Policy Briefing: Tax and Tax Administration in Tanzania

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Key Messages

- Despite a partially successful modernisation drive at the Tanzania Revenue Authority (TRA) in recent years, Tanzania's taxation system faces several challenges – including the perception that it is overly complex and inefficiently administered and therefore a difficult system to comply with.

- There is strong political pressure for increased revenue collection by TRA and a broadening of the tax base. President Magufuli has stated the government's intention to boost tax receipts and to reduce the country's fiscal deficit. As a result, TRA is under significant pressure to meet ambitious near term revenue targets.

- European investors in Tanzania make a significant tax contribution: EU+ Investors' total tax paid to the Tanzanian government grew from TZS 564bn in 2010 to TZS 1,812bn (equivalent to $905,770,642) in 2014, a more than threefold increase over the period. This makes European companies the most significant tax contributor of any trade bloc in Tanzania.

- Tanzania's current tax administration is regulated primarily by the Income Tax Act of 2004 and by aspects of the 2015 Finance Act. Central government taxes – direct taxes such as income and withholding taxes, and indirect taxes such as value added tax, import duty and excise duty – account for over 90% of all tax revenues collected by the TRA.

- However, an array of additional taxes exists, with the precise number varying by sector. For example, companies in the agricultural sector pay 38 different types of taxes and charges, while companies operating in the tourism sector pay 25. According to World Bank data, the average investor makes 49 separate tax payments and spends 181 hours on tax matters annually.

- This multiplicity of ever-changing tax requirements is the principle challenge for EU+ investors. The substantial time and effort required to remain informed and compliant with such a myriad of tax obligations is detrimental both to the day-to-day running of businesses and to longer term investment planning, especially for smaller firms.

- Rationalising and harmonizing tax payment requirements – and reducing the frequency of changes to the system – would therefore improve the investment climate significantly. Simplification of the taxation system would also lead to increased tax collection in Tanzania, as it would facilitate greater compliance.

- A second way to boost tax compliance and revenue while simultaneously improving the investment climate would be to make tax legislation – and the TRA's interpretation of it – more consultative. Examples of how this can be achieved include the creation of an effective and fully independent Taxpayer Advisory Service (TAS); the introduction of greater transparency in TRA's tax computations; and proactive engagement and communication with the private sector over the government's interpretation of the 'arm's length' principle on transfer pricing.

1. Introduction

Despite a partially successful modernisation drive at the Tanzania Revenue Authority (TRA) in recent years, Tanzania's taxation system faces several challenges – including the perception that it is inefficiently administered and therefore a complicated system to comply with. This is underscored in the World Bank's 2015 Doing Business report, which ranks Tanzania 147th out of 189 countries assessed for the 'Ease of Paying Taxes' category. The following report outlines these challenges in detail and proposes recommendations for addressing them.

1.1. Taxation rates

The tax regime in Tanzania consists of a number of direct and indirect taxes including income tax, VAT, capital gains tax, corporate income tax, Skills Development Levy (SDL), Workers Compensation Fund (WCF) contributions, City Service Levy (CSL), import duty and stamp duty (A table summarising the key tax rates can be found in Annex 3).

In percentage terms, tax rates in Tanzania are higher than most peers. For example, Tanzania's labour tax (including mandatory labour related contributions) as a percentage of profits represents 17.5% of total company profits, compared with 14% on average across sub-Saharan Africa (SSA). Furthermore, company income tax was estimated at 20.7% of total company profits in 2015, compared with 17.6% in SSA and 16.4% for companies operating in OECD countries.

1.2. Role of the Tanzania Revenue Authority

The TRA is the body in Tanzania responsible for the collection of taxes. A relatively new institution, having been established in 1995, TRA is responsible for "managing the assessment, collection and accounting of all central government revenues." TRA taxation and administration procedures can be obtained from their website (http://www.tra.go.tz/) or by visiting their offices[1].

The TRA has upgraded its website in recent years to include improved functionality. Users may now register for Taxpayer Identification Number (TIN) and VAT numbers online; they may also register to make payments, submit VAT returns, and access TANCIS, the customs clearing system (see Ports Sector Policy Briefing for details), among other features. The website also has a tax calculator, online objection and appeal forms, tax calendars, information on VAT relief and refunds, and guidance for those wishing to start a new business.

The TRA acts as an intermediary for several other key government bodies. The Customs Department, for example, operates semi-autonomously but falls within TRA and accounts for a significant share of all tax collection. The TRA itself reports to the Ministry of Finance and Planning on implementation of tax policies and strategies, thereby informing the Ministry of Finance and Planning's decision-making processes and recommendations on tax policy improvement to the government.

There is a rising demand for revenue collection by the government – President Magufuli in February 2016 stated an intention to halve the country's fiscal deficit in 2015/2016. This means that the TRA is under significant pressure from external sources in government to meet rising tax collection targets.[2] As a result the organisation is being stretched on performance targets at the same time as its management seeks to undertake overarching modernization, and capacity building reforms.

1.3. EU Investors' tax contribution to TRA

EU+ investors make a significant contribution to TRA's revenue as highlighted in **Table 2** opposite. In 2014, tax revenue from EU Investors classified as Large Taxpayers was equivalent to 8% of the government's total budget (estimated at TShs 23.0 trillion). This tax contribution figure, which has been rising consistently by 15%-20% each year since 2010, makes European companies the most significant tax contributor of any trade bloc in Tanzania.

EU Investors' total tax paid to the Tanzanian government and institutions grew from 564bn in 2010 to 1,812bn (equivalent to USD 905,770,642) in 2014, an increase of about 3.2 times over the period. There has been a steady growth in tax collection in all categories in absolute terms, except rental

1 28 Edward Sokoine Drive in Dar es Salaam's Central Business District (tel: 0800 750 075). Potential investors can also visit the Tanzania Investment Centre (http://www.tic.co.tz/) on Shaaban Robert Street in Dar es Salaam for similar information.

2 See Reuters, 'Tanzania plans to cut deficit but raise spending in 2016/17' February 2016. According to plans outlined by the Finance and Planning Minister Philip Mpango the deficit will shrink to the equivalent of less than 3 percent of gross domestic product from 4.2 percent in the 2015/2016 Budget Year.

Table 2: Taxes Paid by EU+ Companies by Type, 2010-2014					
Type of Tax	2010 (TShs billion)	2011 (TShs billion)	2012 (TShs billion)	2013 (TShs billion)	2014 (TShs billion)
VAT	224bn	273bn	341bn	654bn	1,008bn
Income Tax	127bn	145bn	195bn	232bn	232bn
Excise Duty	96bn	111bn	143bn	169bn	196bn
P.A.Y.E.	60bn	78bn	99bn	120bn	150bn
Other Taxes	34bn	34bn	69bn	111bn	188bn
SDL	16bn	21bn	21bn	24bn	30bn
Rental Tax	3bn	4bn	12bn	15bn	9bn
Grand Total	**564bn**	**667bn**	**883bn**	**1,325bn**	**1,812bn**

Source: EU Market Study, April 2016. TSH – 1 USD was equivalent to TShs 2,140 in April 2016.

tax collections which declined by 42% in the 2013/2014 period, while income tax collections fell marginally (by 0.3%) in the same period. VAT has been the main source of revenue, accounting for 40% of revenue collection in 2010, and rising to 55.6% of total collections in 2014; followed by Income tax (12.8% of the 2014 collections); excise duty (10.8%); other taxes (10.4%) and Pay As You Earn (PAYE) (8.3% of total collections). The increased revenue collection is a direct result of increased investment and commercial activity by European companies in Tanzania.[3]

The remainder of this report focuses on the types of taxation which these EU+ companies are required to pay, and the challenges they face in doing so. The report concludes with recommendations for dialogue and actions by Investors and the Government of Tanzania (GoT).

2. Types of taxes

The current tax administration in Tanzania is regulated by the Income Tax Act 2004 and the East African Customs Management Act 2004. Tanzania has a three-tier tax administration structure, namely: Central Government Tax Administration, administered by the Tanzania Revenue Authority (TRA); Zanzibar Tax Administration, administered by the Zanzibar Revenue Board and applicable only to enterprises and individuals on the semi-autonomous Zanzibar archipelago; and Local Government Tax Administration, administered by Tanzania's Local Government Authorities (LGAs) in accordance with the Local Government Finances Act (1982).

Central government revenues – direct revenues such as income and withholding taxes, and indirect revenue such as value added tax, import duty and excise duty – account for over 90% of all tax revenues and are collected by the TRA; while the Zanzibar Revenue Board collects "non-union" taxes in Zanzibar only, namely: value added tax, excise duties, hotel levies, stamp duties, motor vehicle taxes, and other charges[4]; while local government taxes on Tanzania Mainland – permit and license fees; development, service and hotel levies, and agricultural cess tax – are administered by LGAs.

Local Government Authorities

Tanzania's 165 LGAs are known as district authorities in rural areas and municipal authorities in urban areas. LGA councils comprise elected ward members and constituency MPs, headed by a chairman or mayor. They prepare budgets for public service delivery and development projects in the LGA and are responsible for raising certain taxes. Local services delivered by LGAs include: education, health, water, roads, waste collections, agricultural extension services and local tax collection. The Prime Minister's Office Regional Administration and Local Government (PMO-RALG) oversees all local government entities and controls budget allocation to them through an integrated financial management system.

3 As a bloc, the EU is Tanzania's primary export destination and the country's single most important source of foreign direct investment and bilateral trade. 16% of Tanzania's global exports are destined for the EU's 28 member states, and the total value of these exports to Europe – which averaged $650mn per year from 2008-2013 – is growing at a rate of 10% annually. Imports into Tanzania from EU countries averaged a substantial $1.4bn per annum between 2008 and 2013, with the total amount rising by an average of 8% each year. Total trade between Tanzania and the EU today stands at more than $2bn each year.

4 Based on information provided by the TRA, Union Taxes collected by TRA in Tanzania mainland and Zanzibar include Income Tax, Import Duty and Excise Duty on Imports.

Taxes and charges paid by companies vary from sector to sector. For example, companies in the agricultural sector pay 38 different types of taxes and charges, while companies operating in the tourism and telecommunications sectors pay 25 and 12 different types of taxes and charges respectively[5].

3. Key Challenges

TRA has been experiencing growing business and non-business complaints from taxpayers varying from accusations of non-adherence by TRA to its Taxpayers Charter to the disconcerting multiplicity of taxes and fees that business owners are required to pay. The following sub-sections address each of these concerns in turn:

3.1. Multiplicity and fragmentation of taxes

Both central and local government taxes in Tanzania are fragmented and inefficiently administered. Companies pay a multiplicity of fees (in addition to company taxes) to the government for obtaining the appropriate permits to conduct business. As observed above and detailed in **Annex 2**, there are 38 different types of taxes and charges in the agricultural sector for example[6]. Meanwhile, in the tourism sector, Tanzania's regulatory and tax system is more complex and burdened with agency-specific fees than perhaps any comparable competing tourism destination. A typical tourism venture in Zanzibar will pay 18 different taxes or fees administered by 13 different agencies. (For air operators, the number of required tourism licenses, levies and fees for is a staggering 115). Often tax incentives are offered one year, only to be revoked the following year, creating an environment of mistrust and volatility[7].

Up front registration fees in the Tanzanian tourism sector are also onerous: new companies must pay $5,000 and own at least five vehicles, whereas in Kenya the equivalent payment is $200 and only a single vehicle is required. This makes operating a tourism enterprise more expensive in terms of both direct fees and in terms of the time required of management to engage with regulators and keep track of licenses and payments. As the World Bank observed in a 2015 report:

"Today, the business climate in Tanzania is neither conducive toward tourism operations nor investment. In particular, the levies and taxes within the tourism sector are unpredictable, uncertain, and often duplicative. This reduces Tanzania's ability to compete with the tourism industry in neighbouring countries, many of which have already established a better environment for their tourism industry, including more robust regulatory systems for protection of their natural resources."[8]

A more simplified, transparent and business-friendly taxation and licensing system would benefit the tourism sector immediately and boost job creation. As the main challenges lie in implementation, reforms will have to extend beyond the re-wording and updating of legislation and policy. They will require organisational change and strong oversight and streamlining of a multiplicity of agencies. Such sweeping changes are only likely to prove effective if tourism operators themselves are properly consulted and involved by TRA in the reform process.

A further challenge is that it takes considerable business time to pay taxes. Tax payment is usually preceded by meetings with TRA to clarify on amounts to be paid since TRA does not typically share the computations on taxes to be paid with taxpayers ahead of time. **Table 3** opposite demonstrates the multiplicity of tax payment including time spent to address taxation issues by companies operating in Tanzania.

The number of tax payments required of a company will vary depending on its size and economic sector as companies are subject to different taxes depending on their particular circumstances. What is clear, however, is that the number of different payments of tax is high in almost all cases, and this is reflected in the fact that companies spend – on average – some 181 hours in a year handling tax matters. Total tax payments amounted to some 44.7% of profits.

5 BRN Business Environment Lab TZPDF
6 Charges by regulatory authorities are arguably classified payments for services rendered. However, to the extent that such regulatory authorities are government agents, the distinction between such charges and taxes is blurred in favor of taxes.
7 18% VAT on tourism has recently been levied in the new finance act for example, causing a dip in bookings and increase in cancellations.
8 World Bank Group 'Tanzania Economic Update: The Elephant in the Room - Unlocking the potential of the tourism industry for Tanzanians' January 2015

Table 3: Taxes and mandatory payments for an average company, including corresponding administrative burdens

Type of tax or mandatory contribution	No of yearly payments	Tax matters handling time (hours) in a year	Statutory tax rate (%)	Tax base	Total tax rate (as % of profit)
Corporate Income Tax	5	62	30	Taxable profit	20.66
Social Security Contributions (NSSF)	12	-	20 (including employee contribution)	Gross Salaries	11.3
Labour tax	12	54	5% from July 2013	Gross Salaries	6.20
City Service Levy	This number is per the District the company is registered in	-	0.3%	Turnover	5.3
Excise tax on money transfer	1	Withheld	0.15%	Value of transaction in excess of TZS 30,000[9]	0.55
Tax on interest	0	Withheld	10%	Interest income	0.26 included in other taxes
Vehicle taxes	1	-	TZS 200,000	Fixed rate	0.18
Property tax	1	-	0.15%	Property Value	0.15
Fuel tax	1	-	TZS 415 per litre	Litres	Amount negligible
VAT	12	65	18	Value Added	-
Totals	**49***	**181**			**44.32**

Source: Ease of Doing Business, Tanzania, 2015 by the World Bank[10]
* Calculated on the basis of 4 CSL yearly payments

3.2. Compliance with tax payment requirements

Tax compliance by the business community in Tanzania could be improved if regulations and taxes were simplified. For example, the informal sector's contribution to tax revenue could significantly increase if more businesses in the sector were brought into the taxation system through, among other measures, a reduction of the number of taxes and simplification of the tax payment system.

To put the above issues into context, according to the World Bank's 2015 Doing Business survey Tanzania was ranked 148th among 189 economies on the ease of paying taxes, as stated in the introduction above. This compares with: South Africa (24), Botswana (27), Malawi (81), Uganda (98), Mozambique (129), and SSA (126). **Table 4** overleaf illustrates Tanzania's performance as benchmarked against Sub-Sahara Africa and OECD countries.

9 TSH – 1 USD was equivalent to Tshs 2,140 in April 2016
10 See: http://www.doingbusiness.org/reports/subnational-reports/~/media/giawb/doing%20business/documents/profiles/country/TZA.pdf

Table 4: Tax rates & administrative burden in Tanzania compared with SSA/OECD averages[11]

Indicator	Tanzania	Sub-Saharan African Average	OECD High Income Average	Comment
No of tax payments per year	49	38.2	11.8	Tanzania compares poorly with both SSA and OECD countries
Hours spent handling tax matters, annually	181	310	175.4	Tanzania compares better than SSA but is on a par with OECD countries
Tax as % of total profits	20.7	17.6	16.4	Tanzania compares poorly with SSA and OECD countries
Labour tax and contributions as % of profits	17.5	14	23	Compared with OECD countries, Tanzania is better off, but worse than SSA average
Other taxes as % of profits	6.2	14.7	1.9	Tanzania is better than SSA, but worse than OECD countries
Total tax rate as % of profit	44.3	46.2	41.3	Tanzania compares poorly with OECD countries, but better than SSA

Source: Ease of Doing Business, Tanzania, 2015 by the World Bank[12]

A number of governments around the world have successfully made paying taxes faster and easier by consolidating filings, reducing the frequency of payments or by offering electronic filing and payment.[13] Many countries have also lowered tax rates. These changes have tended to deliver concrete results, with the majority of economies that have simplified tax payment and reduced tax rates experiencing an increase in overall tax revenue collection as compliance improves and the aggregate volume of taxes paid rises.

For example, Mauritius has been reforming its tax administration system since 2007, including reducing the corporate income tax rate from 22.5% to 15%, reducing individual tax rates, introducing electronic filing and payment of taxes, allowing tax payment by credit card and consolidating several taxes into just two overall bands. As a result, tax revenue collection in Mauritius rose by 9% (from R53bn to R58bn) between 2011 and 2012; and by 6.4% (from R58bn to R61.7bn) between 2012 and 2013. By contrast, according to the 2015 World Bank Doing Business Report, "in economies where it is more difficult and costly to pay taxes, larger shares of economic activity end up in the informal sector, where businesses do not generally pay taxes."[14] According to the same report, Tanzania recorded no significant tax reforms between 2009 and 2013.

It is therefore worth emphasizing that simplification of the taxation system would most likely lead to increased tax collection in Tanzania, as more taxpayers would comply to pay tax (including in the informal sector) provided that tax administration efficiency, including sensitization about the importance of paying taxes, is improved.

3.3. Lack of full disclosure and consistency in tax payment

Businesses operating in Tanzania report a lack of clarity regarding the number of taxes (and the corresponding tax liability amounts) payable to Local Government Authorities. This is because the types of taxes charged vary frequently, making it difficult for businesses to budget tax payments in advance.

13 See: http://www.tax-news.com/news/Mauritius_Government_Explains_New_Tax_System_28569.html
14 Ease of Doing Business, Tanzania, 2015 by the World Bank

For example, in 2014, the government re-introduced the annual business license fees. Before the reintroduction of the license, companies only paid a one-off fee for a business license at the time of business registration.

Furthermore, taxable activities and tax levels can differ between different local authorities. Companies with operations in different regions and districts of Tanzania are therefore subject to different tax rates at the local level, which can make compliance a time-consuming and challenging process.

For the business community, the above dynamics create uncertainty over the nature, extent and timing of tax payment requirements, in particular regarding local government taxes. While hard to measure, the effect of this uncertainty is likely to be reduced investment flows from European companies into Tanzania. Therefore, the business community is eager to witness more disclosure on corporate tax obligations, as well as consistency of the nature and extent of corporate tax liabilities. Rationalising and harmonizing tax payment requirements – and reducing the frequency of changes to the system – are therefore key areas for business improvement.

3.4. Lack of transparency, equity and level playing field

As discussed above, many investors feel that the taxation system is not equitable as some companies pay significantly more taxes than others. This is detrimental to the image of Tanzania as a place to do business, and may discourage Foreign Direct Investment (FDI). There is a wide-spread perception among EU+ businesses that some domestic companies and firms from other countries actively evade paying their fair share of taxes, sometimes through bribery. Furthermore, there is a perception that larger foreign companies are more visible to TRA and other government officials, with the result that the burden of tax audits falls more onto these companies than others.

While these perceptions are not yet supported by an established, verifiable evidence base, they would – if accurate – imply that the playing field for businesses in Tanzania is uneven, with tax compliant companies less competitive and profitable compared to their less compliant rivals. In the long-run, this structural imbalance will generate distortions in the economy that hinder growth, innovation and job creation.

A further issue is that tax allowances and exemptions granted to companies by the Tanzania Investment Centre (TIC) are at times contested by the TRA. Although such disagreements are invariably resolved on an ad hoc basis, they cost businesses a great deal in terms of time and the opportunity cost incurred due to delayed project implementation, for which businesses are not compensated.

3.5. Overly centralised decision making

Decision making in Tanzania tends to be highly centralized. Regarding taxation, this can delay the approval of payment of taxes before clearance of cargo and equipment at the port (see **Ports Sector Policy Briefing**). There is a need for the introduction of a transparent performance measurement mechanism into the government's administration of the tax system to support faster decision making, as well as set clear guidelines to improve decentralised decision making.

3.6. Intimidation and settlement of disputes

According to interviewees for this briefing, TRA officials have at times taken an approach that companies perceive as intimidating in order to enforce payment of taxes that companies would otherwise contest.[15] This can take the form, for example, of threats of impromptu institution of lengthy tax audits which hinder ongoing business.[16]

Furthermore, at times companies contest the amount of tax being demanded from them, because businesses are not privy to TRA's tax computations, in spite of TRA's undertaking through its Taxpayer's Charter that a taxpayer is entitled to be advised how the tax being charged has been computed. Under such circumstances, businesses must pay a third of the disputed demanded tax payment amount to TRA, which is then retained by TRA for as long as such disputes remain unsettled. Even where the judgment is made in favour of a business, the latter is not compensated for the interest forgone on the sum. It also often takes a long time

15 Although tax audits are legally provided for under the TRA Act, audits can be time consuming and inconvenient for companies and ought to be planned for.

16 Tax audits are provided for under the TRA Act (and should therefore not be a subject of contention), however, that provision should not be used to threaten taxpayers, as is currently the practice. Furthermore undertaking tax audit should follow known processes, as opposed to being an impromptu action.

for a claimant to be paid back the deposit, because there are no guidelines or deadlines for processing such claims. The long duration involved in settling tax disputes of this kind creates anxiety among the business community.

Furthermore, investors are discouraged from taking legal action because of the perceived lack of impartiality in the judiciary system. According to Transparency International's 2013 Global Corruption Barometer, Tanzania was ranked 14th of the most corrupt countries in the world, with the judiciary and police ranking top on the list of corrupt institutions.[17] In February 2016, President Magufuli stated publicly that the judiciary system is failing Tanzanian citizens and the new president's reformist intent in this area represents an encouraging sign: it is an area where feedback from EU+ investors and technical support from the EUD to the GoT could yield substantive results.[18]

Against this background, the TRA should be encouraged to adhere to its Taxpayers' Service Charter in ensuring that intimidation is not used as a tool for raising taxes. Furthermore, in case of dispute, businesses should not be forced to part with a third of the disputed amount including seizure of such amount from the business account; instead, the onus should be on businesses to pay the claimed amount to TRA, should the dispute be ruled in favour of the TRA.

3.7. VAT

Value Added Tax (set at 18 % of the value of the item) is a challenge to cash flow for companies, particularly those that sell to public bodies or large companies that are slow to pay. This is because VAT has to be paid by the end of the following month after a sales transaction is concluded. If by then the seller has not been paid, the seller will have to pay VAT from other sources of funds, often including borrowed funds from commercial banks.[19] Sales of goods or services to public-owned institutions and large companies usually take more than three months to settle, and sometimes take a year or longer.

This is particularly serious in situations where all or the bulk of sales have to be made to publicly-owned companies, such as in the natural gas sector. A number of EU+ Investors interviewed for this briefing indicated that they were owed upward of ten months debt on account of sales to Ministries, Departments and Agencies (MDAs).

Furthermore, in cases where sales are exempted from VAT, TRA's standard practice is for the seller to pay the VAT at the time of sale, and then to reclaim the VAT later.[20] However, claims settlement takes a long time. A prominent example is the agricultural sector, where agricultural investors tend to import the capital-intensive equipment they require; given that Tanzania's domestic manufacturing base does not include most types of modern agricultural machinery. While much of this is subject to VAT refunds, investors in the sector note that the remittance of tax refunds by TRA is slow and cumbersome. The effect of these delays is lost cash flow for businesses and uncertainty in mid-term planning. One EU+ investor in the Tanzanian agriculture sector stated that refunds for VAT equipment are generally one year delayed, tying up capital that could otherwise be productively deployed. This is particularly troubling as access to capital to expand businesses is frequently noted as a problem for company growth in Tanzania.

TRA's requirement for payment of VAT at the time of sale and claiming later (for items which are exempted from VAT), and MDAs' practice of not honouring their credit sales terms on time (which forces the seller to pay VAT on behalf of the buyer), creates significant cash-flow problems to companies, and could in turn lead to bankruptcies as well as to discouraging companies from further investment and growth in Tanzania.

3.8. Multinational Taxation Challenges

Many European companies operating in Tanzania fall under the category of Large Taxpayers, defined as businesses whose annual aggregate tax payments to TRA are in excess of Tshs400 million (equivalent to US$400,000). These companies are often subsidiaries or branches of companies whose head offices are outside Tanzania. Service provision for multinational companies – for example, with regard to IT, marketing, accounting and procurement– is frequently

18 See, for example, 'Will Magufuli's Popular Anti-Corruption Drive in Tanzania Last?' World Politics Review, April 2016

19 Under the law, VAT has to be paid within a month after a sales transaction is consummated.

20 The Value Added Tax (VAT) Act 2014 exempted the following: Agricultural implements andinputs; Fisheries implements; Medicine or pharmaceutical products; and Capital goods.

carried out by multinational head offices located outside Tanzania and is then billed as a service cost to the national company, subsidiary or branch. This can present unique interpretative and classification challenges for tax administrators.

In the face of the ambiguity, one approach the TRA has taken is to increase the amount of withholding taxes applicable. In 2013 the government introduced a new 5% resident withholding tax applicable to all professional or consultancy services.[21] This change was applicable to payments to resident companies or branches. In 2014, the government introduced a further withholding tax of five per cent applicable to services provided to companies working in the extractive sector.

Finally, from 1st July 2016, the GoT will require – under its interpretation of the 2015 Finance Act – that withholding tax of 15% be applied to any service provided by a foreign entity. This rate is notably high by global standards given that it is applied to gross turnover, not to profit/margin.[22] The danger in this situation is that foreign entities will simply pass on the additional 15% cost to Tanzanian companies seeking foreign services – a dynamic that will act as a brake on economic activity.

A second approach the GoT has taken to address the issue of transfer pricing is the introduction of a piece of subsidiary legislation, the ‘Income Tax (Transfer Pricing) Regulations 2014’, in February 2014. These Regulations underscore the need for associate companies, subsidiaries and branches (with domestic and international connections) to abide by the ‘arm’s length’ operations principle between one another. According to this principle, compensation for any inter-company transaction must conform to the level that would have applied had the transaction occurred between unrelated parties, all other factors being equal.[23]

For two years after the 2014 Regulations were introduced, the TRA did not actively enforce the requirement for related parties to have contemporaneous transfer pricing documentation in place before filing a final tax return.[24] However, in March 2016 the TRA announced that taxpayers with related-party transactions to declare must now provide such documentation.[25] The penalty for non-compliance will be a minimum of TZS 50 million (equivalent to USD $23,000). The question of how exactly the ‘arm’s length’ principle should be applied is therefore something that all multinationals in Tanzania will be required to address going forward.

Unfortunately, however, this principle is inherently difficult to determine in practice due to the wide range of external economic factors and pricing variables at play. The TRA suggests that companies should follow the relevant OECD guidelines – an approach that is consistent with other countries – but it remains to be seen how the TRA will judge compliance with the OECD guidelines in practice.

TRA reform

3.9. Recent improvements

TRA has succeeded in the implementation of a new ICT strategy in recent years that has led to the following performance improvements:

- Issuance of Tax Identification Numbers (TINs) to tax payers
- Facilitation of tax revenue collection through the establishment of Tanzania Interbank Settlement System (TISS), to the tune of 97% of all collections from 2010 onward
- Computerization of virtually all tax operations
- Centralization of motor vehicle registration
- Centralization of issuance of driving permits

TRA has furthermore developed and issued a Tax Payer Charter for the public and provides annual stakeholder charter forums (see **Annex 1**). It is recommended that all EU+ companies remain cognizant of the various rights conferred on companies by the charter when engaging with the TRA, as interviewees for this briefing indicated that not all individual TRA officials were aware of the charter’s full contents.

21 This tax is creditable against the final corporate income tax liability, although the administration of this is reportedly difficult in practice.
22 A further challenge is that this tax is not creditable in the company’s home jurisdiction, which in effect is a form of double taxation.
23 Accordingly, section 33(1) of the Act provides: “[i]n any arrangement between persons who are associates, the persons shall quantify, apportion and allocate amounts to be included or deducted in calculating income between the persons as is necessary to reflect the total income or tax payable that would have arisen for them if the arrangement had been conducted at arm’s length.” See: http://www.tra.go.tz/tax%20laws/Income%20Tax-Transfer%20Pricing%20Regulation.pdf
24 I.e. documentation proving that the ‘arm’s length’ principle has been observed.
25 See: file:///C:/Users/Ashley%20Elliot/Documents/pwc-tanzania-documentation-enforcement.pdf

According to TRA reports, tax revenue collections jumped from around USD 400 million in 1996 to USD 6 billion in 2014. However, this figure remains low in relative terms: Tanzania's tax revenue to Gross Domestic Product (GDP) ratio stands at approximately 12% which, according to World Bank publications,[26] is substantially lower than global averages of around 20%. This implies that TRA's potential for increasing tax revenue is considerable.

Table 5 below shows that Tanzania's neighbouring SADC member states have a higher tax to GDP ratio than Tanzania. Furthermore, the table shows that the tax revenue to GDP ratio is on the whole higher in developed countries than in the developing countries, although there are exceptions such as USA and Germany. TRA itself has set a target ratio of 19.9%, which may prove achievable in the long run, although the envisaged year of realisation (2018) is ambitious given the depth and breadth of structural reforms required.[27]

3.10.Ombudsman

In response to the growing number of complaints from the business community, TRA is in the process of setting up a Taxpayer Advisory Service (TAS), an independent body which will provide advice to taxpayers, review taxpayer complaints and rule on cases where taxpayers and the TRA are in disagreement. In effect, TAS is intended to serve as an independent Ombudsman for taxpayers.

The objectives of setting up the TAS are laudable. However, to the extent that TAS will operate within the ambit of the TRA Act, a number of businesses interviewed doubted if it will be truly independent. In the original planning documentation, TAS was described as an independent body whose authority and decisions on taxation disputes would be final. However, it appears that there will be two TRA representatives on the Board of TAS whose role will be to provide 'technical advice' in assessing tax-payer complaints. The presence of these TRA personnel is a concern as this will surely undermine the independence of the Board. A better approach would be for a communication mechanism to be created so that TAS can seek technical advice and clarifications from TRA without TRA having to sit on the TAS Board.

A second concern is that the powers of TAS are likely to be circumscribed. In late 2015 it was suggested that the TRA Commissioner General would have the right to either accept or reject decisions by TAS. This would render TAS effectively powerless and irrelevant – taxpayers would not get any reassurance that a genuine appeal mechanism existed if the TRA could reject its rulings out of hand. Instead, it is recommended that any decision reached by the TAS Board, after evidence from both parties has been duly considered, be accepted and respected by both taxpayer and TRA as final. Finally, it should be recommended that the TRA ensures that TAS is adequately funded and staffed to carry out its duties effectively, so that appeals are addressed rapidly once lodged.

Table 5: Selected SADC and OECD member state tax revenue to GDP ratios

	2010	2011	2012	2018 target
Tanzania	12.1	12.3	11.7	19.9
Angola	19.5	19.9	18.8	n/a
Mauritius	18.5	18.4	19.0	n/a
Mozambique	16.2	18.6	20.8	n/a
South Africa	25.0	25.2	25.5	n/a
Botswana	23.6	23.2	26.7	n/a
Denmark	32.9	33.0	33.4	n/a
Lithuania	45.1	45.4	45.7	n/a
New Zealand	27.8	27.9	28.8	n/a
USA	8.8	9.7	10.2	n/a
Germany	11.9	11.4	11.5	n/a

Source: http://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS

3.11. Going forward: recommendations

TRA's recent success in modernising aspects of its service delivery and customer engagement indicates that the organisation is able and willing to respond to the concerns raised by the business community. Concerted dialogue with the TRA, the Ministry of Finance and Planning and other key stakeholders in the business community in Tanzania could do much to improve the tax policy environment.

26 See, for example: http://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS

27 These reforms would include, for instance, bringing large parts of the untaxed/informal economy into the formal sphere, which will prove technically and politically challenging.

Key recommendations to be pursued include the following:

(1) Reducing the number of taxes paid

Recommended Course of Action:

- Review the current number and type of taxes by sector with a view to consolidating them, including removing superfluous or overlapping taxes
- Creation of 'one stop centres' in which taxes and charges for several agencies and regulatory bodies can be made in one place (for example, via a single online portal using a simple online payment mechanism)
- Involve key stakeholders (including business associations) in the review exercise and allow for full industry consultation before any final changes are decided
- Focus in particular on reducing the number of taxes that SMEs are required to pay, in addition to granting exemptions for certain taxes (for example, SMEs registered with Large Taxpayers could be granted a waiver on the 5% withholding tax requirement). This will reduce the incentive for smaller companies to enter into a time-consuming dispute process with TRA at each annual tax assessment.
- In light of the detrimental impact of the current VAT system, an objective of reform for TRA should be to discontinue charging VAT on VAT-exempted items up front, and secondly for MDAs to honour credit sales terms in a timely manner, so that companies can avoid cash flow crises resulting from the need to pay VAT up front.

(2) Rationalising the number of regulatory agencies which interact with companies on tax issues

Recommended Course of Action:

- Review the current number and type of regulatory agencies with a view to reducing and consolidating them where unnecessary overlaps exist.
- Involve all key stakeholders (including business associations) in the review exercise and allow for full industry consultation before any final changes are decided.

(3) Transfer pricing with multination companies

Recommended Course of Action:

- Government, including TRA, to engage in dialogue with multinational companies to familiarize themselves with MNC operations.

(4) Making tax computations transparent to tax payers

Recommended Course of Action:

- As making tax computation transparent to tax payers is already provided for in the TRA Customer Charter but is not yet fully applied in practice, EU+ Investors and business associations should press for this shift in approach.
- TRA should find a way to open its systems or publish the tax computations.

(5) Enhancing tax collection efficiency

Recommended Course of Action:

- Implementation of recommendations to reduce the number and complexity of taxes; rationalise the number of regulatory bodies; and increase the transparency of tax computations.
- Improving communication with taxpayers on compliance and regulations.
- Consider an online tax filing and automated payment and refund system[28].

(6) Establish an effective and fully independent Taxpayer Advisory Service (TAS)

Recommended Course of Action:

- Expedite the creation of a fully funded Taxpayer Advisory Service (TAS) through which companies can appeal TRA judgements.
- Ensure that all TAS cases are addressed and finalised rapidly.
- TAS should have a fully independent Board (with no TRA members) and its decisions on tax dispute cases should be treated as final by both the taxpayer and TRA.

28 The South African Revenue Service could be examined as an example of this type of system.

Annex 1: Tanzania Revenue Authority Service Charter

This Charter explains the rights and obligations of Taxpayers as provided for in the tax laws with a view to promote the existing relationship between TRA and Taxpayers.

The Charter stipulates the fundamental service standards that will be implemented so as to achieve quality service delivery through adopting tax administration practices, which allows the partnership with taxpayers/stakeholders to grow and thereby improve tax administration.

It is expected to build a customer service culture that strengthens partnership between TRA, taxpayers and other stakeholders for the benefit of both parties.

Services offered by TRA

TRA offers a number of services to its stakeholders. These include:

- Tax Registration
- Tax Assessment
- Tax Audits
- Customs Clearance
- Permits and licenses
- Response to enquiries and complaints
- Tax relief
- Tax refunds
- Tax investigation services
- Tax education
- Provision of statistical data
- Training

TRA Obligations

In discharging its responsibility of collecting Government Revenue, TRA is committed to observe the following obligations to taxpayers/stakeholders.

- To issue correct tax assessment in accordance with tax laws.
- To collect taxes according to the existing tax laws, regulations and procedures.
- To provide high quality services to taxpayers and stakeholders.
- To handle all enquiries from taxpayers and stakeholders so as to enable them to discharge their obligations.
- To handle all complaints from taxpayers and stakeholders with a view to providing solutions and enable the TRA to improve services.
- To recruit competent staff who shall ensure quality service delivery to taxpayers and stakeholders.
- To educate taxpayers and stakeholders on their rights and obligations; issue tax forms and provide timely and accurate information in a simple language.
- To provide contact telephone numbers to taxpayers and stakeholders so as to facilitate smooth communication.
- To cooperate with taxpayers and stakeholders in a manner that shows respect, dignity and a customer focused attitude.
- To cooperate with the Tax Appeals Board/Tribunal and Courts of Law by ensuring timely attendance and provision of evidence in order to resolve tax disputes. In the process TRA will respect judicial decisions.
- TRA will provide advice to the Government and other government organs on matters pertaining to fiscal policy and its implementation.

- To offer professional training on tax matters to stakeholders and the general public.
- To provide feedback for tax evasion information provided by taxpayers and the public, and in case of tax recovery, the provider of information will be awarded 3 percent of tax collected provided that the amount of payment will not exceed TSh 20 million.
- TRA officers have an obligation to show respect when they are performing their duties of assessing and auditing taxpayers' records or when the taxpayers need service from TRA.

Taxpayer's Obligation
Every taxpayer has the following obligations:

Registration
Any person who is eligible to register for tax purposes must register in accordance with the law.

Filing Returns
Any person who is registered for Income Tax, VAT or any other tax administered by TRA must file a tax return within the periods prescribed and pay the tax assessed within the due dates stipulated under the law.

Accuracy of Returns, Customs Declaration and Refund Claim
Any person who files a tax return, makes a customs declaration or lodges a refund claim, has an obligation to ensure that the return, refund claim or customs declaration is a full and true disclosure of the transaction(s) covered in that document.

Timely Payment of Taxes
Every taxpayer has a duty to pay taxes promptly as they fall due if the taxpayer is to avoid the penalties and interest prescribed under the tax laws.

Issuance and demand of receipts
Every taxpayer (seller of goods and service) has a duty to issue receipts likewise every buyer has a duty to demand receipts for possession of goods or services obtained in accordance to the law.

Cooperation with TRA Officers
Every taxpayer has a duty to cooperate adequately with TRA officers by disclosing or producing relevant information or documents when required.

Every person has duty to cooperate with TRA officers and provide adequate freedom to carry out their lawful duties without intimidating, abusing, mistreating, threatening or influencing them in any manner whatsoever.

Taxpayer's rights
We will observe and respect among others, the following rights in ensuring that taxpayers fulfils their obligations.

Impartial treatment
Taxpayer has a right to an impartial application of the tax laws when determining tax liability, so as to enable the taxpayer pay the required amount of tax.

Privacy and Confidentiality
Taxpayer has a right to privacy and confidentiality for private and business information supplied to TRA unless the law allows the exposure of such privacy and or confidentiality.

Presumption of Honesty

The taxpayer has a right to be presumed honest unless evidence to the contrary exists.

Objection of Tax Assessment

Taxpayer has a right to object to an assessment or any other determination by TRA to the extent of which that right is restricted by the law.

Tax Benefits under the Tax Laws

Taxpayers have the right to plan their tax affairs so as to obtain maximum benefit allowed under the tax laws. TRA shall apply the tax laws in a consistent manner to all taxpayers.

TRA Service Level Standards

TRA shall serve taxpayers and stakeholders in accordance with the following service standards:

Registration of Taxpayers

Taxpayers Identification Number (TIN)

TIN registration shall be provided after fulfilment of all requirements:

- Regional Office: within 1 working day from the date of receipt of the application.
- District Office: within 10 working days from the date of receipt of the application

Value Added Tax (VAT)

VAT registration shall be provided after fulfilment of all requirements:

- Region: within 1 working day from the date of receipt of the application
- District: within 10 working days from the date of receipt of the application

Motor Vehicle Registration

Registration shall be done within 2 working days from the date of receipt of the application after fulfilling all requirements.

Tax Consultants Registration

Tax Consultancy shall be registered within 15 days after receiving application forms.

Permits and Licenses

Motor Vehicle Relicensing

TRA will issue a motor vehicle license:

- Region: within 1 working day from the date of receipt of the application
- District: within 10 working days from the date of receipt of the application

Licensing of Customs Agents

All qualifying companies are issued with licenses within 10 days upon fulfilling the requirements.

Licensing Transporters of Goods under Customs Control

License is issued within 2 days upon fulfilment of the requirements.

Temporary Importation of Motor Vehicles

- **Under C36:** Permission for temporarily imported motor vehicle shall be granted within one day from receipt of the application

- **Under Carnet De Passage:** Permission for temporarily imported motor vehicle shall be granted within one day from receipt of the application.

Pre-Arrival Declaration (PAD)

Assessed Pre-Arrival Declaration (A-PAD) issued within 4 days from the date of acceptance of PAD.

Customs Clearance

Importers and Exporters are required to fulfil customs requirements for the purpose of registering the TANSAD

Importation Clearance:

Registered TANSADs that undergone through TRA PAD system get clearance within 6 hours.

Exportation Clearance:

Clearance is granted within 2 days after TANSADs has been Registered.

Transit Clearance:

Clearance is granted within 2 days after TANSADs has been Registered.

Customs Release

- **Across Airports and Sea ports:** Release order shall be granted within 6 hours for declaration, subjected for scanning, and within 12 hours for declaration, subjected for physical verification, upon fulfilment of the requirements.

- **Across Land Boarder Stations:** Release order issued within 3 hours upon fulfilment of requirements.

Licensing of Bonded Warehouse, Manufacturing Under Bond (MUB) and Inland Container Deports (ICD)

License is issued within 3 days upon fulfilment of the requirements.

Tax Audits

TRA shall conduct tax audit on taxpayer's business records and finalize the audit within 3 months for simple cases and 6 months for complex cases.

Audit Report

TRA shall give the audit findings /recommendations within 21 days after audit.

Tax Investigation Services

Rewarding of Informers

Eligible informers are rewarded within 30 days from the date of receipt of notice of confirmation of payment of tax liability.

General Services

Handling of Objections

TRA shall acknowledge receipt of an objection within 5 working days from date of receipt.

TRA shall resolve simple objections within 3 months, and for complex ones, within 6 months from the date of receipt.

TRA shall communicate in writing within 5 working days after reaching an agreement on taxation issue that has been discussed with the taxpayer or his/her representative

Handling of Enquiries and Complaints

TRA will handle complaints and enquiries from taxpayers/stakeholders and provide prompt replies in order to improve the level of service delivery.

TRA shall provide replies to simple enquiries within 1 day.

TRA shall provide replies to complex enquiries and complaints within 5 working days.

Written Correspondence

TRA shall respond to written correspondence within 5 working days from the date of receiving such correspondence.

Telephone

TRA shall pick telephone calls from callers within 3 ringing tones. The officer receiving a call shall introduce him/herself and the name of the organization.

Visits by Taxpayers

TRA shall attend visitors within 30 minutes from the time of their arrival.

Training

TRA through the Institute of Tax Administration (ITA) offers short and long professional training on tax administration to eligible applicants. Selected applicants shall be informed 3weeks and 1 month before course commencement respectively.

Service Recovery (Acts of omission by TRA)

In the event that TRA officers depart from these service standards without a reasonable cause thus causing delays to taxpayers, the Commissioner General shall:

- Write a letter of apology to the taxpayer
- Direct a senior officer to expedite the finalization of the delayed process so as to mitigate future losses or expenses to be incurred by the taxpayer.
- Waive, where the laws allow, any interest payments that may accrue as a result of the delay.

However, any officer who departs from the service standards and from the norms of a good tax administration shall be disciplined in line with the terms of employment

Feedback

- TRA invites and encourage taxpayers, stakeholders and the general public to provide feedback regarding the quality of our services for further improvement.
- Feedback can be in a form of appreciation, opinion, suggestions or complaints. All these are geared towards establishing service gaps, if any, and therefore providing new strategies for service improvement.
- Facilities, which have been put in place for soliciting service feedback, include suggestion boxes, perception cards, contact cards, letters, e-mail, physical visit to TRA offices, telephone, surveys and seminar evaluation forms.
- Information collected from these sources will be analysed to provide feedback from taxpayers and the general public. The feedback will ultimately enable TRA to make appropriate improvement on the service standards.

Performance Monitoring

TRA will evaluate the performance measures of the set service standards under this charter on quarterly basis.

Annex 2: Different taxes applicable to selected sectors in Tanzania 2013[29]

Tourism (Tour Operators) 25 Different Taxes/Charges	Agricultural Sector 38 Different Taxes /Charges	Telecommunication 12 Different Taxes/Charges
• Certificate of registration • Business license • TALA (Tourist Agent Licensing Authority) license • Value-added tax (VAT) • Corporate and withholding tax • Skills development levy (SDL) • Municipal service levy • National Social Security Fund (NSSF) • Non consumptive wildlife utilization permits • Uncoordinated Levies charged by local/village Authorities/by entering one village and another • Work permits (different classes) • TDL • District/Halmashauri service levy • Rubbish service • Liquor license • Internet license • OSHA license • Road license • Fire certificate • Souvenir license • Radio call hand held license • Radio call HF license • Traffic Police fees per vehicle • MWENGE • Village development levy in WMA	• Fire inspection/certificate • Safety Inspection • Health inspection (OSHA) • Water Use fee • Certificate of Conformity • Service levy • Produce cess • Plant Import Permit • Phytosanitary certificate • Radioactivity analysis • SUMATRA fee (transportation of products in containers) • Chemical importation permit • Immigration (CTA) • Holiday/entry visa • Immigration (Work Permits) • Land rent • VAT on punnets and other packaging materials • Fertilizer registration • Fertilizer testing • Skills Development Levy • Import levies • PAYE • Parking fees • Excise duty • Vehicle inspection fees • Fuel levy • Health inspection - LGAs • Business license • TFDA inspection fees • TFDA registration fees • Seed inspection • Variety registration • Certificate of seed testing • Certificate of seed import/export • Pension Fund • Crop inspection • Plant quarantine inspection	• VAT • Excise duty • TCRA levy • UCAF levy • Service levy • NSSF / PPF - employer contribution • Skills & development levy • NSSF / PPF - employee contribution • PAYE • Corporate income tax • Customs Duty • Withholding taxes

29 Doing Business, 2014, Tanzania; BRN Presentation, March 28, 2014

Annex 3: Tax summary table

Income Tax rates for resident individuals

Taxable income (TShs)	**Rate**
2,040,000	0%
2,040,001 – 4,320,000	11%
4,320,000 – 6,480,000	20%
6,480,001 – 8,640,000	25%
8,640,000 and above	30%

Note: Assumes no deduction for NSSF of 10% from base salary

Note: For non-resident individuals, a flat rate of 20% applies to total income, comprised of employment and non-employment income. However, the employment income of a non-resident is subject to tax at the rate of 15% and the employer of a non-resident is obliged to deduct PAYE at the rate of 15% from the payroll, which is a final tax.

Corporate income tax rates

Resident Company	30%
Non-resident company (branches)	30%
Income from investments exempted under Economic Processing Zones Act	N/A
Company newly listed in DSE with at least 30% of equity issued to the public	25%

Value Added Tax (VAT)

Zero rate	0%
Standard rate	18%
Reduced rate	10%
VAT as a fraction of the inclusive price (standard rate)	1/6.55
Annual turnover threshold for registration	TShs 40mn p.a.

Note: returns and payments are due on the 30th day of the succeeding month

Capital Gains Tax

- The gain/loss upon sale of an asset is included in business/investment income & taxed **at the general rate**.
- In the case of land and buildings, a single instalment is payable at the time of the sale transaction at the rate of **10% for residents** and **20% for non-resident persons**. A **tax credit** is available for the single instalment.

Customs Duty

- Customs duty Import duty rates for goods imported from countries outside the EAC are **0% for raw materials, 10% for intermediate goods** and **25% for finished goods**.
- Goods from Uganda and Kenya that meet the EAC Customs Union Rules of Origin enjoy the **preferential community tariff** (typically 0%).
- A **4% royalty** is charged on gold and other metals, **5%** on uranium, diamonds and gemstones, **3%** on all other minerals, and **12.5%** for petroleum and gas.

Withholding Taxes		
Nature of payments	**Resident**	**Non-resident**
Dividends paid to a company controlling 25% of shares or more	5%	10%
Dividends paid from unlisted companies	10%	10%
Dividend paid by companies listed on DSE	5%	5%
Aircraft leasing	10%	10%
Interest	10%	10%
Payments for imported software & other IT support payments	-	15%
Imported services	-	15%
Rent	10%	15%
Royalty	15%	15%
Technical service fee (provided in relation to mining or oil & gas)	5%	15%
Natural resource payment	15%	15%
Insurance premium	0%	5%
Service fee	5%	15%
Money transfer commission to a money transfer agent	10%	10%
Fees to directors who are board members	15%	15%

Other Transaction Taxes	
Stamp duty – Exchange of property	1%
Stamp duty – Instruments, conveyance/transfers, Inc. share transfers	1%
Stamp duty – Conveyance of agricultural land	TShs 500 per acre
Stamp duty – Acknowledgement of debt	TShs 500
Air travel tax – domestic travel	TShs 10,000
Air travel tax – international travel	USD $40

Note: Duty is payable within 30 days

Retirement Funds

A contribution to the National Social Security Fund (NSSF) is based on gross cash emoluments (inclusive of cash allowances and benefits) as follows:

- 10% payable by employer;
- 10% payable by employee (deducted from wages)

Note: Contributions are compulsory for employers in the private sector.
Note: A deduction is allowed to the employer to the actual contribution or the statutory amount, whichever is the lesser. No deduction is allowed for non-approved pension funds, including foreign pension schemes.

Source: Deloitte, 'Tanzania Budget Highlights and Quick Tax Guide' 2015; access at:
http://www2.deloitte.com/content/dam/Deloitte/tz/Documents/tax/Tax_Budget%20Highlights%202015_TZ.pdf

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