



## REGISTRATION OF FOREIGN LOANS WITH BANK OF TANZANIA

### REGISTRATION OF FOREIGN LOANS WITH BANK OF TANZANIA

In Tanzania, the Bank of Tanzania is entrusted with the responsibility to monitor Private Sector External Debt(PSED) data including utilizing information on private sector external borrowing available in commercial banks. .

Section 57 of the Bank of Tanzania Act, 2006 empowers the Bank of Tanzania to request public offices, banks and financial institutions as well as private enterprises or any organization to provide any information the Bank considers necessary for compilation of any monetary, financial or other statistics on the financial sector.

The law does not restrict people from borrowing money from foreign entities as long as those foreign entities are legally registered in the country they are operating from. The Foreign Exchange Circular No. 6000/DEM/EX.REG/58 of 24th September, 1998 mandatorily requires all foreign loans to be registered with the Bank of Tanzania and for a debt registration number obtained. You will be required to provide the Bank of Tanzania with the full details of the loan and the entity which is advancing money to you.

This arrangement was introduced by the Bank of Tanzania to monitor the loans that are coming into the country, and to ensure that the loans can be smoothly remitted back to the lender. Foreign loans into the country have tax consequences at the time of remitting interest, by way of withholding tax on interest.

In order to register a foreign loan and obtain a Debt Registration Number (DRN) a borrower is supposed to contact with his commercial bank, the borrower's commercial bank has the obligation to notify the Bank of Tanzania, to liaise and manage the registration process, it is paramount to note that during this process, it is mandatory for the Bank of Tanzania to be availed with a executed copy of the loan agreement and the loan agreement should contain the following requisite clauses:

- Name of the lender and borrower;
- Contact details such as postal address, fax number, telephone number and physical address of the lender and borrower;
- Loan amount and applicable currency for the transaction;
- Purpose of the loan;
- The applicable interest rate;
- Loan maturity period;
- Loan repayment schedule with clearly indicated principal repayment, interest payment, dates, payment schedule can be on monthly, quarterly, semi annual or annually;
- Clauses on events of defaults and consequences thereof;
- A clause indicating applicable law;
- Company's seal affixed on the loan document;
- Attestation by a notary public and commissioner for oaths; and



## REGISTRATION OF FOREIGN LOANS WITH BANK OF TANZANIA

- The party responsible for paying withholding tax.

Additional information related to the the loan agreement which can be updated periodically to the Bank of Tanzania includes:

- Disbursements indicating amount, disbursement date and currency;
- Debt service payments indicating principal and interest paid and value dates; Other charges paid such as commitment fee, management fees etc;
- Details on loan enhancements or cancellations; and
- Details on loan restructuring or refinancing.

BoT has to receive all the necessary information within 14 days of the loan being approved so that the Debt Record Number, which shall be the reference for the debt repayment and disbursements, shall be issued. Without a Debt Record Number repayment to the foreign lender cannot occur. BoT clearance takes a minimum period of 1 week.

The Bank may institute penalties to entities for non-compliance. We wish to emphasize that information collected in respect of PSED is used strictly for statistical purposes and can only be published in aggregate form to preserve the privacy of individual borrowers.