



LEGAL BASIS STARTUPS IN TANZANIA SHOULD ADHERE TO

Startups in Tanzania are like the face of a new innovative idea under practical application and expression of the idea that is implemented to be worked on. When we refer to a startup we are simply referring to a young company founded by one or more entrepreneurs to develop a unique product or service and bring it to the market.

Most startups lack history and profit to exhibit, in the early stages startup companies have little or no revenue coming in. They have an idea that they have to develop, test, and market. That takes a considerable amount of money, and startup owners have several potential sources to tap. It's always a risky venture to invest in and potential investors ought to explore several approaches to avoid stumbling into irreparable losses. This includes proper calculations and estimations on how much money it will take to lift it off the ground and start seeing a profit.

It's worth noting that successful startups are driven by passionate entrepreneurs who are focused on building unique solutions that deliver customer delight. While it is very important to have a strong focus on customers and the market, it is equally critical to have a good understanding of the basic laws, rules and regulations that are applicable for the smooth running of the business.

From formalizing a founders' agreement to safeguarding intellectual property to enforcing business contracts, it is essential that entrepreneurs are aware and up to date with the latest laws governing their business and market.

Given how dynamic the ecosystem in Tanzania is it is important and also advisable to draft a Founders Agreement. A Founder's Agreement is essentially a document that specifies important details about the founding team and the business, such as, roles, responsibilities, executive compensation, operational details and exit clauses among others.

Startups in Tanzania need to understand that:

1. There is a need for understanding and applying proper business structure for each business has a different mechanism and it requires different business applications while carrying out the business.
2. Every business needs licenses according to the type of business carried out. Before launching a startup the appropriate licensing issuing process must start to stay away from the legal battles at the inception. All the licenses vary from business to business.



3. Every firm or business needs to maintain proper accounts and tax audits to adhere to the taxation rules applied and adhered to in the country.
4. As every business firm has employees or labor which helps in proper and efficient functioning daily. Many laws related to labors like minimum wages act, gratuity, Provident funds payment, paid holidays to workers, maternity benefits, harassment at workplace, payment of bonus, etc.
5. Startups many times come up with unique unusual ideas that can be protected in this world using certain laws.
6. It's important to draft proper which are as per the Contract Act Cap 345. For making a valid contract the conditions in Section 10 of the Contract Act must be fulfilled. The non-disclosure agreements would also prove beneficial for the startup as for setting up the startup host has to share ideas about the working to investors, suppliers, customers and from this, there is a huge possibility of misuse of ideas. So the nondisclosure contracts help in preventing the information from getting spread.

From the legal standpoint, there are three ways to shut down a startup:

- Fast Track Exit Mode
- Court or Tribunal Route
- Voluntary Closure

Of all the three ways, the Fast Track Exit Mode is the best suited for startups as it allows companies to expedite shutdown at a lower cost and a shorter period.

Adhering to legal requirements is very important for any organization; knowledge and compliance to applicable laws is the first step to ensure smooth business operations. Hiring professional legal counsel to provide advice, oversee and maintain legal records is one of the best ways to ensure that your company is always safe and does not face legal complications and consequences.