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# TAXATION OF NON GOVERNMENTAL ORGANISATIONS

## 1. Definition and Purpose

Non-Governmental Organizations (NGOs) encompass various Civil Society Organizations (CSOs), including faith-based/religious organizations, trusts, associations, community-based organizations, cooperative societies, legal aid providers, and philanthropic entities.

These organizations are established to promote public good—often targeting the poor, women, children, and the elderly—with key focus areas including health, education, environment, and socio-political welfare. NGOs operate without a profit motive and are legally prohibited from distributing profits to individuals. Any surplus must be reinvested in the organization's mission.

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## 2. Tax Obligations of NGOs

Like any other taxpayer, NGOs are required to comply with tax laws. Their obligations include:

### 2.1. Acquisition of TIN

NGOs must obtain a **Taxpayer Identification Number (TIN)** immediately after their formation and commencement of operations, as per Section 22(1) of the Tax Administration Act, 2015.

### 2.2. VAT Registration

NGOs must register for VAT if:

- Their turnover from taxable supplies (excluding grants/donations) reaches **TZS 50 million within six months** or **TZS 100 million within twelve months**, as outlined in Sections 28 & 29 of the VAT Act, Cap 148 R.E. 2019 and Section 90 of the TAA 2015.
- They offer **professional or consultancy services**, such as training.

VAT-registered NGOs are required to:

- **File monthly VAT returns** by the 20th of each month, regardless of whether VAT is payable (Section 66 of VAT Act; Section 78 of TAA 2019).

### 2.3. Use of EFD Machines

NGOs engaged in economic activities with a turnover of **TZS 14 million or more** must acquire and use **Electronic Fiscal Devices (EFDs)** to issue fiscal receipts (Sections 36 and 86 of TAA, 2015).

## **2.4. Timely Payment of Taxes**

Taxes must be paid as they become due to avoid interest, penalties, and fines (Sections 76, 78, and 83 of the TAA 2015).

## **2.5. Filing Tax Returns**

All returns must be filed within prescribed timelines (Sections 37–41 of the TAA 2015).

## **2.6. Record Keeping**

All tax-related records must be maintained for at least **five years** from the relevant date or until a final decision is made (Section 89(1) of the VAT Act 2014 and Section 35(3) of the TAA 2015).

## **2.7. Notification of Changes**

NGOs must notify the Commissioner of any changes to key particulars (e.g., address, contact details, or constitutional amendments).

## **2.8. Disclosure of Business Activities**

All matters related to business activities must be disclosed to the Commissioner.

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# **3. Tax Obligations and Liabilities**

NGOs are **not automatically tax-exempt**. Unless exempted by law, they are liable for various taxes, including:

- Corporate Income Tax
- Pay As You Earn (PAYE)
- Skills and Development Levy (SDL)
- Stamp Duty
- Value Added Tax (VAT)
- Customs Duty
- Withholding Tax on Rent and Services
- Withholding Tax on Investment Returns

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# **4. Tax Relief and Charitable Status**

## **4.1. Obtaining Charitable Status**

NGOs may apply for **charitable status** by requesting a private ruling from the Commissioner General (Section 11, TAA), upon satisfaction of requirements under Section 64(8) of the Income Tax Act.

## 4.2. Criteria for Charitable Status

To qualify, the organization must be:

- Of a **public character**.
- Established solely for:
  - Poverty relief,
  - Educational advancement,
  - Provision of public health, water, education, or infrastructure.

It must also:

- Have an open membership or serve a defined community group,
- Operate entirely for charitable purposes,
- Reinvest all profits into its objectives,
- Prohibit distribution of profits or assets.

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## 5. Taxable Income Determination for Charities

Under Section 64(2) of the Income Tax Act:

- **Income includes:** all gifts, contributions, donations, and investments.
- **Allowable deductions include:**
  - Expenditures for the organization's functions benefiting residents,
  - 25% of income from charitable business (before deducting functional expenses),
  - Any other deductible amounts as per the Act.

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## 6. VAT Exemptions and Reliefs

### 6.1. Eligibility

NGOs conducting **health, water, education, or infrastructure projects** may qualify for exemptions from:

- **Import Duty**
- **Excise Duty**
- **VAT**

### 6.2. Conditions for VAT Relief

Exemptions may apply to:

- Goods imported for free distribution (e.g., food, clothing, school supplies for special needs children or orphanages),
  - Emergency relief goods,
  - Religious organizations offering public health, education, or water services free or at nominal cost (not exceeding 50% of market value).
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## 7. Application for Exemptions

Applications must be submitted **before clearing goods through customs** and should include:

1. Application letter from the organization's head
  2. Introduction letters from the District Commissioner (DC) and Ward Executive Officer (WEO)
  3. NGO registration certificate
  4. TIN certificate
  5. Commercial import documents (invoice, bill of lading, packing list)
  6. Annual procurement plan
  7. Utilization report on past exemptions (if any)
  8. Donation certificate (for donated goods)
  9. Distribution plan for imported goods
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## 8. Conclusion

Tax reliefs do **not exempt NGOs from full compliance** with tax laws. NGOs must:

- File **annual and other required returns**,
- Ensure **timely payments**, and
- Adhere to **record-keeping and reporting obligations**.

Non-compliance may lead to **penalties** under the Tax Administration Act, 2015.

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