



### COMPLIANCES AFTER INCORPORATION IN TANZANIA

When a business entity is incorporated, it becomes a legal person and automatically is entitled to rights and assumes legal responsibilities. These requirements vary from business to business depending on various factors. These obligations/compliances are divided into two categories which are fiscal and non-fiscal obligations.

#### Non-fiscal compliances

Our issues do not involve finances or charges, their role is to ensure that the company maintains its records alignment with the Business registration registry and upholds its values in society. Nonfiscal compliances/obligations include;

- Filling Annual Returns; this is done through filling form No. 128 and the recent audited financial report of the company to the Business Registration and Licensing Agency (BRELA) through the Online Registration System (ORS). It helps to keep track of the company's state of affairs i.e. (the changes and alterations affected along the way).
- Filling Tax Returns; every company is required to submit the estimated income and tax payable or the final income and tax payable for each year of income.
- Corporate Social Responsibility: Business entities are bound to integrate social and environmental concerns by embracing responsibility for the company's actions and ensuring positive impact through its activities in their business operations and interactions with its stakeholders. This helps the company achieve a balance of economic, environmental, and social necessities.

#### Fiscal compliances

These include compliances that involve taxes and other related charges. In brief, these fiscal obligations/ compliances include;

- Corporate income 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 has listed at least 30% of its shares for 3 consecutive years from the listing date on the Dar es Salaam stock exchange (DSE) is subject to corporation tax at a reduced rate of 25% for three years.
- Value-added tax (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 VAT registered. This condition applies to all types of registration except for



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professional service providers who must register for VAT even if they do not meet the threshold. VAT is charged on the supply of goods and services in mainland Tanzania, and the importation of goods and services from any place outside mainland Tanzania. VAT is charged at an 18% rate on the supply and import of goods and services.

- Withholding tax; any person who makes the following payments is required to withhold income tax from the payment at the rates stipulated by the Income Tax Act:
- 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 and 10% for non-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.
- Commission on money transfers through mobile phones: 15%
- Interest (other than to a resident financial institution or to a non-resident bank by a strategic investor): 10%.
- Natural resource payments: 15% for resident and non-resident corporations.
- Royalties: 15% for resident and non-resident corporations. Separate rates of withholding tax apply to mineral royalties. Some of the mineral royalties include Diamonds and gemstones: 6%; Metallic minerals (including copper, gold, silver, and platinum group minerals): 6%; Uranium: 5% other minerals (including building materials, salt, and all materials within the industrial minerals group): 3%; Gems: 1%.
- Director fees (other than full-time service): 15%.
- 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.
- Service fees: 15% for payments to non-resident corporations and 5% to resident corporations.
- Technical services to mining or oil and gas companies: 5% for payments to residents and 15% for payments to non-resident corporations.
- Insurance premiums: 5% for payments to non-resident corporations, and the exemption for the resident ones.
- Transport: 5% non-resident operator/charterer without permanent establishment.

Irrespective of the place of rendering services, the payments made are subject to withholding tax. However, withholding tax reliefs may apply to Export Processing Zone (EPZ) or Special Economic Zone (SEZ) investors, as well as for “strategic investors”.



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- **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 Leases, Debentures, Mortgages, Powers of attorney, and Share transfer forms, Conveyances, or any transfers of property.

Stamp duty is paid at a rate of whichever is higher between 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 license, 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.
- **Skills and development levy (SDL);** any business that employs more than four people must pay SDL. The current rate is 6% 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<sup>st</sup>. 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 the salaries of employees.



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- **Social Security contributions (NSSF)** are 10% of the Gross salaries of the employees.
- **Property tax** is 0.15% of Property value.
- **Fuel Tax** which is charged at Tshs. 752 per liters for Petrol, Tshs. 628 per liters for Petrol and Tshs. 202 per liters for Kerosene.

In a nutshell, there is always oversight in fulfilling these obligations in our businesses which always results in penal sanction which includes fines that bleed money from the company or even jail time. To avoid non-compliance, it is important to understand and pay attention to these obligations or consult an attorney to help with compliance.