

# Tanzania

## Contacts

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## What's new?

Summary of updates/Changes to R&D and government incentives from 1 January 2019 through 31 October 2020

No recent developments to report.

## Featured government incentives

Incentive name	Description	Maximum percentage	Qualification standards	Key exclusions or issues
<b>R&amp;D deduction</b>	Deduction for R&D expenditure incurred in the furtherance of business	100% of expenditure	Expenditure must be incurred by a person in the process of developing the person's business and improving business products or processes	Expenditure of a capital nature is excluded
<b>Export Processing Zones (EPZ)</b>	Scheme providing incentives for export-oriented investments in designated zones, with a view to fostering international competitiveness for export-led economic growth	Full exemption from corporate income tax and withholding tax on dividends, interest, and rent for a period of 10 years	Investment must be new; Minimum annual export turnover of USD 500,000 for foreign investors and USD 100,000 for local investors; Operators in an EPZ may sell no more than 20% of their goods within the customs territory	An application must be submitted to the EPZ Authority; Investment must either be located within the special economic zones industrial parks, or be an approved standalone investment
<b>Capital allowance for agricultural sector</b>	Capital allowance for investments in agriculture	Qualifying investors in the agricultural sector enjoy a 100% capital allowance on expenditure incurred for plant and machinery, including windmills, electric generators, and distribution equipment used solely in agriculture	Investment must be in agricultural business	Investment must be in agriculture
<b>Reduced corporate income tax rates</b>	Reduction in corporate income tax rate for qualifying taxpayers for a specific period	Not applicable	For a newly listed company with the Dar es Salaam Stock Exchange with at least 30% percent of its equity ownership issued to the public, the rate is 25% for three consecutive years from the date of listing; For a corporation with a newly established plant for assembling motor vehicles, tractors, fishing boats, or out boat engines and having a performance agreement with the government of Tanzania, the rate is 10% for five consecutive years from the year of commencement of production; For a newly established entity engaged in the manufacture of pharmaceuticals or leather products and having a performance agreement with the government of Tanzania, the rate is 20% for five consecutive years from the year of commencement of production	

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### Industries most often affected by government incentives in country

<b>Technology, Media &amp; Telecom</b>	<b>Financial Services</b>
● Telecom, Media & Entertainment	● Banking & Capital Markets
● Technology	Insurance
<b>Consumer</b>	Investment Management
Consumer Products	Real Estate
Retail, Wholesale & Distribution	<b>Life Sciences &amp; Health Care</b>
Automotive	● Health Care
● Transportation, Hospitality & Services	● Life Sciences
<b>Energy, Resources &amp; Industrial</b>	<b>Government &amp; Public Services</b>
● Power & Utilities	Health & Social Care
● Mining & Metals	Defense, Security & Justice
● Oil, Gas, & Chemicals	Civil Government
● Industrial Products & Construction	International Donor Organizations
	● Transport



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Type	National incentive?	State, provincial, regional or local incentives? <sup>1</sup>	Filing deadlines imposed?	Is the claim made in advance or arrears? <sup>2</sup>	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises
<b>Innovation</b>							
<b>Research &amp; development (R&amp;D)</b>	●	●	●	National: Arrears	Deduction for R&D expenditure incurred in the furtherance of business of a taxpayer	100% deduction for qualifying expenditure	100% deduction for qualifying expenditure
<b>Investment</b>							
<b>Capital allowances for agricultural sector</b>	●	●	●	National: Arrears	Capital allowances for investments in agricultural business	100% capital allowance against corporate income tax for certain investments in the agricultural sector	100% capital allowance against corporate income tax for certain investments in the agricultural sector
<b>Other</b>							
<b>Export Processing Zones</b>	●	●	●	National: Arrears	Exemption or reduced tax rate for taxpayers approved by the EPZ	<ul style="list-style-type: none"> <li>• 10-year corporate income tax exemption</li> <li>• 10-year exemption from withholding tax on dividends, interest, and rent</li> <li>• Reduced VAT, customs duties, and other taxes on raw materials and goods of a capital nature</li> </ul>	<ul style="list-style-type: none"> <li>• 10-year corporate income tax exemption</li> <li>• 10-year exemption from withholding tax on dividends, interest, and rent</li> <li>• Reduced VAT, customs duties, and other taxes on raw materials and goods of a capital nature</li> </ul>
<b>Special Economic Zones</b>	●	●	●	National: Arrears	Exemption or reduced tax rate for taxpayers approved by the SEZ	<ul style="list-style-type: none"> <li>• For holders of a developer or operator license:</li> <li>• 10-year corporate income tax exemption</li> <li>• 10-year exemption from withholding tax on dividends, interest, and rent</li> <li>• Reduced VAT, customs duties, and other taxes on raw materials and goods of a capital nature</li> </ul>	<ul style="list-style-type: none"> <li>• For holders of a developer or operator license:</li> <li>• 10-year corporate income tax exemption</li> <li>• 10-year exemption from withholding tax on dividends, interest, and rent</li> <li>• Reduced VAT, customs duties, and other taxes on raw materials and goods of a capital nature</li> </ul>

Key: ● = PERMANENT INCENTIVE (||) = TEMPORARY INCENTIVE (||) = NEGOTIABLE ● = NO ● = LIMITED APPLICABILITY ● = NOT APPLICABLE

- Notes:
- Green means that this incentive is currently in effect. Yellow means that the incentive has limited applicability, i.e., the requirements for this incentive limit its value to most companies. Red means that there is no incentive.
  - If the response is advance, this means that the government must approve the award of the incentive prior to the commencement/completion of the project/activity. If the response is arrears, this means that the award of the incentive is determined at the end of the tax period or after the completion of the qualifying project or activity. Most tax incentives are considered to be claimed in arrears because they are reported on tax returns.

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## Country background

The standard corporate income tax rate in Tanzania is 30%.

The Tanzania Investment Centre (TIC) was set up in 1997 under the Investment Act to be the agency that coordinates, encourages, promotes, and facilitates investment in the country and to advise the government on investment policy and related matters.

The TIC grants “certificates of incentives,” under which holders are entitled to various investment incentives as stipulated in the Investment Act, 1997. A minimum capital investment of USD 500,000 is required if the investment is foreign owned; the minimum is USD 100,000 if the investment is locally owned.

Enterprises operating or intending to operate in the mining and petroleum sectors must comply with the approval process in the relevant laws. Upon request, the TIC will assist all investors in obtaining permits and the authorization required to set up and operate investments in Tanzania.

## Innovation & Investment Incentives

### Public-Private Partnerships

The Public Private Partnership Act provides an opportunity for the private sector to invest in public infrastructure and operate with a view to providing public services at a reasonable cost, while, at the same time, addressing the public’s economic and social needs.

### Strategic investor incentives

The Investment Act provides that a relevant minister can identify certain investments as a “strategic” or “major” investment. In doing so, the minister, in consultation with the Finance Minister, can issue a gazette notice setting out specific incentives to be granted to a strategic investor or a special strategic investor.

A “special strategic investor” is one whose investment is at least USD 300 million, while a “strategic investor” is one whose investment is at least USD 20 million for local investors and at least USD 50 million for

foreign investors. To qualify for special strategic investor status, the investment also must meet the following requirements:

- Capital transactions must be undertaken through registered local financial institutions;
- The investment must generate at least 1,500 jobs for locals, with a satisfactory number in senior positions; and
- The investment must have the capacity to generate significant foreign exchange earnings, produce significant import substitution goods, or supply important facilities necessary for development of the social, economic, or financial sectors.

### Tax incentives

A 50% “wear and tear” allowance in respect of plant and machinery that is used for manufacturing and installed in a factory or that is used for fish farming, or for hotel equipment that is used for providing services and is fixed in a hotel is allowed in the first year of use of the assets. Qualifying investors in the agricultural sector enjoy a 100% capital allowance on expenditure incurred for plant and machinery, including windmills, electric generators, and distribution equipment used solely in agriculture. Other rates for capital allowances range from annual allowances of 37.5% for items like computers and earthmoving equipment to 20% for buildings, structures, and similar works of a permanent nature used in agriculture, livestock farming, or fish farming and 5% for buildings, structures, and similar works of a permanent nature other than those used in agriculture, livestock farming, or fish farming.

Other tax incentives include the following:

- A full deduction is granted in respect of the following:
  - Agricultural improvement expenditure relating to clearing land, excavating irrigation channels, or planting perennial crops or trees bearing crops;
  - Environmental expenditure for the prevention of soil erosion or remediation of damage caused by natural resource extraction; and
  - R&D expenditure;



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- Various concessions on land are available for EPZs, Special Economic Zones (SEZs), and non-governmental organizations; and
- Certain tax reliefs and concessional tax rates may be available to a TIC-qualifying investor under various laws.

## Other Incentives

### EPZs

The EPZ scheme provides for the establishment of export-oriented investments within designated zones, with a view to fostering international competitiveness for export-led economic growth.

The following incentives are available:

- 10-year exemption from corporate income tax;
- 10-year exemption from withholding tax on dividends, interest, and rent;

- Reduction in VAT, customs duty, and other tax payable on raw materials and goods of a capital nature;
- Exemption from VAT on utilities; and
- Exemption from stamp duty.

### SEZs

The SEZ regime in Tanzania applies to investments that produce goods and services for the local market. The minimum capital requirement for an SEZ user license is USD 500,000 for foreign investors and USD 100,000 for local investors. Holders of a developer or operator license are eligible for certain tax incentives.

