



## **TAXATION OF NGO AND NPO IN TANZANIA AND ZANZIBAR**

One of the questions that is often asked on taxation is whether Non-Governmental Organisations (NGOs) are subject to taxation. This is because most people believe that since most NGOs are not for profit-making, they are not taxed.

### **A. Tax Exemptions**

In both Mainland Tanzania and Zanzibar, all forms of NPOs (e.g., NGOs in mainland Tanzania, and societies and companies limited by guarantee in Zanzibar) may enjoy a partial income tax exemption by obtaining “charitable” or “religious” organization status. An NPO must submit an application to the Commissioner-General of the Tanzania Revenue Authority to be recognized as a “charitable” or “religious” organization. To be considered a “charitable” organization, an NPO must be established and function solely as an organization for (i) the relief of poverty or distress of the public; (ii) the advancement of education; or (iii) the provision of general public health, education, water or road construction or maintenance (The Income Tax Act, 2019 Section 64(8)(a)).

“Charitable” or “religious” organizations are granted a tax exemption for the following types of income:

All income that is applied towards the organization’s activities that relieve poverty or distress of the public, advance education, or provide for public health, education, water, or road construction or maintenance, where these activities provide reasonable benefits to residents in the United Republic of Tanzania; and

Twenty-five percent of the organization’s income is from its charitable business (The Income Tax Act, 2019 Section 64).

Any income that a “charitable” or “religious” organization receives that is not put towards its activities during the year will be treated as taxable income.

### **B. Deductibility of Donations**

In both Mainland Tanzania and Zanzibar, gifts to “charitable” or “religious” organizations may be deducted from an individual’s or entity’s income for the purposes of calculating taxable income (The Income Tax Act, 2019 Section 16(1)(a)). The deduction to the income tax shall not exceed two percent of the income, as calculated under Sections 7 through 9 of the Income Tax Act. Individuals and entities may also claim deductions from the income tax for contributions made to the AIDS Trust Fund and other Tanzanian Government initiatives to fight against COVID-19 (The Finance Act of 2020 Section 31). This deduction does not apply to donations to private sector or NGO efforts to combat AIDS or COVID-19.



## **Customs Duties, Excise Duties, and Value-Added Tax**

### **MAINLAND TANZANIA**

Goods imported into Tanzania by an NGO that are intended to be used solely by the NPO for certain humanitarian and development purposes can be exempted from customs duties (see The Customs Tariff Act, 1968 Third Schedule Rule 10). The customs duty will become due if the exempted goods are transferred, sold, or conveyed in any way to another person not entitled to the exemption (The Customs Tariff Act, 1968 Third Schedule Rule 10(3)).

To claim an exemption from the customs duty, an NGO must send an application to the Tanzania Revenue Authority with the following attachments:

- Letter from the head of the organization applying for duty and tax remission or on his/her absence the person acting on behalf substantiating the ownership of the goods;
  - Copy of the registration certificate(s) of the applying organization;
  - Letter from the District Commissioner substantiating the existence of the project in the respective District;
  - Letter from the Ward Executive Officer substantiating the existence of the project in the respective Ward;
  - Organization's annual procurement plan;
  - Organizations utilization report accounting for the remission granted during the previous year;
  - Copies of Bill of Lading/Air waybill/Road Consignment Note, Invoice, Packing List, List of beneficiaries, and donation certificate in case of donation; and
  - Any other relevant information to support the application.
- The value-added tax (VAT) rate is 18 percent. The threshold for VAT registration is TZS 100 million (approximately USD 43,000) (The VAT Act, 2014 Section 28 and the VAT (General) Regulations, 2015 Regulation 14). Foreign grants are not subject to VAT, nor are NGOs' imports for certain humanitarian and disaster relief (The VAT Act, 2014 Exemption Schedule Part II).

### **ZANZIBAR**

Certain goods and services, including those imported by international organizations or aid agencies, are exempt from the excise duty (The Excise Duty Act Third Schedule). Imports by societies and companies limited by guarantee are not included in this list of exemptions from Zanzibar's excise duty. The Excise Duty Act does not lay out a procedure to claim the exemption, but in practice, the Zanzibar Revenue Board adopts the same procedure as the Mainland has in place for claiming customs duty exemptions, noted above.



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The VAT rate is 15 percent. The threshold for VAT registration is a taxable turnover of over TZS 50 million (approximately USD 21,500). Foreign grants are not subject to VAT or similar taxes. As in Mainland Tanzania, the importation of certain goods and services are exempt from the VAT, such as those that provide relief from natural calamities and disasters or contribute to government-approved projects on health, education, water supply, and infrastructure (The Value Added Tax Act, No. 4 of 1998 Third Schedule).