



Cassian & Associates

Ready to serve you in Dar Es Salaam and Arusha, across Tanzania, and Internationally

A Guide to Doing Business in Tanzania

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2024

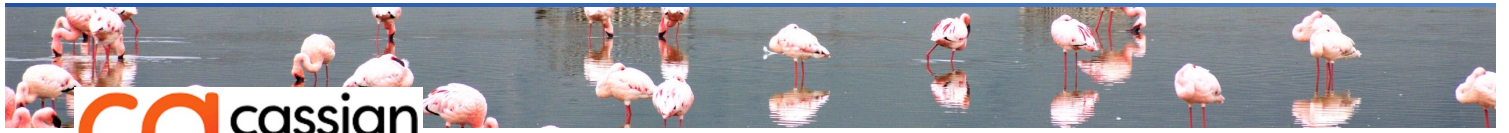


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About Tanzania

Tanzania is located in East Africa. Administratively, Tanzania is divided into 30 regions, with twenty-five on the mainland, three on Unguja (known as Zanzibar Island) and two on Pemba Island. Tanzania is 947,300 km² which includes 54,337 km² of inland water. The island of Pemba is roughly 984 km² and the island of Zanzibar is 1,657 km². It borders Uganda to the north; Kenya to the northeast; Comoro Islands and the Indian Ocean to the east, Mozambique and Malawi to the south, Zambia to the,

southwest, Rwanda, Burundi and the Democratic Republic of the Congo to the west. Mount Kilimanjaro, Africa's highest mountain, is in northeastern Tanzania.

According to the World Bank, Tanzania had a GDP of USD 79.16 billion with a GDP per Capital of USD 1,211 as at 2023*. The Tanzanian economy is heavily based on agriculture, energy, mining, construction, manufacturing, communication and tourism sectors.

*Ref: <https://data.worldbank.org/country/tanzania>

Fast facts

- **Territory:** 948,740 km²
- **Population:** 67,44 million (2023)
- **Population in Dar Es Salaam:** 7.4 million (2023 Estimation) This is the largest and busiest city in the country. (Business city)
- **Population growth rate in Dar es Salaam:** 5.08% (2023)
- **Capital city:** Dodoma
- **Languages:** Swahili (English is a language of business)
- **Currency:** Tanzanian Shillings (TZS)
- **Nominal GDP:** More than US\$ 71.9 billion (2023)
- **GDP per capita:** According to the World Bank, Tanzania had a GDP of USD 79.16 billion with a GDP per Capital of USD 1,211 as at 2023.*



Why Tanzania

Tanzania is one of the fastest growing countries in East Africa with a friendly business environment which acts as key element of attraction to foreign investments. Tanzania is gifted with an abundance of natural resources which are yet to be exploited. It possesses a lot of resources unlike any other country within the East African Region. Tanzania is rich in minerals as well as precious gemstones.

The country's geography is greatly beneficial connected directly to the Indian Ocean giving it trade links to Asia. It also sits between the ocean and six landlocked countries that rely on Tanzania for passage of goods. The country has three deep water ports, (Dar es Salaam, Tanga and Mtwara) that service the neighboring countries. Furthermore, its membership to the Southern African Development Community (SADC) Free Trade Area and East African Community (EAC) Common Market, with developed rail and road networks, make Tanzania a natural transportation gateway for East and Central Africa.



Tanzania has been ranked among the top 20 fastest-growing world economies and has been above the Sub-Saharan average of 5.2%. The overall picture points to a prosperous future where the per capita income is growing at an average rate of 7%, thus raising the level of consumptive expenditure. For a period of 10 years, export value has grown by about 90% while imports recorded a growth of 70%.

Business-friendly Macro-Economic Stability and Simplified bureaucracy are streamlined through the acclaimed services of the Tanzania Investment Centre which is a one-stop-facilitation agency of government serving registered investors and businesses. Tanzania Investment Centre (TIC) offers one stop solutions which serves potential investors with all necessary information and legal requirements to invest in Tanzania. TIC offers access to various services related to permits, licenses and approvals. Moreover, investors may enjoy tax and other financial incentives such as tax relief, reduction of tax rates by TIC certification.

However, it is necessary for all investors who wish to do business in Tanzania to register with the Business Registration and Licensing Agency (BRELA), which is under the Ministry of Industries and Trade.

Business legal forms in Tanzania

Sole proprietorship

A person who wishes to operate a business as sole proprietor by using branded names other than his or her own names must register his business name under the Tanzanian business names registration act. Sole proprietorship is a form of business operated by a single person. Normally there is no separation of legal entity under this form of business.

Partnership

In the Tanzanian context, Partnerships are duly authorized and registered under Business Names registration Act giving them rights to trade as individuals who jointly together to form a partnership. Partnership is not eligible to tax hence only partners are liable for tax purposes.

Companies

In the case of Tanzania, any two or more individuals associated for any lawful purpose may register a company under the Tanzanian Company Act. By subscribing their names to a memorandum of association, persons may opt to register a company with or without limited liability. No subscriber of the memorandum may take less than one share.

A company having the liability of its members limited by the memorandum to the amount unpaid on the shares respectively held by them is referred to as a "company limited by shares". A company having the liability of its members limited by the memorandum to such amount as the members may respectively thereby undertake to contribute to the assets of the company in the event of its being wound up is referred as a "company limited by guarantee". A company not having any limit on the liability of its members is termed as an "unlimited company". A "public company" is a company limited by shares or limited by guarantee and having a share capital, being a company whose memorandum states that is to be a public company.

A Private company is registered under a limited number of members - not to exceed 50 members. A Public company is registered under the minimum number of seven members.

All forms of companies are duly authorized and registered by the registrar of the company (BRELA) by acquiring a certificate of incorporation.

Business legal forms in Tanzania (Continued)

Joint Ventures

An agreement between two or more parties to work together for the purpose of completing a specific task or project is so referred to as a “ Joint Venture”. In Tanzania, a Joint venture should be registered by BRELA and the Contractors Registration Board, for joint ventures intending to engage in a construction project in the country. Joint venture formation between construction companies is one of the recent efforts in combating contractors’ problems in Tanzania and addresses one of the key challenges facing the construction industry today in the country especially when large and complex projects are involved.

Branch in Tanzania

To establish a branch in Tanzania, a foreign company must be registered and acquire a Tax payer Identification Number (TIN certification). The foreign branch must appoint its representative in Tanzania who will be responsible for the handling of affairs related to the business, including government correspondences. The Branch should be operated and adhere to all relevant regulations and laws of doing business in Tanzania.

Non-Government Organization

Non-governmental organizations do not include a company formed and registered under the Tanzanian Companies Act. In Tanzanian context, NGOs are registered under the NGO registration Act which is administered by the Ministry of Community Development, Gender and Children.



Tax on Income

Corporate Income Tax – Companies

Income tax for businesses that operate as companies incorporated in Tanzania are charged at flat rate of 30%. However special rules apply for other entities based on mode of establishment and operations. Table 1 on the right indicates corporation type and applicable tax rates as stipulated under the Tanzanian income tax law.

Personal Income Tax – Individuals

PIT is liable for persons who engage in a business as a sole proprietor or earn income from employment, investment, business or if they are a partner in a partnership. Income tax charged varies based on the individual monthly income applied to the specific tax band.

Income Tax deductible cost

Under the Tanzanian Income Tax Act, there shall be deduction for the respective tax period on all expenditures that wholly and exclusive incurred for the purpose of generating business or investment income. These expenditure exclude the following non deductible:

- Excluded expenditures, and
- Consumption expenditures.

Withholding Taxes

There is a tax to be withheld on payments made to an individual or entity (residents or non-residents) referred to as “Withholding tax”. As required under the Tanzanian income tax act, WHT is charged at different rates based on the nature of transaction and residential status of the Payee (receiver).

Withholding tax is duly paid to the government within 7 days after the end of calendar month on which payment was effected.

Table 2 on the right highlights tax source and rate of withholding tax based on various kinds of transactions.

TAX SOURCE	Resident	Non resident
CORPORATION TAX		
Tax rate on total income of the corporation	30%	30%
Corporations with perpetual unrelieved losses for 3 consecutive years excluding corporation conducting agricultural business, provision of health or education	0.5% of annual turnover	NA
Newly listed corporation to the Dar es Salaam Stock Exchange, with at least 30% of its equity ownership issued to the public for three consecutive years from the date of listing	25%	25%
A corporation with a newly established plant for assembling motor vehicles, tractors, fishing boat or out boat engine and having a performance agreement with a government of URT for the first five years from commencement of production.	10%	NA
A newly established entity dealing in manufacture of pharmaceuticals or leather products and having a performance agreement with the Government of the URT shall be taxed at reduced corporate rate for five consecutive years from the year of commencement of production	20%	NA
Total income of a Domestic Permanent Establishment	NA	30%

TAX BASE	Resident	Non resident
Interest	10%	10%
Royalties fees	15%	15%
Management and Technical services fees (mining, oil and gas)	5%	15%
Dividends from the Dar es salaam Stock Exchange listed corporations	5%	5%
Dividend from resident corporation to another resident corporation where the corporation receiving the dividend holds 25% or more of the shares in the corporation	5%	NA
Commission on money transfer through mobile phones	10%	NA
Commission, fees or other charges on commercial bank services and digital payment services to agent	10%	NA
Transport (Non-resident operator/charterer without permanent establishment).	NA	5%
Rent Income: Land & Building	10%	20%
Aircraft Lease	10%	15%
Service fees	5%	15%
Insurance premium	NA	5%
Natural resources service fees	15%	15%
Director fees (Non full time directors)	15%	15%
Payment for goods sold to a resident corporation by any person	2%	NA
Dividends from other corporation	10%	10%
Gain on Realisation of an assets	10%	20%
Other Withholding payments	15%	15%
Other Assets	NA	15%

Tax on Consumption (VAT)

General

Value Added Tax is indirect tax charged on consumption of taxable goods and services. VAT is charged on both locally produced goods and services and on imports. Value Added Tax is charged by persons registered for VAT only. The registration threshold is annual turnover in excess of Tzs 200 million or 100 million in period of six months ending at the end of the previous month.

However, special rules apply for professional service providers (business) for who it is a compulsory requirement to register a business upon inception. Moreover, the Commissioner General of the Tanzania revenue authority may decide to register an intended trader after fulfillment of sufficient evidence such as contracts, tenders, building plans, business plans and bank financing. VAT is categorized into output tax (VAT on sales) and Input tax (VAT on purchases).

Tax Rates

18% - this is the standard rate of VAT in Tanzania. The VAT shall be charged on any supply and import of goods, services and immovable property of any economic activity in Mainland Tanzania where it is a taxable supply made by a taxable person in the course of economic activity carried out by him.

0% - Export of goods and certain services from the United Republic of Tanzania is taxed at zero rate. Additionally, transport services of goods in transit through mainland Tanzania is also charged VAT at zero rate.

Exemption – The Minister of Finance and planning, through the Commissioner General of the revenue authority may, upon satisfaction and verification of application by an applicant, exempt VAT on projects funded by government or donors and supplies or imports of goods or services as listed under part 1 & 2 of the 1st schedule of the Tanzanian VAT Act.

Deducting VAT

For registered traders, VAT is due on or before 20th day after end of each calendar month. A taxpayer has a right to deduct VAT payable (on sales) by using his input tax (VAT on purchases). If the business has been exempted from VAT or has an excess of VAT on purchases compared to VAT on sales, has a right to apply for VAT refund or carry a negative VAT amount on a correspond tax return.



Other Taxes

Taxes on Gaming Activities

- Gaming tax is charged on six types of gaming activities namely Casinos, Sports Betting, SMS Lottery, National Lottery, Slots (Route) Operations and Forty Machines Site which are administered and collected by the revenue authority. However, the gaming license is issued by the Gaming Board of Tanzania.
- The modality in filing returns and collection procedures of Gaming Tax depends on the type of the operator. The below table shows tax rates applicable on each licensed gaming activity in Tanzania.

Gaming Activity	Tax rate & Base	Tax returns
Land based Casino	18% of the gross gaming Revenue	Weekly
	12% on value of winning	Weekly
Online/Internet Casino	25% of Gross Gaming Revenue	Weekly
	15% on value of winning	Monthly
Sports Betting	25% of Gross Gaming Revenue	Monthly
	10% on value of winning	Monthly
SMS Lottery	25% of Gross Gaming Revenue	Monthly
	15% on value of winning	Monthly
National Lottery	20% of Gross Gaming Revenue	Monthly
	15% on value of winning	Monthly
Virtual Games	10% of Gross Gaming Revenue	Monthly
	15% on value of winning	Monthly
Slots/Routes	Tzs 100,000 per machine	Monthly
Forty Machine site	25% of Gross Gaming Revenue	Monthly

Taxes on Cross border businesses

Export Tax

- Export is charged at 0% for the business of moving goods and services outside mainland Tanzania.

Import Duty

- Imports to Tanzania are subjected to different stages whereby the importer is advised to make a declaration through his Clearing and Forwarding Agent by lodging documents at least 7 days before arrival of the vessel.

Item	Duty rate
Raw materials, Pharmaceuticals and capital goods, Hand hoes, agricultural implements	0%
Semi-finished goods	10%
Final consumer goods or finished commercial goods	25%

- Some sensitive items are charged at a higher rate than 25% with the intention of protecting local industries. (e.g yoghurt milk and cream containing sweetening matter, cane or beet sugar and chemically pure sucrose in solid form, sacks and bags of a kind used for the packing of goods, worn clothing and other worn articles (mitumba).



Who we are

Cassian and Associates is a professional services firm registered in Tanzania offering Audit, Tax, Outsourcing and Advisory Services to a range of clients with different needs.

Our services are tailor-made for organizations with voluminous and varied requirements. We do this by leveraging user friendly software, a professional team of well qualified Accountants, Audit, Tax & Finance professionals, possessing invaluable and extensive industry experience with the required hands-on

experience in computerized Finance & Accountancy systems.

Based in Dar es Salaam, Cassian & Associates is committed to providing value for money services. Empowering our people and promoting accountability. Thanks to our membership of MGI Worldwide, we are equipped to provide our clients with the expert and experienced knowledge on a national, regional and international level.

What we do

TAX SERVICES

Tax compliance
Tax audit assistance
Tax advisory & planning
Transfer price

SECRETARIAL SERVICES

Business Registration
Filling of Annual returns
Beneficiary returns
Other BRELA compliance

AUDIT SERVICES

Financial audit
Agreed upon procedure
Internal audit
Financial review

ACCOUNTING SERVICES

Cloud Accounting
Payroll services
Financial reporting
Organization of accounting manuals

Where we are

Through MGI Worldwide, our firm benefits from international connections with like-minded firms throughout Africa, Asia, Australasia, Europe, Latin America, Middle East & North Africa, North America and UK & Ireland.

Our difference

MGI Worldwide member firms offer clients the personal support at partner level that big firms cannot match. With a presence in every continent and just about every key economic centre in the world we can offer global expertise.

MGI Worldwide's collective insight and collaborative culture ensure we provide the very best support and advice wherever our clients choose to do business.



About MGI Worldwide

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Cassian and Associates Limited is a member of MGI Worldwide, a Top 20 international accounting network and association of independent audit, tax and accounting firms, which brings together the expertise of over 8,000 professionals in some 400 locations around the world. Our membership enables us to keep abreast of important new developments, while providing a seamless international service to any of our clients looking for support abroad. Through MGI Worldwide, our firm benefits from connections with people we get to know and trust in all corners of the globe.

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We can help you and your operations with a quick phone call to one of our colleagues or a complete service offering – whatever you need to make your international business a success. MGI Worldwide is a quality-controlled network, and like all member firms, we are subject to review of our quality assurance systems and procedures against international standards.

For more information on MGI Worldwide visit www.mgiworld.com

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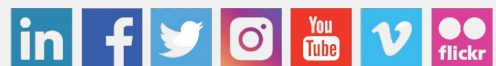
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