

INPATRIATES TANZANIA

Tax Facts for International Assignees



WHO IS LIABLE/RESIDENCY

Taxation of individuals in Tanzania is based on their residential status (for income tax purposes).

An individual is regarded as resident if he or she:

- has a permanent home in Tanzania and was present in Tanzania during any part of the year of income under consideration; or
- was present in Tanzania for a period or periods amounting in total to 183 days or more in that year of income; or
- was present in Tanzania in that year of income and in each of the two preceding years of income for periods averaging more than 122 days in each year of income; or
- is an employee or an official of the Government of the United Republic posted abroad during the year of income.

Taxable Income

Taxable income is the aggregate of various types of income, including business income, employment income (inclusive of cash and non-cash benefits), investment income, and income from pensions. Income of a resident individual is taxed on a worldwide basis. A non-resident individual is only taxable on income sourced from Tanzania. However, individuals who during the whole of their life, have been resident in Tanzania for two years or less in total are only taxed on their Tanzanian-source income. A married couple must file separate returns where both have income taxable in Tanzania

Employment Income

Taxable income from employment is widely defined and includes wages and salaries, commissions, bonuses, most allowances and fringe benefits. Traveling, entertainment and other allowances are taxable unless they represent the reimbursement of expenses incurred in the production of income. Fringe benefits or benefits in kind are generally taxable at the higher of cost to the employer or values prescribed by the Commissioner of Income Tax.

The following benefits are exempt from tax:

- passage paid by an employer between Tanzania and the employee's domicile, provided the domicile is more than 20 miles from the place of employment;
- the value of medical services provided on a non-discriminatory basis;
- contributions to approved pension funds; and
- cafeteria services provided on the premises of the employer if they are provided on a non-discriminatory basis.

Personal Assessments and Payments

The tax year is the calendar year. Tax on employment income is deducted by employers on a monthly basis through the pay-as-you-earn (PAYE) system. An individual is not required to submit a return if income is derived entirely from employment and tax has been deducted under the PAYE system.

The following employment categories have special treatment different from normal employees

Non-residents

For non resident employees (e.g. temporary employees from abroad) tax is withheld at a flat rate of 15% of the gross income from employment. This is effectively a final withholding and the amount withheld satisfies the employee's income tax liability with respect to the employment.

Directors other than full time service directors

Tax is withheld at a rate 15% to fees paid to directors other than full service director. The tax payable is non-final withholding tax.

INCOME TAX RATES

Taxable income band (TShs per month)	Tax payable on cumulative income
0 - 270,000	NIL
270,001 - 520,000	8% on excess over TShs270,000
520,001 - 760,000	20,000 plus 20% on excess over TShs 520,000
760,001 - 1,000,000	68,000 plus 25% on excess over TShs 760,000
Above 1,000,000	128,000 plus 30% on excess over TShs 1,000,000

Income earned by a resident individual is subject to tax at the graduated rates, with the exception of dividends, interest from financial institutions and rent received for the lease of land or buildings, which are all subject to final withholding tax of 10% provided the income is not received as part of carrying on a business.

Taxable income band (TShs per month) above are effect from 1 July 2017.

Taxes assessed and payable on cumulative income.

SKILLS DEVELOPMENT LEVY (SDL)

This is a tax on the employer payable to the Commissioner of Income Tax, by the employer, by the seventh day following the month-end and is calculated at 4% of employee gross cash emoluments.

SOCIAL SECURITY CONTRIBUTIONS

A contribution to the National Social Security Fund (NSSF) or Parastatal Pensions Fund (PPF) is mandatory. The combined contribution for both NSSF and PPF equates to 20% of the cash remuneration.

For NSSF, both the employer and the employee contribute 10% equally based on employee's cash remuneration. For PPF, 15% is paid by the employer and 5% is deducted by the employer from the employee's basic salary.

Non resident individuals can apply for an exemption to contribute to Social Security Fund in Tanzania provided he/she meets certain requirements.

WORKERS COMPENSATION FUND (WCF)

WCF is a statutory contribution for employers. WCF is meant to compensate workers (or their dependants if workers die) for accidents suffered and diseases contracted in the course of employment.

The amount payable is based on gross earnings. It is currently set at 0.5% of the total employees' remuneration for both the public sectors and the private sector.

The contribution is due within one month following the month of the payroll.

For further information and to register for future updates contact: expat@bdo.global

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