



HOW A FOREIGNER CAN ACQUIRE INTERESTS IN A DOMESTIC COMPANY

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The law in Tanzania recognizes various approaches to business operation. It may be a Sole business proprietorship owned by one party who is in charge of everything and operating under the business name; Partnership where two or more individuals through 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 on scrutinizing the guidance for the establishment and operating 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 in 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 in a better position to venture in, after he has conducted due diligence 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 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 a 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 them into its operations. Mergers and acquisitions involving privately held companies entail several key legal,



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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 to have certainty in what you are about to venture in.

Restrictions

Before one has invested or ventured into any industry, one has to bear in mind the restrictions available to various sectors 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 who wishes to invest in Tanzania.

1. **Foreign capital participation in 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 above 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.**