



## ACQUIRING A BUSINESS IN TANZANIA : WHAT YOU SHOULD KNOW

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Not only the stable and optimized political stability, but also Tanzania enjoys plenty of endowments, which pave the ways for incredible investment opportunities for investors. These include an excellent geographical location (six land locked countries depend on Tanzania ports as their cheapest entry and exit ports); arable land; world renowned tourist attractions ([Serengeti](#), [Kilimanjaro](#), [Ngorongoro](#), and the [Spice islands of Zanzibar](#)); developing infrastructures, investment incentives, natural resources; a sizeable domestic and sub regional market; a wide local raw materials supply base; abundant and inexpensive skills; assurance of personal safety; warm friendly people and a suitable market policy orientation.

Among other things, Tanzania also has a modern and harmonized legal system governing investment. This offers the room for investors to inject their capitals and realize the desired outcome. The law in Tanzania recognizes various approaches of business operation. It may be a Sole business proprietorship owned by one part who is in charge of everything and operating under the business name; Partnership where two or more individuals though an agreement (partnership deed) and share management and profits; Companies which involve two or more people/corporations forming a new entity with separate legal recognition from its members, this may either be a local or foreign, limited or unlimited and limited by either shares or guarantee; Cooperative Society which is a voluntary joining together to achieve a common need by forming a democratically controlled institution; and Non-governmental organizations which are appropriate for non-profit-sharing organizations.

This article is centered at scrutinizing the guidance for establishment and operating an investment in Tanzania by a foreign investor and how an investor can acquire the interests in the domestic corporation without diverging from the legal and procedural requirements. There are various ways which a foreign investor may wish to venture and acquire the interests in a domestic company as elucidated below; -

**Share Subscription:** Since, it is through shares we can ascertain the extent of authority and control of an individual or company in an entity. Subscription of shares is where the company agrees to sell a specific number of shares at a specific time and price, such that the subscriber becomes a shareholder. Since shares determine the power and mandate one has over the company, an investor will be at a better position to venture in, after he has conducted a due diligence so as to ascertain the financial and legal status of an entity before investing. This will reveal the assets and liabilities of the company but also the commitments which members of the prospective entity have.

The same can be completed by initially spotting the potential company to invest, conducting



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due diligence, executing the share agreement. The same has to follow the due legal procedures like notifying the registrar of companies, paying the capital gain taxes in respect of the shares sold to an investor (*to mention few*).

**Merger and Acquisition:** a foreigner may also be an entity desirous to invest in an already established business with the view of either revamping the nearly dead established business or expansion of the already existing business. Mergers occur when two companies join forces. Such transactions typically happen between two businesses that are about the same size and which recognize advantages the other offers in terms of increasing sales, efficiencies, capabilities and shares assets and interests. And acquisitions occur when one company buys another company's assets and liabilities and folds it into its operations. Mergers and acquisitions involving privately held companies entail a number of key legal, business, human resources, intellectual property, and financial issues. For a foreigner to successfully navigate a sale of your company or acquiring interest over the company in Tanzania, it is helpful to understand the dynamics and issues that frequently arise so as to have certainty in what you are about to venture in.

### Restrictions

Before one has invested or ventured in any industry, one has to bear in mind the restrictions available to various sectors so as to make sure that the desired investment complies with not only the legal restrictions but also the culture of business operation in Tanzania. Below are the sector restrictions worthy to be noted by a foreigner wishes to invest in Tanzania.

1. **Foreign capital participation in the telecommunications can be up to 75% maximum;** This is to say that, in the telecommunication investment a foreigner or foreign entity can not acquire the interests (shares) in the company in excess of the 75% of the shares.
2. **Tanzanian TV stations can be owned up to 49% by foreigners.** This means that, majority of investment in Tv stations has to be owned by locals and an investor can venture or acquire interests up to 49%.
  - **Foreign investors are barred from acquiring shares in nationwide newspapers.**
1. **Telecommunication companies are required to list 25% of their shares on the Dar es Salaam Stock Exchange.**

Tanzania is a great place for investor as it is politically stable, the economy is growing at an alarming pace and the government has put in place measure to ensure protection of investments from outside for the benefit of both Tanzania and the investors.