Tanzania

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A. At a glance

Corporate Income Tax Rate (%)	30 (a)
Capital Gains Tax Rate (%)	30 (b)
Branch Tax Rate (%)	30

Withholding Tax (%)	
Dividends	5/10 (c)
Interest	0/10 (d)
Royalties	15 (e)
Services Fees	5/15 (f)
Supply of Goods	2 (g)
Insurance Premiums	5 (h)
Rent, Premiums and Similar Consideration	10/15 (i)
Natural Resources Payments	15/20 (j)
Branch Remittance Tax	10 (k)
Net Operating Losses (Years)	
Carryback	0
Carryforward	Unlimited

(a) The corporate income tax rate is reduced to 25% for three years for companies that are newly listed on the Dar es Salaam Stock Exchange and that issue at least 30% of their share capital to Tanzanian nationals. Companies reporting tax losses for three consecutive years or more must pay alternative minimum tax at a rate of 0.3% on annual turnover (as defined in the Income Tax Act) beginning with the third year of consecutive losses.
(b) Capital gains are treated as business income for companies and are taxed at the regular corporate income tax rate.
(c) The 10% rate is the general rate for dividends paid by unlisted companies to residents and nonresidents. The rate is 5% for dividends paid by companies listed on the Dar es Salaam Stock Exchange and for dividends paid by a resident company to a resident company owning 25% or more of the shares in the payer of the dividends. The dividend withholding tax is a final tax.
(d) This tax applies to residents and nonresidents. It is a final tax for resident individuals and nonresidents. Resident companies may credit the withholding tax against their annual corporate income tax. Interest paid by strategic investors to nonresident banks is exempt from withholding tax.
(e) This withholding tax applies to both residents and nonresidents.
(f) The 5% rate applies to residents, and the 15% rate applies to nonresidents.
(g) This withholding tax applies to resident corporations that make payments for goods supplied by resident persons in the course of conducting a business.
(h) This tax applies to payments to nonresidents only.
(i) The 10% rate applies to residents. The 15% rate applies to nonresidents. This withholding tax is a final tax for nonresidents and for individuals not engaged in business.
(j) This tax applies to branches of foreign companies. Tax is levied on an annual deemed profit repatriation basis. Special rules apply to the calculation of the base.

B. Taxes on corporate income and gains

Corporate income tax. Companies are considered resident for tax purposes if either of the following applies:

- They are incorporated, established or registered in Tanzania.
- Management and control of the affairs of the company are exercised in Tanzania during any part of the tax year.

Resident companies are subject to tax on their worldwide income. Nonresident companies are subject to tax on their Tanzanian-source income only.

Rates of corporate tax. Both resident and nonresident companies are subject to tax at a rate of 30%.

The corporate income tax rate is reduced from 30% to 25% (for the first three years) for companies that are newly listed on the Dar es Salaam Stock Exchange and that issue at least 30% of their share capital to Tanzanian nationals.

Alternative minimum tax. Companies reporting tax losses for three consecutive years or more must pay alternative minimum tax at a rate of 0.3% on annual turnover (as defined in the Income Tax Act) beginning with the third year of consecutive losses.

Tax incentives. Companies holding Certificates of Incentives under the Tanzania Investment Act, 1997 benefit from the following:
- Deferral of payment of value-added tax until the beginning of production of goods and services
- Exemption from customs duty on capital goods

Companies operating in the Export Processing Zone (EPZ) are exempt from corporate tax for the first 10 years. They are also exempt from withholding tax on dividends, interest and rental payments.

Capital gains. Capital gains are treated as business income for companies and are taxed at the regular corporate income tax rate.

Administration. A company's tax year is the calendar year. Companies may apply to the Commissioner for approval of a different tax year.

Companies must file provisional tax returns by the end of the third month of their tax year and file their final tax returns within six months after the end of the tax year. The estimated tax must be paid in four equal installments, as set forth in the provisional return. The remaining balance of tax due must be paid with the final return. Companies may revise their provisional return if new developments suggest an increase or decrease in income.

A penalty is imposed for a failure to file a return. Fraud related to a return may be subject to a penalty of up to 100% of the underpaid tax.

Interest is charged for unpaid and underestimated taxes. An interest charge based on the prevailing discount rate determined by the Bank of Tanzania is immediately imposed on tax unpaid after the due date, and it is compounded monthly. If the amount of tax payable is underestimated, interest at a statutory rate, compounded monthly, is charged on the difference between the tax assessed and the estimated tax.

Dividends. A final withholding tax is imposed on dividends. A 10% rate generally applies to residents and nonresidents. A 5% rate applies to dividends paid by companies listed on the Dar es Salaam Stock Exchange. Dividends distributed by a resident corporation to another resident corporation are taxed at a rate of 5% if the shareholding is 25% or more.

C. Determination of trading income

General. Expenses and losses are generally not deductible unless they are incurred wholly and exclusively in the production of income.

Inventories. Inventories are valued at the lower of cost or net realizable value. The last-in, first-out (LIFO) method is not allowed.

Provisions. Provisions for losses are allowed only for losses that are specifically identified.

Depreciation. Depreciation computed for financial statement purposes is not deductible, but capital allowances are provided for depreciable assets, which are allocated to one of the eight classes. The following are the classes and the rates of the capital allowances.

Class	Assets	Rate
1	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 tons; and construction and earth-moving equipment	37.5%
2	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 agriculture, manufacturing or mining operations; specialized public utility plant, equipment; and machinery; and other irrigation installations and equipment	25%
3	Office furniture, fixtures and equipment; and any assets not included in another class	12.5%
4	Natural resources exploration and production rights; and assets referred to in Subparagraph 3 in the Third Schedule to the Income Tax Act, 2004 and related to natural resource prospecting, exploration and development	20%
5	Buildings, structures, dams, water reservoirs, fences and similar works of a permanent nature used in agriculture, livestock farming or fish farming	20%
6	Buildings, structures, and similar works of a permanent nature other than those in Class 5	5%
7	Intangible assets other than those in Class 4	$^1/_{\text{useful life}}$
8	Plant and machinery, including windmills, electric generators and distribution equipment used in agriculture, and electronic fiscal devices purchased by non-value-added tax registered traders and equipment used for prospecting and exploration of minerals or petroleum	100%

Depreciation of assets in Classes 1, 2 and 3 is computed using the declining-balance method. Depreciation of assets in Classes 4, 5, 6, 7 and 8 is computed using the straight-line method.

Assets in Classes 2 and 3 qualify for an initial capital expenditure allowance of 50% in the first year.

The maximum depreciable amount for a non-commercial automobile is TZS15 million.

Mining enterprises may deduct 100% of qualifying expenditure in the year of expenditure.

Relief for losses. Companies may carry forward tax losses indefinitely. In general, no carryback is allowed. However, a carryback may be allowed for companies performing long-term contracts.

D. Other significant taxes

The following table summarizes other significant taxes.

Nature of tax	Rate (%)
Value-added tax (VAT)	0/10/18
Customs duties (imports may also be subject to VAT)	0/5/10/20/25
Property tax; imposed by local governments on the value of real property	0.15
Skills and Development Levy; imposed on gross payroll	5
National Social Security Fund; imposed on basic salary; paid by	
Employer	10/15
Employee	5/10

E. Foreign-exchange controls

Tanzania does not impose foreign-exchange controls on current-account transactions. Bank of Tanzania approval is required for capital-account transactions.

F. Treaty withholding tax rates

	Dividends %	Interest %	Royalties %
Canada	10	15	20
Denmark	10	12.5	20
Finland	10	15	20
India	5/10	10	10
Italy	10	12.5	15
Norway	10	15	20
South Africa	10	10	10
Sweden	10	15	20
Zambia	0	0	0
Non-treaty countries	10	10	15

The East African countries, which are Burundi, Kenya, Rwanda, Tanzania and Uganda, have concluded a tax treaty that is now awaiting ratification, but Tanzania has not yet ratified the treaty.