FOREWORD

A country’s tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions.

As you will appreciate, the production of the WWTG is a huge team effort and we would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country’s taxes that forms the heart of this publication.

The PKF Worldwide Tax Guide 2016/17 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world’s most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 30 April 2016, while also noting imminent changes where necessary.

On a country-by-country basis, each summary such as this one, addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country’s personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

Services provided by member firms include:

- Assurance & Advisory;
- Financial Planning / Wealth Management;
- Corporate Finance;
- Management Consultancy;
- IT Consultancy;
- Insolvency - Corporate and Personal;
- Taxation;
- Forensic Accounting; and,
- Hotel Consultancy.

In addition to the printed version of the WWTG, individual country taxation guides such as this are available in PDF format which can be downloaded from the PKF website at www.pkf.com.
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JUNE 2016

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For further advice or information please contact:

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BASIC FACTS

Full name: United Republic of Tanzania
Capital: Dodoma
Main language: Swahili, English
Population: 47.40 million (2014 estimate)
Major religion: Islam, Christianity
Monetary unit: Tanzanian Shilling (TZS)
Internet domain: .tz
Int. dialling code: +255

KEY TAX POINTS

• Corporate tax is payable by Tanzanian companies on their worldwide taxable income at the rate of 30%.
• Value Added Tax is generally charged at the standard rate of 18% on any supply of goods or services in mainland Tanzania.
• There are several sources of income that are subject to withholding taxes, generally at rates from 2% to 15%.

A. TAXES PAYABLE

CORPORATE TAX

A company is resident in United Republic of Tanzania if it is incorporated, formed or established in Tanzania or has its place of effective management (day to day management) in Tanzania. Subject to certain limited exemptions, Tanzanian resident companies and close corporations (companies) are taxed on their worldwide income as provided on Income Tax Act 2004 section 67. Furthermore, and again subject to certain exemptions as provided on Income Tax Act 2004 second schedule, the international 'anti-avoidance' practice of taxing income earned by Controlled Foreign Companies (CFC) applies to Tanzania residents. Corporate Tax is payable by Tanzanian companies on their worldwide taxable income at the rate of 30%. The tax is payable by both public and private companies as well as close corporations.

Bonds issued by the East African Development Bank are tax exempted. The Minister of Finance and Planning shall not grant tax exemption/remission on income/payment derived from Government projects financed by Non-Concessional loans. For Individuals, where the turnover exceeds TZS 20,000,000 the taxpayer is obliged to prepare audited financial statements in respect of his/her business. If the company has sales of TZS 20,000,000 or less it will be taxed as follows:

<table>
<thead>
<tr>
<th>Annual Turnover</th>
<th>Tax Payable (incomplete accounting records)</th>
<th>Tax Payable (complete accounting records)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TZS 0 – TZS 4,000,000</td>
<td>NIL</td>
<td>NIL</td>
</tr>
</tbody>
</table>

Presumptive Individual Income Tax
Tanzania

<table>
<thead>
<tr>
<th>Turnover Range</th>
<th>Tax Amount</th>
<th>Taxation Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>TZS 4,000,000 – TZS 7,500,000</td>
<td>TZS 150,000/=</td>
<td>3% of the annual turnover in excess of TZS 4,000,000/=</td>
</tr>
<tr>
<td>TZS 7,500,000 – TZS 11,500,000</td>
<td>TZS 318,000/=</td>
<td>TZS 135,000 plus 3.8% of the turnover in excess of TZS 7,500,000/=</td>
</tr>
<tr>
<td>TZS 11,500,000 – TZS 16,000,000</td>
<td>TZS 546,000/=</td>
<td>TZS 285,000 plus 4.5% of the turnover in excess of TZS 11,500,000/=</td>
</tr>
<tr>
<td>TZS 16,000,000 – TZS 20,000,000</td>
<td>TZS 862,000/=</td>
<td>TZS 487,000 plus 5.3% of the turnover in excess of TZS 16,000,000/=</td>
</tr>
</tbody>
</table>

Mining and oil and gas companies are taxed at the same fixed corporate tax of 30% of taxable income but as per the Finance Act 2013 mining companies are granted a depreciation allowance of 100% on equipment used for prospecting and exploration of minerals or petroleum.

**TAXATION OF INSURANCE**

General insurance business should be treated separately from the life insurance business for tax purposes. General insurance business shall include:

- Any other amounts;
- Premiums derived during the year of income by the person as insurer, including as re-insurer, in conducting the business; and
- Proceeds derived during the year of income by the person under any contract of re-insurance in respect of proceeds; and

The following are deducted, together with any other amounts deductible:

- Proceeds incurred during the year of income by the person as insurer, including as re-insurer, in conducting the business; and
- Premium incurred during the year of income by the person under any contract of re-insurance.

Life insurance business shall include:

- Any other amount to be included;
- Premium derived during the year of income by the person as insurer, including as re-insurer, in conducting the business; and
- Proceeds derived during the year of income by the person under any contract of re-insurance; and
- There shall be deducted only the expenses of managing the business's investments (including commission) that are deductible;

The following amounts shall not be deductible:

- Proceeds incurred during the year of income by the person as insurer, including as re-insurer, in conducting the business; and
- Premium incurred during the year of income by the person under any contract of re-insurance.

**TAXATION OF TRUSTS**

A trust or unit trust is liable for tax, however, it will be taxed separately from its beneficiaries and trustees. Assets owned and liabilities owed by a trust or a trustee in the capacity of trustee (other than as a bare agent) shall be treated as owned or owed by the trust and not any other person. Amounts derived and expenditure incurred by a trust or a trustee in the capacity of trustee (other than as a bare agent), shall be treated as derived or incurred by the trust and not any other person. The following distributions are exempted:

- Distributions of a resident trust or unit trust shall be exempted in the hands of the trust's beneficiaries; and
- Distributions of a non-resident trust or unit trust shall be included in calculating the income of the trust's beneficiaries.
TAXATION OF PARTNER

A partnership business is not subject to tax but partners in partnership are taxed by using individual tax rate and their taxable income is determined by taking partner's share of any partnership income; and deducting the partner's share of any partnership loss, for a year of income of the partnership ending on the last day of or during the year of income of the partner.

CAPITAL GAINS TAX (CGT)

Gains from the disposal of investment assets such as land, building, shares and securities situated in Tanzania by non-residents are taxed at the single instalment rate of 20% regardless whether the disposal is made inside or outside Tanzania. For residents in Tanzania the same is taxed at a single instalment rate of 10%, the disposal is taxed on the net gain realized. Acquisition costs are deducted from the gross selling price. However, for companies the net gain realised shall be taxed at a corporation tax rate of 30% with the single instalment tax creditable. Nonetheless, the revenue authority’s current approach on the determination of a net gain realised is the higher of the consideration and the net worth of the assets. Disposals of the following however are exempt from CGT:

- Property used as the individual's private residence for three years prior to the sale, capital gains are exempt up to TZS 15 million (USD 8,250);
- Agricultural land with value less than TZS 10 million;
- Less than 25% of Dar es Salaam Stock exchange (DSE) shares held by a person;
- 25% or more of shares of a resident company held by another resident company within the previous five years; and
- Units in approved collective schemes.

Change in control of an entity – change in entity ownership by more than 50% during the previous two years shall attract CGT.

BRANCH PROFITS TAX

Where a branch of a foreign company operates in Tanzania, a branch profits tax at the rate of 30% of taxable income and 10% repatriated income applies.

DIVIDENDS TAX

Gross dividends of a resident company, controlling 25% or more shares, will be taxed at 5% when paid to a resident company and 10% when paid to a non-resident company. Any corporation that is listed on the Dar es Salaam stock exchange (DSE) and paying dividends to a resident or non-resident entity will be taxed at the rate of 5%. Dividends other than mentioned above will be taxed at the rate of 10% for resident or non-resident companies.

GAMING TAX

Gaming price winners will now be taxed at the rate of 18% on their winnings. Gaming winnings subject to gaming tax are not liable to income tax.

VALUE ADDED TAX (VAT)

The new VAT Act, 2014 has been introduce with effect from 1 July 2015, the VAT rate remains at rate of 18% on any supply of goods or services in mainland Tanzania where it is a taxable supply made by a taxable person in the course of, or in furtherance of, any business carried on. The new VAT Act, 2014 has complied with the VAT destination principle. The new VAT Act, 2014 has abolished the VAT Special Relief and significant reduction to most of exempted items.

Furthermore, a compulsory VAT registration is triggered when the value of taxable supplies in a 12 month period is or is expected to exceed TZS 100 million or TZS 50 million in a 6 month period, a VAT
registered person is required to lodge VAT returns on a monthly basis and make the payment, if any, of the same time when lodging the VAT returns.

**FRINGE BENEFITS TAX**

Employees are taxed on the value of fringe benefits as determined in accordance with a separate schedule to the Income Tax Act (the ‘fifth schedule’), which quantifies the car benefit. The other benefits include housing, and loans that are provided for less than twelve month period and do not exceed 3 months basic salary. The tax imposed to individual is in accordance with the tax brackets and rates applicable to natural persons.

**RAILWAYS DEVELOPMENT LEVY (RDL)**

There is a newly introduced RDL charged at the rate of 1.5% of CIF value on importation of goods and on those goods entered for home consumption.

**SKILLS & DEVELOPMENT LEVY (SDL)**

Skills and development levy is tax borne by employer at rate of 5 percent of gross remuneration payable monthly.

**WORKERS COMPENSATION FUND (WCF)**

WCF is a contribution borne by private company employer at rate of 1 percent of basic salary plus regular benefits payable monthly.

**STAMP DUTY**

Stamp Duty is levied on the acquisition of real property, or rights in or to such property, share transfer of a company, lease agreement located within Tanzania. The tax is computed at a rate of 1 percent on the fair market value of the property, but never on a value lower than the sales price.

**OTHER TAXES & LEVIES**

These include, amongst others, Customs and Excise Duties and Local Authority Service Levy.

**B. DETERMINATION OF TAXABLE INCOME**

The taxable income of a company is determined by deducting expenditure incurred in the production of income and other allowable expenses and allowances from the company's income. How the income is determined as well as allowable expenses and allowances that a company may deduct from that income is detailed further below.

**INCOME FROM A BUSINESS**

"Business" includes a trade, concern in the nature of trade, manufacture, profession, vocation or isolated arrangement with a business character; and a past, present or prospective business, but excludes employment and any activity that having its nature and the principal occupation of its owners or underlying owners, is not carried on with a view to deriving profits.

If the activities of the company are in line of the above definition of a ‘business’ according to the Tanzania tax laws, the company will be treated as conducting a business and it’s taxable income will be subject to tax at a rate of 30%. Taxable income is determined by taking business income and deducting allowable expenditure as explained below.
INCOME FROM INVESTMENT

A corporation's income from investment is its income from activities not directly related to its business. This class of income may include dividends, interest and rent which are not core to the business of a corporation. Income from investments is calculated as follows:

- From total returns on investment;
- Deduct any income which has been subject to a final withholding tax and exempt dividends;
- Deduct current expenses deductions;
- Add net capital gains (i.e. capital gains minus capital losses);
- Deduct any loss carry forward from previous year.

GENERAL PRINCIPLES OF DEDUCTIONS

The corporation is not allowed to deduct the expenses of the following nature in determining its taxable income:

- Expenditure incurred by employee or employer in the maintenance of himself or herself, his or her family or establishment, or for any other personal or domestic purpose;
- Expenditure of the capital nature that secure a benefit lasting longer than twelve (12) months or incurred in respect of natural resource prospecting, exploration and development;
- Bribes and expenditure incurred in corruption practice;
- Fines and penalty fines and similar penalties payable to a government or a political subdivision of a government of any country for breach of any law or subsidiary legislation;
- Expenditure to the extent to which incurred by a person in deriving exempt amounts or final withholding payments.

INTEREST AND FINANCE CHARGES

Interest incurred in the production of income is a deductible expense. Where the loan or instrument in respect of which interest is incurred complies with certain requirements, such interest is deemed to be incurred on a day-to-day basis.

Exempt controlled residents may deduct interest but to a limit not exceeding sum of interest equivalent to debt to equity ratio of 7 to 3.

TRADING STOCK

All trading stock on hand at the end of the tax year must be added to income while all trading stock on hand at the beginning of the year is deducted. Trading stock is valued at the lower of cost or the net realisable value.

REPAIR AND MAINTENANCE EXPENDITURE

For the purposes of calculating a person's income for a year of income from any business, there shall be deducted all expenditure to the extent it is incurred during the year of income, by the person and in respect of the repair or maintenance of depreciable assets owned and employed by the person wholly and exclusively in the production of income from the business. No deductions are available for expenditure improving the assets but that expenditure may be included in the cost of the assets if certain requirements are met.

RESEARCH AND DEVELOPMENT EXPENDITURE

In accordance to the Income Tax Act 2004 research and development expenditure is deductible if it is incurred by a person in the process of developing the person's business and improving business products or process and includes expenditure incurred by a company for the purposes of an initial public offer and first listing on the Dar es Salaam Stock Exchange but excludes any expenditure incurred that is otherwise included in the cost of any asset used in the use in any such process.
GIFT TO PUBLIC AND CHARITABLE INSTITUTIONS

For the purpose of calculating a person's income for a year of income from any business, there shall be deducted:

- Amounts contributed during the year of income to a charitable institution or social development project;
- Any donation made to Educational institutions;
- Amount paid to local government authority which are statutory obligations or government directives to support community development projects.

The deductions available for a year of income shall not be more than 2% of the person's income from the business.

DEPRECIATION ALLOWANCE FOR DEPRECIABLE ASSETS

For the purposes of calculating a person's income for a year of income from any business, there shall be deducted in respect of depreciation of depreciable assets owned and employed by the person during the year of income wholly and exclusively in the production of the person's income from the business the allowances granted under the schedule below.

<table>
<thead>
<tr>
<th>Class</th>
<th>Depreciable Assets</th>
<th>Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1*</td>
<td>Computers and data handling equipment together with peripheral devices, automobiles, buses and minibuses with a seating capacity of less than 30 passengers, goods vehicles with a load capacity of less than 7 tonnes; construction and earth-moving equipment.</td>
<td>37.5%</td>
</tr>
<tr>
<td>2*</td>
<td>Buses with a seating capacity of 30 or more passengers, heavy general purpose or specialized trucks, trailers and trailer-mounted containers; railroad cars, locomotives and equipment; vessels, barges, tugs and similar water transportation equipment; aircraft; other self-propelling vehicles; plant and machinery (including windmills, electric generators and distribution equipment) used in manufacturing or mining operations; specialized public utility plant and equipment; and machinery or other irrigation installations and equipment.</td>
<td>25%</td>
</tr>
<tr>
<td>3*</td>
<td>Office furniture, fixtures and equipment; any asset not included in another Class.</td>
<td>12.5%</td>
</tr>
<tr>
<td>4**</td>
<td>Natural resource exploration and production rights and assets referred to in subparagraph (3) in respect of natural resource prospecting, exploration and development expenditure.</td>
<td>20%</td>
</tr>
<tr>
<td>5**</td>
<td>Natural resource exploration and production rights and assets referred to in subparagraph (3) in respect of natural resource prospecting, exploration and development expenditure.</td>
<td>20%</td>
</tr>
<tr>
<td>6**</td>
<td>Buildings, structures, dams, water reservoirs, fences and similar works of a permanent nature used in agriculture, livestock farming or fishing farming.</td>
<td>5%</td>
</tr>
<tr>
<td>7 **</td>
<td>Intangible assets other than those in Class 4.</td>
<td>Over Useful life of asset</td>
</tr>
<tr>
<td>8 **</td>
<td>Plant and machinery (including windmills, electric generators and distribution equipment) used in agriculture. Equipment used for prospecting and exploration of minerals or petroleum.</td>
<td>100%</td>
</tr>
</tbody>
</table>
Capital allowances on fixed asset expenditure such as initial allowance of 50% applies on the net cost of plant and machinery used in manufacturing (and fixed in a factory), fish farming, or in providing services to tourists (and fixed in a hotel). Total capital allowance granted to a person is available in two portions: the first portion (an initial allowance of 50%), if applicable, is available in the year of acquisition and the remaining portion is available during the subsequent years.

NOTES:
* Pools of Depreciable calculated basing on Diminishing value balance method.
** Pools of depreciable assets calculated basing on straight line Method.

LOSSES ON REALIZATION OF BUSINESS ASSETS AND LIABILITIES

For the purposes of calculating a person’s income for a year of income from any business, there shall be deducted any loss of the person from the realization during the year of income of the following:
• A business asset of the business that is or was employed wholly and exclusively in the production of income from the business;
• A debt obligation incurred in borrowing money, where the money is or was employed or an asset purchased with the money is or was employed wholly and exclusively in the production of income from the business;
• A liability of the business other than a debt obligation incurred in borrowing money, where the liability was incurred wholly and exclusively in the production of income from the business.

LOSSES FROM A BUSINESS OR INVESTMENT

For the purposes of calculating the income of a person (other than a partnership or a foreign permanent establishment) for a year of income from a business or investment, there shall be deducted:
• Any unrelieved loss of the year of income of the Corporation from any other business or investment: and,
• Any unrelieved loss of a previous year of income of the Corporation from any business or investment.

TAX LOSS

If a corporation made a loss from the corporation’s business it is allowed to be deducted for five consecutive years and on the third year will be tax at the rate of 0.3% on turnover.

INTEREST RECEIVED

Interest received (or accrued) is included in gross income. Where the loan or instrument in respect of which interest is received complies with certain requirements, such interest is deemed to accrue on a day-to-day basis.

FOREIGN SOURCED INCOME

Tanzania resident individuals and corporate entities are subject to tax in Tanzania on their worldwide income. However, this general principle may be overridden by the provisions of a double taxation agreement or certain unilateral relief provisions contained in Tanzania’s tax legislation. A comprehensive set of rules govern the determination of the source of income.

INCENTIVES

In Tanzania there is an enacted law called the Tanzania Investment Act 1997, the Act has set up a one-stop investment centre to coordinate, encourage, promote and facilitate investment in Tanzania and to advise the Government on investment policy and related matters. The Tanzania Investment Centre (TIC) assist all investors to obtain permits, authorisation etc. required by other laws to set up and operate investments in Tanzania. There are two categories of investors; normal investor and strategic investor depending on the value of investment. The strategic investor enjoy more incentives.
than normal investor. With a Tanzania Investment Centre (TIC) certificate the investor qualifies for tax exemptions on certain items. The other categories of investments that enjoy incentives include:

**Some of the Export Processing Zone (EPZ) tax incentives include the following:**
- Exemption from corporation tax for 10 years;
- Exemption from withholding tax on rent, dividends, interest, royalty for 10 years;
- Remission of Customs duty, Excise duty, other tax for goods used as raw materials, equipment, machinery etc. directly relating to the manufacturing activities;
- Exemption from payment of all taxes and levies imposed by the local government authorities for products produced for a period of 10 years;
- Exemption from pre-shipment or destination inspection requirements;
- On site customs inspection of goods in the EPZ;
- Entitlement to an initial automatic immigration quota of up to five persons during the start-up period;

**Special Economic Zone (SEZ):**
SEZ provides incentives depending on the category of the investor. Some of the incentives include the following:
- Exemption from payment of taxes and duties for machinery, equipment, heavy duty vehicles, building and construction materials and any other goods of capital nature to be used for the purpose of the development of the SEZ infrastructure;
- Exemption from payment of stamp duty on any instrument executed in or outside the SEZ relating to transfer, lease or hypothecation of any movable or immovable property in or situated within the special economic zone or any document, certificate, instrument, report or record relating to any activity, action, operation, project, undertaking or venture in the SEZ;
- Exemption from payment of VAT on utility charges;
- Exemption from pre-shipment or destination inspection requirements;
- On site customs inspection of goods within SEZ;
- Treatment of goods destined into SEZ as transit cargo.
- Remission of customs duty, VAT and any other tax charged on raw materials and goods of capital nature related to the production in the SEZ;
- Provision of business visa at the point of entry to key technical, management and training staff for a maximum of two months; thereafter the requirements to obtain a residence permit according to the Immigration Act, 1995 shall apply

**Special Strategic Investment Status may be granted to the projects which meet the following criteria:**
- A minimum investment capital should not be less than three hundred million US Dollars (US$ 300,000,000) or equivalent in Tanzania Shillings;
- Investment capital transactions should be done through registered local financial and insurance institutions;
- It should create direct local employment of at least 1,500 with enough number of senior positions; and
- Being capable of generating reasonable foreign exchange earnings, producing reasonable import substitute goods or supply of facilities necessary for development in the social, economic or financial sector.

**C. BUSINESS LICENSE**

Business license shall be issued or renewed by the local authority upon presentation of a tax clearance certificate from the revenue authority.

**D. FOREIGN TAX RELIEF**

A resident corporation may claim foreign tax credits in a year of income for any foreign income tax paid by a corporation to the extent to which it is paid with respect to the corporation’s taxable foreign income for the year of income. Foreign tax credits claimed shall be calculated separately for each year of income and shall not exceed the average rate of Tanzania income tax of the corporation for the year of income applied to the corporation's taxable foreign income. However a corporation may elect to relinquish a foreign tax credit available for a year of income and claim a deduction for the amount of the foreign
income tax; but otherwise no deduction is available for foreign income tax.

E. CHARITABLE ORGANISATIONS

A "charitable organisation" or “religious organisation” means a resident entity of a public character that satisfies the following conditions:

- The entity was established and functions solely as an organization for the relief of poverty or distress of the public, the advancement of education or the provision of general public health, education, water or road construction or maintenance; and,
- The entity has been issued with a ruling by the Commissioner under section 131 currently in force stating that it is a charitable organisation or religious organisation.

For the purposes of calculating the income of a charitable organisation or religious organisation for any year of income from its charitable business:

(a) There shall be included, together with any other amounts required to be included under other provisions of the Income Tax Act, all gifts and donations received by the organisation; and,

(b) There shall be deducted, together with any other amounts deductible under other provisions of the Income Tax Act:

(i) Amounts applied in pursuit of the organisation or religious organisation’s functions (referred to above) by providing reasonable benefits to resident persons or, where the expenditure on the benefits has a source in Tanzania, persons resident anywhere; and,

(ii) 25 percent of the organisation or religious organisation’s income from its charitable business (calculated without any deduction under subparagraph (i) above) and any investments.

F. WITHHOLDING TAXES

There are several sources of income that are subject to withholding taxes as follows:

<table>
<thead>
<tr>
<th>Income Source</th>
<th>Resident (%)</th>
<th>Non-Resident (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- To companies controlling 25% of share or more</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>- From DSE listed companies</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>- Other companies</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Interest</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Royalties</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Technical and management service to mining companies</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Rental:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Land and buildings</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>- Air craft lease</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>- Residential house if exceeds TZS 500,000 p.a.</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>- Other assets</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>Natural resources payments</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Services fees</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Payment for goods to the Government of Tanzania</td>
<td>2</td>
<td>N/A</td>
</tr>
<tr>
<td>Insurance premium</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Commission on mobile money transfer</td>
<td>10</td>
<td>N/A</td>
</tr>
<tr>
<td>Annual Director’s fees (other than full time service director)</td>
<td>15</td>
<td>15</td>
</tr>
</tbody>
</table>

G. RELATED PARTY TRANSACTIONS

TRANSFER PRICING

The Income Tax (Transfer Pricing) Regulations 2014 were issued by way of a gazette notice published...
on 7 February 2014, and came into effect on the publication date. The regulations apply to taxpayers dealing with related parties located both inside and outside the United Republic of Tanzania.

The regulations address the potential mismatch between profit allocation and distribution of risks, assets and functions across the associated enterprises. The Regulations requires corporations to provided documented evidence that an arm’s length amount was paid for goods (both tangible and intangible) and services between related parties.

**Documentation requirement**
The Transfer Pricing documentation should be prepared before filling tax returns and should be submitted to within 30 days upon request by the Commissioner.

**Stiff Penalties for non-compliance**
The penalties for any transfer pricing adjustment made as part of a tax audit is 100% of the unpaid tax. Failure to comply with the regulations is an offence, and upon conviction, the taxpayer is liable to imprisonment for a maximum of 6 months and or a fine of not less than TShs 50m (fifty million) or both.

**Advance Pricing Arrangements**
The regulations also provide that a taxpayer can request the Commissioner to enter into an Advance Pricing Arrangements (“APA”). Basically these APA can be unilateral, bilateral and multilateral based on the taxpayer request and determine in advance the prices of the future controlled transactions over a fixed period of time, but not exceeding five years of income.

**H. EXCHANGE CONTROL**

Under the Investment Act 1997, investors are guaranteed unconditional transferability (through any authorized dealer in freely convertible currency) of net profits, foreign loan services, royalties, fees and technology transfer charges, emoluments of foreign personnel and repatriation of capital, after taxes on the sale of the investment. However, all transactions in foreign currency are regulated by the Foreign Exchange Act which permits any person, resident or not, to:

- Hold any amount of foreign currency;
- Sell any amount of specified foreign currency to an authorized dealer;
- Open and maintain a foreign currency account with a bank which is an authorized dealer.

**I. PERSONAL TAX**

An annual budget reforms the statutory provisions each year and below is a schedule relating to the taxation of personal income commencing from 1st July 2014 to 30th June 2015:

<table>
<thead>
<tr>
<th>Individual Employment Income</th>
<th>Tax Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>When total income does not exceed TZS 170,000</td>
<td>Nil</td>
</tr>
<tr>
<td>Where total income exceeds TZS. 170,000/= but does not exceed TZS. 360,000</td>
<td>11% of the amount in excess of TZS. 170,000</td>
</tr>
<tr>
<td>Where total income exceeds TZS. 360,000/= but does not exceed TZS. 540,000.</td>
<td>TZS. 20,900/= plus 20% of the amount in excess of TZS. 360,000</td>
</tr>
<tr>
<td>Where total income exceeds TZS. 540,000/= but does not exceed TZS. 720,000/=</td>
<td>TZS. 56,900/= plus 25% of the amount in excess of TZS.540,000</td>
</tr>
<tr>
<td>Where total income exceeds TZS. 720,000</td>
<td>TZS. 101,900/= plus 30% of the amount in excess of TZS. 720,000/=</td>
</tr>
</tbody>
</table>

Deductions available to salaried employees and full-time service directors are restricted to the following:

- Exempt amounts and final withholding payments;
- On-premises cafeteria services that are available on a non-discriminatory basis;
- Medical services, payment for medical services, payments for insurance for medical services or
payments that are:
- Available with respect to medical treatment of the individual, spouse of the individual and up to four of their children; and,
- Made available by the employer (and any associate of the employer conducting a similar or related business) on a non-discriminatory basis;

- Any subsistence, travelling, entertainment or other allowance that represents solely the reimbursement to the receipt of an amount expended by him wholly and exclusively in the production of his income from his employment or services rendered;
- Benefit derived from the 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;
- Benefit 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 subvention;
- Payment providing passage of the individual, spouse of the individual and up to four of their children to or from a place of employment which correspond to the actual travelling cost where the individual is domiciled more than 20 miles from the place of employment and is recruited or engaged for employment solely in the service of the employer at the place of employment;
- Retirement contributions and retirement payments exempted under the Public Service Retirement Benefits Act, 1999;
- Payment that it is unreasonable or administratively impractical for the employer to account for or to allocate to their recipients;
- Allowance payable to an employee who offers intramural private services to patients in a public hospital;
- Housing allowance, transport allowance, responsibility allowance, extra duty allowance, overtime allowance, hardship allowance and honoraria payable to an employee or the Government or its institution whose budget is fully or substantially paid out of Government budget subvention;
- In calculating an individual's gains or profit from payment for redundancy or loss or termination of employment, any payment received in respect of a year of income which expired earlier than five years prior to the year of income in which it was received, or which the employment or services ceased, if earlier such payment shall, for the purposes of calculation of the tax payable thereon, be allocated equally between the years of income in which it is received or, if the employment or services ceased in an earlier year between such earlier year of income and the five years immediately preceding such year of income in which such payment is so received or as the case may be, such earlier year of income in which the employment or services ceased, and each such portion allocated to any such year of income shall be deemed to be income of that year of income in addition to any other income in that year of income;
- If the contract is for a specified term, the amount included in gains or profits shall not exceed the amount which would have been received in respect of the unexpired period of such contract and shall be deemed to have accrued unevenly in such unexpired period;
- If the contract is for an unspecified term and provides for compensation on the termination thereof, such compensation shall be deemed to have accrued in the period immediately following such termination at a rate equal to the rate per annum of the gains or profits from such contract received immediately prior to such termination; and,
- If the contract is for an unspecified term and does not provide for compensation on the termination thereof, any compensation paid on the termination thereof shall be deemed to have accrued in the period immediately following such termination at a rate equal to the rate per annum of the gains or profits from such contract received immediately prior to such termination, but the amount so included in gains or profits shall not exceed the amount of three years' remuneration at such rates.

J. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Tanzania has a double taxation treaty (DTT) with each of the following countries: South Africa, Denmark, Canada, Finland, India, Italy and Norway,

However the DTT with Zambia has no limitation under the treaty on withholding tax on dividends, interest and royalties. These payments are only subjected to tax in the originating country if they are not taxable in the recipient country.

Under the DTT with Canada, India, and Sweden, interest rates are further reduced for certain percentages of ownership.
<table>
<thead>
<tr>
<th>Treaty countries:</th>
<th>Dividends (%)</th>
<th>Interest (%)</th>
<th>Royalties (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>10% / 20%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Sweden</td>
<td>25%</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td>India</td>
<td>5%/10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Italy</td>
<td>10%</td>
<td>12.5%</td>
<td>15%</td>
</tr>
<tr>
<td>Norway</td>
<td>20%</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td>Finland</td>
<td>20%</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td>Denmark</td>
<td>15%</td>
<td>12.5%</td>
<td>20%</td>
</tr>
<tr>
<td>Canada</td>
<td>25%</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td>Zambia</td>
<td>No limitation</td>
<td>No limitation</td>
<td>No limitation</td>
</tr>
</tbody>
</table>