



Leading right the  
way.....

October 2024



# Contents



01	Introduction to Tanzania Taxation system	3
02	Taxation of non-resident individuals and Corporations	6
03	Business Registration Requirements	11
04	Business Compliance Requirements	18
05	Introduction to Permits	40



# Introduction: Tanzania Tax system & Taxation Principles

# Introduction to Tanzania Tax System

## *Tanzania Tax system*



### Tax Policies

These are guidelines and principles established by the Government for the imposition and collection of taxes.

Tanzania Tax Policies are developed by the country's Ministry of Finance and Economic affairs.

Tanzania is committed to taxation policies that do not hinder growth in business and investment, policies that are equitable and fair with low compliance and administrative costs.

### Tax Structure

Tanzania tax structure refers to the tax base and tax rates enforced through various tax laws.

The Tanzania tax structure is composed of four major categories of taxes i.e. income taxes, VAT, import duties and excise duties.

### Tax Administration

Tanzania has set a tax administration mechanism geared towards overseeing the enforcement of the established tax laws.

Tanzania tax administration is done by the Tanzania Revenue Authority ("The TRA") which is a semi-autonomous executive agency under the Ministry of Finance and Economic Affairs.

TRA is mandated to collect major taxes including Income Tax, Value Added Tax, Import Duty and Excise Duty.

# Introduction to Source and Residency Rules

In Tanzania, individuals and Corporations are taxed based on their **source of income** and **tax residency status**. This means that, a person will be taxed in Tanzania only if, the income earned has a source in the United Republic of Tanzania or if the person is the tax resident of the URT.

## Source

The following are examples of what constitutes income sourced in the URT;

- ✓ Dividend received from a resident corporation.
- ✓ Interest paid by a resident person or domestic permanent establishment.
- ✓ Insurance premiums paid by a resident person.
- ✓ Payments received from exercising employment or rendering services in the United Republic of Tanzania ("URT") regardless of the place of payment or where the payer for the service is the Government of the URT.

## Residency

Tanzania residents are taxed on their worldwide income, while non-residents are only taxed on their Tanzanian-sourced income.

An individual is a resident in Tanzania if he/she meets any of the following:

- (a) has a permanent home in Tanzania and is present in Tanzania during any part of the year of income;
- (b) is present in Tanzania during the year of income for a period or periods amounting in aggregate to 183 days or more;
- (c) is present in Tanzania during the year of income and in each of the two preceding years of income for periods averaging more than 122 days in each such year of income; or
- (d) is an employee or an official of the Government of the United Republic of Tanzania posted abroad during the year of income.

A corporation is a resident corporation for a year of income if:

- (a) it is incorporated or formed under the laws of the United Republic of Tanzania; or
- (b) at any time during the year of income the management and control of the affairs of the corporation are exercised in the United Republic of Tanzania whether physically or through any electronic means which includes virtual means.

# Taxation of Non-resident individuals and Corporations.

# Taxation of non-resident individuals and companies

## Taxation for non-residents.

Non- resident companies and individuals are taxed on income with a Tanzanian source.

- ✓ Taxation of non-residents is mainly by way of withholding tax. Common payments would be receipt of dividends paid by a resident corporation (10%), interest paid by resident person (10%), rent paid for lease of goods to the resident person (10%), payment of royalties (15%), insurance premiums (5%) and service fee (15%) to mention a few.
- ✓ Non-resident individuals are also subject to tax at a flat rate of 15% on gross employment income.
- ✓ Other employment benefits such as housing, motor vehicle, school fees for dependants and other utilities extended to non-resident employees shall be taken into account in arriving at taxable employment income.
- ✓ The resident person making above payments shall act as a withholding tax agent and deduct percentage of payment attributable to provision of service or rented goods and remit the same to the TRA.
- ✓ Tanzania law does encourage net of tax agreements, i.e. agreement where employer bears the burden of employment income tax liability on behalf of the employee or service recipient bears the burden of withholding tax on behalf of the foreign service provider.
- ✓ The cost of tax payment as a result of net of tax agreements does not qualify as deductible business expense and the practise may lead to exorbitant penalties when the same is revealed by the TRA.

# Taxation of non-resident individuals and companies

---

## Permanent Establishment Rules

- ✓ While operating as non-resident one may trigger Permanent Establishment presence in Tanzania and attract taxation and compliance requirements as a tax resident.
- ✓ Permanent establishment means a place where a person carries on business and includes;
  - (a) a place where a person carries business through an agent other than general agent of independent status
  - (b) a place where a person has used or installed, or is using or installing substantial equipment or substantial machinery
  - (c) 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.
- ✓ The income of a company or individual operating as a non resident or have established a PE is likely to suffer a double taxation, i.e. taxation in Tanzania and taxation in the home country.
- ✓ Avenues such as Double Tax Agreements and Foreign Tax relief may be utilized to ease the tax burden.



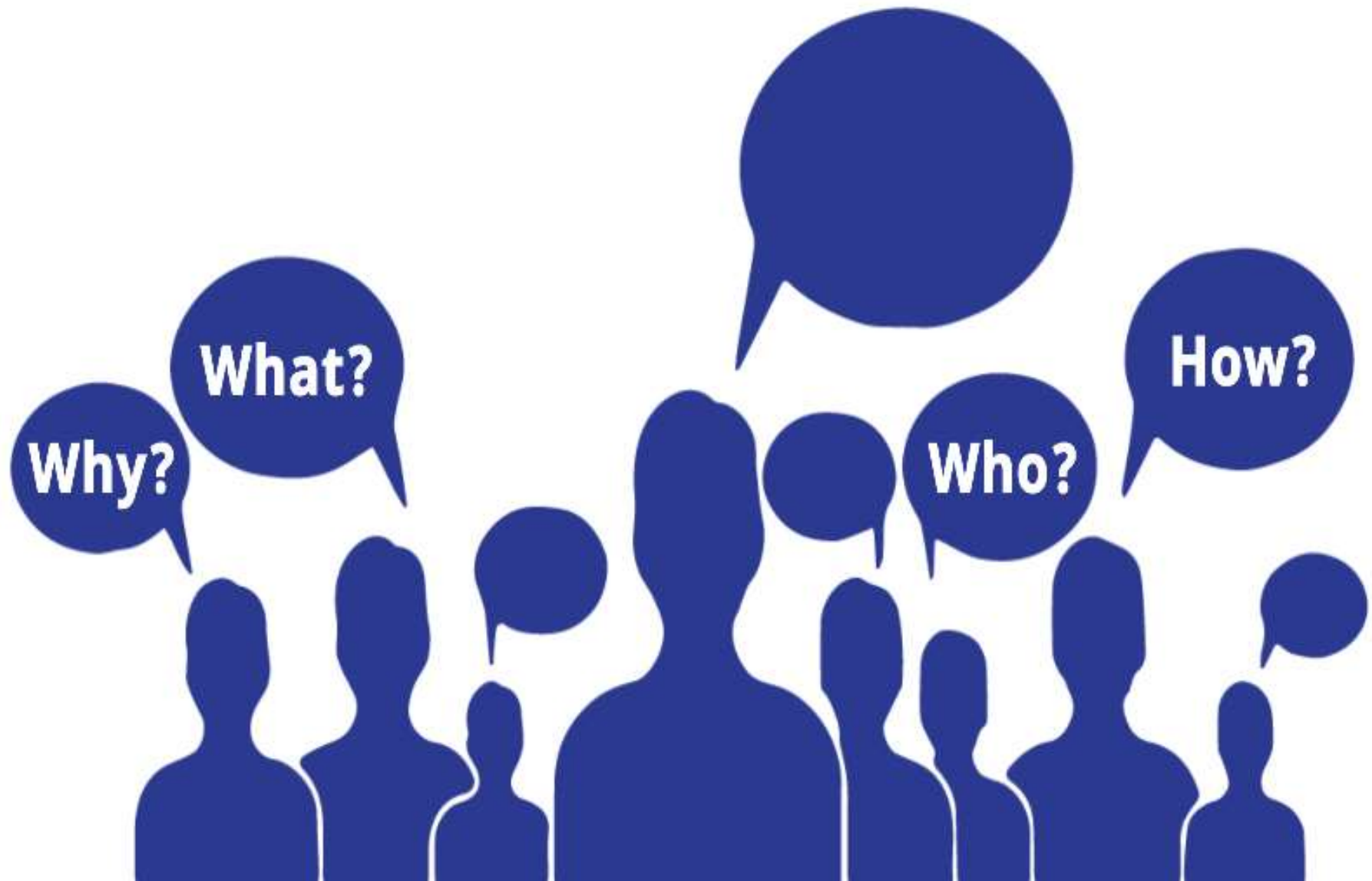
# Double Tax Agreements and Foreign Tax Reliefs.

## Double Tax Agreements

- ✓ Double Tax Agreement is a contract signed by two countries (referred to as the contracting states) to avoid or minimise territorial double taxation of the same income by the two countries.
- ✓ Currently, Tanzania has Double Tax treaties with Canada, Denmark, Finland, India, Italy, Norway, South Africa, Sweden, and Zambia. An East African DTT has been signed but not yet ratified.
- ✓ In some instances, non residents do search for a suitable country to locate a company in and then placing the said company in that country mainly to take advantage of the treaty benefits accorded to its residents. This practise is highly discouraged by contracting states and the companies may come under scrutiny by the relevant tax authorities and treaty benefits may be denied as a result.
- ✓ In most cases the authorities will seek to establish who is the ultimate beneficiary of the relief available under the Double Tax Agreement, and if the ultimate beneficiary is not a resident of contracting states, such relief will be denied.
- ✓ Tanzania has no Double Tax Agreement with France and hence France residents might not benefit from the double tax treaties which are currently in force.

## Foreign Tax Reliefs

- ✓ In absence of a Double Tax Agreement, one may seek to utilize available foreign tax relief provisions available in their countries of origin.
- ✓ Under foreign tax relief, some jurisdiction allow a tax credit to a resident individual for any income tax paid in another country in respect of income sourced from that other country.
- ✓ Depending on the prevailing law in the country of origin, an election can also be made to claim relief as an expense instead of as a credit.



# Registration Requirement for Non-residents wishing to register business in Tanzania

## General overview on registration requirements

### Business Registration and Licensing Agency (“BRELA”)

BRELA is an agency responsible for business registration and post business registration issues.

#### 1. Registration of local subsidiary/ New company

- ✓ Registration is done through the online BRELA portal common known as BRELA ORS.
- ✓ Documents required for registration for a local subsidiary are Memorandum and Articles of Association (MEMARTS) and Identification documents of the shareholders.
- ✓ The subsidiary or new company is assigned with Certificate of Registration.
- ✓ To expedite registration process, make sure to have all required documents in place.

#### 2. Registration of the Branch

- ✓ Registration is also done through the ORS system.
- ✓ Documents required for branch registration MEMARTS and Identification Documents of the head office including registration documents in the home country.
- ✓ Upon successful registration, a branch is assigned with Certificate of Compliance.

NB: All Government payments to facilitate BRELA registration are done via control number system.

### Tanzania Revenue Authority (“TRA”)

- ✓ Once BRELA registration is complete, the company/ branch representative will visit the assigned TRA Regional office to obtain a printed copy of the Taxpayer Identification number certificate.
- ✓ The Company will also select a representative who will operate the company account with TRA via TRA e-filing system.
- ✓ NB: TRA does not charge a fee for registration for TIN Certificate.

## General overview on registration requirements

### Procurement of Electronic Fiscal Device Machine (“EFD”)

- ✓ Registered businesses are required to acquire EFD machines.
- ✓ EFD is a machine designed to link supplier sales and purchases with TRA system in order to enhance reporting controls.
- ✓ The EFD machines are supplied by TRA pre-approved vendors.
- ✓ Every taxpayer (seller of goods and/or service) has a duty to issue fiscal receipts/tax invoice likewise every buyer has a duty to demand fiscal receipts/tax invoice for possession of goods or services obtained in accordance to the laws.
- ✓ The penalty for not complying with EFD requirement is capped at a maximum of **TZS 20,000,000**.

### Procurement of the Business License from the Municipal Council.

- ✓ Every registered business must obtain a valid business licence from the designated Municipal Council.
- ✓ The Business licence is processed via the online Municipal Councils portal known as TAUSI.
- ✓ Business licences are usually issued to cover a period of twelve (12) months.
- ✓ Not all business licences are issued by Municipal Councils, some are issued by BRELA.

## General overview on registration requirements



### **Registration with National Social Security Fund (NSSF) for Tanzania Mainland and Zanzibar Social Security Fund (ZSSF) for Tanzania Islands (Zanzibar).**

- NSSF and ZSSF are states social security schemes which every employer in the private sector must contribute to.
- Employer is required to contribute to the security funds maximum of twenty percent (20% ) of every employee's gross wages. Out of the 20%, employee contribute 10% while employer also contribute 10%, however, employer may opt to contribute at a grater rate.
- Employers and employees may use the available online portals to register into NSSF and ZSSF.

### **Registration with Workers Compensation Fund.**

- Every employer should register and contribute towards the Workers Compensation Fund (WCF).
- The WCF was established to provide for adequate and equitable compensation to employees who suffer injuries as a result of occupational accidents or diseases and in case of death, to their dependents.
- The contribution is payable on a monthly basis and is calculated as a percentage of cash sums paid to employees at 0.5%.
- Unlike the social security funds where both employer and employee contributes towards the funds, WCF contribution is a hundred percent (100% )employer's liability and not employees.

# Issuance of business licenses.

In Tanzania, business license are issued by both BRELA and Local Government Authorities (“LGA”s”). BRELA issues class A license while LGA’s issue class B licenses. Where necessary, registration or Permit from the Sector Regulating Authority must be obtained.

## Licenses obtained from BRELA

The following are some of licenses obtained from BRELA

- ✓ Microfinance institutions, Stock Exchange Broker, Insurance and Assurance, Commercial Banking, Cooperative Banking, Bureau De Change, Micro credits, Capital Markets and Banking Brokers.
- ✓ Real Estate Agents, Property Management, Real Estate Management, Property Development and Property Management.
- ✓ Tour operators , Tourist Agents, Air Ticketing, Tourist Hotels, Tourist Lodges, camping and Camps, Car renting and car hires, photographic safaris, Hunting Safaris and Tourism promoting activities.
- ✓ Mining and Gas Drilling, Minerals and Gas Explorations, Minerals and Gas survey and electrical generations stations.
- ✓ Transportation of goods/ passengers by land or air, marine transport, transport logistics, cargo handling and Shipping Agency.
- ✓ Casino, betting slots machines,

## Licenses obtained from LGA’s (Municipal Councils).

The following are some of licenses obtained from LGA’s

- ✓ Commercial Farming/ Animal/ Fishery Husbandry.
- ✓ Sale of Agricultural Products within the Country.
- ✓ Insurance Agent.
- ✓ Building Contractors.
- ✓ Electrical Contractors.
- ✓ Hospitals.
- ✓ Research and Development services.
- ✓ Professional Consultants.
- ✓ Super Markets.
- ✓ Wholesale trade.

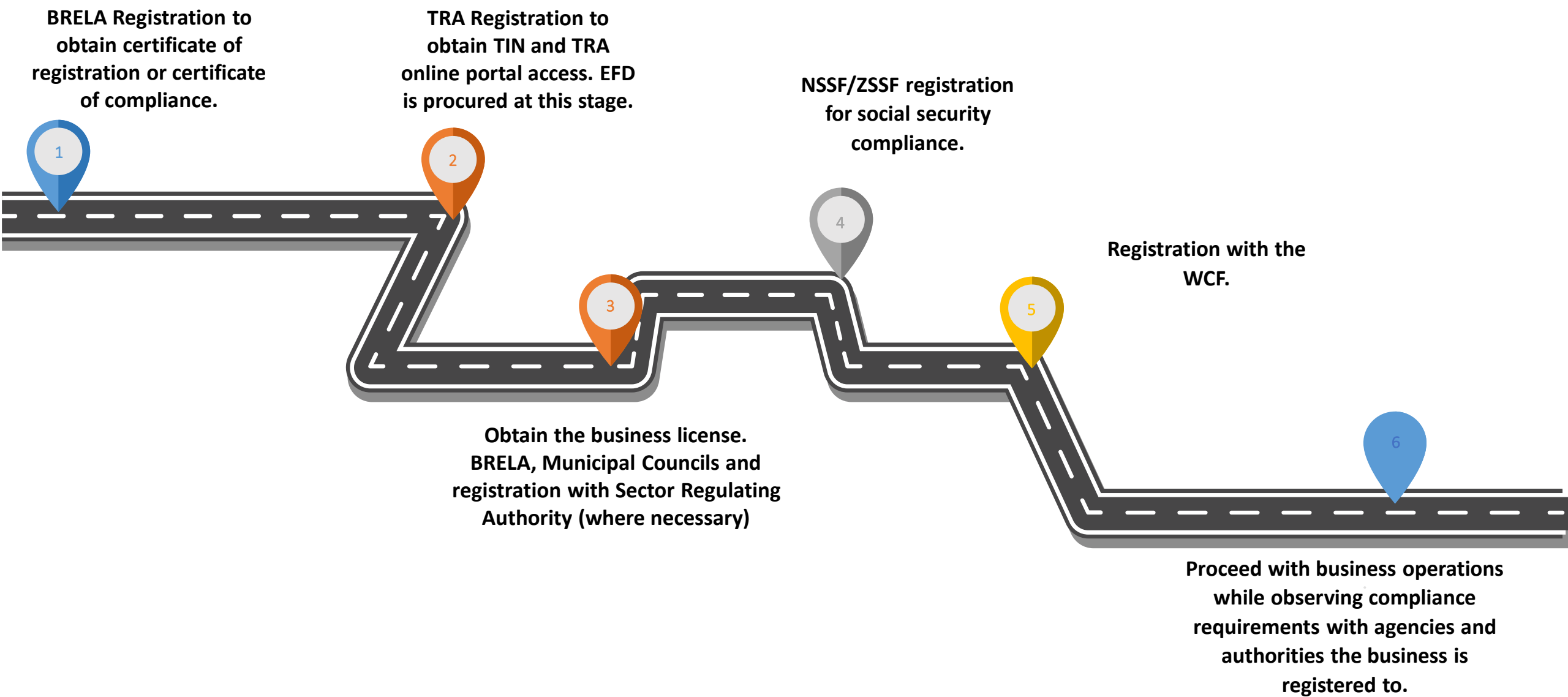
## Issuance of business licenses cont...

Prior to obtaining a license from BRELA of LGA's, some business activities would require to be registered or obtain a permit from Sector Regulating Authority.

- ✓ **Tourist Agency License (TAL)** from the Ministry of Tourism and Natural Resources
- ✓ **Insurance Licenses** from Tanzania Insurance Regulatory Authority (TIRA)
- ✓ **Banking License** from Bank of Tanzania (BOT)
- ✓ **Capital Exchange and Stock Licenses** from Capital Market and Security Authority (CMSA)
- ✓ **Telecommunication and Broadcasting Licenses** from Tanzania Communication Regulatory Authority (TCRA)
- ✓ **Mining Licenses** from the Ministry of Minerals and Energy
- ✓ **Explosive Dealers License** from the Ministry of Minerals and Energy
- ✓ **Customs Agency License (CAL)** from Tanzania Revenue Authority (TRA)
- ✓ **Medicine and Medical Devices Permit** from Tanzania Medicine and Medical Device Authority (TMDA)
- ✓ **Industrial License** from Business Registration and Licensing Agency (BRELA)
- ✓ **Shipping License** from Tanzania Shipping Agencies Corporation (TASAC)
- ✓ **Land Transport License** from Surface and Marine Transportation Regulatory Authority (SUMATRA)
- ✓ **Petroleum Dealers License** from Energy and Water Utility Regulatory Authority (EWURA)
- ✓ **Electricity License** from Energy and Water Utility Regulatory Authority (EWURA)
- ✓ **Gaming License** from the Gaming Board of Tanzania



# The registration roadmap....



# Compliance Requirements for registered business in Tanzania

# Introduction

---



## Who should comply

- ✓ Every person who is eligible to register for tax purposes must register in accordance with tax laws prevailing in Tanzania.
- ✓ Every person registered for tax purposes must adhere to the applicable rules and laws by filling the tax returns within the periods prescribed and pay assessed taxes within the due dates.

## What are the areas of compliance?

- ✓ Direct taxes.
- ✓ Indirect taxes.
- ✓ Municipal Service levies.
- ✓ Mandatory contributions.



## What are Direct taxes?

- ✓ Direct taxes are taxes on income and investments. They are alternatively referred to as taxes on what a person own or earn.
- ✓ Example of direct taxes are individual income tax, corporate income tax, Capital Gain Tax and Property Taxes.

## What are Indirect taxes?

- ✓ These are taxes on consumption.
- ✓ Examples of Indirect Taxes are Value Added Tax, Excise Duty, Customs Duty and Stamp Duty.

## What is Municipal Levy?

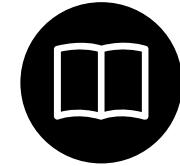
- ✓ This is a charge imposed by Local Government Authorities (LGAs) on corporate entities or persons conducting businesses in their localities.

## What are mandatory contributions?

- ✓ These are specific contributions to geared at boosting employees social welfare.
- ✓ They include social security and compensation fund contributions

# Introduction to Corporate Income Tax Compliance.

# Corporate Income Tax (CIT)



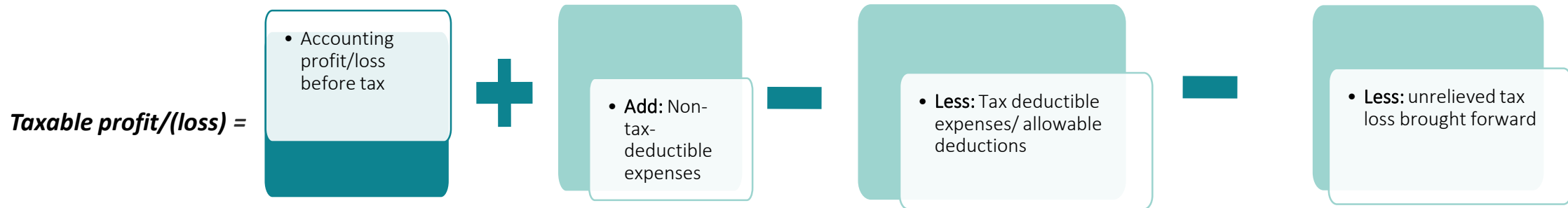
- ✓ CIT is tax imposed on income generated by the business.
- ✓ Compliance requirements:
  - **Statement of estimated tax payable/ provisional tax returns:** is a provisional return which a taxpayer is required to complete and file to the Commissioner within three months from the beginning of the year of income. It contains an estimate of the chargeable income for the year of income.
  - **Annual Return of income/Final Tax Return:** Is a return statement of chargeable income for the year of income and is due for filing within six months after the end of the year of income. It must be accompanied by the Audited Financial Statements.
- ✓ The provisional returns and annual return of income are filed online using the TRA e-filing portal.
- ✓ Penalties are usually imposed on failure to file provisional tax and annual return of income within the stipulated deadlines while interest is charged on late or less payment of taxes.
- ✓ Transfer Pricing Document is separately prepared to support related party transaction reported in the Audited Financial Statements (if any).

# Introduction to Corporate Income Tax (CIT)

- ✓ The annual return of income must be accompanied by the Audited Financial Statement (“AFS”). The AFS will report revenue and expenses of an entity for the year of income.
- ✓ The AFS will also report accounting profit during the year, i.e. Revenue less Expenses.

## Accounting Profit vs Taxable Profit

- ✓ Accounting profit is not equal to Taxable profit.
- ✓ While the Accounting profit/ loss (profit/ loss before tax) is the difference between income and expenses (excluding tax expense), the starting point for taxable profit/ loss is the accounting profit adjusted by the necessary items to take into account the provisions of the Income Tax Act as illustrated below:



Unrelieved tax loss brought forward: This is loss brought forward from previous year/s. They are offset against the chargeable income for the year.

## Transfer Pricing compliance requirements.

- ✓ Transfer Pricing is the process of setting the price for goods and services that are traded between related parties/companies.
- ✓ The goal of transfer pricing is to ensure that the prices charged for these transactions are consistent with the prices that would be charged between unrelated parties in similar circumstances i.e. the transaction follows the arms length principles.
- ✓ Taxpayers with related party transactions are required to have contemporaneous transfer pricing documentation in place.
- ✓ TRA has recently started requesting such documentation and failure to provide such documentation can result in significant penalties and / or imprisonment
- ✓ The transfer pricing documentation should be provided to the TRA within 30 days of it being requested.
- ✓ Taxpayers with related party transactions amounting or exceeding ten billion Tanzania Shillings must file the transfer pricing documents at the time of filling the annual return of income.

# Introduction to Withholding Tax Compliance.



# Introduction

## Definition

- A form of Income tax in which a payer in respect of specified payments is legally required to deduct a specified portion of the payment and remit that portion to the TRA.

## Parties involved

- **Withholdee** – A person receiving or entitled to receive a payment from which income tax is required to be withheld.
- **Withholder** (Withholding agent of the TRA) – A person required to withhold income tax from a payment made to a withholdee.

## Governing Legislation

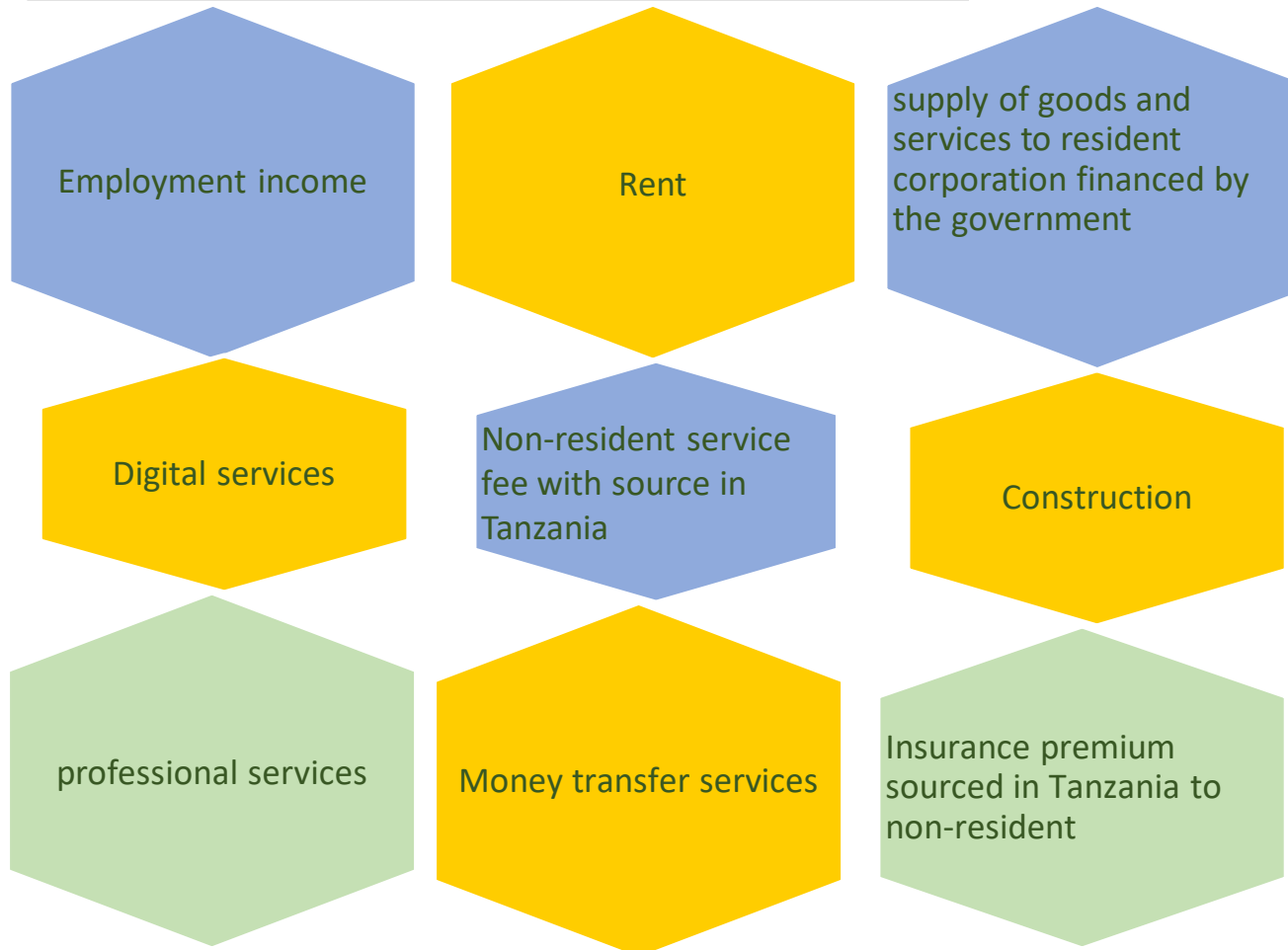
- Withholding tax is governed by the laws outlined in the Income Tax Act CAP 332 [R.E 2019].
- From Section 69 and Section 81 to 87 of the ITA.

## Key consideration on imposition of WHT

- ✓ The payer must be a resident of the URT according to Section 82 of ITA
- ✓ Applicable on payment for income with source in the United Republic of Tanzania (URT).
- ✓ For goods, withholding tax is only applicable when supplying goods to a resident corporation whose budget is wholly or substantially financed by the Government. The Government will be the holding tax agent and the applicable rate is 2%.
- ✓ For services, service fee will have source in URT if the service is rendered in URT regardless of the place of payment or service performance.
- ✓ Withholding tax incurred by withholder on behalf of the withholdee is not a tax deductible expense in the books of the withholder, i.e. it will be a disallowed expense.
- ✓ The withheld amount must be remitted to TRA on or before 7<sup>th</sup> day of the month following compliance month and related withholding tax return must also be filed on or before 7<sup>th</sup> day of the month following compliance month.

# Applicability of WHT

## What payments are subject to withholding



## What constitutes professional services?

The Income Tax Act, Cap 332, R.E 2019 (“ITA, 2004”) defines professional services to include:

- services rendered by a **person licensed as a practitioner** by any **recognized professional body**.
- other services or activities of **an independent business character**.
- ✓ Specifically mentioned including consultancy, legal, architectural, engineering, supervisory, accounting, auditing, medical, artistic, survey, theatrical performance, sports, exhibition, private security services, private investigation and consultancies in various disciplines
- ✓ entertainment held or given other than those for remuneration under contract of employment.

# Applicability of WHT on employment

## Withholding Tax on Employment Income

- ✓ Every employer who makes payment to the employee for his/her employment services deducts withholding tax. The withholding tax is widely known as Pay As You Earn “PAYE”.
- ✓ The withholding tax rates follows a progressive tax rate system for primary employment and a flat rate of 30% for secondary employment.
- ✓ When a person is employed in more than one employment position then employment positions selected by an employee to be regarded as not the main source of income are called secondary employments.
- ✓ An employer must file PAYE return via the TRA e-filing portal on or before 7<sup>th</sup> day of the month following the compliance month.
- ✓ PAYE is employee burden and an employer incurring the PAYE liability on behalf of the employee may be severely penalized when such practise is revealed to the TRA.
- ✓ There is also a levy known and Skills and Development Levy (“SDL”) which is administered by the TRA but relating to Vocational Education Training Authority (“VETA”). The levy is payable to the TRA on or before 7<sup>th</sup> day of the month following compliance month.
- ✓ The levy is employers cost and is charged at 1% of the gross cash emoluments paid to the employee.
- ✓ The levy is triggered when an employer has a total of ten employees and above.

## What constitutes employment income?

Employment benefits entails all the gains and profits from employment of an individual by the employer or an associate of the employer including;

- ✓ Payments of wages, salary, payments in lieu of leave, fees, commissions, bonuses, gratuity and all other allowance received in respect of the employment rendered;
- ✓ Payment for individual’s agreement to any condition of the employment;
- ✓ Payment for redundancy, loss or termination of employment; and
- ✓ Other payments made in respect of employment including benefits in kind.

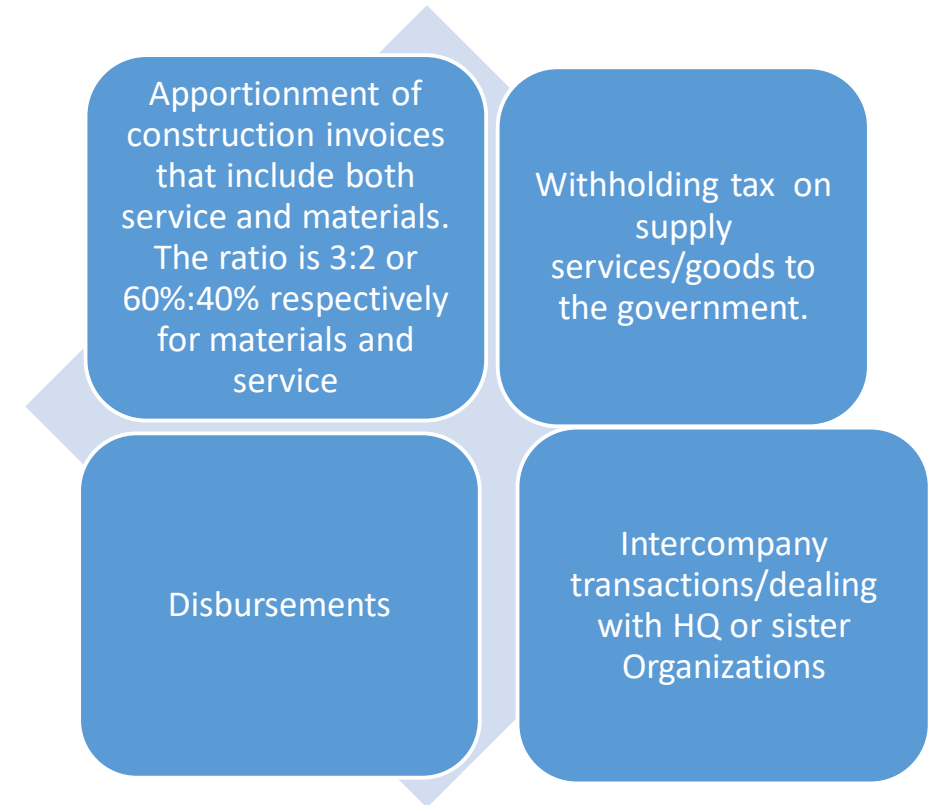
## Withholding tax continued....

### Consequences for non-compliance with WHT

- Both withholder and withholdee are jointly liable for failure to withhold tax.
- **Interest for late payment/ failure to pay**  
Calculated at statutory rate (*as defined under section 3 of the Tax Administration Act, Cap. 438 [Re 2019] "TAA" to mean the prevailing discount rate determined by the Bank of Tanzania*) of  
- 8.5% from April 2024 to September 2024 compounded monthly for every month or part of month of failure.
- **Penalty for late filing**  
Calculated either 2.5% of the amount of tax assessed with respect to the tax return less tax paid by the start of the period or In case of a body corporate, 15 currency points, whichever is higher.

**N.B: 1 Currency point = 20,000 Tshs**

### Areas to monitor



# Value Added Tax

**“If it moves, tax it”**

# Overview

## General Value Added Tax compliance requirements



- **Value Added Tax** is a tax on consumer expenditure collected on business transactions and imports.
- It is levied on goods and services for value added at every point of the production or distribution cycle, starting from raw materials and going all the way to the final retail purchase.

- In Mainland Tanzania, VAT is imposed and charged on taxable supplies and taxable imports according to the provisions of the Value Added Tax Act, CAP 147 [RE 2019] (“VAT Act”) which is the primary legislation. The VAT Act is supplemented by Value Added Tax (General) Regulations, 2015 and Value Added Tax (General) (Amendment) Regulations, 2018.
- A **taxable supply** is a supply made by a VAT registered person in Mainland Tanzania other than an exempt supply.
- A **taxable import** means an import of goods, other than an exempt import.

- **Exempt** in relation to a supply or import, means a supply or import that is specified as exempt under VAT Act.
- In Mainland Tanzania, VAT compliance obligation is applicable to persons with turnover of TZS 200 M in the past 12 months.
- The registration requirement applies to resident persons making taxable supplies; Intending traders; and Government institutions conducting economic activities as well as to non-resident persons providing electronic services to individuals in Tanzania...

# Overview

## General Value Added Tax compliance requirements



The VAT act provides the following to be liable to pay value added tax;

- in the case of a taxable import, the importer;
- in the case of a taxable supply that is made in Mainland Tanzania, the supplier; and
- in the case of a taxable supply of imported services, the purchaser.

- Mainland Tanzania: A taxable supply can either be taxed at the standard rate (18%) or at the zero rate (applicable for exports)
- VAT is paid on net amount basis (Output VAT **Minus** Input VAT)

- The amount of VAT payable shall be calculated by multiplying the value of the supply or import by the VAT rate, which shall be eighteen percent.



# VAT Compliance



## Output VAT

Output VAT is VAT payable by a taxable person in respect of a taxable supply made.

## Input VAT

- All input tax is generally allowable as credit with the following exceptions:
  - Input tax credit that is time barred
  - Entertainment
  - Sporting or social club memberships
  - Acquisition, import of a passenger vehicle or of spare parts or repair and maintenance services of passenger vehicles, unless the economic activity of the taxable person is dealing in vehicles
- The purchaser shall not be allowed an input tax credit for that supply unless he has accounted for the output tax in the same Value added tax return in which the input tax credit is claimed.

## VAT Credit

- If the net amount for tax period is a negative amount, the amount is carried forward to one or more subsequent tax periods, unless an immediate refund is allowable.

### PAYABLE POSITION

$\text{Output} > \text{Input} + \text{VAT credit b/f}$

### REPAYABLE POSITION

$\text{Output} < \text{Input} + \text{VAT credit}$

# VAT Return

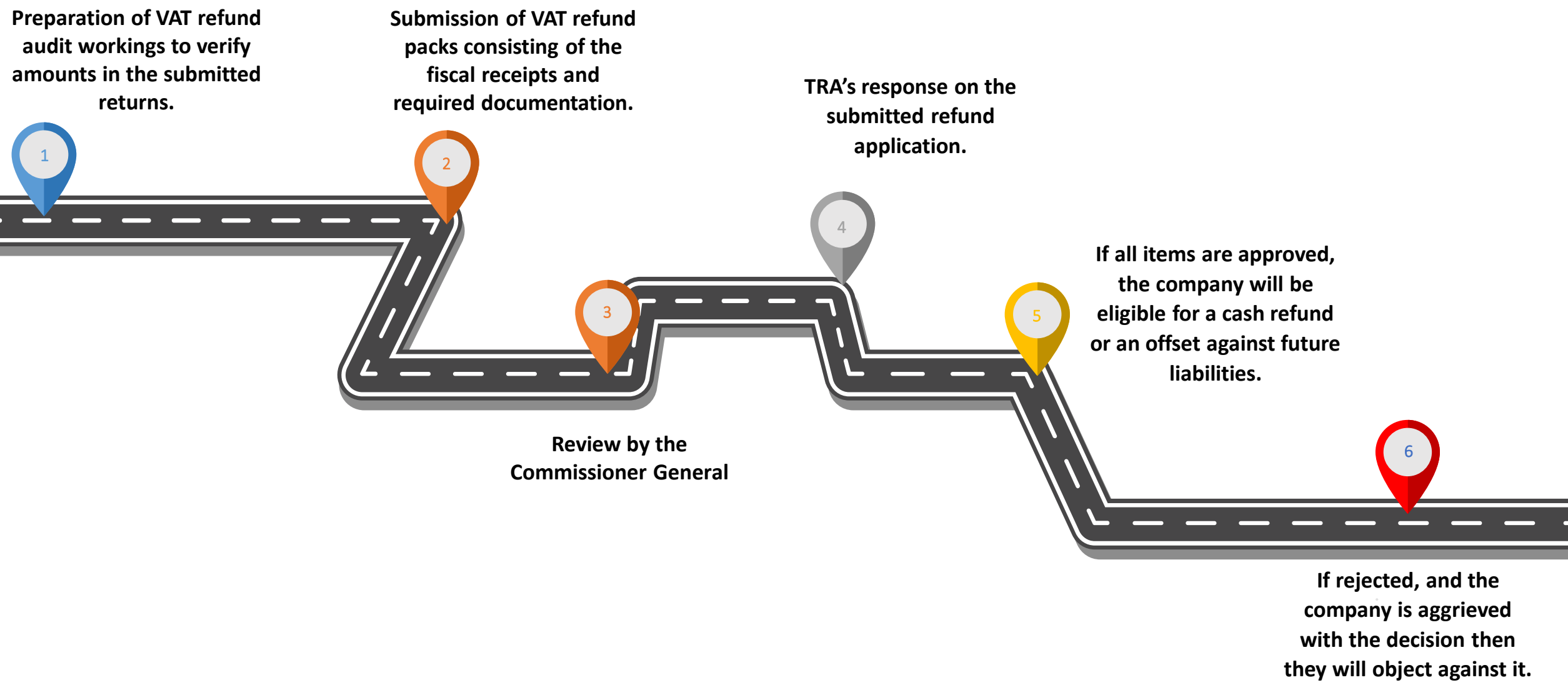
- VAT due per month is remitted to the TRA by the 20th day of a month after the end of the tax period to which it relates.
- Payment of VAT is initiated online using electronically generated payment control numbers. This is done by creating a payment order form that is used during payment to the TRA via the respective taxpayer's bank to the Bank of Tanzania (BoT).



- A taxable person shall lodge a value added tax return in the form and manner prescribed by the Minister on or before 20th day of a month after the end of the tax period to which it relates.
- Currently, VAT returns are lodged online via the Tanzania Revenue Authority (TRA) taxpayer portal and VAT returns can be retrieved from the system from any period that was filed by the taxpayer.
- The taxpayer portal uses the EFD system to identify sales and purchases made by a company. This information is auto-populated when filing the VAT return.

- ✓ A taxable person who has carried forward all or part of a negative net amount for six or more tax periods may apply for a refund taking into considerations the provisions of Section 82 of the VAT Act.
- ✓ The process of applying for VAT refund begins with a VAT refund audit. This involves a detailed analysis of all transactions that add up to input and output tax and a verification of documents to ensure that they meet all requirements, especially fiscal receipts used in claiming input VAT as per Section 86 of the VAT Act.
- ✓ Requirements needed for application for refund are explained under Section 29 of the Value Added Tax (General) Regulations, 2015.
- ✓ An application for refund shall, except where a tax law provides otherwise, be made within a period not exceeding three years from the date of payment of tax in excess (Section 71, Tax Administration Act, 2015.)

# VAT Refund Procedure



## Currency invoicing requirements

The legal framework strictly prohibits domestic transactions in foreign currency and emphasize that Tanzanian Shilling should be the sole legal tender for such transactions

Invoice issued by Tanzanian businesses to resident persons in the United Republic of Tanzania cannot be quoted or paid in foreign currency. This means all prices for all types of goods and services in Tanzania should be quoted in Tanzanian shillings.

### **Situation where foreign currency can be used**

- ✓ Payments from a non-resident person to a Tanzanian business may be quoted and paid in foreign currency. This means invoices directed to clients outside of Tanzania can be quoted in the respective currency of the client.
- ✓ Payments made by a Tanzanian to a person or business outside the United Republic of Tanzania may be quoted and paid in foreign currency.
- ✓ Payment of fees to the government or its agencies where the prescribed fee is in foreign currency.
- ✓ Payments by tourists and non-residents for accommodation, travel, airport and visa, transit trade and cargo handling.

## Other compliance Requirements

# Introduction to other compliance requirements...

These are mainly governed by agencies other than the TRA

National Social Security Fund  
(NSSF/ZSSF)

- ✓ Filling of monthly returns indicating individual employees, gross salary and contribution amount.
- ✓ Payment of contribution amounts to the funds.
- ✓ The returns are filed through the online portals for ZSSF and NSSF.

Workers Compensation Fund

- ✓ Filling of monthly returns indicating individual employees and gross salaries
- ✓ The returns are filed through WCF online filling portal.

Municipal Council

- ✓ Filling of quarterly returns indicating gross revenue for the three months period.
- ✓ Upon filling of the return, the Municipal Workers produces control number for payment of the municipal levy.
- ✓ Municipal returns are filed manually at designated Municipal offices.

Brela

- ✓ Filling of annual return
- ✓ Payment of BRELA account annual maintenance fee.
- ✓ Returns are filed via BRELA online portal.

# Work Permits and Residence Permits



# Introduction to work permits



- ✓ If you are a non-Tanzanian who has just secured employment or looking to start a business in Tanzania- you need a work permit.
- ✓ The work permit is issued by the government of Tanzania under the Ministry of Labor and Employment.
- ✓ The application for a work permit can be made any time when the employment contract is finalized or if it is for self-employed after the business is set up and secure the business license from relevant authorities.
- ✓ The work permit can be applied for and filed through the online permit application system.
- ✓ The work permit in Tanzania is not permanently valid. After being granted, the work permit stays valid for two years only, after which it has to be renewed again to a maximum of 8 years for employed persons and undefined time for self-employed (Directors and Shareholders of the company) for as long as the business is running in Tanzania.
- ✓ A person who has been granted a work permit has also to file a separate application for residence permit.
- ✓ Classes of work permits;
  - **Work Permit Class A:** This is issued to investors and self employed individuals.
  - **Work Permit Class B:** This is issued to non – citizen in possession of possession of prescribed professions (such as Medical and Health Care Professionals, Experts in Oil & Gas, Teachers and University Lectures in Science and Mathematics)
  - **Work Permit Class C:** This is issued to non – citizen in possession of other professions.
  - **Work Permit Class D:** This is issued to non- citizen employees or engaged in approved religious and charitable activities.
  - **Work Permit Class E:** This is issued to refugees.

# Introduction to residency permits



- ✓ In addition to the work permit, one must obtain a residency permit in order to move freely and legally in Tanzania.
- ✓ The Residence Permit is issued by the Ministry of Home Affairs under Immigration Service Department.
- ✓ Residence Permits are generally to be sought by the company or employer while the prospective resident is still outside the country except in renewal cases. An employer who applies for a first grant Residence Permit while the prospective resident is within the country may be subjected to pay for Special Pass fee on top of Residence Permit fee
- ✓ There are three types of Residence Permits which are Residence Permit Class A, B and C
  - **Residence Permit Class “A”** may be granted to a person who intends to enter or remain in Tanzania and engage on self-employed investment as a Professional Artist Investor, Diaspora Investors, Refugee Investors or any other sector/ Industry Investors.
  - **Residence Permit Class “B”** is issued to a foreigner who possesses qualification or skills, preferably in highly technical occupations, that are not readily available in the local labor market. This covers foreigners with rare professions having specific employment by specific employer and professionals working in Government and Private strategic projects.
  - **Residence Permit Class “C”** is issued to a foreigner who are not eligible to obtain either Class “A” or “B” permits. These includes; researchers, retired persons, missionaries, former employees winding up affairs, individuals attending medical treatment, volunteers, intern, parties and witness in court of laws and tribunals, buyer of real estate e.tc. Application must be made prior to the entry of the prospective applicant into Tanzania except Retired persons and those winding up affairs.



Q&A