

# Do you want to establish business in Tanzania?

ECONOMIC CONSULTING GROUP



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ESTABLISH BUSINESS IN TANZANIA

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**ECONOMIC-BUSINESS-FINANCE-INVESTMENT-  
AUDIT-TAX-RESEARCH-STRATEGY-PROJECT-  
PLANNING-M&E**



## Establishing a business in Tanzania

This guideline gives an overview of the key issues in establishing a business in Tanzania, including an introduction to the available business form and their applicable formalities; corporate governance structures and requirements; foreign investment incentives and restrictions; currency regulations; and tax and other issues of concern.

### Main forms of business

The principal forms of business arrangements in Tanzania are:

- ✚ Sole proprietorships.
- ✚ Partnerships.
- ✚ Trusts.
- ✚ Societies and co-operative societies.
- ✚ Non-governmental organisations.
- ✚ Companies.

### Sole proprietorship

This is most appropriate in the case of a sole investor.

Advantages include:

1. The procedure for setting up business is simple and low cost.
2. Decision-making is easy as the proprietor does not need to consult with anyone before arriving at a decision.
3. The business will be taxed at the rates applied to personal income rather than corporate tax.

Disadvantages include:

1. It tends to be difficult to raise capital.
2. The business is not a separate legal entity from its owner.
3. The sole proprietor is personally liable for the liabilities of the business.
4. The business is dissolved on the death of the sole proprietor.
5. There is little scope for growth and expansion as it is limited to a single person in terms of capital and manpower.

### Partnership

It can be appropriate where there is more than one investor.

Advantages include:



1. A partnership is generally easier to form, manage and run.
2. Set up costs are lower than for a company.
3. Less complex decision-making.
4. Partners affairs are private.

Disadvantages include:

1. It tends to be difficult to raise capital.
2. The business is not a separate legal entity from the partners.
3. The partners are personally liable for the liabilities of the business.
4. If a partner leaves the partnership, the business is automatically dissolved unless otherwise agreed.

A partnership deed is advisable to set out how to control partnership business and decision-making.

### Co-operative societies

Co-operative societies are appropriate where ten or more persons:

1. Voluntarily join together to achieve a common need for professional, social, cultural, religious, economic benefit or welfare of its members.
2. Form a democratically controlled organisation.
3. Make equitable contributions to the capital required for the formation of the organisation.
4. Accept the risks and benefits of the undertaking in which they actively participate.

Advantages include:

1. The limited liability status of the society.
2. Exemption from duty, tax or VAT for registered co-operative societies or a specified class of registered co-operative societies that are listed in the Government Gazette.

Disadvantages include:

1. The requirement for a minimum of ten people for setting up a primary (grass-root level) co-operative society.
2. Restrictions on the transfer of shares in the co-operative society.



## Non-governmental organisations

These are appropriate for voluntary, autonomous, non-profit-sharing organisations. Non-governmental organisations do not include a company formed and registered under the Companies Act.

Advantages include attaining the recognition provided through registration as a non-governmental organisation, which may facilitate in obtaining charitable status for tax purposes.

Disadvantages include:

1. A lengthy registration process.
2. The requirement that a minimum of two members or office bearers are Tanzanian residents.
3. A certificate of registration issued is subject to renewal after a period of ten years.

## Company limited by guarantee

This is an appropriate business for a company which is limited by guarantee and intends to promote commerce, investment, trade or any other activity as prescribed in the Government Gazette. Advantages include:

1. Having limited liability status without members having to contribute to the company's capital above the committed amount.
2. Relatively quick set up time.

Each member guarantees to contribute a capped sum to the assets of the company in the event of it being wound up, or within one year after ceasing to be a member.

The main disadvantage is that it is not appropriate for normal business activities since any income generated by the company must be used for its declared objects or purposes. Consequently, the members are not entitled to any income generated by the company.

## Limited liability Company

To set up a limited liability company the general requirement is a minimum of two shareholders and two directors.

A limited liability company can either be private or public.

A limited liability company enjoys many advantages over a sole proprietorship and a partnership, including:

1. Distinct and separate legal personality separate from its shareholders.



2. Relatively easy to raise capital.
3. The liability of the shareholders is limited.
4. The business is not dissolved on the death of one of the shareholders or directors.

Disadvantages include:

1. Close regulation by statute.
2. Profits distributed to shareholders are taxable.
3. The reporting requirement is complex.
4. There are (limited) circumstances in which the "corporate veil" may be lifted and the shareholders can be liable for the obligations of the company (but this is rare and only in extreme cases).
5. Although generally managed by its directors, bona fide third parties can rely on the ostensible authority of a non-authorised director to bind the company.

For joint ventures a shareholders' agreement is advisable to best control the decision-making in the company. Limited liability companies are the most popular form of investment vehicles in Tanzania.

### **Common options for foreign companies establishing a business in Tanzania**

Generally, a foreign company establishes a business in Tanzania by either:

1. Setting up a limited liability Tanzanian company as a group subsidiary.
2. Registering a foreign limited liability company in Tanzania as a branch that is, having an established place of business in Tanzania.

If the company has a charitable purpose it will be required to register as an NGO, unless the charitable company intends to promote commerce, investment, trade or any other activity, in which case it may be able to remain as a company registered at BRELA.

The limitation of liability concept applies in a similar way to other common law jurisdictions.

### **How overseas company trade directly in Tanzania**

An overseas company can trade directly in Tanzania through a branch by registration of an established place of business in Tanzania. A foreign company is not deemed to have a place of



business in Tanzania solely on account of its doing business through an agent in Tanzania at the place of business of the agent.

Once a foreign company is registered in Tanzania, it has the same powers as if it were a company incorporated in Tanzania and is therefore subject to the laws of Tanzania.

A foreign company seeking to establish a place of business in Tanzania must deliver the following documents to the Registrar of Companies:

1. Certified copy of memorandum and articles of association or other instrument constituting or defining the constitution of the company. If the instrument is not in English, a certified translation is required.
2. Particulars of persons who are directors and company secretary of the company.
3. A list of directors and company secretary of the company.
4. A statement of all subsisting charges created by the company.
5. Names and addresses of one or more persons, resident in Tanzania authorised to accept on behalf of the company service of process and any other notice required to be served on the company, and to represent the company as its permanent representative at its place of business (with a statement as to the extent of its authority).
6. Full address of registered principal office of the company and full address of place of business in Tanzania.
7. Statutory declaration made by the director or secretary of the company stating the date on which the company's place of business in Tanzania was established, the business that is to be carried on and if different from the registered name of the company, the name under which that business is to be carried on.
8. A copy of the most recent accounts and related reports of the company including, if not in English, a translation.
9. Consolidated form signed by all directors and company secretary to be uploaded on the Business Registration Licensing Agency (BRELA) online system.

**The total fees for registration are USD 1500.** The filing fees for any document are **USD 220.**

On completion of the registration, the foreign company will be issued with a BRELA Certificate of Compliance.



A foreign company that has established a branch in Tanzania must file, among other things, annual accounts in respect of that branch in every calendar year.

In addition to the BRELA Certificate of Compliance, the branch must obtain:

- a. TIN Certificate. The branch must register with the Tanzania Revenue Authority (TRA) for a Tax Identification Number that will be used by the branch for payment of taxes after the date of commencement of business or investment.
- b. VAT Verification Number. Registration for VAT is required by companies with an annual turnover of TZS100 million.
- c. TAX Clearance Certificate. A Tax Clearance Certificate for the business is obtained from the TRA prior to making an application for a business licence.
- d. Business Licence. The branch must have a business licence specific to its type of business. This is now obtained from the BRELA, or relevant municipal council, depending on the type of business.
- e. Other licences and authorisations. Branches trading in certain business sectors may require special authorisations. For example, a company dealing in manufacturing of commodities must obtain an **Environmental Impact Assessment Certificate** from the National Environmental Management Council. Other sector specific licences are issued by the relevant regulatory bodies and corresponding ministries, for example:
  - Telecommunication/ICT sector licences are issued by the Tanzania Communication Regulatory Authority (TCRA).
  - Energy sector licences are issued by the Energy and Water Regulatory Authority (EWURA).
  - Banking and financial institution sector licences are issued by the Bank of Tanzania (BoT)
  - Insurance sector licences are issued by the Tanzania Insurance Regulatory Authority (TIRA).

### **How private limited liability company or equivalent corporate most commonly used by foreign companies to establish a business in Tanzania**

A limited liability company can be established under the Companies Act 2002 which sets out the relevant legal framework.





Relevant bodies or authorities involved in the establishment of a business are the:

1. BRELA, the company registry for companies in Tanzania.
2. BRELA or the relevant municipality (depending on the business activity) responsible for issuing business licences to companies carrying on business in Tanzania.
3. TRA, responsible for issuing TIN certificates to resident or non-resident persons carrying on business in Tanzania.
4. Other relevant regulatory bodies and government departments/ministries depending on the sector of the business.

### **Tailor-made or shelf companies**

Shelf companies are not generally available in Tanzania. A company can however be set up quickly after a search for the availability of a preferred company name has been made at BRELA.

### **Formation process**

The formation process includes providing the following details to BRELA:

1. At least three alternative names for the proposed company in preferential order. The last word in each must be "Limited". Once approved by BRELA, the company name can be reserved for 60 days on payment of the reservation fees of TZS50,000. However, BRELA reserves the right to ask for a change of name any time before a certificate of incorporation is issued.
2. Articles of association. The authorised share capital normally, dependent on the business sector, must be more than USD 20.
3. Shareholders. The authors recommend a minimum of two. It is not necessary to be a Tanzanian citizen, resident or individual. A company must execute these formalities with its company seal. Full names, postal and residential addresses, emails, phone numbers, passport number (if foreigner), national identification number and taxpayer identification number (TIN) number (for Tanzanian citizens) and occupations of the shareholders must be provided.
4. Directors. There must be a minimum of two. It is not necessary to be a Tanzanian citizen or resident. A director can be an individual or a company. Details must be provided of each director.
5. Company secretary. This can be one of the directors, a company or a legal advisor. Details must be provided.



6. Registered office. The physical office address in Tanzania must be provided.

The steps to formation are as follows:

1. Conducting a name clearance search in BRELA ORS to check availability of any of the three preferred company names.
2. Submitting an application for name reservation.
3. Preparing a memorandum and articles adapted to suit the proposed business of the company and the required share capital structure.
4. Preparing the consolidated form (to be signed by all directors and company secretary) and BRELA Form 14B.
5. Preparing a statement in a prescribed form containing accurate and up to date records of beneficial owners.
6. Signing of BRELA Integrity Pledge Form.
7. Uploading of signed documents and attachments such as passport copies for foreign directors and / or shareholders, in BRELA ORS.
8. Payment of prescribed BRELA fees.

After the certificate of incorporation is received:

1. Preparation of a common seal and stamp of the company.
2. Preparation of required company registers.
3. Application for other permits/licences required such as the TIN, VAT and business licence.

### **Company constitution**

The constitution of the company consists of a memorandum and articles of association:

1. The memorandum of association states the name and objects of the company.
2. The articles of association contain the regulations for the company.

Template articles for the management of private companies as well as other types of companies are provided in Tables A to E in the Schedule to the Companies Act.

The memorandum and articles are public documents and can be accessed by any person who makes a formal request to BRELA. These documents must be:

1. Printed in English or Kiswahili.
2. Divided into consecutively numbered paragraphs.
3. Signed and dated by each subscriber in the presence of at least one attesting witness (preferably a notary public or commissioner for oaths with their stamp).



4. Delivered to the BRELA Registrar for registration on payment of the required fees.

Alteration of the memorandum or articles must be by special resolution.

Separate shareholder agreements can be used in addition to and overriding the articles.

### **Financial reports must the company submit each year**

Directors must present copies of its annual audited financial reports for each accounting period in the general meeting of the company for approval. The reports must be produced at the general meeting and delivered to BRELA within ten months of the end of the accounting period for a private limited company and seven months for a public limited company.

A foreign company with an established place of business in Tanzania must deliver the reports to BRELA within three months after the date on which the reports are made.

Every overseas company that establishes a branch in Tanzania must submit accounts in such form, contain such particulars and together with such other required documents, as if the branch were a company incorporated under the Companies Act. The branch's balance sheet, profit and loss account and cash flow statement, must comply with the requirements prescribed by the National Board of Accountants and Auditors, taking into account generally accepted principles of accounting. An existing company which is dormant and no longer trading is still required to deliver its financial annual accounts to BRELA and TRA reflecting nil accounts.

### **Statutory trading disclosure and publication requirements for private companies**

Private companies are subject to several trading disclosure and publication requirements:

1. The name of the company must have the word "Limited" as the last word.
2. For public limited companies, the words "public limited company" must appear in the company's memorandum.



3. The company name must be painted or affixed on the outside of every office or place where its business is carried on, in a conspicuous position in legible text. A company that does not comply with this requirement is liable to a default fine.
4. The company name must be engraved legibly on the company seal.
5. A company must also have its name and registered office mentioned in legible letters on all:
  - a. business letters of the company (which shows a list of all current directors);
  - b. notices;
  - c. other official publications of the company; and
  - d. Invoices, receipts and letters of credit.

### **How do companies execute contracts or deeds?**

Documents are executed by a company by either 2 directors or a director and a company secretary, and by affixing of the company seal.

A company can execute deeds abroad using its seal by empowering any person to act as its attorney to execute the deeds on its behalf, in any place in or outside Tanzania.

In the case of written resolutions of shareholders' meetings, these can be signed by or on behalf of the shareholders on separate documents and have the same effect as if the resolutions were signed by each member on a single document as governed by the articles of association.

The articles of association of a company can also be drafted to permit directors' written resolutions (round robin resolutions) to be circulated by directors, which have the same effect as holding a directors' meeting.

### **Membership**

#### **Are there any restrictions on the minimum and maximum number of members?**

The minimum number of subscribers required to set up a private company are two shareholders. The maximum number of members for a private company is 50. However, the limit does not include employees and former employees who are members of the company.



Tanzanian company law has been reformed to allow for a limited liability shareholder company to be formed with only one shareholder. However, at the time of writing, these changes are not yet effective.

### **Minimum capital requirements**

#### **Is there a minimum investment amount or minimum share capital requirement for company formation?**

A company can be incorporated with any amount as its authorised share capital, subject to a general minimum capital requirement of more than USD 20. Some industries such as the banking, financial institutions and insurance sectors also have specific share capital requirements that are prescribed in the relevant legislation.

#### **Are there restrictions on the transfer of shares in private companies?**

The transfer of shares of any member in a company must be in accordance with the manner provided by the articles of association and the Companies Act. Any invitation to the public to subscribe for any shares or debenture of the public is prohibited for the private limited company. However, a company cannot register a transfer of shares unless a duly stamped proper instrument of transfer is delivered to the company.

Under the Companies Act and if applicable under the articles of association, a company can refuse to register a transfer of any shares and must send to the transferee notice of the refusal within 60 days after the date on which the transfer was submitted to the company.

The directors can, in their absolute discretion and without giving a reason, decline to register the transfer of any share, whether or not it is a fully paid share.

Shares of a deceased shareholder can be transferred by his or her personal representative, and this is as valid as if the personal representative had been a member at the time of transfer.

To be effective a share transfer requires a certificate issued by the Tanzania Revenue Authority (TRA), certifying that all taxes (including income tax in respect of capital gains) have been paid for the transfer or that the taxes do not apply. The income tax in respect of the capital gains must be



paid within 30 days or any other period determined by the TRA. A draft amendment to the law at the time of writing proposes that a company whose shares have been transferred or transmitted must notify the BRELA Registrar within 28 days from the date of transfer or transmission.

Where the underlying ownership (direct or indirect) of a Tanzanian company changes more than 50% at any time during the previous three years, the company will be deemed to have disposed of all its assets and liabilities, at current market value. The disposal will trigger a deemed capital gains tax liability on any deemed gain. Additionally, a company whose underlying ownership changes by more than 50% is required to report to the Commissioner for Income Tax before and after such change has occurred.

Some sectoral approvals and/or notifications for share transfers may be required from regulatory bodies that regulate the type of business of the company.

#### **What protections are there for minority shareholders under local law? Can additional protections be given?**

Minority shareholders can seek court intervention if they believe that they are unfairly prejudiced or the company is not properly managed. Minority shareholders can also institute derivative actions, that is, the right of a person to apply to the court to prosecute, defend or bring an action in the name of and on behalf of the company or any of its subsidiaries. In such a case, the minority shareholder must prove illegality rather than irregularity which can be rectified by internal processes of the company. The articles of association and any shareholders' agreement can give additional protection to minority shareholders.

#### **Are there any statutory restrictions on quorum or voting requirements at shareholder meetings? Do quorum or voting rights need to be proportionate to shareholdings?**

A minimum of two members personally present at a shareholders' meeting constitutes a quorum. However, the articles may stipulate an additional number of members. Each member is entitled to one vote for each share held by him. In the case of a poll vote, each member is entitled to one vote.



**Are specific voting majorities required by law for any corporate actions (for example, increasing share capital, changing the company's constitution, appointing and removing directors, and so on)?**

Ordinary resolutions passed by a majority are required for any of the following corporate actions:

1. Issuing shares at a discount.
2. Increase in the share capital of the company.
3. Removal of a director before the expiry of his term.
4. Removal of the auditor from office.
5. Fixing a director's service contract to a term of more than three years.
6. Determining the remuneration and expenses of the directors.
7. Appointing an additional director.
8. Authorising a member to inspect accounting records or documents of the company.
9. Declaration of dividends in accordance with the respective rights of the members.

Special resolutions passed by a majority of at least 75% of the members that are entitled to vote at a general meeting are required for:

1. Alteration of the company's memorandum or the articles of association.
2. Alteration of any condition in the memorandum which could be contained in the articles of association.
3. Change to the name of the company.
4. Reservation of any portion of uncalled share capital to ensure it is only called up on a specific event.
5. Reduction in share capital.
6. Declaration that the company's affairs must be investigated by a court-appointed inspector.
7. Voluntary winding up of the company.
8. Authorising a liquidator to receive shares, policies or other interest, in consideration for the sale of property of a company that is being voluntarily wound up.
9. An arrangement between the company undergoing winding up proceedings and its creditors.

**Can voting majorities required by law be disapplied to protect a minority shareholder (for example, through class rights or weighted voting)?**



Where the share capital is divided into different classes of shares and the rights attaching to the classes are varied by a resolution of the holders of these shares, the holders of not less than 10% of the issued shares of that class who did not consent to the variation can apply to court to have the variation cancelled.

### **Conditions or restrictions on establishing a business in specific industry sectors, the industry sectors in which it is not permitted to establish a business**

There are no general restrictions on establishing a business in Tanzania. However, there are some restrictions on foreign investment in certain sectors (for example, banking and financial institutions, mining, telecommunications, insurance, shipping and construction) where participation by local shareholders is required. For example:

1. Banking sector. Minimum capital requirements apply for banks and financial institutions. The minimum core capital for banks must be not less than TZS15 billion (about USD8.75 million), and an existing bank with a core capital of less than the prescribed amount is required to increase its core capital within a period of three years from August 2014, following the publication of the Banking and Financial Institutions (Capital Adequacy) Regulations (2014).
2. Foreign Exchange. The Foreign Exchange (Bureau De Change) Regulations restrict eligibility for applying for licences to companies limited by shares incorporated under the laws of Tanzania Mainland or Zanzibar. The minimum capital requirement to operate a bureau is a paid-up capital of at least TZS1 billion or any higher amount prescribed by the Bank of Tanzania.
3. Insurance sector. The Insurance Act 2009 provides that out of the issued share capital of an insurer, not less than two-thirds of the shareholding must be owned by Tanzanian citizens. Tanzanian residents and resident companies must also use local insurers to cover risks arising in Tanzania. Foreign insurers can only provide insurance services to Tanzanian citizens or companies if the insured person through a resident insurance company obtains prior written consent from the Commissioner for Insurance. This restriction applies to ground, marine and air cargo insurance covers as well all Tanzanian imports.
4. Telecommunications sector. The government's current policy is that any company holding a network services or network facilities licence must reserve at least 25% of its shareholding to Tanzanian citizens through a public offering and any company holding a contents service





- licence, must have at least 51% local shareholding ownership. The shareholding requirements imposed by the Tanzania Communications Regulatory Authority are an ongoing obligation throughout the term of the licence issued. However the public shareholding requirement does not apply to network facilities or network services licence wholly owned by the government, or network facilities or network services license in which the government owns 25% shares or more, or a network facilities licence for the lease of towers.
5. Media sector. Media houses must maintain a minimum of a 51% local shareholding. In addition, any media house of which a foreigner is a shareholder must obtain an approval from the Director of Information Services before applying for any change in shareholding structure.
  6. Mining sector. Primary mining licences for any minerals are reserved exclusively for Tanzanian citizens and companies where the members and directors are all Tanzanian citizens. Gemstone mining licences are only granted to Tanzanian citizens unless the development of the licence areas requires special skill, technology and a high-level investment. In these cases, the Minister for Minerals can grant licences to a non-Tanzanian citizen, if their undivided participating share in the licence amounts to no more than 50%. The government must have not less than 16% non-dilutable free carried interest shares in the capital of the mining company, depending on the type of minerals and the level of investment. In addition to the free carried interest shares, the government is entitled to acquire, in total, up to 50% of the shares of the mining company commensurate with the total tax expenditures incurred by the government in favour of the mining company. Further, a company with a special mining licence must reserve at least 30% of the shareholding for Tanzanian citizens through a public offering except where the Minister for Minerals grants a waiver for minimum local shareholding requirement due to an unsuccessful public offer, or the government has non-dilutable free carried interest shares in the capital of a mining company and an economic benefits sharing arrangement.
  7. Shipping sector. Licences to carry out shipping agency business are only granted to companies where more than 51% of the share capital is held directly or indirectly by Tanzanian citizens.
  8. Construction industry. Restrictions apply in the construction industry to foreign contractors/subcontractors as they cannot carry out any construction works unless they are registered with the Contractors Registration Board (CRB). Foreign contractors can



however obtain temporary registration with the CRB if they are carrying out a specific contract. Any foreign engineers that are part of the construction company are similarly restricted from practising in Tanzania, unless they are registered with the Engineers Registration Board. Additionally, the Architect and Quantity Surveyors Registration Board (AQRB) requires foreign architects, whether a business or individual, to form a joint venture agreement with local counterparts so as to promote and encourage the use of local expertise, goods, and services, and to develop local capabilities.

9. Tourism sector. Registration and licensing for tourism activities and facilities is granted on the basis of each separate activity or facility. Furthermore, foreigners are restricted from operating as travel agents, mountain climbing or trekking companies, tour guides or car rental providers.

### **Foreign investment restrictions**

#### **Are there any restrictions on foreign shareholders?**

There are presently no restrictions on non-Tanzanian nationals owning shares in a private limited company incorporated in Tanzania except in the following instances:

1. A company that owns land. A person who is not a Tanzanian citizen or a private company in which the majority of shareholders are not Tanzanian citizens cannot own land in Tanzania without a Certificate of Incentives issued under the Tanzania Investment Act (TIA) or a certificate issued under the Export Processing Zones Act. (see Question 22).
2. Purchase of shares in a public listed company. Restrictions of up to 60% foreign investor equity participation in Tanzanian companies listed on the Dar es Salaam stock exchange were lifted in September 2014. However, this is further restricted in specific sectoral laws.
3. Foreign investor participation in government securities is still subject to conditions. Residents of East African Community (EAC) member countries can acquire, sell or transfer Tanzanian Government securities, however the total number of acquired or sold securities must not exceed 40% of the issued securities. The amount of securities acquired by residents from an EAC member country must not exceed two thirds of the restricted number of government securities and acquired securities must not be transferred to a Tanzanian resident within 12 months of the date of acquisition.
4. Public procurement. Contracts entered into pursuant to a public procurement process or a privatisation process can also impose certain restrictions on the shareholding of the party



contracting with the public entity. For instance, the contracting party may be required to ensure that a specified percentage of the shareholding is held by Tanzanian citizens.

### **Are there any exchange control or currency regulations?**

Foreign exchange controls have been largely removed, and the Foreign Exchange Act Cap 271 has liberalised external trade by creating an enabling environment for market-determined exchange rates. Tanzanian residents and non-residents are permitted to hold any amount of foreign currency in Tanzania and to open and maintain foreign currency accounts.

However, certain transactions are still subject to control. For example, restrictions apply where any payment is made in Tanzanian shillings to or for the credit of a person resident outside Tanzania. Exchange controls also apply in relation to remittances on investment returns, and the payment of principal and interest or premium on foreign loans and bonds. The servicing of foreign loans requires prior notification and record-keeping by remitting banks in Tanzania. This information is forwarded to the Bank of Tanzania, together with details of any foreign loan, overdrafts or financial facilities with terms exceeding 365 days, and a record number is obtained for the loan. Banks and financial institutions are required by the Bank of Tanzania to file on monthly basis the number of foreign loans and short term loans that their customers have.

### **Are there restrictions on foreign ownership or occupation of real estate, or on foreign guarantees or security for ownership or occupation?**

All land in Tanzania Mainland is vested in the President of Tanzania as trustee for the nation. The main types of land are:

1. General land.
2. Village land.

Statutory rights of occupancy of up to 99 years can be obtained over general land and these rights of occupancy represent title analogous to ownership and can be sold and encumbered.



A foreign national, or foreign company, or a Tanzanian company wholly, or majority owned by foreigners, cannot own land in Tanzania unless it is held for investment purposes through a derivative right granted for a specified amount of time under a Certificate of Incentives issued to it by the Tanzania Investment Centre or the Export Processing Zones Authority.

A foreign entity can enter into lease agreements with landowners who have a right of occupancy. If the land is village land, then acquisition from the village requires its transformation from village land to general land.

## Directors

### 23. Are there any general restrictions or requirements on the appointment of directors?

A director must not:

- Be less than 21 years old.
- Be older than 70 years old, unless his appointment is approved by the company in a general meeting with a special notice.
- Be of unsound mind.
- Have been declared bankrupt or insolvent by a competent court.
- Without the leave of the Court be a director of any company if:
  - a person is convicted of any offence in management of a company;
  - a person has been persistently in default in relation to the provisions of the Companies Act in notifying and delivering statutory documents to the Registrar; or
  - the Court is satisfied that a person is or has been a director of a company that has become insolvent and the court renders him unfit to be involved in the management of companies.

There is no legal requirement for directors to be based in Tanzania or be Tanzanian citizens. However, under the new BRELA Online Registration System, a Tanzanian director must have a national identification number (NIN) and a verified tax identification number (TIN) certificate.

A director must register at BRELA a written and signed consent to act as director.

Corporate directors are permissible in Tanzania but are not normally appointed.



A draft amendment to the law at the time of writing proposes to amend the Companies Act to among other things remove the age limit for retirement of directors and reduce the minimum age for appointment of directors to 18 years.

## **Board composition**

### **Legal requirements for the composition of a company's board of directors**

#### **Structure**

The composition of a company's board of directors follows a unitary structure, consisting of executive (and if wanted, non-executive) directors and a chairman of the board. Normally under the articles, the directors of the company can delegate their powers to a committee consisting of one or more directors. The directors can appoint one of their members to be the chairman of the board of directors and determine the period for which he is to hold office.

#### **Number of directors or members**

The minimum number of directors required to set up a company is two.

A minimum of two members or shareholders is required. If at any point the number of members falls below two and the company continues to carry on business for more than six months, then any person who becomes a member may become jointly and severally liable with the company for the payment of any debts accrued during the period of reduced membership.

Recent changes in company law permit companies to have only one member or shareholder in the event that related regulations are brought into effect, which to date has not occurred. In any event we would not advise a single member or shareholder set up.

The maximum number of permitted members or shareholders in a private limited company is 50.

#### **Employees' representation**

Directors must have regard to the interests of the company's employees. There is no legal requirement for the employees to be represented at board level but there are legal requirements for employee representation in cases of:

1. Redundancies.
2. Disciplinary hearings.



3. Transfer of an undertaking.

## **Reregistering as a public company**

### **Requirements for a business to reregister as a public company**

#### **Membership**

A private company can reregister as a public company by altering its memorandum stating it is:

1. A public company.
2. Not restricted from transferring its shares.
3. Allowed to invite the public to subscribe for shares or debentures in the company.

There are no restrictions on the maximum number of public company members. However, a minimum of seven members is required.

#### **Share capital**

Share capital requirements for a public company depend on whether the company is listed on the Main Investment Market (MIM) or the Enterprise Growth Market (EGM) in the Dar es Salaam Stock Exchange (DSE).

Under the DSE Rules 2014, a public company listed on the MIM must have a paid-up share capital of at least TZS1 billion (about USD500,000). The minimum value of shares to be listed must be at least TZS2 billion (about USD1 million).

At least 25% of the shares being not less than 1 million shares or any class must be in the hands of the public (excluding shares held by majority shareholders, directors or connected persons) before the company can be admitted to the MIM, and the company must have at least 1,000 shareholders.

The DSE may in exceptional circumstances allow a lower percentage of shares, and/or a fewer number of shares to be held by the public, where the amounts of shares and the extent of their distribution would enable the capital market to operate properly.

A public company listed in the EGM must have a minimum paid up capital of TZS200 million (about USD100,000), and the securities must have a value of at least TZS200 million. The company must have at least 100 shareholders and issue a minimum of 500,000 shares to the public.

#### **Tax**



## **Main taxes are businesses subject to**

### **Corporation tax**

Corporation tax is levied on the total taxable income of the company that has a source in Tanzania, that is, the company's revenue less any allowable deductions.

The current rate is 30% for both resident and non-resident companies. A company that is listed on the Dar es Salaam stock exchange (DSE) is subject to corporation tax at a reduced rate of 25% for three years. This concession is only allowed where the company has listed at least 30% of its shares for three consecutive years from the date of listing.

Under the Finance Act 2017, a corporation with a newly established plant for assembling motor vehicles, tractors, fishing boats or out boat engines and having a performance agreement with the government of Tanzania, will be subjected to a rate of 10% for resident corporations for the first five years from the commencement of production.

Further, under the Finance Act 2019:

1. A new corporation manufacturing pharmaceutical or leather products and which has a performance agreement with the Government of Tanzania will be subjected to a rate of 20%.
2. A corporation manufacturing sanitary pads and which has a performance agreement with the Government of Tanzania will be subjected to a rate of 25% for resident corporations for the first two years from 1 July 2019 to 30 June 2021.

### **Gains on the realization or disposal of investment assets (capital gains tax)**

Tax is levied on capital gains by companies or individuals at 10% if local, 20% if foreign and 30% if mineral or petroleum. Disposals of certain assets are exempt from income tax, including:

1. Private residences.
2. Agricultural land.
3. Units in an approved collective investment scheme.
4. Shares that are listed on the DSE.

However, the exemptions depend on the value of the assets, and the shareholding of the listed shares.



As mentioned in Question 14, since 2012 if the underlying ownership of a company (direct or indirect) changes by more than 50% as compared with the ownership at any time during the previous three years, the company is deemed to have disposed of all its assets and liabilities, triggering a capital gains tax on any deemed gain on the deemed disposal of the assets.

### **Value added tax (VAT)**

VAT is charged on the supply of goods and services in mainland Tanzania, and on the importation of goods and services from any place outside mainland Tanzania. The duty is charged where a taxable supply or service is made by a taxable person. VAT is also charged on the transfer of a business, or part of a business, if the purchaser is not registered for VAT.

An individual or company with an annual taxable turnover of TZS100 million or more falls under the definition of a "taxable person" and must be registered in accordance with the provisions of the VAT Act. This condition applies to all types of registration except for professional service providers who must register for VAT even if they do not meet the threshold.

The current VAT rate is 18% for the supply and import of goods and services. The VAT rate for the export of goods and certain services is 0%.

### **Withholding tax under the Income Tax Act 2004 RE 2019 (ITA)**

A person who makes any of the following payments is required to withhold income tax from the payment at the rates stipulated in the ITA:

- Dividends. The rate varies depending on whether:
  - the company is listed on the DSE (5% for resident and non-resident individuals and corporations); or
  - dividends are paid to a resident corporation controlling 25% or more of the corporation (5% for resident corporations).

Dividends from other corporations are subject to a flat rate of 10% which is levied on both resident and non-resident individuals and corporations.

1. Commission on money transfers through mobile phones: 10%.





2. Interest (other than to a resident financial institution or to a non-resident bank by a strategic investor): 10%.
3. Natural resource payments: 15% for resident and non-resident corporations.
4. Royalties: 15% for resident and non-resident corporations. Separate rates of withholding tax apply to mineral royalties and are provided in the regulations made under the Mining Act 2010 RE 2019. Some of the mineral royalties include:
  - a. Diamonds and gemstones: 6%.
  - b. Metallic minerals (including copper, gold, silver and platinum group minerals): 6%.
  - c. Uranium: 5%.
  - d. Other minerals (including building materials, salt, all materials within the industrial minerals group): 3%.
  - e. Gems: 1%.
5. Director fees (other than full time service): 15%.
6. Rent for land and buildings (except where the rent is paid to a resident person for the use of an asset other than land or buildings): 10% for payments to resident and non-resident corporations). Rent paid to a resident person for use of an asset other than land or buildings is exempt (0%), and 10% for a non-resident person. For an aircraft lease, the rate is 10% for both resident and non-resident corporations.
7. Service fees: 15% for payments to non-resident corporations and 5% to resident corporations.
8. Technical services to mining or oil and gas companies: 5% for payments to resident and 15% for payments to non-resident corporations.
9. Insurance premiums: 5% for payments to non-resident corporations, and exemption for the resident ones.
10. Transport: 5% non-resident operator/charterer without permanent establishment.
11. Irrespective of the place of rendering services, the payments made are subject to withholding tax

Withholding tax reliefs may apply to Export Processing Zone (EPZ) or Special Economic Zone (SEZ) investors, as well as for "strategic investors".

### **Stamp duty**



Stamp duty is levied on specific instruments that are executed in mainland Tanzania, or if executed outside mainland Tanzania, relate to any property, thing or matter that is to be performed or done in mainland Tanzania.

These instruments must be stamped. Any instrument that is not stamped will not be admitted as evidence in court in the event of a dispute, unless the required duty, plus any late payment penalty, is paid.

Instruments that attract stamp duty include:

1. Leases.
2. Debentures.
3. Mortgages.
4. Powers of attorney.
5. Share transfer forms.
6. Conveyances or any transfers of property.

The current rate of stamp duty payable on shares, lease agreements or the transfer of property is the higher of 1% of the value of the subject matter or consideration paid in respect of the transfer, or as determined by the Tanzania Revenue Authority.

### **Excise duty on imports**

Excise duty is levied on imported consumer goods, and certain excisable services, that are specified in the Excise (Management and Tariff) Act Cap. 147.

### **Import /customs duty**

The importation of certain goods attracts import duty at an ad valorem rate based on the value of goods imported.

### **Service levy**

A service levy is payable by corporate entities or any person conducting business with a licence, at a rate not exceeding 0.3% of the turnover of a corporate entity, net of VAT and the excise duty, to the urban authority or district council where the company's registered office, or registered branch, is situated.

## **Circumstances under which a business becomes liable to pay tax**

### **Corporation tax**



Corporation tax is payable for each year of income on, among other things, chargeable income for the year of income, by a corporation or foreign branch.

#### **VAT**

A business with a taxable turnover exceeding TZS100 million (about USD50,000), or which has reason to believe that its turnover will exceed or is likely to exceed this threshold amount, must register for VAT. This condition applies to all types of registration except for professional service providers who must register for VAT even if they do not meet the threshold.

#### **Skills and development levy (SDL)**

Any business that employs more than four people must pay SDL. The current rate is 4% of the total amount paid to all its employees each month. A portion of the levy goes to the Vocational Education and Training Authority to provide vocational skills to Tanzanians.

#### **Pay As You Earn (PAYE)**

A business that makes a payment to an employee is required to withhold PAYE tax from the employee's chargeable income, at the rate specified in the Income Tax Act. The business must provide returns to the Tanzania Revenue Authority (TRA), setting out its payroll and the tax that is to be withheld, and must submit the return within seven days after the month in which the tax was deducted.

#### **Workers' Compensation Fund (WCF)**

Every employer must register with WCF (even if an employer has only one employee) and submit a tax return of annual earnings of their employees every year by 31 March. On registration, the employers are required to pay WCF on monthly basis. Contribution rates are currently 1% of employees' earnings (wage bill) for each employer in the private sector and 0.5% in the public sector. The wage bill includes basic salaries plus all fixed allowances that are regularly paid to the employee. Contributions are part of employers' costs and must not be deducted from salaries of employees. Contribution rates (tariffs) are determined periodically by the WCF depending on risk assessment of workplaces and other relevant factors.

#### **Tax resident**

A corporation is liable to tax if it is incorporated in Tanzania, and at any time during the year of income, the management and control of its affairs are exercised in Tanzania.

#### **Non-tax resident**

A non-tax resident business is liable to pay tax in Tanzania if its business income or investment has a source in Tanzania.



The business is also liable to tax if it is a permanent establishment of a non-resident company situated in Tanzania.

The tax liability of the tax non-resident business is calculated as if the business and the permanent establishment are independent but associated persons, and the permanent establishment is resident in Tanzania.

### **Tax position when profits are remitted abroad**

A company that has a domestic permanent establishment (see Question 27) is subject to tax on all the repatriated income of the permanent establishment (section 70, Income Tax Act 2004 RE 2019). The domestic permanent establishment must maintain an accumulated profits account which at the end of each year of income is (section 72(3), Income Tax Act 2004 RE 2019), as amended):

1. Credited with the net total income of the permanent establishment.
2. Debited with the repatriated income.

### **What thin-capitalisation rules and transfer pricing rules apply?**

#### **Thin-capitalisation**

A company at least 25% foreign-owned cannot deduct interest from its taxable income if its ratio of debt to equity is more than 70:30. In this case, the interest is non-deductible and is added back as taxable income. Before 2010 it used to be an "interest cover" restriction.

Since 2010, "debt" is defined as any debt obligation excluding a (Finance Act 2012):

1. Non-interest bearing debt obligation.
2. Debt obligation owed to a resident financial institution.
3. Debt obligation owed to a non-resident bank or a financial institution on whose interest has been subject to withholding tax in Tanzania.

"Equity" is now defined as:

1. Paid up share capital.
2. Paid up share premium.
3. Retained earnings on an unconsolidated basis determined in accordance with generally accepted accounting principles.



The debt and equity amounts used in the calculation are the average balances at the end of each month.

### **Transfer pricing**

The Tanzanian Government has formulated rules under the Income Tax Act and the Tax Administration (Transfer Pricing) Regulations 2018 to minimise tax losses arising from transfer pricing. The 2020 transfer pricing guidelines have also been issued to provide guidance on the application of Tax Administration (Transfer Pricing) Regulations 2018 and procedures to be followed in the determination of the arm's length prices and provide consistency in administration of tax laws.

In any arrangements between associated persons, such persons must quantify, apportion and allocate the amounts to be included or deducted in calculating income between the associates, 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. If the Commissioner for Income Tax believes that the associates failed to apportion the amounts as required, he can make such adjustments that are consistent with the laws to ensure that income and expenditure resulting from these arrangements are consistent with the arm's-length principle, for example:

1. Re-characterise the source and time of any income, loss, amount or payment.
2. Apportion and allocate expenditure incurred by one person in conducting a business that benefits an associate in conducting a business, to the person and the associate, based on the comparative turnover of the businesses.
3. The Transfer Pricing Regulations allow associates to enter into an advance pricing arrangement (APA) with the Commissioner for Income Tax for certain future transactions undertaken by the associated parties over a fixed period of time. The validity of such an arrangement must not exceed five years but is subject to review at the Commissioner's discretion.
4. If approved by the Commissioner for Income Tax, the arrangement is binding on the Commissioner, and no transfer pricing adjustments will be made to transactions that are entered by the associates during the term of the arrangement.

### **Grants and tax incentives**



## Grants or tax incentives available for companies establishing a business

Investment is actively promoted and encouraged in Tanzania and the Tanzania Investment Centre (TIC) is the primary agency of the Tanzanian Government with power to co-ordinate, encourage, promote and facilitate investment in Tanzania.

Incentives can be:

- Fiscal incentives including import duty and VAT exemption on project capital/deemed capital goods, and the Import Duty Draw Back Scheme.
- Non-fiscal incentives including an immigration quota of up to five persons and a right for a foreign company to own land.
- Income Tax exemptions: no exemption will be provided from tax imposed by the Income Tax Act (ITA) and no agreement will be concluded that affects or purports to affect the application of the ITA, except as provided for by:
  - the provisions of the ITA itself; or
  - an agreement on a strategic project and on public interest, as may be approved by the cabinet.

## Tanzania Investment Centre (TIC)

The TIC grants incentives to companies that invest in the following sectors:

- Agriculture, fisheries and livestock development.
- Tourism.
- Manufacturing.
- Services.
- Information and communication technology.
- Real estate.
- Commercial building.
- Transportation.
- Broadcasting and telecommunications.
- Natural resources.
- Financial institutions.
- Energy.
- Human resources development.
- Infrastructure.



To qualify for a TIC Certificate of Incentives proof of a minimum fixed investment capital of at least USD100,000 is required for new, rehabilitation or expansion projects that are wholly owned by Tanzanian citizens. Where the projects are wholly owned by foreign investors or are undertaken as a joint venture with Tanzanian citizens, proof of a minimum investment capital of at least USD500,000 is required.

For strategic or major investments, the minimum investment capital requirements are both:

- USD20 million (for projects that are wholly owned by Tanzanian citizens).
- USD50 million (for projects that are either wholly owned by foreign investors or are a joint venture between Tanzanian citizens and foreign investors).

The government may identify projects and grant special "strategic investment status" to projects:

- That have a minimum investment capital of not less than the equivalent in Tanzanian shillings of USD300 million.
- That the investment capital transaction is undertaken through a registered local institution.
- That create at least 1,500 direct local employees with a satisfactory number of senior positions in projects that do not require high and sophisticated technology.
- That have the capability to significantly generate foreign exchange earnings, produce significant import substitution goods or supply of important facilities necessary for development in the social economic or financial sector.

To apply for a TIC certificate, the investor must electronically submit completed TIC application forms. The TIC also requires, among other things, certain basic supporting documents to process an application, including:

- A duly signed application letter.
- A copy of the company's certificate of incorporation.
- A copy of the company's memorandum and articles of association.
- A copy of the company's tax identification number.
- A duly filed and certified TIC application form.
- Project business plan/feasibility study.
- Evidence of sufficient finance capital available to implement the project.
- Evidence of land ownership for the location of the project. If an investor does not own land in the project area then a lease agreement for not less than 3 years will suffice.
- A project implementation schedule.
- Company board approval to register the project with TIC.



- Evidence of payment of the application and facilitation fee of USD1,100.

The TIC Certificate of Incentives gives the developer certain benefits, which can include:

- Protection against any non-commercial risks.
- Reduced import duty on project capital goods, semi and fully processed inputs, and spare parts other than for motor vehicles.
- VAT deferment on project capital assets including locally procured building materials.
- The right to obtain work permits for five foreign nationals on the project.

A fee of USD1,100 is payable for the TIC certificate if the investment qualifies for registration with the TIC. Applicants are required to submit a hard copy of any documents submitted as part of their application at the time of collection of the TIC certificate.

Incentives are also offered under economic zone laws, for starting a business in export processing zones (EPZs) and special economic zones (SEZs).

### **Export Processing Zones (EPZs)**

The Export Processing Zone Authority (EPZA) grants incentives to businesses located in EPZs that manufacture and export industrial products and to companies that provide infrastructure necessary for the development of EPZs.

Investors wishing to carry out business in EPZs can register as developers, operators or service providers.

The criteria for investing in an EPZ include that:

- At least 80% of the goods produced within the EPZ must be sold to export markets.
- Annual turnover from the exported goods must be at least USD 100,000 for local investors, and USD 500,000 for foreign investors.

The application process involves submitting an application form, a copy of the business plan, the location of the proposed investment, and a fee of USD 250.

Incentives offered by EPZA include:

- Exemption from payment of corporation tax, withholding tax and all other taxes and levies imposed by local government authorities in respect of products produced in EPZs, for a period of ten years.





- Remission of customs duty, value added tax and any other tax payable in respect of goods purchased for use as raw materials, equipment or machinery, including all goods and services directly related to the manufacturing in the EPZs (excluding motor vehicles, spare parts and consumables).
- Provision of a business visa at the point of entry to key technical, management and training staff for a maximum of two months. After that, the requirements to obtain a resident permit under the Immigration Act will apply.
- Exemption from VAT on utilities and wharfage charges.
- The right to obtain work permits for five foreign nationals on the project.
- Payments of salaries and other benefits to foreign personnel employed in Tanzania in connection with the business enterprise.

### **Special Economic Zones (SEZs)**

SEZ is a geographical area that has more liberal economic laws than the country's normal laws, designed to promote rapid economic growth by using fiscal and business incentives to attract investment and technology.

EPZA also grants incentives to investors that set up businesses in SEZs in areas such as industrial parks, export processing zones, free trade zones, free ports, tourist parks, or science and technology parks.

SEZ licences are issued to new investors that intend to produce goods or services for export or domestic markets or for the generation of employment opportunities.

To be eligible to carry out business within an SEZ, the company must be a new investment that can inject a minimum capital of USD5 million (for foreign investors) and USD1 million (for local investors). The application procedure for carrying out a business within an SEZ is open to any business, provided the nature of the business is such that it can be carried out within an SEZ.

Incentives offered for registering in SEZs depend on the category of licence that is granted.



Incentives for the development of infrastructure (Category A Investors) can include:

- Exemption from payment of taxes and duties for machinery, equipment, heavy duty vehicles, buildings and construction materials and other goods of a capital nature that are used for the purposes of development of SEZ infrastructure.
- Exemption from payment of corporation tax, withholding tax and property tax for an initial period of ten years.
- Remission of customs duty, VAT and other taxes payable in respect of importation of one administrative vehicle, ambulances, firefighting equipment, fire fighting vehicles and up to two buses for employees' transportation to and from the SEZ.
- Exemption from VAT on utilities charges.
- The right to obtain work permits for five foreign nationals on the project.

Incentives offered for the sale of manufactured goods within the customs territory (Category B investors) can include:

- 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.
- Exemption from payment of withholding tax on interest on foreign sourced loan.
- Remission of customs duty, VAT and other taxes payable in respect of importation of one administrative vehicle, ambulances, firefighting equipment, fire fighting vehicles and up to two buses for employees' transportation to and from the SEZ.
- The right to obtain work permits for five foreign nationals on the project.

Incentives offered for producing goods for sale in export markets in non-manufacturing or processing sectors benefit from the same benefits afforded to Category A and B investors and can include some additional incentives:

- Access to export credit guarantee schemes.
- Exemption from payment of all taxes and levies imposed by the local government authorities for products produced within the SEZ for a period of ten years.

**What prior approvals (for example, work permits, visas, and/or residency permits) do foreign nationals require to work in your jurisdiction?**

The Immigration Act 1995 RE 2016 and Immigration Regulations 2007 govern immigration matters in Tanzania.



Foreigners intending to come to Tanzania to perform short term business activities are required to apply to Tanzanian immigration offices for either a business visa or business pass depending on the country they are coming from, the details of which are as follows:

1. Business visas are issued to foreigners coming from countries that require a visa to get in. The visa will be for 90 days non-renewable at USD250.
2. Business passes are issued to foreigners coming from countries that do not require a visa to get in. The pass will be for 90 days non-renewable at USD200.
3. Both business visas and business passes are issued to a foreign individual for the purpose of temporarily conducting business, trade, professions or assignment.
4. Business visas and business passes are issued through the immigration e-portal and entry clearance at all entry points and at the Tanzania diplomatic missions abroad.
5. The nature of the business activity should not be or look like "employment" or "residence".

Foreigners intending to reside in Tanzania for investment, business, employment or any other acceptable purpose are now issued with both work and residence permits.

With the entry into force of the Non-Citizens (Employment Regulations) Act 2015 on 1 October 2015, work permits must first be issued by the Labour Commissioner before an application for a residence permit is made to the Director of Immigration Services.

Work permits are valid for a period of 24 months from the date of issue and can be renewed provided the permit's total period of validity from the first grant and any subsequent renewals does not exceed five years. Validity of a work permit for an investor whose contribution to the economy is of great value can exceed ten years.

The five categories of work permit are as follows:

1. Work Permit Class A issued to investors and self-employed persons. The application fee is USD1,000.
2. Work Permit Class B issued to non-citizens in certain prescribed professions (medical and health care professionals, experts in oil and gas, teachers and university lectures in science and mathematics). The application fee is USD500.
3. Work Permit Class C issued to non-citizen in possession of other professions. The application fee is USD1,000.



4. Work permit Class D issued to non-citizen employees or engaged in approved religious and charitable activities. The application fee is USD500.
5. Work Permit Class E issued to refugees free of charge.

Foreigners who are in Tanzania temporarily for business, depending on the type of business, can use either multiple entry visa or short term permit (STP).

A multiple entry visa is issued to foreign individuals who intend to frequently visit the country to temporarily conduct business, but such that the nature of their assignment should not be employment. A multiple entry visa is valid for a period between three, six or twelve months.

STP is issued to foreign individuals who are assigned short-term assignment for a period not more than six months. The permit is non-renewable and is not issued to managers or directors in a company. The role is presumed to be short term. Foreigners who may qualify for STP are individuals intending to engage in assignments of the following nature:

- Auditors.
- Researchers.
- Technicians intending to teach or perform installation of equipment.
- Short term projects.

After a public notice issued on 14 December 2015, the Carrying on Temporary Assignment Pass will no longer be issued.

Residence permits are issued for any period not exceeding three years, and they can be renewed for any period not exceeding two years.

There are three types of residence permit, namely:

1. Residence Permit Class A issued to investors and self-employed foreigners. The application fee is between USD1,050 to USD3,050.
2. Residence Permit Class B issued to employees who are offered specific employment in Tanzania. The person must possess qualifications or skills which are not readily available in the local labour market and his employment must be of benefit to Tanzania. The application fee is about USD2,050.



3. Residence Permit Class C usually issued to missionaries, researchers and students. The application fee is between USD250 and USD550.

Certain foreign professional employees are restricted from employment unless they are registered with local professional bodies, such as contractors, advocates, engineers, doctors, accountants and auditors.

Labour and immigration policy and practice is to decline applications for residence permits where local skills are available to meet employment requirements.

### **Mining Sector**

The government introduced sweeping reforms in the mining sector through the enactment of the:

1. Natural Wealth and Resources (Permanent Sovereignty) Act 2017.
2. Natural Wealth and Resources Contracts (Review and Re-negotiation of Unconscionable Terms) Act 2017.
3. Mining (Minimum Shareholding and Public Offering)(Amendment) Regulation 2020.
4. Many amendments to existing law under the Written Laws (Miscellaneous Amendments) Act (No 2) 2019 Act No 6 of 2019.

The changes include the following:

1. Minimum non-dilutable 16% free carried interest in any mining company operating under a mining licence or special mining licence and the option for the government to increase this interest to an extent equivalent to the total tax expenditure incurred by the government in favour of the mining company (up to a limit of 50%). The effectiveness of this requirement has been stipulated under the Mining (State Participation) Regulations 2020.
2. Renegotiation of mining contracts.
3. Review and approval by Parliament of any future mining contracts prior to finalisation.
4. Higher royalties.



5. Local beneficiation of goods.
6. Local content requirements.
7. All earnings derived from mining activities must be deposited with financial institutions within Tanzania.
8. All disputes relating to extraction, exploitation or acquisition and use of natural resources will be adjudicated by judicial bodies or other organs established in and in accordance with the laws of Tanzania.
9. Establishing a Mining Commission to regulate the mining industry, overhauling the requirements for the storage, transportation and beneficiation of raw minerals, and increasing royalty rates and government shareholding in mineral right holders.

It is expected that further reforms may follow as the government seeks to enforce greater control and increase revenue from the mining sector.

The Mining (Local Content) Regulations 2018, impose detailed continuous obligations on a contractor, subcontractor, licensee, corporation or other allied entity carrying out a mining activity to ensure that local content is a component of the mining activities engaged in by that entity. There must be at least a 5% equity participation of an indigenous Tanzanian company to qualify for a mining licence. A non-indigenous Tanzanian company which intends to provide mining goods or services must incorporate a JV company with an indigenous Tanzanian company and give that indigenous Tanzanian company an equity participation of at least 20%. The Mining (Local Content) Regulations 2018 were amended in 2019 to reduce the equity ownership percentage by Tanzanian citizens in an indigenous Tanzania company from at least 51% to at least 20%.

Land Sector

Developments in the land sector include the following:

- The parliament passed the Land Transport Regulatory Authority Act, 2019 (LATRA), repealing the Surface and Marine Transport Regulatory Authority (SUMATRA) Act.
- According to the LATRA Act, the regulatory body has various responsibilities including collecting fees payable for the grant and renewal of licences and is expected to be empowered to collect levies from regulated suppliers and other payments due to the authority. LATRA also deals with surface transport sector related disciplinary



proceedings/matters. The LATRA Act also restricts a judgement creditor from executing/attaching/processing their judgement/order against property or assets of LATRA and instead the awarded amount will be paid out of LATRA'S revenues.

- The Tanzania Shipping Agency Corporation (TASAC) was established to regulate marine transport.

With effect from 8 February 2018, there are new constraints for mortgage finance in Tanzania (Part IV, Written Laws (Miscellaneous Amendments) Act 2018). In short, finance from local or foreign banks (or financial institutions) obtained by mortgages of:

- Any Tanzanian land, must be invested in Tanzania.
- Any undeveloped or underdeveloped Tanzanian land, must be used to develop that specific land.
- Any developed Tanzanian land, can be used to further develop that specific land, or for investments, or for other purposes.

Breach of this is a breach of the Right of Occupancy.

### **Dissolution of Reli Assets Holding Company (RAHCO) and Tanzania Railways Limited (TRL)**

The government has begun construction of the first phase of the Standard Gauge Railway Project from Dar es Salaam to Morogoro. The Standard Gauge Railway will link Dar es Salaam to Mwanza, Kigoma as well as Rwanda and Burundi. The government intends to establish the Tanzania Railways Corporation, which will manage rail transport services and infrastructure, resulting in the dissolution of RAHCO and TRL.

### **Blueprint for regulatory reforms to improve the business environment 2018**

The blueprint elaborates challenging areas in policies, laws, regulations, levies and taxes that require reforms aimed at reducing the cost of doing business in Tanzania.

The blueprint provides the government's main framework for enabling a holistic review of the business climate in Tanzania. It presents key challenges affecting the business environment in along with a set of recommendations for reform to put in place a more business-friendly environment.

One of the main objectives of the blueprint is to reduce the regulatory burdens and risks faced by businesses in complying with regulations.



### **The National Investment Promotion Policy 1996**

The government, through prime minister's, office has initiated the National Investment Development Strategy (NIDS) to review the implementation of the National Investment Promotion Policy on:

1. Maximum mobilisation and utilisation of domestic capacity including cooperation with other developing countries as well as industrialised countries.
2. Maximum promotion of exports of domestic goods and services to enhance the development of a dynamic and competitive export sector.
3. Encouragement of external inflows to complement domestic resources.
4. Encouragement and facilitation of adopting new technologies in activities that especially have direct bearing on productivity, quality and increased competitiveness.
5. Enhancement of a transparent legal framework that facilitates and protects all forms of investment activities.
6. Deregulation of the investment approval process.

### **New Investment Act 2021 and the Business Facilitation Act**

The government proposes to have a new investment Act and business facilitation Act that will encourage the implementation of the national investment agendas.

