REGULATION OF FOREIGN EXCHANGE UNDER THE FOREIGN EXCHANGE REGULATIONS 2022

On 13/5/2022 The Bank of Tanzania (BOT) issued The Foreign Exchange Regulations, 2022 which was published in the Government Notice No. 294 under section 6 (1) of the Foreign Exchange Act, Cap 217 R.E. 2002 as amended.

These regulations revoke The Foreign Exchange Regulations, 1998 and the Foreign Exchange (Listed Securities) Regulations, 2003 and BOT seeks to control and restrict the following areas:

a. Dealing in foreign currency and gold

b. Current account transactions also including imports, exports, and Outward Remittances

c. Capital and financial account transactions including purchase, issue, sale, transfer or payment for securities, investments, interest rates, and foreign credit accommodations

d. Monitoring and enforcement of transactions involving foreign exchanges

Dealing in foreign currencies and gold

a. Within Tanzania, a person may hold, sell, or purchase any amount of foreign currency and open and maintain a foreign currency account with any bank or financial institution. Unless permitted by the Governor, a resident person other than a financial institution is prohibited from opening or maintaining an account outside Tanzania except for settlement of securities in the East Africa and SADC or from buy, borrow, sell, lend, hold or otherwise deal in gold.

b. When traveling outside Tanzania, a person can purchase from financial institutions up to US 10,000$ and is should submit supporting documents e.g. residency and valid traveling documents. A person entering or leaving Tanzania with over $10,000 is required to declare to the Customs authorities at the time of arrival or departure

Current account transactions Imports & Exports

a. A person can remit through a financial institution foreign currency for specific purpose or import into or export from Tanzania any amount of currencies of the connected countries to facilitate border trade. Imports of up to US $10,000 can be done through other means. Documents required include invoices, supply contracts, relevant permits. An importer should use his bank of service. Imports over US $10,000 through debit / credit cards are reported to BOT.

b. A resident person in Tanzania is required to receive the payment from a non-resident through a financial institution at the actual value of the supplies. He will submit all relevant export documents to the payment receiving bank within 7 days after completion of customs export procedures. He shall notify the financial institution of any reason for delays in payments over 90 days or receipt of less value. Exporters are prohibited from under-pricing of export of goods or services.

c. Financial institutions are prohibited from delaying or withhold collection of exports proceeds.

d. Offsetting financial claims between affiliate companies on exports is prohibited.

e. Expatriation of any notes or coins of legal tender from Tanzania without the Governor's permission is prohibited.

Outward Remittances

a. Remittance outside Tanzania is made through banks, financial institution or mobile money (within their prescribed limits). A person remitting has to submit ID, invoices, communication of request or award, work permit or contracts as suitable. Living allowances are to be remitted up to US $ 10,000 per transaction.

b. Remittance of dividends or profit to foreign shareholders outside Tanzania is done through a financial institution. The applicant has to submit (a) audited financial statements or approved dividend payment notice indicating the dividends to be repatriated and (b) documents confirming tax clearance from the relevant revenue collection and administration authority.

c. In case of remittances in respect of coupon and principal to non-residents, the applicant has to submit a contract, statement of holding security and any relevant document.

Capital and financial account transactions

a. A Tanzanian resident may can purchase, issue, sell or transfer to a resident of EAC or SADC, securities, coupon or participatory rights in a collective investment scheme and can remit funds for the purposes of purchasing securities or participatory rights in collective investment scheme or of an issuer who is making a public issue in EAC or SADC. A resident who intends to issue a security in the prescribed territory is required to notify BOT within seven days after obtaining approval from the relevant authority.

c. A non-resident can remit money for purchasing traded securities of a listed companies, or of an issuer who is making a public issue but a resident is not permitted to remit funds for purchase of participatory rights Collective Investment Schemes issued by a person not authorized in the prescribed territory by relevant authorities.

d. A resident can purchase securities or coupon from or transfer to a non-resident outside the prescribed territory, if they are funded exclusively by externally acquired funds. Any payment thereof are to be made through a bank or financial institution which shall report to the Bank of Tanzania. The applicant should submit a proof of purchase of securities.

e. Right to sums assured by any assurance policy acquired outside Tanzania can be transferred into or from the country as long as its servicing is realized by externally acquired funds.

f. Only residents of a prescribed territory or Tanzanian citizen in the diaspora are allowed to sell or transfer government securities and government securities which are purchased cannot be transferred to a resident within six months from the date of purchase. Non-resident who want to make payment and receiving proceeds in respect of securities transactions should open and maintain a Securities Settlement Account with a bank or financial institution or appoint a custodian in Tanzania and payments are made either through a bank or financial institution or by debiting the securities settlement account. The securities are dealt in accordance with the transfer formalities of stock exchange or BOT in the case of government securities. Balances held in the securities settlement account may be repatriated outside Tanzania.

g. For direct investment in Tanzania, non-residents should remit funds through a bank or financial institution. Funds remitted for foreign direct investment as equity cannot be converted into loan.

Borrowing from Abroad

a. All credit accommodations from non-residents to residents are required to be carried out through a bank or financial institution and those with a tenure exceeding 365 days need to be registered by BOT and assigned Debt Registration Number which shall be the reference for any transactions related to the foreign credit. Within 14 days, the resident borrower should submit a certified copy of the duly signed agreement and attested which also indicates disbursement and debt service schedules or any other related documents required by BOT for registration purposes.

b. BOT will not register foreign credit which contains unfavourable terms and conditions including those requiring the borrower to open a foreign currency account outside Tanzania or upholding interest rates and other charges which do not reflect the prevailing market conditions for the relevant currency of borrowing.

c. Failure to register the loan attracts a penalty of Tanzania Shillings one million for each day the credit accommodation remains unregistered. The financial institution is prohibited from facilitating the foreign debt service before it is assigned Debt Registration Number.

d. A resident can remit funds for outward direct investment or acquisition of real estate or real assets if the investment is in a prescribed territory; the remittance is effected through a financial institution; and the supporting documents are submitted to a bank or financial institution for verification. These include certificate of incorporation issued in the host country, business license, certificate of compliance, where applicable, tax registration certificate, tax clearance or any applicable permit and documents, in respect of the intended investment.

e. For investments outside the prescribed territory prior approval from BOT has to be sought.

f. Where Tanzania is experiencing severe deterioration in its balance of payments or significant financial markets disturbances the Governor is empowered to issue directives or restrictions accordingly as temporary safeguard measures for a given duration and the notice is required to be published in the Gazette within 14 days from the notice date. The Governor can issue either absolute or conditional, general or specific exemption to the Regulations.

g. The Bank of Tanzania seeks to prevent residents of Tanzania from engaging in credit accommodation in favour of any non-resident and from outward portfolio investment, acquisition of real estate and outward direct investment outside the prescribed territory.

Monitoring and enforcement

BOT can collaborate with other competent authorities to monitor and enforce compliance with the Regulations and may require any person to provide the necessary documentation and information relating to such matters of compliance.

Every person is required to comply with the Regulations.

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