

## Digital Tax in Tanzania

The rise in online and digital platform transactions has significantly influenced tax policy and administration in Tanzania. In response, the Government of the United Republic of Tanzania introduced a **Digital Tax Regime** through the **Finance Act, 2022**, which amended key legislation including the **Income Tax Act (CAP 332)** and the **Value Added Tax Act (CAP 148)**.

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### A. Amendments to Income Tax Act & VAT Act

#### 1. Expansion of Definitions

- “**Business**” now includes any activity conducted via the internet or electronic means, including electronic services and digital marketplace transactions.
- A “**Digital Marketplace**” is defined as a platform facilitating direct interaction between buyers and sellers of electronic services.
- The term “**Electronic Service**” aligns with its definition under **Section 51 of the VAT Act, 2014**, covering services such as:
  - Websites and hosting
  - Software and updates
  - Digital media (images, text, music, films, games)
  - Access to databases and self-education packages
  - Online broadcasting (e.g. cultural, political, sporting, etc.)

#### 2. Introduction of Digital Service Tax (DST)

- A **2% income tax** is imposed on gross payments received by **non-resident persons** providing services through a digital marketplace to Tanzanian residents.
- Non-resident suppliers must:
  - File monthly tax returns
  - Pay tax by the **7th day** of the following month
  - Remit DST as a **single monthly installment**

#### 3. Ministerial Powers

- Section 90A(3) authorizes the Minister to issue regulations for assessing and collecting tax on digital transactions.  
This led to the enactment of:
  - **Income Tax (Registration of Non-Resident Electronic Service Providers) Regulations, 2022**

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- **VAT (Registration of Non-Resident Electronic Service Suppliers) Regulations, 2022**

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## **B. Key Provisions of the 2022 Regulations**

### **1. Registration Requirements**

- Non-resident providers of electronic services to Tanzanian residents must register online with the Commissioner General.
- Registration applies regardless of turnover threshold or tax representative appointment.

#### **Required Information Includes:**

- Business and trading names
- Certificate of incorporation
- Contact person details (name, phone, email)
- Registered and email addresses
- Website or platform URL

Once approved:

- A **TIN** is issued for income tax compliance.
- A **VAT registration number** is issued for VAT obligations.

### **2. Return Filing & Tax Remittance**

- Returns must be filed **online using Form No. 3**, accompanied by the applicable tax amount.
- Corrections are allowed per **Section 78 of the VAT Act**.
- VAT and DST must be paid in **TZS or an equivalent convertible currency** using the **Bank of Tanzania's exchange rate** on the payment date.

### **3. Determining Source of Payment**

Payments are considered sourced in Tanzania if the recipient:

- Uses a Tanzanian **credit/debit card or bank account**
- Has a Tanzanian **billing address, IP address, or SIM country code**

### **4. Other Compliance Provisions**

- **Electronic Fiscal Devices** are **not required** for non-residents.
- **Input VAT** cannot be claimed.
- **Penalties** for false or misleading statements:
  - 50% of tax shortfall (without reasonable excuse)
  - 75% of tax shortfall (if reckless or intentional)

- Adjustments:
  - +10% for repeat offenses
  - -10% for voluntary disclosure
- **Interest on late payments** accrues monthly at the statutory rate.
- **Non-compliance** is a criminal offense punishable by:
  - Fine (200–300 currency points)
  - Imprisonment (up to 3 years)
  - For tax evasion: double the evaded amount or further imprisonment

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### C. Conclusion

The introduction of digital tax in Tanzania marks a progressive step toward adapting to the realities of a growing digital economy. However, its success depends on the Tanzania Revenue Authority's capacity to enforce these provisions—particularly across borders.

Questions remain:

- Will TRA collaborate with **TCRA** to block access to non-compliant platforms?
- What socio-economic impact will this have, especially if compliance leads to **price hikes** for consumers?

What's certain is that if non-resident suppliers comply, the **cost of digital services in Tanzania is likely to rise**—a burden ultimately borne by the consumer.

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