



## ACCESS TO INCENTIVES UNDER THE TANZANIA INVESTMENT CENTER

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#### **Overview**

The Tanzania Investment Centre is a Government agency established in 1997 purposely to coordinate, encourage, promote and facilitate investment activities in Tanzania; advising the Government on investment policy and related matters. It is a one stop facilitation center with officials from the Ministry of Trade and Industry, Business Registration and Licensing Authority (BRELA), Ministry of Lands, Immigration, Labour and Tanzania Revenue Authority in TIC offices attending to investors.

The One Stop Centre assists investors to obtain all permits, licenses and visas, grants land derivative rights to investors, assist in navigating administrative and regulatory obstacles and aftercare services to registered members.

There are quite a number of areas for investment such as: telecommunication, broadcasting, natural resources, tourism, manufacturing, agriculture and livestock; fisheries, real estate, oil and gas.

In order to be recognized by TIC as an investor, a business that is owned by a local or wholly owned by a Tanzanian citizen (s) needs to have a minimum investment value of US\$ 100,000 while for foreign investors, a minimum of US\$ 500,000 investment value is required if business is wholly owned by foreigners or a joint venture.

#### **Investment Incentives**

The investor will have to make an application to TIC as stipulated under Section 17(subsection 1-8) of the Tanzania Investment Act, 1997 in order to be granted Certificate of Incentives. The Certificate of Incentives grants both domestic and foreign investors benefits and incentives. Under the same act it requires that, the Certificate of Incentives not be transferred, or assigned or amended without the approval of the Centre. The Certificate of Incentive gives the investor benefits such as:

- 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.
- Value Added Tax (VAT) deferment on project capital assets including locally procured building materials.



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- The right to obtain work permits for five foreign nationals on the project.

The following Documents shall be submitted when applying for certificate of incentives from TIC;

- Certified copy of the Certificate of company Incorporation
- Copy of the company's Memorandum and Articles of Association.
- Dully filled TIC application forms which are issued by the Centre
- Project business plan
- Evidence of sufficient finance capital available to implement the project
- Evidence of project location
- Company Board Resolution to register the project with TIC.
- An overall covering letter to which all the above are attached.

The incentives under the law are competitive and is accessible to investment in various sectors for the economic development of Tanzania. These areas are: mining, tourism, petroleum and gas, agro-based industries and economic infrastructure (telecommunication, air, railway, banking, insurance, port facilities).

The investment Incentives are classified into two different categories: Fiscal and non- fiscal Incentives. Fiscal Incentive, these are sometimes referred as tax incentives in the form of tax deductions and tax allowances. These Incentives have been modified and changing from time to time since the enactment of the Tanzania Investment Act, Cap 38 [R.E 2002] and the Financial Laws (Miscellaneous Amendments, Act 1997. It's therefore advisable to consult each Financial Act since 1997 and other sectoral laws so as to be sure of the available Fiscal Incentives at a particular given time.

Non-Fiscal Incentive is in the form of technical and infrastructural assistance or support system offered by the Government through TIC as provided under Section 18 of the Tanzania Investment Act.

### **Non-Fiscal Incentives**

- Derivative right on Land



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In Tanzania, a foreigner cannot own land save for investment purposes under the Tanzania Investment Center which creates a leasehold of up to 99 years on a piece of land for a foreign investor to undertake their investment. However, if a foreigner who holds a certificate of incentives seeks to acquire land that is not already under TIC, they cannot select the landed piece and be advised on how to acquire it under leasehold of TIC.

- Automatic permit to employ up to 5 foreign nationals on projects holding certificates of incentives.

In Tanzania, employment is restricted to only if the job or position requires special skill to execute and nationals are limited in regards to the skill. However, for holders of certificate of incentive, they are eligible to employ up to 5 foreign national regardless their qualifications.

- The recognition of private property and protection against any non-commercial

risks. Tanzania is an active member of the World Bank Foreign Investment Insurance wing, MIGA (Multilateral Investment Guarantees Agency). Likewise, Tanzania is a member of The International Centre for Settlement of Investment Disputes (ICSID) also a body affiliated to the World Bank

### **Fiscal Incentives**

- Zero percent (0%) import duty on Project Capital Goods, Computers and Computer Accessories, Raw Materials and Replacement Parts for Agriculture, Animal Husbandry and Fishing, Human and Livestock Pharmaceuticals and Medicaments, Motor Vehicle in Completely Knocked down (CKD) form and inputs for Manufacturing Pharmaceutical Products, Hotel equipment
- Ten percent (10%) import duty on semi-processed/semi-finished goods
- One hundred percent (100%) capital expenditure deduction (mining and agricultural sectors)
- Fifty percent (50%) capital allowances in the first year of use for plant and machinery used in manufacturing processes and fixed in a factory, fish farming; or providing services for tourists and in a hotel
- Right to repatriate 100% of foreign exchange earned, profits and capital.
- Introduction of pay and refund scheme for excise duty paid on fuel purchased by eligible companies.
- One hundred percent (100%) capital expenditure to Mining & Agricultural sectors.



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- VAT Deferment granted on project capital Goods such as Plant & Machinery. However, the person has to carry on an economic activity, keep proper VAT records and file returns, has no Tax outstanding and VAT payable in respect of each unit of the Capital goods is twenty million Shillings or above.
- EAC Customs Management Act provides zero percent (0%) import duty on hotel imports.
- Import Duty drawback on raw materials used to produce goods for exports and deemed exports. Deemed exports cover locally produced or manufactured goods, which are sold to foreign agencies or entities operating in Tanzania, which are exempt from payment of import duties.
- Zero-rated VAT on exports.