

Tanzania Budget Highlights

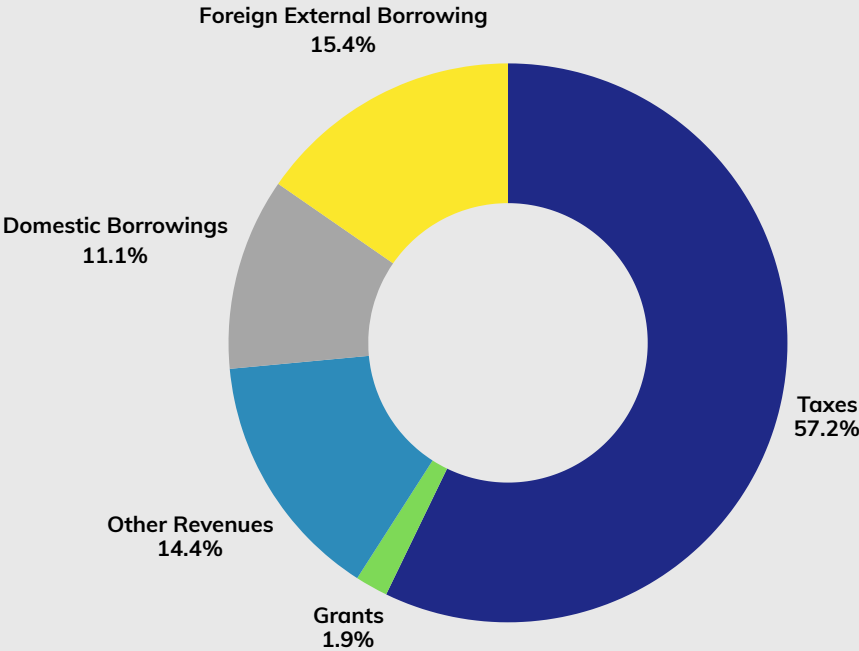
2025/26

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The general highlights has been put at Government’s proposed annual budget for the financial year 2025/26 is estimated to TZS 56.49 trillion. On implementation of the same, the Government anticipates financing its budget from various sources that include TZS 32.30 trillion from taxes, TZS 1.07 Grants and TZS 8.16 other revenue, TZS 6.28 trillion from domestic borrowings and TZS 8.68 trillion from foreign external borrowings.

Proposed Revenue Collection



Strategies to Improve Revenue Collection

In the Financial Year 2025/26, the Government plans to continue taking various measures to enhance revenue collection including:

- Educate and enforce the use of Electronic Fiscal Device (EFD) and issuance of receipts
- Improve revenue collection systems from sources.
- Improve the TAUSI system to enhance Local Government Revenue Administration.
- Implement Blueprint for Regulatory Reforms to improve the business and investment environment.
- Promote the use of digital payments

Reforms On The Tax Structure, Fees, Levies and Other Revenue Measures

These proposed reforms are anticipated to increase government revenue by TZS 4,260,023.77 million in 2025/26.

Estimated Government Expenditure	TZS Trillion'	%
Subsidies and transfers to Government Institutions, State Owned Enterprises and Local Government Authorities	27.53	48.73
Wages, Salaries and Employer's social contribution	9.17	16.23
Payment of principal amount of domestic and external loans	7.72	13.67
Payments of interest on public debt	6.49	11.49
Procurement of goods and services	5.58	9.88
Total	56.49	100

Proposed Amendments

1. The Value Added Tax Act, CAP 148

VAT Exemptions

- Pesticides identified under HS Codes 3808.61.00, 3808.62.00 and 3808.69.00.
- Re-insurance transactions between insurance companies and re-insurance companies
- Newspapers published locally only.
- Natural gas sold to Compressed Natural Gas stations for motor vehicles use only
- Cooking gas tanks and cylinders under HS Code 7311.00.10 as well as carbonization furnace with HS Code 8417.80.00 used in the production of briquettes.
- One year exemption on edible oil produced locally using locally grown seeds,
- Tractor tires used in agricultural activities identified with HS Code 4011.70.00; dam liners identified with Heading 39.20; forks (HS Code 8201.90.00); rakes (HS Code 8201.30.00); and axes (HS Code 8201.40.00) to be granted after obtaining the approval of the Minister responsible for agriculture.

Zero Rate VAT

- Textile products (fabric and garments) made from locally grown cotton for a period of one year.
- Locally produced fertilizers for a period of three years.

Repealed VAT

- Exemption on the purchase and importation of gaming supplies.
- Exemption on bitumen classified under HS Codes 2713.20.00 and 2715.00.00.

Amended VAT Items

- Item 15 (8) of part one of the VAT Exemptions Schedule by deleting the word “Liquified Petroleum and Natural Gases” and inserting the word “Liquified Petroleum Gas”.
- Item 15 (9) of Part One of the VAT Exemptions Schedule by deleting the word “Compressed Petroleum and Natural gases” and inserting the word “Compressed Natural Gas for Motor vehicles”

New Impositions

- “Online intermediation services” now includes online marketplace platforms and network marketing platforms.
- Include non-resident online payment platforms using local infrastructure as financial service intermediaries.
- Imposition of 16% VAT on online ‘Business to Consumer’ (B2C) purchases if consumer confirms invoice matches transaction amount.
- Establishment VAT agency system requiring designated institutions to collect and remit 3% VAT to TRA as will be specified in the VAT Collection Agency Regulations.

2. Income Tax Act Cap 332

- Income tax relief for small transport operators (motorcycles, tricycles, small goods vehicles) with indicative tax rates as shown below:

(a) Class A: Passenger Service Vehicles

Current Practice		Proposed Amendments		
No	No of Passenger	Rates	No of Passenger	Rates
1	N/A	N/A	Passenger not exceeding 5	120,000
2	Passenger not exceeding 15	250,000	Passenger from 5 to 15	250,000



(b) Class C: Goods Carrying Vehicle

Current Practice			Proposed Amendments	
No	No of Passenger	Rates	No of Passenger	Rates
1	N/A	N/A	Weight not more than 500kg	120,000
2	Weight not more than 1 Tonne	250,000	Weight of 500 kg and not more than 1 Tonne	250,000

(c) Class D: Private Hire Service Vehicles

Current Practice			Proposed Amendments	
No	No of Passenger	Rates	No of Passenger	Rates
1	Motorcycle	65,000	Motorcycle	N/A
2	Tricycle	120,000	Tricycle	N/A

- Amendment of section 12 to include retained earnings in the definition of "equity" to stimulate capital flow.
- Introduction of 10% withholding tax on retained earnings after 6 months.
- 3.5% income tax on the sale of forest products per consignment.
- 2% withholding tax on raw salt purchases from artisanal miners.
- 10% withholding tax on sports betting advertisement commissions (final tax).
- Increase from 5% to 10% withholding tax on insurance and re-insurance premium payments made to non-resident companies
- Increase from 5% to 10% withholding tax on payments for professional and management services provided in the extractive sector.
- Increase the Alternative Minimum Tax (AMT) rate paid by companies incurring losses for three consecutive years from 0.5% to 1%.
- Reduction in allowable loss carry-forward deduction from 70% to 60% for mining and petroleum companies.
- Abolition of income tax exemption for EPZ/SEZ investors selling locally.

3. The Tax Administration Act, CAP 438

- To mandate persons to interface their system used in the issuance of electronic receipts with the system operated by the TRA

- Waiver of the requirement to pay the amount of tax which is not in dispute or one-third of the assessed tax decision whichever is greater within **fifteen days** from the date of receipt of tax decision. The increase in the time frame aims to provide the taxpayer with sufficient time to apply for a waiver.

3. The Local Government Finance Act CAP 290

- Reduction of service levy from 0.3% to a fixed rate of 0.25% of gross revenue.
- Reduction of hotel levy rate from 10% to 2%.
- Elimination of loading and offloading fees charged by Local Government Authorities related to transportation of goods.

4. The Export Tax Act, CAP 196

- Introduction of export levy of 30% or 150 shillings per kg, whichever is higher, on veneer with HS Code 44.08.

5. The Mining Act, CAP 123

- Amendment of Section 59 to require companies with contracts with the Government to allocate gold at a rate of not less than 20% of production for smelting, refining, and trading in the country, equivalent to other companies that do not have contracts with the Government.
- Introduced levy of 0.1% on the gross market value of minerals.



6. The Trade And Service Marks Act, Cap 85

No	Recordation fees	Amount (TZS)
1	Application to Record Trademarks	200,000
2	Change of ownership	150,000
3	Change of Name	100,000
4	Renewal of Recordation	50,000
5	Application for Search	3,000
6	Application for copies	3,000

7. The Investment And Special Economic Zones Act, 2025

- Inclusion of 75% exemption of import duty for deemed capital goods imported by the investors.

8. The Road Traffic (Motor Vehicles Registration) Regulations 2024

- Reduction of registration fee of commercial motorcycles from TZS 340,000 to TZS 170,000 for three years.
- Introduction of one time payment of fee and presumptive tax at TZS 120,000
- Reduction of motorcycle and tricycle licence fee from TZS 70,000 to TZS 30,000

9. Roads And Fuels Toll Act, CAP. 220

- Introduced TZS 10 per litre of fuel (petrol, diesel, and kerosene) to finance HiV/AIDs control and financing Universal Health coverage.

10. Gaming Act, CAP. 41

- Increased winning tax from 10% to 15% on sports betting games
- Increased winning tax from 12% to 15% on land-based casino.

11. Amendments To the Excise (Management and Tariff) Act, Cap. 147

- Increase rate by TZS 20 per-litre on beer under heading 22.03
- Increase TZS 30 per-litre on wine and other fermented beverages under headings 22.04; 22.05; 22.06.

- Increase TZS 50 per-litre on spirits, liquors and other spirituous beverages under heading 22.08.
- Increase rate on electronic communication services to 17.5%.
- Abolishing licensing fees of TZS 300,000 for manufacturers and importers of excisable goods
- Adjusting excise duty rates to TZS 5,000 per-litre on locally produced ethyl alcohol of an alcoholic strength by volume of 80%
- Reduction of excise duty from TZS 561 to TZS 134.2 per litre on locally manufactured energy drinks
- Introduced new excise duty to curb negative health effects like obesity and to broaden the tax base. The duty rates are TZS 100 per kilogram on imported crisps and TZS 50 per kilogram on locally manufactured crisps.
- 10% excise duty to be introduced on imported ice cream and edible ice (with or without cocoa), and a 5% duty on locally produced ice cream.
- 10% excise duty will be imposed on imported sausages and similar products, and 5% on locally manufactured ones.
- Exemption of excise duty on un-denatured ethyl alcohol with HS Code 2207.10.00 used in manufacturing non-alcoholic goods (e.g., food flavorings), subject to ministerial approval.
- 10% rate on money transfer and payment services using independent systems i.e. non-bank or telecom platforms



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Preamble

Our publication of the budget highlights presents a brief description of the main tax and related regulatory changes contained in the 2025/2026 Budget speech as presented by the Minister of Finance, Dr. Mwigulu L. Nchemba.

This publication only constitutes a brief guide on key proposed changes and is not intended to be a comprehensive summary of the economic, tax laws and practice. While we have taken reasonable care in the preparation of this guide, INNOVEX accepts no responsibility for any errors it may contain, whether caused by omission or otherwise, or for any loss that may result, caused, or sustained by any person that places reliance on it.

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