanzania except those persons entitled to privileges and immunities under the Privileges and Immunities Act. Applications for visas prior to arrivals are submitted to the Immigration Department. Other persons visiting Tanzania may obtain visa at arrival points by payment of a fee of US$ 50 for ordinary visa, US$ 100 for multiple entry visa and US$ 30 for transit visa.

Visitors may be issued with a visa on arrival at a port of entry into Tanzania valid for a period not exceeding 3 months in the first instance, provided that they are in possession of a valid passport or other travel document acceptable to the Government. Travellers entering Tanzania by road are advised to pass through the gazetted entry points and report immediately to an Immigration Officer.

The most important documents needed are:

- Visa application form;
- Passport size photograph of the applicant;
- Valid passport/travel document showing validity of at least 6 months;
- Valid yellow fever certificate.

Following are the types of visas available:

- Ordinary visa
- Transit visa
- Multiple entry visa
- Gratis visa
- Referral visa
Ordinary visa

This visa is granted to foreigners other than prohibited immigrants seeking to enter the country for the purpose of visit, leisure or holiday and is valid for three months.

Transit Visa

These are visas required by all persons whose nationalities require visas to enter Tanzania and are intending to transit through Tanzania to a third destination for periods not exceeding fourteen days.

Gratis Visa

Diplomatic (Multiple, Ordinary or Transit) visas are issued gratis to holders of Diplomatic Passports on official visits.

Multiple Journey Visa

All persons who are nationals of countries which require visas for Tanzania and who by nature of their business or circumstances are required to make frequent visits to Tanzania may be issued with Multiple Journey Visas valid for up to 12 months or part thereof as the case may be.

Referral visa

Granted to nationals of countries which require a special clearance and approval from the Principal Commissioner of Immigration Services or the Commissioner of Immigration Services (Zanzibar) prior to the issuance of a visa.

The possession of a visa for Tanzania is not the final authority to enter Tanzania. The Immigration Officer at the port of entry may refuse such a person permission to enter if he is satisfied that such a visitor is unable to fulfil the immigration requirements and that the entry and presence of such a visitor in the country would be contrary to national interests even though such a person may be in possession of a valid visa for entry.
5.2 Foreign Personnel

5.2.1 Permits & Passes

Permits are issued to any Non-citizens wishing to engage in employment in Tanzania whether in gainful employment or voluntary service. The general requirements for obtaining a permit are a duly filled and signed requisite application form, a covering letter from employer, self or organisation depending on the class (as applicable), copies of the National Passport and eight coloured passport size photographs of the applicant.

The following are some of the pertinent classes of Permits and their respective requirements:

Class A is issued to persons who intend to be self-employed and include all types of investors. The fees payable varies based on the nature of the business with the rates being between US$ 1000 to US$3000.

Class B is issued to a person who is offered specific employment by a specific employer who is qualified to undertake that employment. One is required to present copies of academic/professional certificates along with the CV, and the requisite form dully filled, signed and sealed by the company. The fee for such a permit is US$ 2000 per two-year permit.

Class C is issued to researchers, students or a members of a missionary society approved by the Government and whose presence is beneficial to the country. One is required to present a copy of the registration certificate of the organisation and academic and professional certificates of the applicant. Fee payable is US$ 500 for a two year period.

Other fees are as follows:

Special pass US$ 600, Visitors pass US$ 200 and Re-entry pass (required for all residents with different classes of permits) US$ 50. Fees for dependant pass is US$ 500 for first issue and renewal.
5.3 Labour Law

5.3.1 Employment Contracts

In Tanzania, employment contracts are governed primarily by the Employment and Labour Relations Act, 2004. The contracts for employment can be oral or written.

Employment contracts must contain all employment particulars including the name, age, permanent address and sex of the employee, the name of the employer, the job description of the employment, the date of commencement of the employment, the form and duration of the contract, the place of work, the hours of work, the remuneration, scale or rate of remuneration, the method of calculating that remuneration and details of any other benefits, the intervals at which remuneration is paid.

Employment terms are negotiated by the employee and employer subject to the minimum prescribed by the Employment & Labour Relations Act.

5.3.2 Wages

Although the Employment Act does not make any specific provisions for wages, all wages are subject to the minimum wage provided for in the minimum wage guidelines issued and revised yearly by the Ministry of Labour. These guidelines outline the occupations and the rate of payment on monthly/daily/hourly basis.

In practice, there are two major classes of employees - the management cadre (who primarily are not unionised by choice) and the junior staff who are unionised. The wages paid to non-unionised staff is negotiated between the employer and the employee and is contained in the employment contract. For employees that opt to join relevant trade unions, wages are normally negotiated by their union and contained in the respective Collective Bargaining Agreement (CBA).

5.3.3 Working Hours

The normal working week is outlined by the specific wage regulations order for the given industry but is not more than 45 hours spread over 6 days of the week.
5.3.4 Overtime

For the management staff, it is usual practice for the wages negotiated to contain the aspect of overtime and as such it is not paid as a separate entitlement.

However, for the junior staff, overtime is paid at the rates of one and one-half time the basic hourly rate on weekdays, and at the rate of twice the basic hourly rate on Sundays and public holidays. There are different Regulations of Wages Orders in force, covering different sectors of the economy.

5.3.5 Leave

Annual Leave

Under the Employment Act, every employee shall be entitled to no less than 28 days of annual leave with full pay. Where the employee works for less than a year, the number of days will be reduced accordingly.

Sick Leave

Every employee is entitled, in each year, to 63 days sick leave with full pay and additional 63 days with half pay, subject to certification by a registered medical practitioner.

Maternity Leave

Every employee is entitled to 84 days paid maternity leave such leave may commence at any time from four weeks before the expected date of confinement or an earlier date as prescribed by a medical practitioner.

Paternity Leave

This is allowed with full pay for a period of 3 days if the leave is taken within 7 days of the birth of a child.
5.3.6 Public Holidays

A list of public holidays is published each year in the government gazette. The list below outlines some of the public holidays.

• 1st January  New Years Day
• 12 January  Union Day
• 14th October  Mwalimu Nyerere Day
• 9th December  Independence Day
• 25th December  Christmas Day
• 26th December  Boxing Day

Undated Public Holidays

• Good Friday and Easter Monday
• Idd-ul-fitr & Prophet Muhammad’s birthday

5.4 Statutory Deductions

National Social Security Fund / Parastatal Pension Fund / Local Authorities provident Fund

National Social Security Fund (NSSF) is the statutory retirement benefits scheme and operates as a public trust. It provides retirement benefits for employees in the formal and informal sectors. The trustees of NSSF register members, receive contributions, manage funds of the scheme, process and ultimately pay out benefits to eligible members or dependants.

There is compulsory registration for all employers irrespective of the number of employees. The details required for registration include a copy of the Certificate of Incorporation / Registration, physical location and employee details. In addition, each employee subject to deductions is also required to register individually.

The employer is required to remit to the fund 20% of the monthly gross income of each employee half of which is paid by the employer and half by the employee. Deductions have to be remitted by the end of the following month or last working day before the end of the month where this falls on a Saturday, Sunday or a public holiday.

NSSF provides the employee with a lump-sum retirement benefit. Historically, the rate of return paid by the state is considerably less than that achieved by private schemes, but participation is mandatory.
Skills and development Levy

SDL is payable by every employer at 6% of the gross emoluments of all employees including an apprentice, indentured learner, other trainee, temporary, seasonal and casual worker. The payment is due by the 7th day of the month following the month of payment of salaries.

Pay As You Earn (PAYE)

An employer is required to deduct PAYE from salary paid to an employee and remit the same to TRA. This is covered under Personal Taxes (Section 4.3).

Union Dues

Where employees are members of a trade union, the employer is required to deduct and remit the monthly union dues to the respective union.

5.5 Trade Union

The Constitution of Tanzania provides the right of freedom of association to every person in Tanzania and specifically recognises the freedom of association to form or belong to trade unions or other associations for the protection of the person’s interests. Under the Labour Relations Act, every employee has the right to join a trade union. In Tanzania the general practice is that management staff, opt of their own volition, not to join a trade union.

The affiliated trade unions are industrial based and the industries involved are: commercial, banking, metal works, bakeries and confectionaries, port workers, pilots, building and construction, chemical, engineering, game and hunting, local government, fishermen, petrol and oil, plantations and agriculture, railway workers, scientific research, shipping and clearing, domestic and hotels, entertainment, betting, journalism, printing and publishing, sugar plantations, seamen, tailoring and textile, transport, post and telecommunications.

Any trade disputes are reported to the Minister for Labour for his reference and decision. If any party to the dispute is aggrieved by the Minister’s decision, the party may refer the matter to the Industrial Court in Tanzania for further consideration.
6        Accounting

6.1 Statutory Framework Governing Financial Reporting in Tanzania

In Tanzania, the main legislation governing companies, including financial reporting is the Companies Act. However, there are other legislations that impact on financial reporting. These deal with specialised sectors such as insurance, banks, retirement benefits schemes and listed companies.

The Companies Act requires all limited liability companies to prepare and keep proper books of account as are necessary to give a true and fair view of the state of the companies' affairs. The Act further requires companies to lay before an Annual General Meeting a profit and loss account and a balance sheet, and also prescribes the contents of these.

With respect to audits, the Act requires companies to appoint auditors who must be practising members of National Board of Accountants and Auditors (NBAA) and who meet the criteria for an auditor as laid out in the Auditors and Accountants (Registration) Act, 1972. The Act further specifies that the auditor's report should appear as an annex to the profit and loss account and balance sheet and prescribes the contents of the auditor's report.

6.2 Financial Reporting and Auditing Standards

NBAA, which is the regulatory accountancy body, requires that all financial statements must be prepared in accordance with International Financial Reporting Standards (IFRS) or International Financial Reporting Standards for Small and Medium Enterprises (IFRS for SMEs) framework. NBAA also requires that all audits are to be carried out in accordance with International Standards on Auditing (ISA).

The list opposite prescribes the category of entities that are required to follow IFRS or IFRS for SMEs:
<table>
<thead>
<tr>
<th>S/N</th>
<th>TYPE OF STANDARD</th>
<th>CATEGORY OF ENTITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Full IFRSs</td>
<td>Publicly accountable entities or entities that represent public interest such as entities that take deposits or loans from the public; offer shares to the public; have essential public responsibility or privilege essential public service or entities that hold assets in a fiduciary capacity for a broad group of outsiders. Example of entities that should use full IFRSs include but not limited to:&lt;br&gt;1. Listed Companies,&lt;br&gt;2. Banks and Financial Institutions,&lt;br&gt;3. Insurance Companies,&lt;br&gt;4. Pension Funds&lt;br&gt;5. Utility Companies,&lt;br&gt;6. Government Agencies,&lt;br&gt;7. Mutual Funds,&lt;br&gt;8. SACCOs,&lt;br&gt;9. Cooperative Societies,&lt;br&gt;10. Securities brokers/dealers,&lt;br&gt;11. All Entities which receive subvention from the Government, except those which are required to use IPSASs.&lt;br&gt;12. All entities including Government Business Entities (GBEs) with 100 or more employees***,&lt;br&gt;13. All entities including GBEs with capital investment in non-current assets of above TShs.800,000,000***.</td>
</tr>
<tr>
<td>2.</td>
<td>IPSASs</td>
<td>Public sector entities including ministries, regional governments, government departments, local government provided that they are not Government Business Entities (GBEs) Entities using IPSASs accruals are encouraged to use full IFRS</td>
</tr>
<tr>
<td>3.</td>
<td>IFRS for SMEs</td>
<td>1. Entities that are not publicly accountable or representing public interest,&lt;br&gt;2. Entities including GBEs with less than 100 employees provided that they are not in categories 1 and 2 above,&lt;br&gt;3. Entities including GBEs with capital investment in non-current assets of less than TShs.800,000,000 provided that they are not in categories 1 and 2 above.</td>
</tr>
</tbody>
</table>

NB: Entities in categories 2 and 3 are free to use full IFRS provided that they comply with it.

*** A Government Business Entity (GBE) is defined as an entity that has ALL of the following characteristics:<br>a. Is an entity with the power to contract in its own name,<br>b. Has been assigned the financial and operational authority to carry on a business,<br>c. Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery,<br>d. Is not reliant on continuing government funding to be a going concern (other than purchases of output at arm’s length), and<br>e. Is controlled by a public sector entity.
Patents

The Patents Act, 1987, governs the protection of patents. Tanzania has also ratified World Intellectual Property Organization Convention, 1967 (effective for Tanzania as from 30 December 1983); Paris Convention (International Union) 1883-1967 (effective for Tanzania as from 16 June 1963); Patent Cooperation Treaty (PCT) 1970 (effective for Tanzania as from 14 September 1999); Agreement on the Creation of the African Regional Industrial Property Organization (ARIPO), 1979 (effective for Tanzania as from 12 October 1983); (effective for Tanzania as from 01 September 1999); and Agreement on Trade Related Aspects of Intellectual Property Rights (Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization), 1994. The kinds of patents that can be protected in Tanzania are patents of inventions and utility models.

A patent may be registered for inventions (other than a discovery, scientific theory, mathematical method, aesthetic creation, computer program or presentation of information) meeting specified requirements relating to novelty, utility and inventiveness. Registered patents endure for twenty years, subject to the payment of annual fees. The duration of protection is 20 years for patent of invention and 7 years for utility models. Absolute novelty is required for patents of inventions. An invention is new if it is not anticipated by prior art. Utility model must not form part of the state of the art, that is to say, not made available to the public by means of a written description anywhere in the world or by public use in Tanzania before the filing or priority date.

A patent granted by ARIPO designating Tanzania is protected once the Patent Office is notified about the grant. Since Tanzania has also ratified PCT, patents granted through PCT designating Tanzania are also protected. The time limit for entering national phase for PCT patents is 21 months from priority date and the time limit for filing translation is 31 months from priority date. In order to ensure that there is interaction between the ARIPO and PCT system, Harare Protocol incorporates the PCT by inclusion of the provision to the effect that a PCT application which designates PCT Contracting State which has also ratified Harare Protocol, such PCT application is automatically considered to be an application for the grant of a patent under Harare Protocol. The provisions of PCT apply to such international application in addition to the provisions of Harare Protocol and in case of conflict, the provisions of PCT apply.
Trademarks

The Trade and Service Marks Act, 1986, govern protection of trademarks. Tanzania has also ratified World Intellectual Property Organization Convention, 1967 (effective for Tanzania as from 30 December 1983); Paris Convention (International Union) 1883-1967 (effective for Tanzania as from 16 June 1963); Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (Nice Union) 1957-1977 (effective for Tanzania as from 14 September 1999); Agreement on the Creation of the African Regional Industrial Property Organization, 1979 (effective for Tanzania as from 12 October 1983); The Protocol on Marks within the Framework of African Region Industrial Property Organization (the Harare Protocol), 1993 (effective for Tanzania as from 01 September 1999); and Agreement on Trade Related Aspects of Intellectual Property Rights (Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization), 1994.

Registration of a trademark is for a period of seven years and may be renewed for further periods of ten years in perpetuity. Unregistered trademarks are also offered protection under common law provided that it can be shown that the proprietor has established goodwill associated with its mark. Trademark applications must be filed with the Tanzanian Trademark Office in a prescribed form. Currently, it is not possible to make online filing. The rights granted after registration dates back to the date of filing of the application. Trademarks are allotted goods or services for which the mark will be used. As pointed out above, both Tanzania and Zanzibar apply International Classification of Goods and Services (Nice Classification).

Since Tanzania is member of ARIPO, trademarks registered by ARIPO are protected in Tanzania. The application for a mark can be filed either directly at the ARIPO Office in Harare, Zimbabwe or via the Tanzanian Trademark Office. In both cases, the filing date is the date of receipt of the application in that respective Office. The application may be filed by the applicant or his authorized representative. The duration of registration of a mark at ARIPO is ten years from the date of registration. A mark is registered as of the date of filing of the application for registration, and such date is deemed for all purposes to be the date of registration. Registration of a mark may be renewed for consecutive periods of ten years on payment of the prescribed fee.
Designs

There is no local system for registration of designs in Tanzania. However, Tanzania has ratified Agreement on the Creation of the African Regional Industrial Property Organization, 1979 (effective for Tanzania as from 12 October 1983); and the Protocol on Patent and Industrial Designs within the Framework of African Region Industrial Property Organization (the Harare Protocol), 1982 (effective for Tanzania as from 01 September 1999). Tanzanian Patents Act, 1987 have provisions which recognize designs registered in the United Kingdom. Accordingly, designs can be protected in Tanzania either through ARIPO registration or by registration in the United Kingdom. The Patents Act, 1987 provides that the rights and privileges of proprietors of designs registered in the United Kingdom are extended to Tanzania and Zanzibar during the term of design registration. Designs registered by ARIPO designating Tanzania are protected initially for ten years from the date of filing. Design protection can be renewed at ARIPO for further periods and the maximum duration of protection may be 25 years from the date of application.

Copyright

With regard to copyright, the main legislation in Tanzania is the Copyright and Neighbouring Rights Act, 1999. Tanzania is also member of the Berne Convention for the Protection of Literary and Artistic Works of 1886 as revised at Paris in 1971. Under Tanzanian law, copyright is recognized as a property right which vests in the authors of original literary, dramatic, musical and artistic works. Copyright also vests in authors of sound recordings, films, broadcasts, cable programs and typographical arrangements of published editions. Several copyrights can exist in one work. The copyright law in Tanzania protects ‘neighbouring rights’ as well. Neighbouring rights are secondary rights of copyright that the performers are entitled. Performers are defined under the Tanzanian copyright law to include singers, musicians, dancers, producers of sound recording (for example cassette recordings and compact discs) in their recordings, broadcasting entities in their radio and television programs, etc.
8 Investing in Tanzania

8.1 General Information about Investing in Tanzania

Gateway to East Africa
Tanzania is well placed to be the financial and air transport hub of the region, making the country an ideal investment destination for investors targeting regional markets. The country’s strategic location provides easy access to the EAC and COMESA markets.

Fully Liberalised Economy
Tanzania has now fully liberalised its economy by removing all obstacles that previously hampered the free flow of trade and foreign private investment.

Money Transfers outside Tanzania
There are no exchange controls in Tanzania after the Exchange Control Act was repealed in 1992.

8.2 Tax-Related Incentives for Investing in Tanzania

Tax Treaties and Investment Promotion
Tanzania has a number of tax treaties and investment promotion and protection agreements. The current treaties in force are those with Canada, Denmark, Finland, India, Norway, Sweden, South Africa, UK and Zambia.

Bilateral Trade Agreements
Tanzania has signed bilateral trade agreements with several countries around the world. Some of the countries are already members of existing schemes offering market access/duty reduction preferences. Exports from Tanzania enjoy preferential access to world markets under a number of special access and duty reduction programmes.

Investment Allowances
The capital allowance and other incentives, including Export Processing Zones, available to investors are covered in detail in Section 4 of this Booklet.
Capital Gain

There are few taxes on capital gains in Tanzania on specific transactions. These relate to tax on disposal of immoveable and financial assets. These taxes are paid by way of final withholding taxes when assets are disposed. There are exemptions in respect of the following transactions:

- Land that has been sold for Shs. 10,000,000.00 which has been used for agriculture for at least 2 years of the 3 years before the sale;
- Shs. 15,000,000 of the net gain where the residential premises being disposed was occupied by owner for three years (whether continuously or not) and owned by the seller for at least three years prior to disposal;
- Sale of shares and securities of companies listed on DSE where the seller is resident.
- Sale of units of approved collective investment schemes.

The law provides clear distinction between capital gain and business income.

8.3 The Tanzania Investment Centre Act

The centre was established on 1997 under Tanzania Investment centre Act, 1997. The investors are encouraged to register with the centre when investing in projects like industries, tourism, agriculture, real estate developments, financial services, transport and communications, etc. The centre does not accept applications from entities involved in mining including prospecting and exploration.

The registration of a project with Tanzania Investment Centre provides the following advantages to the investor:

- Protection of the investment under the MIGA protocols
- Availability of reliefs from payment of VAT in local purchases and duties and VAT on imports.
- Easy availability of permits for upto five expatriates for the project.
- Availability of one stop services re TRA, Ministries of Industries & Trade and Immigration at TIC headquarters.
The investments approved by TIC are protected against nationalization by virtue of the provisions of the Act. That means the investments are fully protected against such eventualities even if a socialistic government was to assume power in Tanzania.

The reliefs provided by deferred payments of VAT on local purchases help to reduce the cash outflows of the investor during the period of implementation of the project. In case of investments required on capital goods, such savings can be as high as 15.25% of the total value of eligible purchases of major items like cement, steel, hardware, plumbing materials, sanitary ware, electrical and other services.

The approval of projects entitles certificate holders to apply for and obtain work permits for up to five persons to be employed in the project. Employment of more than five persons can also be approved depending on the complexity and needs of the project.

The offices of TIC are also staffed with personnel from TRA, Ministry of Trade and Industries and Immigration department, who facilitate all aspects of regulatory compliance by accepting applications and fees at the premises of TIC. This helps investors to save time, reduce inconvenience and secure assistance of TIC personnel where any difficulties arise.

The criteria for approvals are follows:

• The project must have an investment of US$ 300,000 for a non-Tanzanian and US$ 100,000 for a Tanzanian applicant.
• The project must be in a business that is in the list of sectors for which TIC accepts applications.
• The project must demonstrate the positive effects on labour market and revenue generation for the country in general. Projects which aim to promote exports, use and add value to local materials and promote technology transfer are given priority.

The forms for application are available at a cost of US$ 100 and certificates are charged at US$ 750, after the centre has approved the project and a letter of approval has been issued to the applicant.
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