Indirect Tax Alert

August 2026

Non-resident electronic service suppliers: New excise duty and VAT obligations

General

This alert summarises the key indirect tax developments affecting non-resident suppliers of electronic services to customers in the United Republic of Tanzania, covering both Mainland Tanzania and Zanzibar.

In Brief

- **Mainland Tanzania**: Non-resident providers of excisable services delivered to unregistered persons are effective 1 July 2026 subject to **excise duty** with a 90-day registration window.

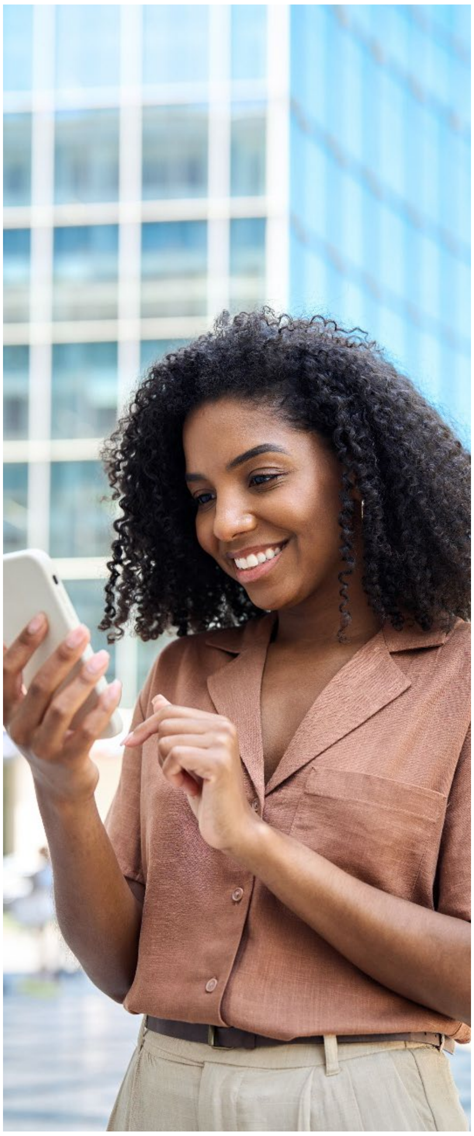
- Digital intermediaries (platforms and marketplaces) are now **deemed suppliers** for VAT purposes for the electronic services supplied.

- For the purpose of accounting for VAT, definition of ‘electronic services’ has been expanded to include a catch all category of "any other service of a similar nature”.

- **Zanzibar:** The Zanzibar Revenue Authority (ZRA) has mentioned that the VAT on electronic services system is now fully operational, with a transitional grace period for compliance up to **1 January 2027.**

A. Excise duty: Non-resident service providers

Non-resident suppliers of excisable services are now required to register and account for excise duty



The Finance Act 2026 has amended the Excise (Management and Tariff) Act to bring specified excisable services provided by non-resident providers within the excise duty net for the first time. This change results in a similar treatment to the one that was applied to domestic service providers, thereby promoting fair competition.

Scope: Services, rates, and affected persons

The following services, when delivered by a service provider through the internet or any other electronic form to consumers in Mainland Tanzania, fall within the scope of excise duty attracting duty at the rates indicated:

- Electronic communication services - 17% of dutiable value.
- Pay-to-view television services, including subscription video-on-demand streaming services - 7% of dutiable value.
- Commercial advertisement for betting, gaming or lotteries services - 10% of charges/fees.
- Money transfer and payment services - 10% of charges/fees.

A "service provider" has been defined as a non-resident person who provides or delivers the above services through the internet to an unregistered person (i.e. a resident person who is not registered or required to file excise duty returns for the same service).

Key compliance obligations

Registration: Online application to the Commissioner General.

Filing: Monthly electronic return, due on or before the 7th day of the month following the duty period.

Payment: Payment in Tanzanian Shilling (TZS) (or convertible equivalent at prevailing Bank of Tanzania exchange rate) to a designated bank account.

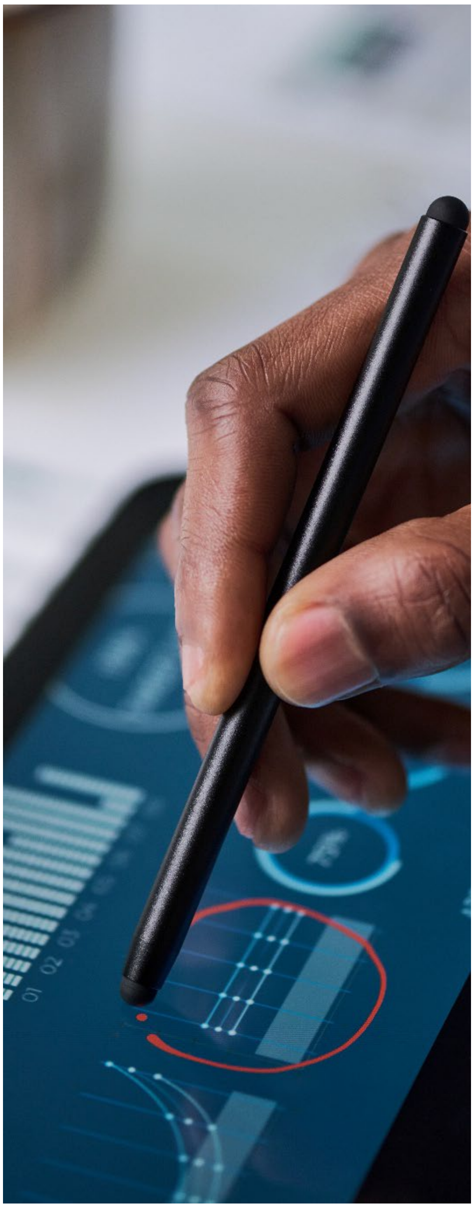
Place of supply: Determining Tanzanian nexus

Services are deemed to be delivered in Mainland Tanzania where indicators of the recipient's residence include: (i) physical address in Mainland Tanzania; (ii) bank account in Mainland Tanzania; (iii) internet protocol address or geolocation in Mainland Tanzania; (iv) mobile country code of the SIM card in Mainland Tanzania; or (v) a fixed landline through which the service is delivered in Mainland Tanzania. Where conflicting factors arise, the most reliable indicator takes precedence.

Transitional registration window

Non-resident service providers already supplying in-scope services prior to 1 July 2026 are required to register within 90 days of the Regulations coming into effect (i.e. by 29 September 2026).

Digital intermediaries are now deemed suppliers of the underlying service



B. VAT: Digital intermediaries deemed suppliers

The Finance Act 2026 amends the Value Added Tax Act to introduce a deeming provision for digital intermediaries. This shifts the VAT compliance burden from the underlying service provider to the platform operator and therefore represents a significant change for marketplaces, app stores and aggregators facilitating Business to Consumers (B2C) electronic services to Mainland Tanzanian consumers.

The deeming rule

Where an electronic service is supplied to an unregistered person in Mainland Tanzania by a digital intermediary through online intermediation services or any other digital marketplace, the operator of such online intermediation service or digital marketplace shall, for purposes of the VAT Act, be deemed to be the supplier of the service.

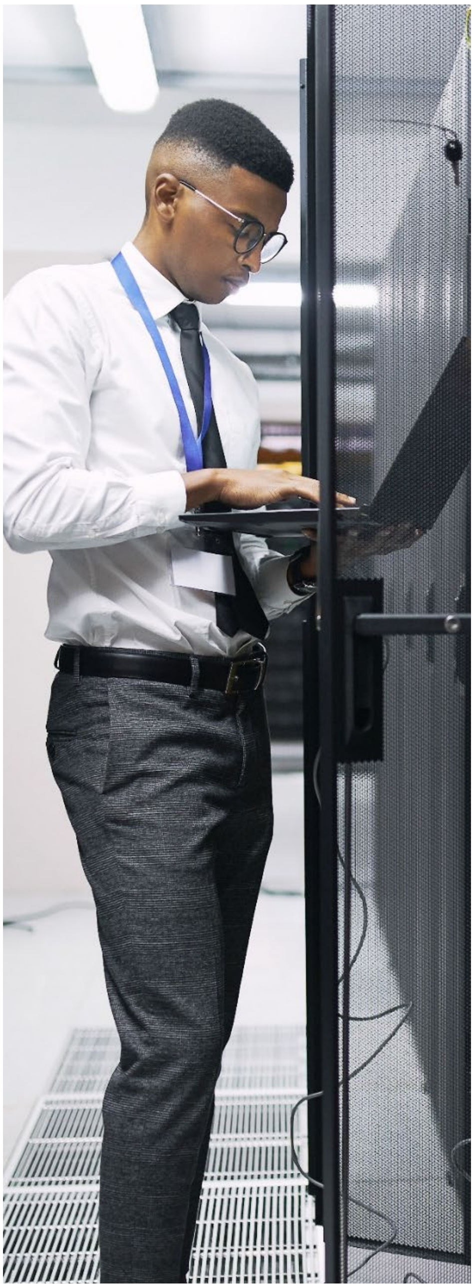
Definition of "digital intermediary"

A "digital intermediary" is defined as an electronic interface, including a website, internet portal, application, online store or digital marketplace, that allows recipients and persons offering services through the electronic interface to enter into contact which results in a sale through that electronic interface.

Practical implications

Platform operators (marketplaces, app stores, aggregators) that facilitate the supply of electronic services to Mainland Tanzanian consumers now bear the VAT compliance obligation and not the underlying service provider.

VAT registration and collection mechanism for non-resident suppliers of electronic services in Zanzibar is now fully operational. Compliance to be enforced from January 2027



C. VAT: Expanded definition of electronic services

The Finance Act 2026 amends the Value Added Tax Act by adding a new paragraph ("any other service of a similar nature") to the list of services that constitute electronic services. This converts a previously closed list into an open-ended definition, potentially widening the range of digital services that may attract VAT when supplied to Mainland Tanzanian consumers.

Practical implications

- Non-resident suppliers of digital services that do not fall specifically within the nine previously listed categories should reassess their VAT position in light of the expanded definition.
- The breadth of the residual wording introduces uncertainty as to which services are captured. In the absence of further guidance from the Tanzania Revenue Authority (TRA), a purposive interpretation suggests that any service delivered digitally to a Mainland Tanzanian consumer could potentially fall within scope.

D. Zanzibar: VAT on electronic services

Further to our November 2024 VAT Alert[1] on non-resident electronic service suppliers to non-VAT registered persons in Zanzibar, the ZRA has now issued updated guidance.

The update

The ZRA has confirmed that the scheme for non-resident businesses to register and collect VAT on qualifying supplies of electronic services is already operational. However, as an exceptional transitional measure, non-resident suppliers of electronic services have been granted time until 1 January 2027 to configure their internal systems, register and commence collecting and remitting VAT. Businesses should register now as a preparatory measure and those anticipating difficulties in meeting the deadline should contact the ZRA.

Key compliance points

- VAT rate: **18%** on electronic services to non-registered persons in Zanzibar.
- Filing: Monthly returns by the **20th** of the following month.
- Payment: In **USD** to designated ZRA bank account.

[1] https://www.pwc.co.tz/assets/pdf/vat-alert-non-resident-electronic-service-zanzibar-update.pdf

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Recommended next steps

For mainland Tanzania:

Affected non-resident businesses should:

- Assess whether their services fall within the prescribed excise duty categories;
- Initiate the online registration process with TRA without delay, particularly if already supplying services in Mainland Tanzania (90-day deadline for excise duty registration); and
- Whether they operate a digital interface that triggers the VAT deeming rule.

For Zanzibar:

- Non-residents with compliance obligations should initiate registration with the ZRA as a preparatory measure; and
- Use the transitional period to configure systems for VAT collection and remittance commencing 1 January 2027.

Let’s talk

For assistance with assessing your excise duty or VAT obligations, registration with TRA or ZRA, please contact your usual PwC adviser or any of the individuals listed.