

# THE FINANCE ACT, 2026

## Key Tax, Regulatory & Administrative Highlights

**Act No. 2 of 2026** | Assented to by Her Excellency President Samia Suluhu Hassan on 30 June 2026  
Published in Special Gazette No. 8, Vol. 107 dated 30 June 2026 | Effective Date: 1 July 2026

*This newsletter provides an update and comprehensive analysis of the Finance Act, 2026. It highlights the final legislative changes introduced following the budget cycle, addressing inconsistencies and incorporating precise structural updates for corporate planning and compliance.*

## 01. Executive Summary & Key Amendments at a Glance

The Finance Act, 2026 introduces critical shifts across major tax regimes aimed at broadening the tax base, supporting domestic manufacturing, and enhancing equity between resident and non-resident digital entities. Below is a concise cross-regime summary:

- **Income Tax:** Presumptive tax threshold raised to TZS 200M; digital service tax on non-residents increased to 3%; sport royalty withholding tax increased to 10%; and deemed retained earnings fraction halved to 15%.
- **Value Added Tax (VAT):** Introduction of clear withholding rules (3% goods / 6% services) with automated 3:2 mixed supply apportionment; capital goods deferral sunset clause removed permanently; and new strategic exemptions enacted.
- **Tax Administration:** Strict 15-day TIN registration mandate for employees; mandatory electronic disclosure of construction and extractive industry subcontractors within 30 days; and enhanced transfer pricing penalties.
- **Excise & Imports:** Introduction of an explicit annual inflation adjustment formula (*Actual Inflation + 2%*); higher excise brackets for imported used vehicles; and a new Industrial Development Levy (IDL) to protect domestic manufacturing.

## 02. Income Tax Act, Cap 332

### Framework Agreement Mining Exemptions

Section 10(3) has been amended to empower the Minister, upon Cabinet approval, to exempt income derived pursuant to a framework agreement between the Government and the holder of a mining or special mining license. This applies specifically to the construction phase of projects where the Government holds an equity interest, seeking to minimize upfront investment costs and accelerate execution schedules.

## Deemed Distributions & Corporate Reinvestment Incentives

Section 33A(1) reduces the Deemed Distribution Rate from 30% to 15% to stimulate profit reinvestment, expansion, and innovation. Crucially, Section 33A(2) explicitly excludes companies listed on the Dar es Salaam Stock Exchange (DSE), commercial banks/financial institutions, insurance companies, and mining companies operating under Government framework agreements from these provisions to support public capital market formation.

## Presumptive Tax Regime Adjustments

The annual turnover threshold for small businesses under the presumptive tax regime has been doubled from TZS 100,000,000 to TZS 200,000,000. For businesses with turnover exceeding TZS 11,000,000 up to TZS 200,000,000, the presumptive tax rate is increased from 3.5% to 4% to ensure vertical tax equity.

### ★ POLISH & CLARITY HIGHLIGHT: TAX HOLIDAY VS RATE LOWER LIMIT

The 12-month tax holiday applies exclusively to newly registered individual taxpayers with turnovers between TZS 4,000,000 and TZS 200,000,000 to facilitate initial formalization. The increased 4% rate applies precisely once turnover surpasses the TZS 11,000,000 lower limit. Passenger transportation using three-wheelers is clarified at a flat TZS 120,000 to eliminate ambiguity.

## Non-Resident Digital & Service Provisions

- **Electronic Services:** The single instalment tax rate on non-resident electronic service providers is raised from 2% to 3% under Section 116(1).
- **Sports Royalties:** Withholding tax on royalty payments made to resident sports entities or the Tanzania Football Federation (TFF) increases from 5% to 10%, aligning it with the film and entertainment industry standard rate.

## 03. Value Added Tax Act, Cap 148

### New Withholding VAT Mechanism & Apportionment Rules

Section 5(5) establishes explicit withholding VAT mechanics. Designated withholding agents must withhold tax at source, resulting in a net standard VAT balance payable by the taxable supplier of 15% for goods (reflecting a 3% withholding rate) and 12% for services (reflecting a 6% withholding rate).

### ★ STRUCTURAL CORRECTION HIGHLIGHT: MIXED SUPPLY & REMITTANCE SPLIT

**Mixed Supplies:** Where a transaction comprises both goods and services, the taxable value must be split in a strict **3:2 ratio** (Goods : Services) for withholding tax purposes.

**Remittance Timelines:** Withholding agents must remit withheld VAT within 10 days after the end of the tax period, and file corresponding withholding statements within 10 days of the subsequent month.

★ **EDITORIAL CORRECTION: GOVERNMENT PROCUREMENT SEPARATION**

The previous draft erroneously merged a VAT deadline with an income tax provision. The correct statutory rule is: **All Ministries, Independent Departments, Agencies, and Local Government Authorities (LGAs)** are now required to withhold income tax on purchases of goods—an obligation previously limited to subvention-financed corporations.

## Permanent Capital Goods Deferment

The sunset clause on the VAT deferment scheme for imported capital goods (previously expiring on 30 June 2026) has been permanently removed under Section 11(1). The deferment mechanism is now a permanent fixture for eligible capital goods, with supplier eligibility guidelines to be strictly prescribed by the Minister.

## VAT Exemption Structural Changes

New Exemptions Granted	Exemptions Abolished / Lapsed
<ul style="list-style-type: none"><li>• EV Charging Stations (HS 8504.40.00)</li><li>• LPG Smart Meters (HS 9028.10.00) for distributors</li><li>• Turbojets, gas turbines (HS 84.11) &amp; aircraft tyres</li><li>• Airline Boarding Passes (IATA obligations)</li><li>• Dairy Packaging Materials (HS 3920.20.90)</li><li>• Cotton garments made from local cotton (Temporary: 1 Jul 2026 - 30 Jun 2027)</li></ul>	<ul style="list-style-type: none"><li>• Imported fishing nets (HS 5608.11.00) - <i>Exemption Abolished</i></li><li>• Dog and cat food (HS 23.09) - <i>Exemption Abolished</i></li><li>• Locally manufactured garments from local cotton - <i>Standard Zero-Rating Lapsed</i></li></ul>

## 04. Tax Administration Act, Cap 438

- **TIN Mandate:** Employees must apply for a Taxpayer Identification Number (TIN) within 15 days of commencing employment under Section 22(1), aligning them with business and investment setups.
- **Subcontractor Transparency:** Entities in construction and extractive sectors must electronically disclose contractor and subcontractor records (including TIN, contract sum, and withholding obligations) within 30 days of execution.
- **Perishable Assets:** Section 73(4) permits the Commissioner General to sell seized perishable charged assets via public auction or private treaty to minimize valuation losses.
- **Transfer Pricing Penalty:** Section 90(2)(c) updates non-arm's-length transaction penalties to the greater of **30% of the transfer pricing adjustment** or **100% of the tax shortfall**.
- **Abuse of Framework Exemptions:** Misuse or unapproved transfer of framework-agreement exemptions constitutes an offence. Conviction carries a penalty equal to 100% of the exempted tax, with the full tax obligation becoming immediately due and payable.

## 05. Excise (Management and Tariff) Act, Cap 147

### The Inflation Adjustment Indexation Rule

Specific excise duty rates will now be adjusted on a strict annual basis. The adjustments are indexed mathematically according to the following statutory provisoation formulaation:

$$\text{New Specific Rate} = \text{Previous Rate} \times (1 + \text{Actual Inflation}_{\{\text{March}\}} + 0.02)$$

## Imported Used Motor Vehicle Excise Scales

Vehicle Age Bracket	Excise Duty Rate	Statutory Objective
Aged more than 8 years up to 10 years	18%	To discourage importation of obsolete, high-emission motor vehicles, support environmental preservation framework commitments, and expand alternative revenue streams.
Aged more than 10 years up to 20 years	35%	
Aged more than 20 years	40%	

## New Non-Resident Cross-Border Electronic Excise Duties

- **Electronic Communication Services:** 17% excise duty on electronic communication services supplied by non-residents via the internet to unregistered persons in Tanzania Mainland.
- **Streaming & SVOD Platforms:** 7% excise duty on pay-to-view television and subscription video-on-demand (SVOD) streaming libraries provided by non-resident operators.
- **Digital Commercial Advertisements:** 10% excise duty on digital betting, gaming, and lottery marketing services placed by non-resident firms.
- **Money Transfer/Payment Charges:** 10% excise duty on transactional fees or remittance processing service charges paid to non-resident independent payment networks.

## 06. Imports Control Act, Cap 276 & Industrial Development Levy

Section 18A introduces the Industrial Development Levy (IDL) to safeguard local manufacturing, coupled with strict East African Community (EAC) reciprocity rules. The levy does not apply to goods originating from EAC Partner States meeting the EAC Rules of Origin; however, a reciprocity clause triggers the levy if a Partner State applies discriminatory tariffs or fees against Tanzanian exports.

## Industrial Development Levy (IDL) Rate Schedule

H.S. Code	Product Description	IDL Rate
4820.10.00 / 4820.20.00	Exercise books and notebooks	5%
5608.11.00	Fishing nets (Imported)	10%
7308.90.99	Steel structures	10%
7610.10.00	Aluminium doors, windows, and their associated frames/ thresholds	5%
8716.31.90 / 39.90 / 40.90	Trailers	5%

## 07. Other Strategic Reforms

### The Gaming Act, Cap 41

Gaming tax rates on winnings have been uniformly elevated to 15% (up from 13% for land-based casinos and 12% for sports betting platforms). Earmarked tax distributions are allocated as follows:

- **Land-based Casinos:** 7% shall be distributed as follows: 70% shall be deposited into the AIDS Trust Fund and 30% shall be allocated to the Universal Health Insurance Fund.
- **Sports Betting:** 70% shall be deposited into the AIDS Trust Fund and 30% shall be allocated to the Universal Health Insurance Fund.

## The Stamp Duty Act, Cap 189 (Polished & Corrected Data Schedule)

Amended Instrument / Transaction	Previous Rate	New Prescribed Rate
Lease of movable property	N/A	Stamp duty formally introduced
Bill of exchange	Nil	TZS 5,000
Bill of sale by way of security	1% of value (Max TZS 10,000)	1% of value (Max TZS 100,000)
Bill of sale by way of collateral security	1% of every TZS 1,000 (Max TZS 1,000)	1% of every TZS 1,000 (Max TZS 10,000)
Cheque	TZS 100	TZS 500
Partnership instrument	Varies	<ul style="list-style-type: none"> <li>• Capital &lt; TZS 1,000,000: <b>TZS 5,000</b></li> <li>• Capital ≥ TZS 1,000,000: <b>TZS 10,000</b></li> </ul>
Surrender of lease	Varies	Sliding scale spanning TZS 1,000 to TZS 2,000

## Export Tax Act, Cap 196

To prioritize domestic value-addition and ensure reliable access to raw inputs for domestic manufacturers, export taxes have been introduced on raw materials:

- **Waste/Scrap Paper & Paperboard:** 30% of FOB value or TZS 200 per kg (whichever is higher).
- **Quartz Sands & Feldspar:** 10% of FOB value or TZS 200 per kg (whichever is higher).
- **Agri-industrial Byproducts (Cotton/Sunflower cake, Wheat/Rice/Maize bran):** TZS 50 per kg.

**DISCLAIMER:** This newsletter is compiled by Burhani Associates & Co. as general information for clients and associates only; it does not constitute formal professional or legal tax advice. Readers must seek specific professional counsel prior to taking actions based on information contained herein. We accept no liability for losses resulting from actions taken or omitted based on this summary.

### Contact Information:

Burhani Associates & Co. | Tel: +255-22-2151079 | Email: info@bac.co.tz | Web: www.bac.co.tz

© June 2026 Burhani Associates & Co. All Rights Reserved.