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# ***Global Mobility Services:*** **Taxation of International** **Assignees - Tanzania**

*People and  
Organisation*

*Global Mobility  
Country Guide  
(Folio)*



**pwc**

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This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

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# *Country:* Tanzania

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Additional Country Folios can be located at the following website:  
**Global Mobility Country Guides**

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# ***Introduction:***

## **International assignees working in Tanzania**

This folio is intended to assist international assignees sent to work in Tanzania with their tax planning. It gives a broad background to taxation in Tanzania and other important aspects to be considered by an international assignee working in Tanzania on a temporary basis.

This folio is not intended to be a comprehensive guide. It merely attempts to give an overview of the issues involved. Accordingly, professional advice should be sought before making important decisions.

For further information or assistance, please contact us at our office listed in Appendix D.

# Step 1:

## Understanding basic principles

### **The scope of taxation in Tanzania**

1. Income tax is levied on the worldwide income of Tanzania tax resident individuals. However, a resident individual who at the end of a year of income has been resident in the United Republic for two years or less in total during the whole of the individual's life is only taxed on Tanzania source income.
2. Other taxes or levies for which individuals may become liable include:
  - Social security - up to 10% of gross salary for NSSF and 5% of basic salary for PSSSF; and
  - Indirect taxes on acquisition/import of goods and services.

### **The tax year**

3. The tax year runs from 1 January to 31 December.  
The tax rates apply from 1 July to 30 June. Therefore, should rates be updated in July (part way through the tax year), it is possible to see two rates applied to a tax calculation whereby original rates apply to income from January to June and the updated rates apply to

income from July to December.

### **Method of calculating Tanzanian tax**

4. Income tax for resident individuals is levied on a sliding scale of rates, which vary between 0% and 30%.
5. For a schedule of the rates of tax, please refer to Appendix A.

### **Annual returns filings**

6. Annual tax returns should be filed within six months of the end of the tax year. A tax return is not required if the individual's taxable income comprises solely employment income subject to employer withholding of tax at source.

### **Residence**

7. An individual is resident for tax purposes if:
  - He/she has a permanent home in Tanzania and was present for any period in a particular tax year; or
  - Is present in Tanzania for a period or periods

amounting in the aggregate to 183 days or more in that tax year; or

- Is present in Tanzania in that calendar year and in each of the two preceding tax years for periods averaging over those three years more than 122 days per tax year; or
- Is an employee or official of the Government of the United Republic posted abroad during the tax year.

### **Non-residents**

8. A non-resident individual is taxable on income sourced from Tanzania. Any amount paid to him in respect of any employment exercised or services rendered in Tanzania, or by the Government of Tanzania (irrespective of the place of exercise of employment), is Tanzania source income (regardless of where that income is paid).
9. Non-resident individuals are taxed at the rate of 15% in respect of income from employment and 20% on other income.

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# *Step 2:*

## Understanding the Tanzanian tax system

### ***Taxation of employment income***

10. Taxable income includes salaries, wages, bonuses, allowances, commissions, director's fees and any taxable benefits.
11. Employment income is subject to monthly withholding tax deducted by the employer and paid over to the tax authorities on a monthly basis.

### ***Benefits***

12. Non-cash benefits received from employment are also taxable, e.g.:
  - Use of company car;
  - Preferential loans; and
  - Company provided accommodation.

### ***Non-taxable benefits***

13. Amounts excluded from taxable income (provided specific conditions are met) include the following:
  - Cost of medical services for the individual, spouse, and up to four children;
  - On-premises cafeteria services;
  - Expenditure on leave passages for the individual, spouse, and up to four children; and
  - Allowances that represents solely the reimbursement of an amount expended wholly and exclusive in the production of his income from his employment

### ***Deductions***

14. The only amount deductible from employment income is the employee's statutory social security contribution (e.g. to the Social Security Fund).

### ***Dividends***

15. Dividend income paid by resident companies is liable to a 10% withholding tax (5% for dividends paid by listed companies and dividend paid to resident companies controlling 25% or more of shares of the company distributing dividend), which is a final tax. Dividend income from non-resident companies received by nonbusiness resident individuals is subject to tax at 10%.

### ***Personal allowances***

16. There are no personal allowances.

### ***Tax rates***

17. Please refer to Appendix A for the applicable tax rates.

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# *Step 3:*

## Tax planning and other considerations

### **General**

18. Under the Income Tax Act 2004, there is little scope for reducing PAYE.

### **Exchange control regulations in Tanzania**

19. Foreign exchange controls have been liberalized to simplify international transactions. The liberalization of external trade and payments was effected when the Foreign Exchange Act 1992 was enacted to provide an enabling environment for efficient allocation of foreign exchange resources and for market determined exchange rates. Profits, dividends and capital can be easily repatriated by foreign investors. However, certain foreign exchange transactions, including investments outside the country and foreign lending operations in favour of non-residents, require the approval of the Bank of Tanzania. An individual expatriate can maintain a foreign currency account with a local bank and can generally remit his employment earnings to an offshore destination.

### **Work and Residence Permit**

20. Business Visa and Business Pass are used for business trips.

Business Visa/Pass does not entitle the holder to engage in employment activities whether paid or unpaid. Mainly used for attending business conferences, board meetings, carrying out repairs, specialized training, audit, etc

21. Business Pass is issued to citizen of EAC and SADC countries at all entry points. It has validity of up to 90 days. Fees - USD 200.

22. Business Visa is issued to citizen of countries that require visa at all entry points. It has a validity of up to 90 days. Fees - USD 250.
23. A Short Term Permit (STP) enables a person to work in Tanzania for a short period and can only be applied prior to employee entering the country. A Fee of USD 500 has to be paid. The Validity of a STP is 6 months.
24. After securing the STP, Residence Permit should be obtained from the Immigration Department. Fees - USD 2,050.
25. In case of foreign employees, Work Permit (Class B or C) and Residence Permit (Class B) has to be obtained.  
  
These are to be applied separately.
26. Work Permit on its own does not allow a person to work. He must obtain a Residence Permit.

Work and Resident Permits are valid for 24 months and can be renewed for an additional period of 3 years. The maximum period is therefore 5 years.

### Work Permits – classes & the fees

Class	Type of Permit	Permit fee*\$
A	Investors & Self Employed	1000
B	Non-Citizens in possession of prescribed professions	500
C	Non-Citizens in possession of such other profession	1000 (500 for East African Citizens)
D	Non-Citizens engaged in a registered religious and charitable activities	500
E	Issued to Refugees	Gratis (free)
	Work Permit Register inspection	50

27. The Work Permit is issued by the Labour Department.
28. Upon securing the Work Permit, one has to apply for Residence Permit at the Immigration Department.
29. Documents required for both, Work and Residence permits:
  - Contract of Employment
  - Job Description
  - CV
  - Certification from respective professional bodies that regulate the post
  - Academic/Professional Certificates
  - Certified translation in Kiswahili or English
  - Copy of Passport
  - Previous Work Permit (if renewal)
  - Business License
  - TIN Certificate
  - Tax Clearance Certificate
  - VAT Certificate (if any)
  - Memorandum & Articles of Association
  - Succession Plan

### Residence Permits – classes & the fees

Class	Type of Permit	Permit fee*\$	
		East Africa Partner states	The Rest of the world
A	Self-employed investors and small scale business	500-1500*	1000-3050*
B	Foreign Employees	550	2050
C	Students, researchers, retired persons, missionaries, persons engaged in winding up their affairs and attending medical treatment etc	100-250*	200-500*
*depending on which sector of the economy the investor is involved.			

30. All expatriate staff must be working as per designations stated in the work permits.
31. All organizations must have concrete and documented succession plan to replace expatriate staff with locals upon expiration of the permits.

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# ***Appendix A:***

## **Tax tables containing rates of taxation**

### ***Personal income tax rates***

Monthly tax rates applicable for tax year ending 31 December 2017 (in Tanzanian Shillings):

<b>Taxable income over (monthly)</b>	<b>Not over</b>	<b>Tax on Column 1</b>	<b>Percentage on excess</b>
0	170,000	—	0%
170,000	360,000	—	9%
360,000	540,000	17,100	20%
540,000	720,000	53,100	25%
720,000	And above	98,100	30%

Note: The tax rates are imposed on monthly basis.

# Appendix B:

## Typical tax computation

### *Typical tax computation for 2018 (monthly)*

Tax computation	TZS	TZS
Basic salary	800,000	
Overtime	100,000	
Housing allowance	55,000	
Total gross		<b>955,000</b>
Less — specific deductions:		
Social security employee contribution (10% of gross salary)	<b>(85,500)</b>	
Taxable sum		<b>869,500</b>
Tax	<b>(142,950)</b>	
<b><i>Net take home pay</i></b>		<b>726,550</b>

Note: Social security contributions do not apply on overtime payments.

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# Appendix C:

## Double-taxation agreements

***Countries with which Tanzania currently has double taxation agreements:***

Canada	India	South Africa
Denmark	Italy	Sweden
Finland	Norway	Zambia

***Double-taxation agreements signed but not yet ratified:***

East African	South Korea	Zimbabwe
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# Appendix D:

## Tanzania contacts and offices

### Contacts

#### Aloys Byemerwa

Tel: [255] (22) 219 2615

Email: [alloys.byemerwa@pwc.com](mailto:alloys.byemerwa@pwc.com)

#### Dharmin Parmar

Tel: [255] (22) 219 2645

Email: [dharmin.parmar@pwc.com](mailto:dharmin.parmar@pwc.com)

### Offices

#### Dar-es-Salaam

PricewaterhouseCoopers Pemba House

369 Toure Drive, Oyster Bay

PO Box 45

Dar-es-Salaam

Tanzania

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Fax: [255] (22) 219 2200

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