



Tanzania - Common Law

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## Incorporating a company in Tanzania

# Tanzania taxes

If you are thinking to incorporate in Tanzania, this article will educate you on the tax laws for a LLC, which is the most common legal entity in Tanzania.

Companies in Tanzania are liable to tax on their worldwide income. The prevailing estimated tax rate for offshore income, from our research, but seek professional advice, is 30%. Tanzania does not have known exemptions to remit income earned abroad. Taxes are higher than average in Tanzania as the effective rate of taxation on a LLC entity is 30%. This ranks Tanzania as 136th overall in terms of corp. taxation rate internationally.

The valued added tax rate in TZ is 18.00%, which ranks Tanzania as 116th overall in terms of value added tax rate worldwide. In terms of other taxation, an employer will contribute 25% to the equivalent of a social security fund and an employee will contribute 15%. The overall complexity of the tax system is medium. This is measured by average time to comply with a country's labor tax requirements is as it is 54hours. Contributing to this is the number of yearly labor tax payments, which is 6 in TZ.

Thin capitalization mandates are in play. Thin capitalisation refers to any sort of requirements on a business and the debt-to-asset ratios.

Distribution of dividends are subject to a final withholding tax of 10%. A reduced 5% rate may apply for dividends paid by a resident corporation to a resident corporation holding 25% of the shares and voting rights of the distributor. A 5% withholding tax may also apply for dividends paid by a resident listed company. Dividends received from a foreign entity are usually subject to Corporate Income Tax. Dividends are payments of a company profit, voted by the board of directors, to shareholders. Dividends can be issued as stock, cash, or property.

Capital Gains are treated as business ordinary income and subject to Corporate Income Tax. A capital gains tax is levied on the profits that a corporation or natural person realizes when he or she sells a capital asset for a price that is higher than the purchase price.

The interest withholding tax rate is estimated at 10%. Which means that the tax authorities expects legal entities to pay tax at 10% of payments on interests abroad. The dividends withholding tax rate is 10%. This should be interpreted that the tax authorities expects relevant legal entities to automatically withhold 10% of dividends paid to non residents, unless those are paid by a Tanzanian listed company, where a 5% may apply. The royalties withholding tax rate is 15%. This means that the taxman expects legal entities to automatically withhold 15% of royalties remitted abroad. Tanzania has concluded tax treaties with 9 jurisdictions that may reduce withholding tax rates.

There is no known tax on wealth in Tanzania. There are no inheritance and transfer taxes in Tanzania, but there is a real property tax. There are no known inheritance taxes in Tanzania. There are no commonly used R&D initiatives that provide tax incentives in TZ.

The above is not tax or legal advice for your particular circumstances. We can refer you a lawyer in Tanzania who will advise you. Contact us today. Click incorporate now if you are in a hurry, or press the free consultation button above.

The vat rate in Tanzania is 18% which ranks 116 in the world.

- ✗ Patent box
- ✗ RND credit
- ✗ Wealth tax
- ✗ Estate tax
- ✗ Transfer taxes
- ✗ Asset taxes

- 9 Tax treaties
- 30% Offshore Tax
- 30% Corp rate
- Loss carryback years
- 62 Corporate time
- 18% VAT rate

# Tanzania Legalese

When examining a jurisdiction in which to incorporate, the first thing to look at is the legal code. The underlying law in Tanzania is common law. Common law makes for a easy corporate setup. E-signatures are allowed.

The letters TZ is for Tanzania and the most common company structure in Tanzania is a LLC.

The time to setup is usually 5 weeks to put together the paperwork and file a LLC in TZ. The min share capitalization is 0, This means you don't have any minimum share capital. The types of currencies you can use to capitalize your legal entity is most commonly any legal currency.

To "re-dom" a company is not common, and there are no re-domiciliation laws.

There must be at least This means it is not possible for you to own a LLC in Tanzania as a sole shareholder. You must have other shareholders, they can be nominees or de facto shareholders. Corporate Shareholders are encouraged, which means you can have a corporate shareholder. Foreign ownership is encouraged, up to % of the ownership of the LLC.

There is a requirement to have at least 2 directors. Moreover, corporate directors are not permitted. Directors are disclosed publicly. There is a requirement to have annual meetings of shareholders.

A related requirement, a company secretary is not required in TZ, which can save the company money if you can perform basic corporate governance internally.

There is a requirement to file accounts to relevant authorities. Consequently, there is oftentimes a requirement to have these accounts audited.

Overall we think Tanzania is a bad option and have given it a score of 32 as an IO score, using the Incorporations.IO proprietary formula.

- ✗ **Directors not disclosed in a public registry**
- ✓ **Shareholders not disclosed in a public registry**
- ✗ **Redomiciliation permitted**
- ✗ **Registered office required**
- ✗ **Corporate director permitted**
- ✗ **Local Secretary not required**
- ✓ **Local Director not required**
- ✓ **Electronic signature**

- 2 Shareholders required**
- 2 Directors required**
- 5 weeks to form**



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## Country Info



🚩 National Flag of

**United Republic of  
Tanzania (eng)**

**Jamhuri ya Muungano  
wa Tanzania (swa)**

\$ Currency

**TZS**

☎ Area Code

**+255**

🏛 Capital

**Dodoma**

📍 Region

**Eastern Africa**

🗣 Native Languages

**English**

**Swahili**