



# Inclusive Development for a Resilient Tomorrow

National Budget Bulletin

June 2025  
PwC



# Budget at a glance

## 3.2% inflation in April 2025

This is within the medium-term target of between 3% to 5%, and within the EAC's and SADC's target range of not exceeding 8% and being between 3% and 7%, respectively.

## 5.5% real GDP growth in 2024 compared to 5.1% in 2023

The leading contributors for 2024 are agriculture (26.3%), construction (12.8%), mining and quarrying activities (10.1%) and wholesale and repairs (8.6%).

The targeted Real GDP growth in 2025 is 6%.

## 14.9% annual credit growth to private sector in April 2025 compared to 12.4% in April 2024

Credit to the private sector grew from TZS 33.76 trillion in April 2024 to TZS 38.76 trillion in April 2025.

## 18.6% decrease in current account deficit

From USD 2,733.4m (in April 2024) to USD 2,224.9m (in April 2025).

## 3.9% exchange rate depreciation

The average rate was TZS 2,684.41 per US dollar in April 2025, compared with TZS 2,584.69 per US dollar in the preceding year.

## Deficit in balance of trade

The deficit in balance of trade narrowed to USD 5,157.2 million in 2024 from USD 6,032.3 million recorded in 2023

# Budget at a glance

## Tax Administration Act

- Mandatory interfacing of taxpayer systems for issuance of electronic receipts with TRA's system
- Removal of timeline for application for a waiver of tax deposit

## Income Tax Act

- Introduction of 10% withholding tax on retained earnings
- Expansion of definition of the term "equity" for thin capitalisation purposes to include retained earnings
- Increase of Alternative Minimum Tax (AMT) rate to 1% (from 0.5%)
- Abolishment of 10-year income tax exemption for SEZ/EPZ investors selling locally

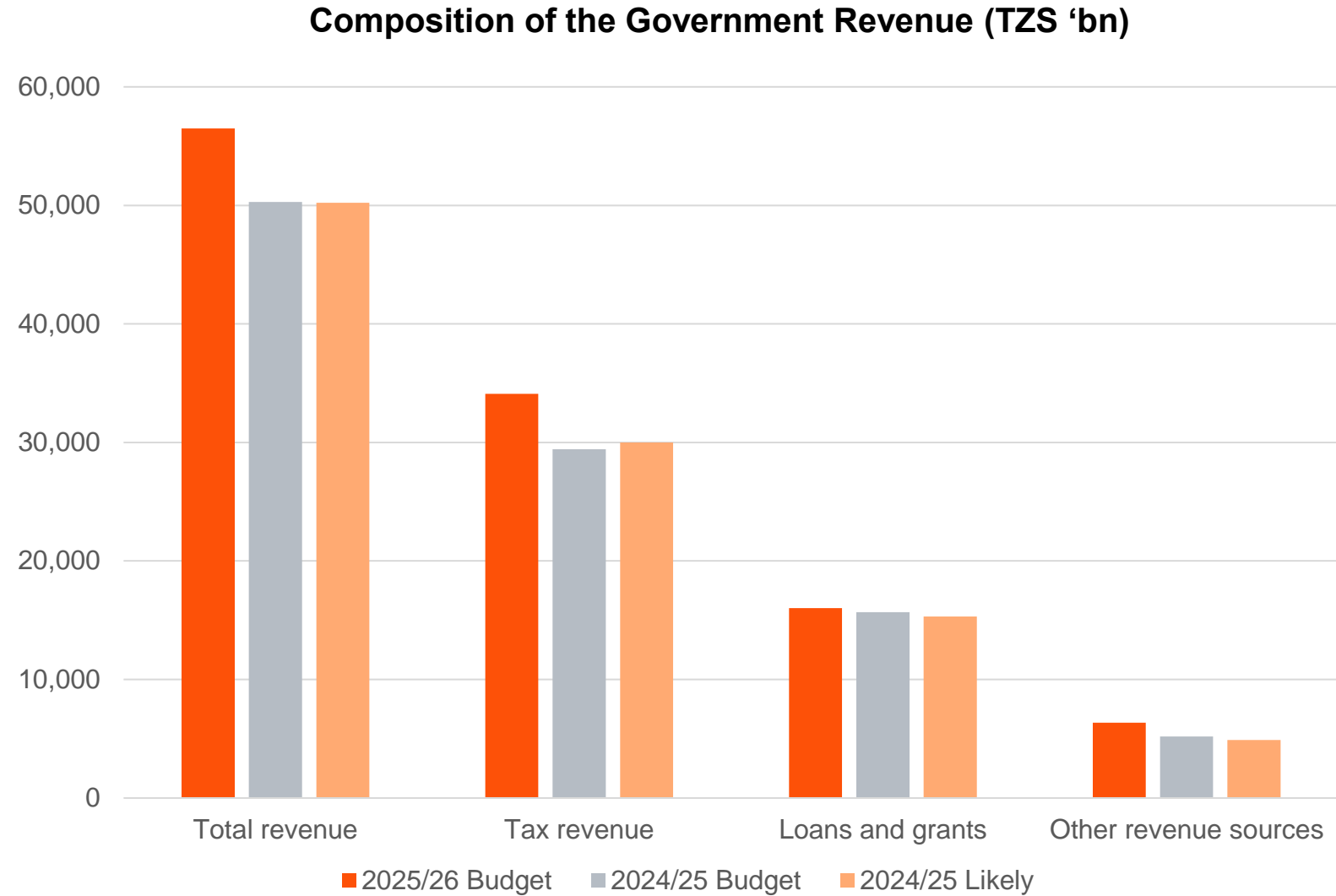
## Indirect Taxes

- Introduction of withholding VAT at 3% for specified entities
- VAT rate to be reduced from 18% to 16% on purchase of goods where payment is made online
- Imposition of Industrial Development Levy (IDL) on goods originating from East African Community Partner States
- Increase of excise duty on pay-per-view services from 5% to 10%

## Other Changes

- Mandatory travel insurance for foreigners entering Tanzania (US\$44, up to 92 days, excludes EAC/SADC citizens)
- Extension of the mandatory requirement to set aside at least 20% of gold produce for local beneficiation to all mineral right holders and dealers

# Budget at a glance



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# Commentary

# Commentary

## Budget theme

The theme for the 2025/2026 Budget agreed by the members states of the East African Community is “Inclusive Economic Transformation through Domestic Resource Mobilisation and Resilient Strategic Investment for Job Creation and Improved Livelihoods”.

In his speech of 12 June 2025, the Minister for Finance reported that government revenue raised from domestic sources increased from TZS 20.59 trillion in 2020/2021 to TZS 29.83 trillion in 2023/2024 with the domestic revenue to GDP ratio increasing to 15% in 2023/2024 from 13.7% in 2020/2021.

Furthermore, between July 2024 and May 2025, domestic revenue continued to increase reaching an average of TZS 2.83 trillion per month. According to the 2025/2026 budget estimates, domestic revenue is projected to reach TZS 40.47 trillion. This upward trend in domestic resource mobilisation reflects the government's commitment to financing development priorities internally aligning with the East African Community's budget theme.



## A holistic approach to development

The focus of the 2024/2025 Budget was the completion of strategic and flagship projects in energy and transport infrastructure, supporting the agriculture sector to ensure food self sufficiency which has generally been achieved and to improve livelihood by providing subsidies for fertilizer to cushion the impact of geopolitics.

The previous year's Budget also focused on social investment (such as education and health) and on digital transformation in various government services and especially the Tanzania Revenue Authority with revamped and new systems and improving the business environment through the implementation of the measures identified in the Blueprint for Regulatory Reforms in terms of reducing duplicity of levies and oversight by different government institutions.

The Minister promised that these initiatives will continue going forward and mentioned that the government had started working on the Second Blueprint for Regulatory Reforms to improve the business environment with the aim of facilitating both domestic and foreign investment to provide employment opportunities and increasing competitiveness.

The regulatory reforms are also aimed at assisting the formalisation of the informal economy by making it easier to operate in the formal sector.

A large, bold, orange graphic of the number '6' followed by a percentage sign '%', representing the target real GDP growth.

**Target real GDP growth**

## **Solid Ground, Bold Goals: Tanzania's Fiscal and Economic Trajectory**

Tanzania enters the 2025/26 fiscal year with a solid macroeconomic foundation, having closed 2024 with real GDP growth of 5.5%, marginally exceeding the government's 5.4% target. Inflation was contained at an average of 3.1%, well within the medium-term objective of 3-5%.

The current account deficit narrowed to USD 2.2 billion in April 2025 from USD 2.7 billion in April 2024 due to increased domestic production and improvement in export performance.

Public debt remains within sustainable thresholds, with the public debt-to-GDP ratio at 40.3% and external debt-to-exports at 123.8%. Moody's conducted its first review of the sovereign rating for 2025 and maintained Tanzania's credit rating at B1 stable and Fitch's review results are expected to be announced soon and the expectation is that the B+ stable rating will be maintained.

For FY 2025/26, the government is aiming for real GDP growth of 6.0%, underpinned by private sector led investment and enhanced agricultural productivity.

Inflation is forecast to remain within the 3-5% limit supported by stable global commodity prices and domestic food security initiatives.

Domestic revenue is projected to rise to 16.7% of GDP with the tax-to-GDP ratio targeted at 13.3% reflecting both improved revenue mobilisation supported by continued digital transformation of the tax administration and the use of integrated information systems specifically from a fiscal perspective.

The fiscal deficit is expected to reduce to 3.0% of GDP, with foreign exchange reserves to be maintained at a minimum of four months' import cover with the Bank of Tanzania continuing the diversification policy started last year of holding gold as part of the foreign exchange reserves basket to provide a buffer against external shocks.

# Commentary



## On the tax front some of the key proposed changes are:

### Mandatory travel insurance

Borrowing a leaf from Zanzibar, the Minister is proposing introducing a mandatory travel insurance fee of USD 44 for foreigners that are non-EAC/SADC. Like Zanzibar, it would cover for health emergencies but also baggage delays and theft.

The insurance is supposed to be run in partnership between private sector insurance companies and the National Insurance Corporation.

Although the aim is to enhance visitor protection while supporting the local insurance market, there is a risk that additional entry costs could reduce Tanzania's competitiveness as a tourist destination, particularly compared to regional peers without such levies.

### Reduction of VAT to 16% for online payments

In a significant move to support digital commerce, reduce the use of hard currency and improving access to information for various government agencies, there is proposal to reduce the VAT rate from 18% to 16% on the purchase of goods (eg supermarkets, restaurants, etc) when the payment is made using a card or mobile money (i.e. online payment).

This is targeted at business to customers (B2C) with the aim to increase formalisation and digital adoption.

The proposed measure will be more welcomed by consumers in cities. However, businesses will need to adapt and amend their systems to accommodate this dual VAT rate depending on the mode of payment and also will need to retain sufficient information to justify charging the lower VAT rate during a TRA audit.

In addition, the potential cost of system changes and access to technology for SMEs must be addressed to avoid exclusion and unintended regressions into the informal sector.

# Commentary



## On the tax front some of the key proposed changes are:

### Mining projects now eligible for strategic investor status

The Minister also mentioned that mining projects where a framework agreement has been signed between the government and the investor will be recognised as strategic investors regardless of the investment amount.

The aim of the measure is to attract investment in the mining sector and increase the sector's contribution to economic growth. In the vast majority of cases, the investment for mining projects would meet the threshold of strategic investor as the threshold is USD 50m for foreign investors. Until now mining companies were not eligible to register under the TIC.

Although we expect the Finance Bill to have more information on the practicalities, this may be a welcomed move by the industry as there are a number of indirect tax benefits that a strategic investor automatically gets in terms of reduction of custom duties and VAT on importation which may reduce the cost of establishing a mine.

### Health-driven tax: sausages, crisps and ice cream to become pricier

Finally, it might be an idea to stockpile sausages, crisps and ice cream before 1 July as these will become more expensive!

The Minister has proposed to impose excise duties on these items at the rate 10% for imported ones and 5% for locally manufactured ones on health policy grounds.

While well-intentioned, these changes may incentivise substitution to untaxed but similarly unhealthy alternatives.

Close monitoring and education campaigns will be necessary to ensure that the measures deliver the desired behavioural change.



**More details on proposed tax changes are provided in the next sections**



# Tax and other legislative changes

# Tax Administration

## Requirement to interface taxpayer system for issuance of electronic receipts with that of TRA

The speech proposes linkage of system used by a taxpayer for issuance of electronic receipts with that of the TRA.

**Comment:** Currently, TRA receives information or data from a taxpayer regarding electronic receipts once the invoice is issued through the Electronic Fiscal Device Management System. Therefore, it is unclear whether the intention of the amendments is to link taxpayers' accounting systems (for example SAP or Oracle) to the TRA system.

## Removal of timeline for application for a waiver of tax deposit

From the reading of the Budget speech, it appears that there is a proposal to remove the 15 day timeline to apply for a waiver of tax deposit required to admit the objection.

**Comment:** The proposal aims to provide taxpayers sufficient time to submit a waiver application. It is not clear what will happen in a scenario where there is no decision on waiver application by the due date of payment of the tax deposit (for instance where an application for waiver is lodged on the last day of the objection deadline). We await the Finance Bill to get more clarity on this change.



# Income Tax

## Abolition of 10-year Income Tax exemption for special economic zone (SEZ/EPZ) investors selling goods and services locally

The Budget speech proposes to abolish the income tax exemption for SEZ/EPZ investors who sell goods and services within the domestic market.

**Comment:** The proposed change is consistent with the intentions of the EPZ incentives and will be a new treatment for SEZ investors. The move aims to create a more equitable environment for SEZ/EPZ investors and domestic producers.

However, the proposed changes could affect investment in value addition for the extractive sector, particularly since the law also requires that a portion of minerals is set aside to be traded locally. The question is whether the holiday will be completely removed or is it only profits from local sales that should be taxed.

## Introduction of a 2% withholding tax on purchases of raw salt

The Budget speech proposes to introduce a 2% withholding tax on payments derived by producers of raw salt who hold a Primary Mining License or are artisanal miners.

**Comment:** The aim is to ease tax collection in this sector and create a level playing field with artisanal miners dealing with precious metals, gemstones and precious stones.



# Income Tax

## Loss restriction - offset reduced to 60% of current year profits for extractive sector

The Budget speech proposes to restrict the utilisation of tax loss to 60% (previously 70%) of the chargeable income (before brought forward losses) for mining, petroleum and oil and gas sectors (with the residual loss carried forward).

**Comment:** The proposed amendment would align the tax loss utilisation restriction percentage for the extractive sector with the general tax loss restriction (which was amended through the Finance Act 2024 from 70% to 60%).

By limiting the amount of losses that can be offset against future profits, the government aims to ensure that profitable entities begin contributing to tax revenues sooner, while still allowing partial relief for prior tax losses.



## Increase of Alternative Minimum Tax (AMT) rate to 1% (from 0.5%)

The Budget speech proposes to increase the AMT rate to 1%. The rate used to be 0.3% and it was increased to 0.5% by the Finance Act 2018.

**Comment:** The rate applies to companies with perpetual unrelieved losses for three consecutive years. However, exemptions remain for companies engaged in agricultural business, tea processing (until 30 June 2027) and the provision of health and education services.

This measure is intended to enhance domestic revenue mobilisation by ensuring that persistently loss making entities contribute a minimum tax.

# Income Tax

## Introduction of a 10% withholding tax on retained earnings

The Budget speech proposes to introduce a 10% withholding tax on the amount of retained earnings after a period of six months.

**Comment:** This change will potentially bring a lot of challenges from a practical perspective. Retained earnings have various uses including expansion of current business. This change forces an entity to declare dividends, which normally is a choice and not a statutory requirement. Some challenges include:

- (i) reconciliation and keeping track of the amount of retained earnings being taxed so that there is no double taxation in future;
- (ii) whether a credit will be granted to a taxpayer at the time of payment of actual dividends; and
- (iii) cashflow constraint because the tax is payable even if the retained earnings are not distributed.

Additionally, where the entity decides to reinvest the retained earnings into the business, this change will be punitive as only 90% of the retained earnings will be available for utilisation (notwithstanding the fact that the amount (profits) have already been taxed at 30%).

We await the wording of the law in the Finance Bill to get more clarity on this change.



# Income Tax

## Expansion of definition of “equity” for thin capitalisation purposes to include retained earnings

The Budget proposes to include retained earnings in the definition of the term “equity”.

**Comment:** The definition of equity was amended by the Finance Act (FA) 2022 to exclude retained earnings and share premium and is currently limited to paid-up share capital. The proposed amendment seeks to broaden this definition (reverting partly to the definition before the FA 2022 amendments), thereby improving the debt-to-equity ratio for the purposes of thin capitalisation rules, which govern the deductibility of interest for corporate income tax. In his speech, the Minister for Finance mentioned that the intention of the change is to stimulate the inflow of debt financing into economic activity.

A better alternative to the current thin capitalisation rules would have been to use a mechanism that aligns with an entity’s profitability so that interest deductions depend on the company’s ability to generate income instead of a fixed ratio which may not work for all business types.

## Introduction of 3.5% income tax on sale of forest products

The Budget speech proposes to introduce income tax at a rate of 3.5% on the sale of forest products through a mechanism of a single instalment tax for each consignment.

**Comment:** While the Income Tax Act, 2004 already classifies forestry under agricultural business, this measure introduces a distinct turnover-based tax on forest product sales. The change aims at formalising the sector as it was difficult to regulate it in the past due to its informal nature and fragmented value chains.

# Income Tax

## Introduction of income tax relief for small transport operators and amendments to existing tax rates for other vehicles

The Budget speech proposes income tax relief for two-wheeled and three-wheeled motorcycles and goods carrying vehicles with a load capacity not exceeding 500 kilograms.

Additionally, the speech proposes changes in presumptive income tax for other vehicles depending on the type and load capacity of the vehicle. The proposed changes have been summarised in the table on the right.

**Comment:** The proposal aims to provide tax relief to small operators encouraging self-sustaining individuals.

Current Practice			Proposed Amendments	
<b>Class A: Passenger Service Vehicles</b>				
No.	No. of Passenger	Rates (TZS)	No. of Passenger	Rates (TZS)
1	N/A	N/A	Passenger not exceeding 5	120,000
2	Passenger not Exceeding 15	250,000	Passenger from 5 to 15	250,000
<b>Class C: Goods Carrying vehicle</b>				
No.	Weight	Rates (TZS)	Weight	Rates (TZS)
1	N/A	N/A	Weight not more than 500kg	120,000
2	Weight not more than 1Tonne	250,000	Weight of 500 kg and not more than 1Tonne	250,000
<b>Class D: Private Hire Service Vehicles</b>				
No.	Type	Rates (TZS)	Type	Rates (TZS)
1	Motorcycle	65,000	Motorcycle	N/A
2	Tricycle	120,000	Tricycle	N/A

# Income Tax

## Other withholding tax amendments

The speech provides for the following changes to expand the tax base:

- Introduction of a 10% final withholding tax on commissions from sports betting advertisements.
- Increase of withholding tax rate on insurance and re-insurance premium payments made to non-resident companies from 5% to 10%.
- Increase the final withholding tax rate on payments for technical and management services provided in the extractive sector from 5% to 10%. The proposed amendment refers to technical professional services although the legislation refers to technical services.



# Mining Act

## **Mandatory requirement to set aside at least 20% gold produce for local beneficiation**

The Budget speech proposes to extend the requirement to set aside at least 20% of gold produced for smelting, refining, and trading in the country to all mineral right holders and dealers.

**Comment:** The Finance Act 2024 introduced this requirement, however mineral right holders and dealers whose contracts with the GoT provided otherwise, were exempted. This requirement should be implemented by completing negotiations with the GoT, followed by amending the relevant contracts within 30 days from the enactment of the Finance Act, 2025 (i.e. by 30 July 2025).

The measure aims to promote local value addition, supporting the growth of domestic refining capacity, and strengthening Tanzania's foreign exchange reserves.

The implementation of this measure could be challenging given the short timeline to renegotiate the existing contracts and any existing supply contracts the mining companies already have.

## **Introduction of a 0.1% levy on gross market value of minerals**

The Budget speech proposes to introduce a levy of 0.1% on the gross market value of minerals.

**Comment:** This measure is designed to generate additional government revenue with 70% of the additional revenue generated to be remitted to the AIDS Trust Fund and 30% to the Universal Health Coverage Fund.

# Gaming Act

## Increase in the winning tax rates

The Budget speech proposes to increase the winning tax rates for sports betting and land-based casino games from 10% to 15% and 12% to 15% respectively.

**Comment:** The increase is part of the broader fiscal strategy to increase domestic revenue collection, particularly to support the AIDS Trust Fund and the Universal Health Coverage Fund.



# Value Added Tax

Item	Purpose/Comment/Condition
<b>New VAT Exemptions</b>	
Pesticides under HS Codes 3808.61.00, 3808.62.00 and 3808.69.00	To enhance accessibility to farmers and increase crop production in the country.
Re-insurance transactions between insurance and reinsurance companies	To increase local competitiveness, encourage use of insurance and promote growth of the insurance sector.  <b>Comment:</b> A commendable change as there was no value addition in the re-insurance process.
Natural Gas sold to Compressed Natural Gas (CNG) stations for motor vehicles use only	To attract investments in CNG stations, reduce carbon emissions and dependence on oil.  <b>Comment:</b> Very positive change to allow the nascent CNG sector to grow. As the final product (CNG) is exempt, providers of CNG could not claim VAT that was charged on the purchase of the raw material being the natural gas.  We are not sure why there is a restriction “for motor vehicles use only” and how will the natural gas sellers be able to tell that the buyers once they convert it to CNG will not use it for motor vehicles. It could be made easier by not restricting.
Cooking gas tanks and cylinders (HS code 7311.00.10) and carbonization furnace (8417.80.00)	To reduce cost of acquisition and encourage clean cooking.

# Value Added Tax

Item	Purpose/Comment/Condition
<b>Extended exemption</b>	
Locally produced edible oil	Making the exemption permanent rather than one-year as initially granted by the Finance Act 2024. The measure aims to maintain relief in edible oil prices.
<b>Removal of Exemptions</b>	
Purchase and importation of gaming supplies	To enhance revenue collection and promote tax equity between different sports.
Bitumen classified under HS Codes 2713.20.00 and 2715.00.00	To reduce ineffective exemptions and protect government revenue.
Imported newspaper (exemption is proposed to be maintained only on locally published newspapers)	<p>To continue to make news more accessible.</p> <p><b>Comment:</b> Currently VAT exemption applies on importation and supply of newspapers under HS code 4902.10.00 and 4902.90.00.</p> <p>The proposal excludes imported newspapers from the VAT exemption.</p> <p>There has been an increase in number of digital/ online newspapers, but it is unclear whether the VAT exemption also covers electronically published newspapers. There is a need for stakeholders to ensure this is clarified before issuance of the Finance Act to avoid potential interpretation challenges.</p>

# Value Added Tax

## Clarity to some already existing exemptions

1

VAT exemption on tractor tires (HS Code 4011.70.00), dam liners (Heading 39.20), forks (HS Code 8201.90.00), rakes (HS Code 8201.30.00), and axes (HS Code 8201.40.00) - a condition has been imposed for exemption to be granted upon approval from the Minister responsible for agriculture.

2

Replacing the term “Liquified Petroleum and Natural Gases” with “Liquified Petroleum Gas” to improve clarity, align with current energy sector terminology, and address implementation challenges due to outdated language.

3

Replacing “Compressed Petroleum and Natural Gases” with “Compressed Natural Gas for Motor Vehicles” to improve clarity and reflect current terminology in the oil sector, as “Compressed Petroleum” is no longer in use due to technological advancements.

4

Replacing the exemption on non-CNG equipment (such as natural gas pipes, metering equipment, etc.) with CNG compressors and CNG metering equipment as the relevant items qualifying for the exemption.

5

Replacing the term “Compressed or Liquified gas cylinders for petroleum and natural gas for cooking” with “Liquified Petroleum Gas (LPG) cylinders for cooking”. This aligns with clean energy goals and reflects that CNG cylinders are not used for cooking due to technological advancements.

# Value Added Tax

## Zero rating of supplies

Item	Purpose/Comment/Condition
Locally produced fertilizers	<p>Zero rating for three years to 30 June 2028. The measure is designed to provide cost relief to farmers.</p> <p><b>Comment:</b> A long-term commitment (3 years) is commendable (rather than yearly extensions) as it provides certainty to investors in the fertilizer industry.</p>
Textile products (fabric and garments) made from locally grown cotton	<p>Zero rating for one year to 30 June 2016. The measure is designed to support farmers and textile industries in Tanzania by offering relief amid global trade tensions.</p> <p><b>Comment:</b> Previously, the zero rate was granted to locally manufactured garments made from locally grown cotton for a period of one year (to 30 June 2025). The change makes it clearer.</p>

# Value Added Tax

## Other VAT changes

Item	Purpose/Comment/Condition
Scope of online intermediation services to include online marketplace platforms and network marketing platforms.	This aims at widening the tax base and improve tax collection and administration by addressing current gaps in the electronic services tax base.
Scope of financial intermediaries (online intermediation payment platforms) to include non-resident online payment services platforms that use the infrastructure of other service providers.	This aims to widen the tax base.
VAT at 16% on the purchase of goods where payment is made online for B2C transactions - consumer must confirm that the payment invoice issued contains the correct amount of the transaction.	<p>The initiative is designed to promote digital payments, minimise cash transactions, and streamline tax processes by improving access to transaction data.</p> <p><b>Comment:</b> This is a very positive change and will greatly assist with the growth of financial inclusion and traceability of transactions. However, it is unclear how this change will be implemented as VAT is charged by the supplier while the obligation to confirm compliance with the criterion to charge VAT at 16% falls on the consumer.</p>
A system will be introduced to collect VAT directly from payments made to registered sellers. Under this system, certain entities (including the Ministry of Finance, government institutions) that collect and retain revenue, and VAT-registered taxpayers (as outlined in the VAT Collection Agency Regulations) will act as agents responsible for withholding 3% VAT and remitting it to the TRA.	<p>The goal is to enhance the efficiency of VAT revenue collection.</p> <p><b>Comment:</b> This is the introduction of a Withholding VAT (WVAT) concept to Tanzanian VAT system. The WVAT is not a new concept and has been used in other jurisdictions (e.g. Zambia, Ghana), to enforce compliance and timely payment of VAT. However, it may be prudent to consider excluding VAT registered taxpayers with a good track record of compliance from WVAT to reduce the compliance burden and simplify tax compliance.</p>

# Excise Duty

## New introductions

Item	Purposed rate	Purpose/Commentary
Crips (HS Codes 1905.90.90; 2005.20.00 and 2008.99.00)	Local - TZS 50 per kg	To limit excessive consumption due to health risks and increase government revenue.
	Imported - TZS 100 per kg	
Ice cream and other edible ice, whether or not containing cocoa (HS Code 2105.00.00)	Local - 5%	
	Imported - 10%	
Sausages (HS Code 1601.00.00)	Locally manufactured - 5%	
	Imported -10%	
Imported soap (HS Codes 3401.11.00; 3401.19.00; 3402.50.00; 3402.90.00).	10%	To protect local manufacturers and promote local investments.
Imported matches under heading 36.05.	TZS 400 per kg	
Local supply and importation of imitation jewellery with heading 71.17.	10%	To broaden tax base.

# Excise Duty

## New introductions

Item	Purposed rate	Purpose/Commentary
Imported margarine with heading 15.17.	TZS 500 per kilogram	To protect local manufacturers of peanut butter as margarine acts as a substitute.
Imported used tableware, kitchenware and other related products, of plastic, wood, iron and aluminium under HS Codes 3924.10.00; 3924.90.00; 7323.91.00; 7323.92.00; 7323.93.00; 7323.94.00; 7323.99.00; 7418.10.00; 7615.10.10; 7615.10.90; heading 44.19; and 82.15)	20%	To discourage consumption and increase government revenue.
Locally manufactured and imported fireworks (HS Code 3604.10.00)	25%	
Locally manufactured and imported parts of electronic cigarettes (HS Code 8543.90.00) and electronic cigarettes consumable liquids (HS Code 2404.12.00)	30%	To discourage consumption and increase government revenue.  This change harmonies the excise duty on parts of electronic cigarette to that applicable on cigarettes.
Carbon-based produced from coal and natural gas	TZS 22,000 (approximately 8 US\$) per metric ton	To discourage consumption and increase government revenue.

# Excise Duty

## Increased and reduced tariffs

Proposed change	Purpose/Comment
<b>Reduced Tariffs</b>	
Reduction of excise duty to TZS 4,000 and TZS 5,000 per litre on locally produced ethyl alcohol and imported undenatured ethyl alcohol (80% vol or higher) respectively	To ease the burden of duty payments and protect local manufacturers.
Reduction of excise duty to TZS 134.2 per litre on locally manufactured energy drinks (HS Code 2202.99.00)	Relief to local manufacturers, boost competitiveness and promote investment.
<b>Increased Tarrifs</b>	
Increase excise duty from 5% to 10% on pay per view	This aims at broadening tax base and enhance government revenue
Increase excise duty from 20% to 25% on imported furniture under heading 94.03	This aims to protect and promote local investment.
To increase excise duty from TZS 0.45 to TZS 0.55 per cubic feet of natural gas.	This aims to strengthen fiscal sustainability while aligning with current economic conditions and inflationary trends.
Introduce 10% excise duty on the service providers of money transfer and payment system who employs independent systems other than financial or telecommunication systems	This aims to broadening tax base and enhance the equity and fairness principle of taxation as, currently, money transfer service providers who employ financial or telecommunication systems are required to charge excise duty at 10% on these services.
To include manufacturers of wine under heading 22.05 who use ethanol as a raw material in the excise duty offsetting mechanism.	This aims to enhance the equity principle of taxation.

# Excise Duty

Proposed change	Purpose/Comment
<b>Excise duty Exemption</b>  To exempt excise duty on un-denatured ethyl alcohol under HS Code 2207.10.00 used in manufacturing of goods other than alcohol, such as food flavour.	<b>Condition:</b> The exemption will be granted upon recommendations and approval by the responsible Minister in the respective use.  <b>Commentary:</b> This aims to reduce production costs, enhance competitiveness and increase exportation of these products.

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Removal of licensing fees of TZS 300,000 for manufacturers and importers of excisable goods which aligns with the government objective to lower the cost of doing business in Tanzania.

# Other Indirect Taxes

## The Investment and Special Economic Zones Act

The following are proposed amendments in the Investment and Special Economic Zones Act, 2025

### **75% exemption of import duty on imported deemed capital goods to investors under Special Economic Zones**

To continue providing relief to investors by reducing the costs of materials, there is a proposal to include a provision that grants 75% exemption of import duty for deemed capital goods imported by investors who are registered under the Investment and Special Economic Zones Act, 2025 (SEZ Act, 2025).

**Comment:** This is a commendable change as it ensures consistency in incentives to investors (a similar incentive is currently available to investors under the Tanzania Investment Center).



## Exclusion of specified products from exemptions

A proposal to exclude sugar, beverages, roofing sheets, air conditioners, cement, PVC, HDPE pipes and cutleries from tax exemptions which are available under the SEZ Act, 2025.

**Comment:** Lack of exemption on items like air conditioners may result in high cost of setting up for investors in sectors like hospitality (hotels and real estate) who usually need a huge number of these pieces of equipment.

## Strategic investment status for investors in the mining sector with framework agreement with the Government

The proposal suggests granting strategic investment status to mining projects that have signed framework agreements with the Government. This aims to attract more investment into the mining sector and boost its contribution to economic growth.

**Comment:** Most mining projects are likely to qualify for strategic investor status, given the threshold of USD 50 million for foreign investors. Historically, mining companies were not eligible to register under the Tanzania Investment Centre (TIC), but this may change under this proposal. While further details are expected in the Finance Bill, the move is likely to be welcomed by the industry as strategic investor status comes with several tax incentives, including reduced customs duties, withholding tax, and VAT on imports—potentially lowering the overall cost of establishing mining operations.

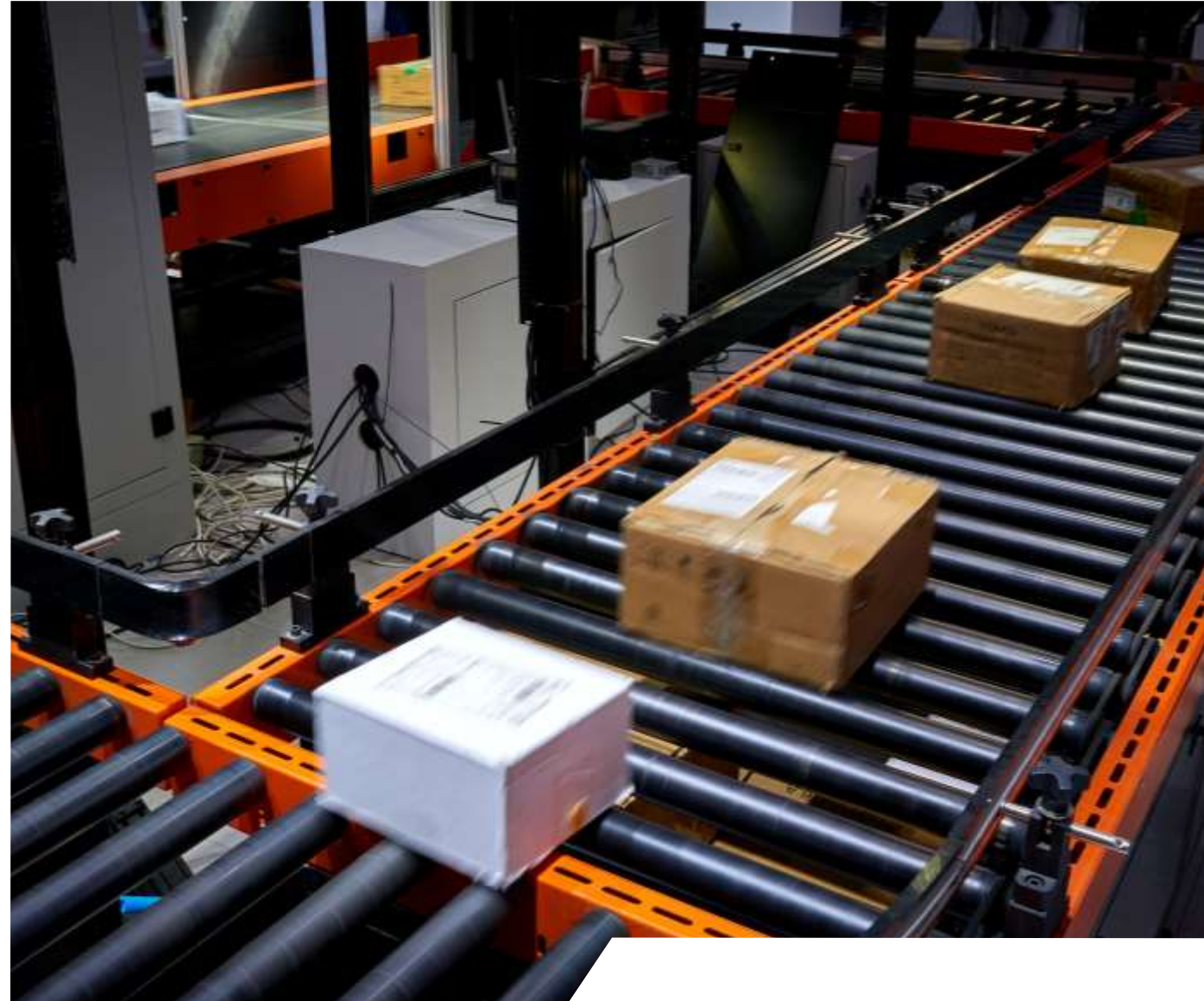
# Other Indirect Taxes

## Import Control

The Finance Act 2024 introduced an Industrial Development Levy (IDL) on importation of selected goods to protect and support local manufacturing, stimulate investment and boost exports. As mentioned in the FY24/25 Budget speech, the Government continued to assess other imported goods that are produced by local manufactures on which IDL may be charged.

In FY25/26 budget speech, the Minister proposes to introduce the following changes in respect of IDL:

**(i) Impose IDL on additional imported goods - see table below**



# Other Indirect Taxes

Item	HS code/Heading	Proposed rate (%)
Kitchenware, tableware and other household articles of plastic	39.24	10
Road tractors	8701.21.90; 8701.22.90; 8701.23.90; 8701.24.90; and 8701.29.90	10
Prefabricated buildings	9406.10.90; 9406.20.90 and 9406.90.90	10
Bars and rods	7214.10.00; 7214.20.00; 7214.30.00; 7214.91.00; 7214.99.00; 7213.10.00; 7213.20.00; and 7213.99.00	10
Nails, tacks, drawing pins, staples and similar articles, of iron or steel	7317.00.00	5
Furnitures	94.03	10
Flat rolled products	7209.16.00; 7209.17.00; 7209.18.00; 7209.25.00; 7209.26.00; 7209.27.00; 7209.28.00; 7209.90.00; 7210.30.00; 7210.41.00; 7210.49.00; 7210.61.00; 7210.69.00; 7210.70.00; 7210.90.00; 7211.23.00; 7211.90.00; 7212.20.00; 7212.30.00; 7212.40.00; 7212.50.00; 7212.60.00; 7225.50.00; 7225.91.00; 7225.92.00; 7225.99.00; 7226.92.00; and 7226.99.00	15
Glasses	003.12.00; 7003.19.00; 7003.20.00; 7003.30.00; 7004.20.00; 7004.90.00; 7005.10.00; 7005.21.00; 7005.29.00; 7005.30.00; 7006.00.00; 7007.11.00; 7007.19.00; 7007.21.00; 7007.29.00; 7008.00.00; 7009.91.00; and 7009.92.00	10
Ceramic tiles	6907.21.00; 6907.22.00; 6907.23.00; 6907.30.00; and 6907.40.00	10 or TZS 4,500, whichever is higher

# Other Indirect Taxes

## **(ii) Inclusion of goods originating from East African Community Partner States in the IDL regime**

There is a proposal to impose IDL on selected imported goods, even where such goods originate from EAC Partner States and meet the EAC Rules of Origin. Currently imports originating from East African Community (EAC) Partner States are exempted from imposition of IDL.

**Comment:** In addition to making import of goods more costly, imposition of IDL on imports from EAC Partner States is likely to be interpreted as a “tariff barrier” which is against the common market initiatives. It remains to be seen how this change will be viewed by other Partner States and the impact that it will have on businesses.

## **(iii) IDL exemption on imported cement clinker**

The Minister proposes to exempt cement clinker under HS code 2523.10.00 from IDL (currently subject to IDL at 10%) to reduce cost of production to non-integrated cement manufacturing entities who import this raw material.

## **Local Government Finance Act**

To lower cost of doing business, promote investment and standardise rates across local authorities, the following amendments have been proposed in the Local Government Finance Act:

- Reduce service levy from a variable rate (of up to 0.3%) to a fixed 0.25% of gross revenue
- Reduce the hotel levy rate from 10% to 2%
- Eliminate loading and offloading fees charged by Local Government Authorities related to transportation of goods

**Comment:** This is a commendable change in improving business environment in Tanzania. However, businesses with significant turnover e.g. banks, telecommunication and manufacturers of fast-moving consumer goods, would have expected a much lower service levy rate, or a separate service levy regime. Hopefully, this will be approved by the parliamentarians as the same is going to affect revenues in their respective local governments.

# Other Indirect Taxes

## Export Tax

To protect local manufactures of wood products by promoting availability of raw materials locally, the Minister proposes to introduce export levy of 30% or TZS 150 per Kilogram, whichever is higher on export of veneer with HS code 44.08.

**Comment:** Despite the good intention to promote local manufacturers, the introduced export tax may have unintended adverse consequences to producers of veneer who may have to accept lower prices from local customers.

## Wildlife Management Act

The proposal to amend the Wildlife Management Act to outline how revenue from tourist hunting, photographic tourism, and donations in Game Reserves, Game Controlled Areas, Open Areas, and Wildlife Management Areas (WMAs) will be distributed to support conservation and community development efforts.

## National Parks Act and Ngorongoro Conservation Area Act

Changing the current revenue allocation model of depositing 91% of funds into the Consolidated Fund to a new structure where 51% of funds will be deposited to a special account at the Bank of Tanzania (with spending subject to Paymaster General approval) and 40% to the Consolidated Fund.



# Revenue Sources for HIV/AIDS Control and Financing of Universal Health Coverage

Due to reduced international funding, especially HIV/AIDS programs, the Government plans to amend laws to create a domestic revenue source. 70% of the new funds will go to the AIDS Trust Fund, and 30% to the Universal Health Fund. The proposed amendments are as follows:

- Increase excise duty rate by TZS 20 per litre on wine and other fermented beverages (under headings 22.04; 22.05; 22.06); by TZS 50 per litre on spirits liquors and other spirituous beverages (under heading 22.08) (Excise (Management and Tariff) Act)
- Increase excise duty rate on electronic communication services from 17% to 17.5% (Excise (Management and Tariff) Act)
- Introduce fuel levy of TZS 10 per litre on fuel (petrol, diesel and kerosene)
- Introduce a levy of 0.1% on gross market value of minerals (Mining Act);
- An increase in winning tax on sports betting from 10% to 15%, and on land-based casinos from 12% to 15% (Gaming Act).
- A levy on imported vehicles and heavy machinery, ranging from TZS 50,000 to TZS 250,000, based on engine capacity and type.

**Comment:** This change imposes additional excise duty on already excisable goods like fermented beverages, electronic communication services and imported vehicles despite a three-year excise duty freeze that the Government announced in 2023.

Furthermore, from the speech it is not clear what measures will be put in place to ringfence the collected funds to ensure they are spent to achieve the targeted goal.

# Amendment of Various Government Fees and Levies of the Government Agency and the Implementation of the Blueprint Improvement Plan

## Ministry of Livestock and Fisheries

### Livestock Sector

Reduction of the export and market fees at border livestock markets for:

- Cattle and other large animals from TZS 31,000 to TZS 30,000, and
- Sheep and goats from TZS 7,000 to TZS 6,500

### Fisheries sector

Amendment of various levies on the fisheries sector and addition reduction of import fee for fin fish from USD 2.5 to TZS 1,300 per kg of the fish (excluding tilapia).

## Ministry of Natural Resources and Tourism

To streamline licensing and promote fairness, Group A and Group B approved accommodation facilities will be merged under a single category: Approved Accommodation Facilities. Alongside this consolidation, the license fee will be reduced from USD 800 to TZS 766,500, aligning it more closely with fees for similar service categories.

### **BASATA; Tanzania Bureau of Standards (TBS); Weight and Measure Agency (WMA)**

Amendment of various fees and levies by the Authorities/ Agencies.

### **Occupational Safety and Health Agency (OSHA)**

Cap interest on fines at 100% of the original fine, replacing the current system which imposes a 5% daily interest rate. This is to ensure fairness in penalty charges.

# Administrative and Other Changes

## Trade and Service Marks Act

It is proposed to amend the Trade and Service Marks Act to authorise the Fair Competition Commission (FCC) to oversee recordation for combating counterfeit goods produced domestic and those which are imported. To implement this role the Merchandise Marks (Recordation) Regulations, 2025 will be enacted.

**Comment:** This proposed change aligns Tanzania's IP enforcement with the global standards observed in countries like Kenya, China, and the United States. However potential implementation challenges could include the need for capacity building within the FCC to manage the recordation process efficiently.

## Insurance Act

The amendment proposes mandatory travel insurance for visitors to Tanzania priced at USD 44, excluding EAC/SADC citizens, covering emergencies for up to 92 days.

**Comment:** The initiative aligns with regional trends, aiming to protect visitors and alleviate public healthcare pressures. It supports tourism resilience and boosts the domestic insurance market but may face integration challenges and affect Tanzania's competitiveness for travellers from lower-income countries.

# Administrative and Other Changes

## The Planning Commission Act

The Budget speech proposes to introduce a requirement to appraise public investments projects before approving them. The aim of this measure is to ensure transparency in doing such appraisals and to devise strategies for mitigation of effects of such investments.

## The Road Traffic (Motor Vehicles Registration) Regulations 2024

The Budget Speech proposes the following:

- Reduction of registration fees for commercial motorcycles to TZS 170,000 (from TZS 340,000), payable at the time of registration;
- Repeal of the annual presumptive tax of TZS 290,000 with it being instead replaced with a one-time payment of TZS 120,000 (includes fee and presumptive tax) which is payable at registration; and
- Reduction of motorcycle and tricycle license fee to TZS 30,000 (from TZS 70,000).

## The Budget Act and the Public Finance Act

The Budget speech proposes to establish a requirement for Ministries, Government Institutions, Agencies, and Local Government Authorities to consult the Minister responsible for Finance before introducing any new levies or fees, or when reviewing existing ones.

**Comment:** The change is intended to empower the Ministry to more effectively fulfil its mandate by addressing the previous practice of introducing new levies and fees without consulting the Ministry of Finance. This often resulted in overlapping charges and duplication of revenue sources already taxed by the Central Government.

# Administrative and Other Changes

## The Public Finance Act

The Budget speech proposes to amend the Public Finance Act by:

- Introducing a system requiring Government Agencies, Parastatals, and Government Institutions to contribute varying rates of their gross revenue, ranging from 15% to 60%, to the Consolidated Fund monthly. This would replace the current practice of remitting at a fixed rate of 15% of gross revenue quarterly;
- Establishing a requirement for the preparation of consolidated financial statements using audited financial statements for public institutions. This measure intends to enhance the reliability and credibility of financial information for government decision making;
- Reducing time used by the Accounting Officers to prepare financial statement from three months to two months after the end of the financial year; and
- Requiring Accounting Officers to prepare financial statements using IPSAS and to obtain approval from the Accountant General to use IFRS where necessary.



# Administrative and Other Changes

## Fair Competition Act

It is proposed to amend section 78(1)(a) of the Fair Competition Act to specify that the revenue of the FCC shall comprise 2.5 % of the fees collected from business licenses, replacing the current provision that limits it to a maximum of 2.5%.

**Comment:** This amendment marks a significant shift from discretionary funding cap to a guaranteed allocation, thereby enhancing the financial predictability and operational autonomy of the FCC. This shift also addresses the existing criticism of the vagueness of the existing provision, which has been condemned to result in underfunding of the Authority.

## Introduction on 1% gross revenue remittance from Regulatory Authorities to the FCC

The proposed amendment introduces a specific provision stipulating that 1% of the gross revenue generated by designated Regulatory Authorities namely EWURA, LATRA, TCRA, and TCAA shall be remitted to the Fair Competition Commission (FCC). This change establishes a definitive benchmark rate addressing the prior legislative gap wherein no fixed remittance percentage was prescribed.

**Comment:** This change aims to bolster the FCC's financial resilience by securing stable funding from sectoral regulators whose activities often overlap with competition oversight. By establishing a fixed contribution rate, it ensures that beneficiary Authorities support the FCC's operations. While the amendment covers specific regulators, it preserves the FCC's ability to negotiate funding for services rendered to other bodies.

# Administrative and Other Changes

## The Business Licensing Act

It is proposed to repeal section 3(4) of the Act which obliges business licensing authorities to order the closure of a business upon a breach of the Act by the business owner.

**Comment:** This reform aims to ease regulatory pressure particularly on small and medium-sized enterprises by allowing enforcement authorities the discretion to apply proportionate penalties. It also aligns with the government's broader efforts to enhance the business climate under the Blueprint for Regulatory Reforms, promoting fairness and encouraging compliance without unnecessarily disrupting business operations.

## Ministers power to prohibit certain activities to be done by non-citizens

It is proposed to insert section 8(7) into the Act, empowering the Minister responsible for Trade to designate specific business activities that shall be prohibited for conduct by non-citizens.

**Comment:** This amendment is aimed at addressing the recently raised challenges by Tanzanian citizen on non-citizen dominating some business activities which ideally could have been left for the local people. This is a change that will promote local entrepreneurship. This measure draws inspiration from Zanzibar as their law has taken into consideration this initiative to promote local entrepreneurs.

# Administrative and Other Changes

## Registration and Identification of Persons Act

The proposal mandates biometric ID integration with health, education, tax, and social welfare systems to enhance service efficiency and data accuracy.

**Comment:** This significant move towards digital governance aims to improve service delivery and reduce fraud. However, successful implementation will require strong data protection, agency cooperation, and public awareness.

## National Environmental Management Council

The proposal aims to revoke the 2024 Environmental Management Fees regulations and revert to the 2021 version, allowing for new regulations with stakeholder input and consideration of business reform blueprints.

**Comment:** This proposed amendment highlights the government's dedication to enhancing environmental governance by empowering NEMC and refining assessment processes to tackle inefficiencies. It aims to clarify roles, improve coordination, and create a stable regulatory environment, boosting investor confidence and supporting sustainable development aligned with international standards.



# The Economy

## Growth Performance in 2024/25

The real GDP growth was 5.5% (versus 5.4% target) and compared to 5.1% in 2023<sup>1</sup>. The growth was due to various factors including the commencement of electricity production at the Julius Nyerere Hydroelectric Dam, continued implementation of strategic and flagship projects involving energy and transport infrastructure, increased lending to the private sector, sound fiscal policy management, favourable weather conditions that enhanced agricultural production, and Government investment in social services, including education, health, water and social security.

<sup>1</sup> National Development Plan for the Year 2025/26, p2

**5.5%**  
**The real GDP**  
**growth**

# The Economy

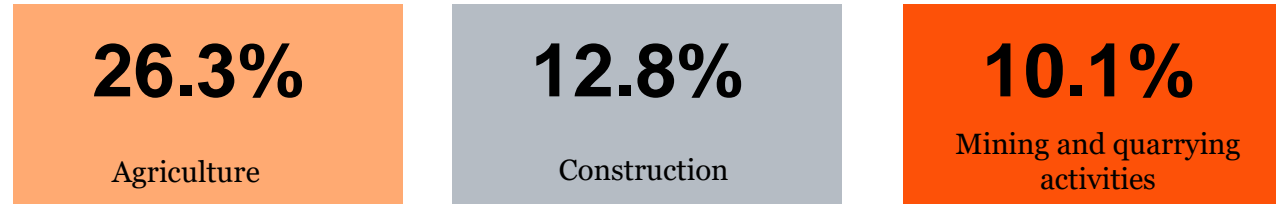
## Growth contributors in 2024/25

The leading sectors in terms of contribution to real GDP being agriculture, construction and mining and quarrying activities.

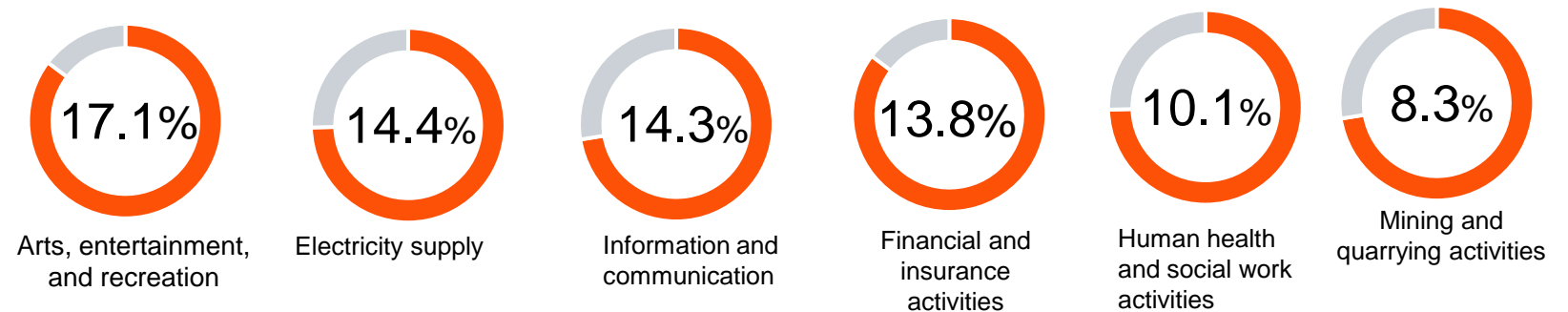
The sectors which grew the fastest included arts, entertainment and recreation, electricity supply, information and communication, financial and insurance activities, human health and social work activities, and mining and quarrying.

Growth was more muted for agriculture (4.1%), construction (4.1%) and water supply, sewerage and waste management (4.1%)<sup>2</sup>.

## Leading industries contributing to real GDP



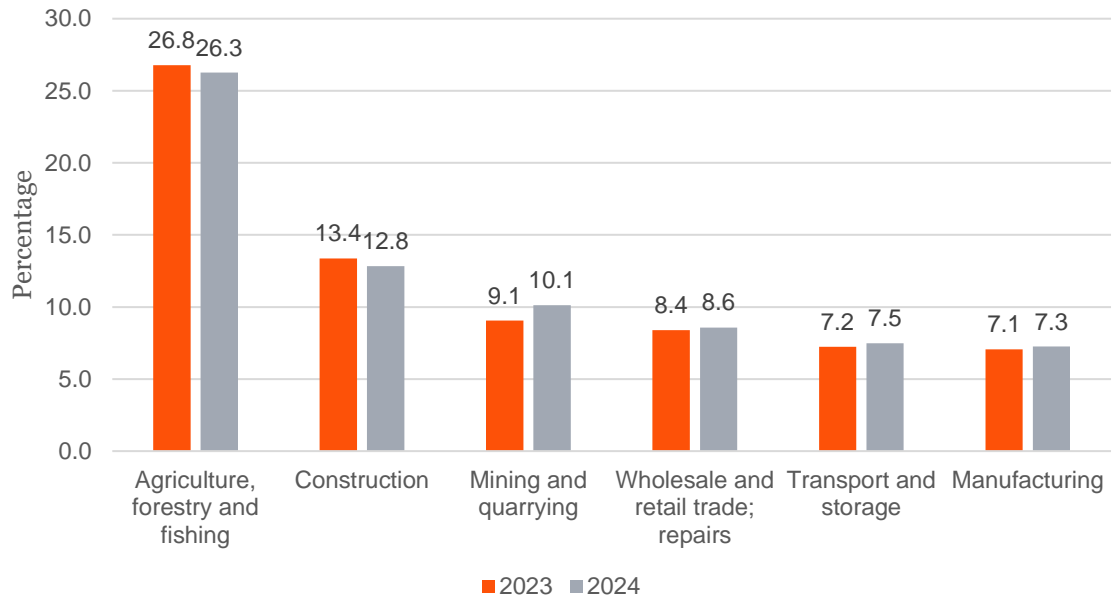
## Fastest growing sectors



<sup>2</sup> National Development Plan for the Year 2025/26, p12

# The Economy

Share of GDP at Current Prices for top 6 Economic Activities



Source: National Development Plan for the Year 2025/26, p13

## Growth outlook

The most recent growth projections for the GDP by various international institutions are robust including the following:

	2025	2026
<b>AfDB</b>	6.1%	6.1%
<b>IMF</b>	6.0%	6.3%
<b>World Bank</b>	5.7%	5.9%

# The Economy

## Inflation

Inflationary pressures continued to be moderate in Tanzania. The average annual headline inflation dropped from 3.8% in December 2023 to 3.1% in December 2024<sup>3</sup>. During that period, inflation decreased due to the effective implementation of monetary and budgetary policies, stabilisation of oil prices in the global market, and improved availability of food in domestic markets.

In 2025, the headline inflation increases from 3.1% in January to 3.2% in April. Over the past 12 months, food inflation, particularly Food and Non-Alcoholic Beverages rose from 1.4% in April 2024 to 5.3% in April 2025<sup>4</sup>. The increase largely stemmed from high staple food crop prices, which have remained above the levels observed a year earlier mainly due to weather-induced supply volatility and logistics<sup>5</sup>.

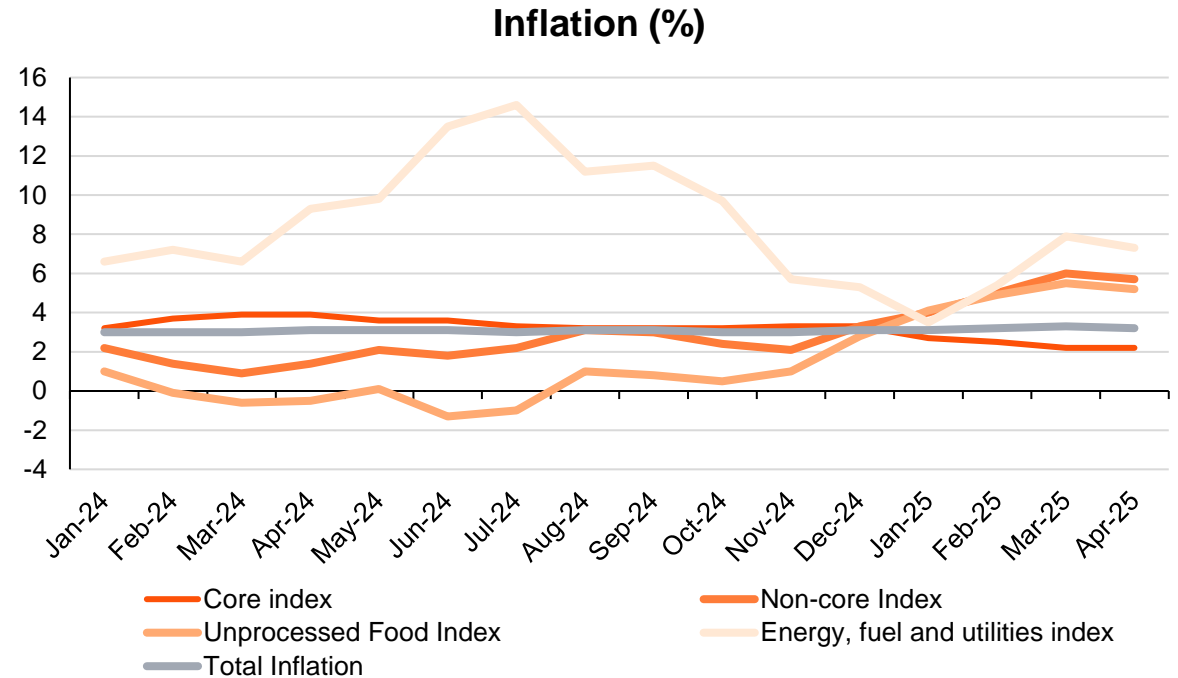
In April 2025, the Monetary Policy Committee maintained the Central Bank Rate (CBR) at 6%, which will be applicable for the quarter ending June 2025. The decision aimed at maintaining inflation within the medium-term target of 3% to 5%, smoothing exchange rate volatility while supporting the growth of economic activities<sup>6</sup>.

<sup>3</sup> National Development Plan for the Year 2025/26, p13

<sup>4</sup> National Bureau of Statistics CPI Summary (April 2025), 2025 Rebased Series

<sup>5</sup> BOT Monthly Economic Review (May 2025, P2)

<sup>6</sup> BOT Monthly Economic Review (May 2025, P3)

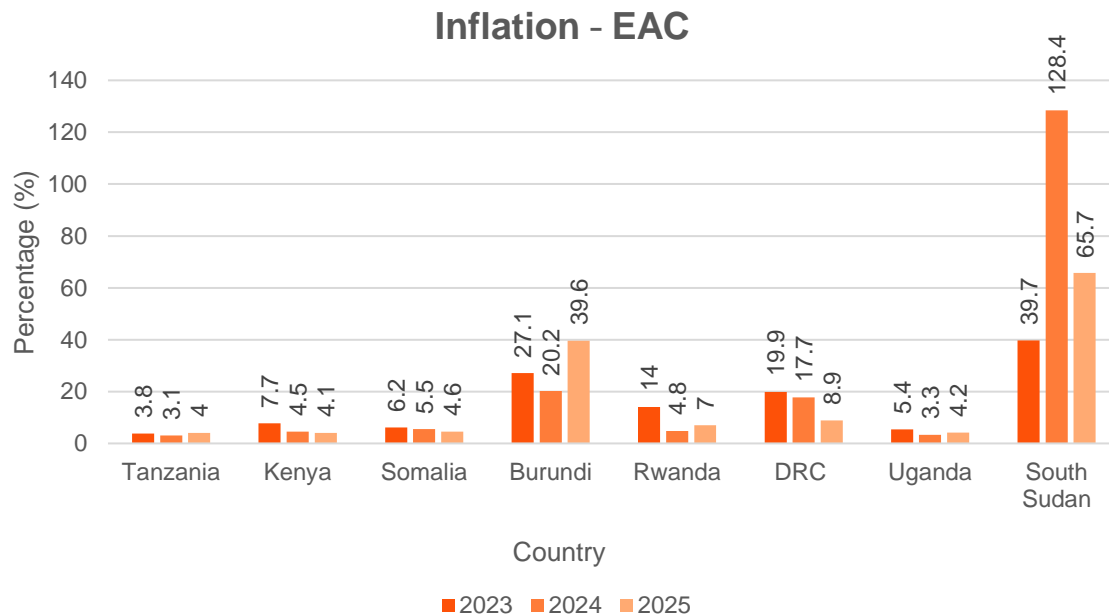


Source: [National Bureau of Statistics CPI Summary \(April 2025\), 2025 Rebased Series](#)

# The Economy

## Inflation - EAC

In the East African Community (EAC), average inflation is estimated to have increased to 23.45% in 2024, from 15.5% in 2023<sup>7</sup> largely influenced by the inflation in South Sudan due to the supply chain disruption caused by the war as well as the weakening of the currency that led to the imported inflation<sup>8</sup>.



Sources: [National Development Plan for the Year 2025/26](#), p11

<sup>7</sup> National Development Plan for the Year 2025/26, p11  
<sup>8</sup> IMF South Sudan Country Report Dec 2024  
<sup>9</sup> BOT – Monthly Economic Review (May 2025, P 6)  
<sup>10</sup> BOT – Monthly Economic Review (May 2024, P4)  
<sup>11</sup> BOT – Monthly Economic Review (May 2025, P 6)  
<sup>12</sup> BOT – Monthly Economic Review (May 2025, P 6)

## Interest rate

Interest rates remained broadly stable overall, with the average lending rate edging down slightly to 15.16% in April 2025<sup>9</sup> from 15.42% in April 2024<sup>10</sup>.

For the negotiated lending rate, it declined to 12.88% from 13.95%<sup>11</sup> in the same period, indicating a modest reduction in borrowing costs. This suggests improved liquidity in the banking system supporting economic growth by lowering the cost of investment funds.

On the deposit side, the overall time deposit rate rose to 7.82% in April 2025 from 7.44% in April 2024, so did the negotiated deposit rate; it increased to 10.52% from 9.33% over the same period<sup>12</sup>.

# The Economy

## Credit to Private sector

In 2024, credit growth to the private sector reached an average of 12.4%<sup>13</sup>. This trend is attributed to an increase in demand for new loans, alongside the strengthening of both the global and national economies.

Private sector credit growth sustained its upward trend from the beginning of the year, recording an annual growth of 14.9% in April 2025 with the credit to the private sector growing from TZS 33.76 trillion in April 2024 to TZS 38.76 trillion in April 2025<sup>14</sup>. This growth reflects sustained confidence in the economy, supported by banks' increased lending and accommodative monetary policy.

<sup>13</sup> National Development Plan for the Year 2025/26, p15

<sup>14</sup> BOT – Monthly Economic Review (May 2025, 5)

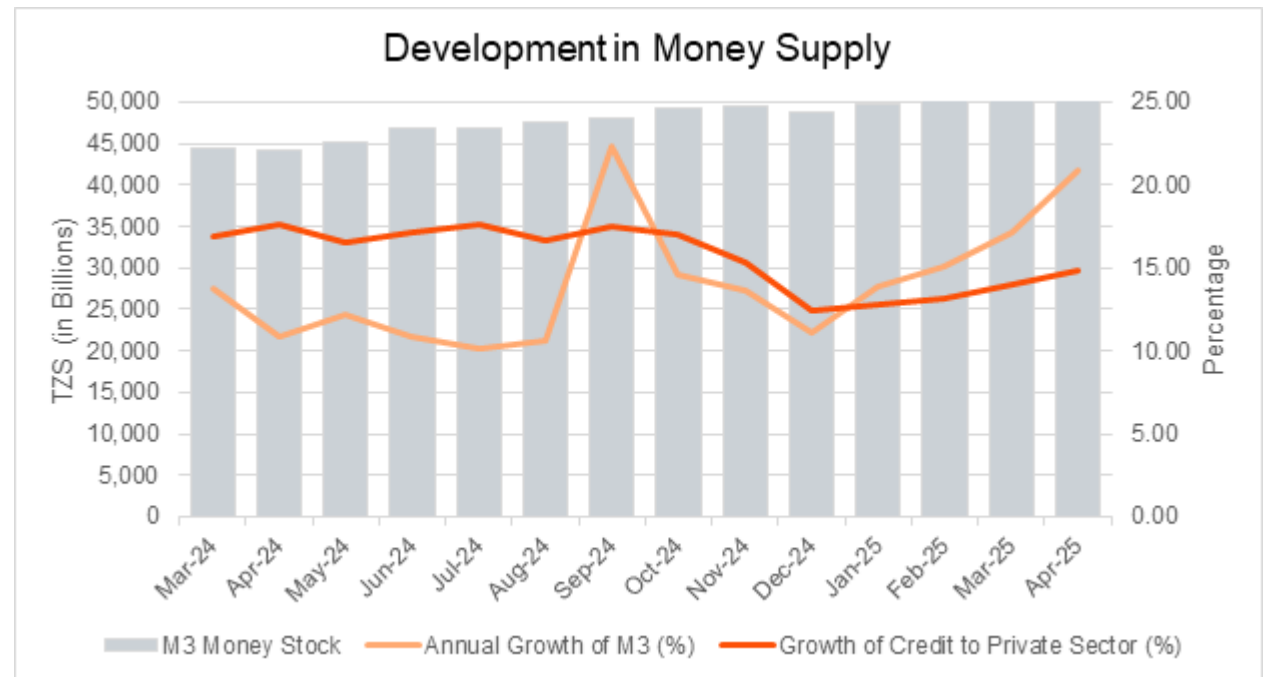
<sup>15</sup> BOT – Monthly Economic Review (January 2025, P 5)

<sup>16</sup> BOT – Monthly Economic Review (May 2025, P 5)

## Money Supply

During the period ended in December 2024, the extended broad money supply (M3) witnessed a growth rate of 11.1% to TZS 48.91 trillion from 44.01 trillion recorded in 2023<sup>15</sup>. This increase was primarily driven by the recovery of economic activities, as evidenced by credit to the private sector continuing to grow.

In April 2025, M3 recorded an annual growth of 20.9%, rising from TZS 44.32 trillion to TZS 53.57 trillion<sup>16</sup>. This growth is partly due to the increased credit to private sector.



Source: BOT – Monthly Economic Review (May 2025), p 5

# The Economy

## External trade

The external sector of Tanzania continued to improve in the year ending April 2025, evidenced by the reduction in the current account deficit, decreasing by 18.6% from USD 2,733.4 million as of April 2024 to USD 2,224.9 million as of April 2025 which was largely due to increased earnings from exports of goods and services.<sup>17</sup>

Additionally, foreign exchange reserves rose to USD 5,307.7 million by the end of April 2025, compared to USD 5,264 million at the end of April 2024. These reserves are sufficient to cover 4.3 months of projected imports of goods and services, exceeding both national and EAC benchmarks.<sup>18</sup>



<sup>17, 18</sup> BOT – Monthly Economic Review P.10 (April 2025)

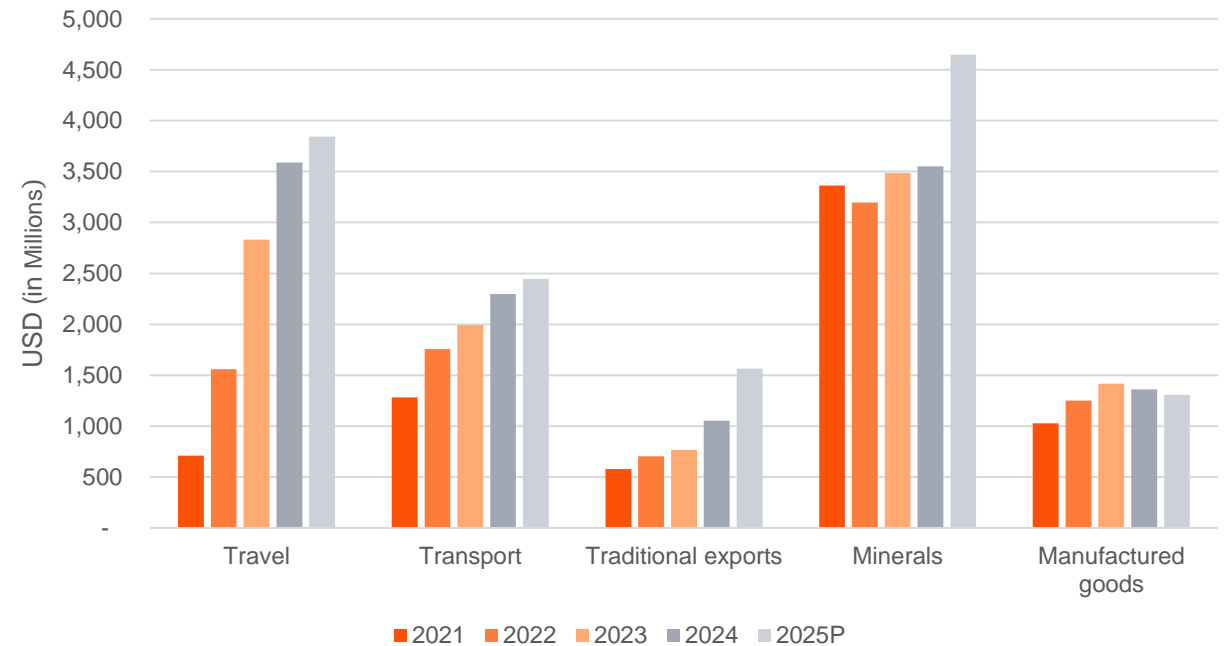
# The Economy

## Exports

During the year ending in April 2025, exports of goods and services rose by 16.8% to USD 16,843 million, up from USD 14,281.7 million in the same period in 2024. The growth was mainly driven by exports of gold, travel (tourism), agricultural products, and transportation services.<sup>19</sup>

Export of goods which accounted for 58.4% of the total exports of goods and services, increased to USD 9.7 billion in April 2025 from USD 7.8 billion during the year ending April 2024, with notable growth in gold (to USD 3.9 billion due to favourable global prices), cashew nuts, coffee, tobacco, and horticulture. However, manufactured exports declined due to reduced shipments of fertilizers, cement and wheat flour, likely reflecting higher domestic consumption.<sup>20</sup>

### Export of Goods and Services (Year Ending April)



Source: BOT – Monthly Economic Review P.11, P.21 (May 2025)

BOT – Monthly Economic Review P.12 (May 2023)

<sup>19, 20</sup> BOT – Monthly Economic Review P.11 (May 2025)

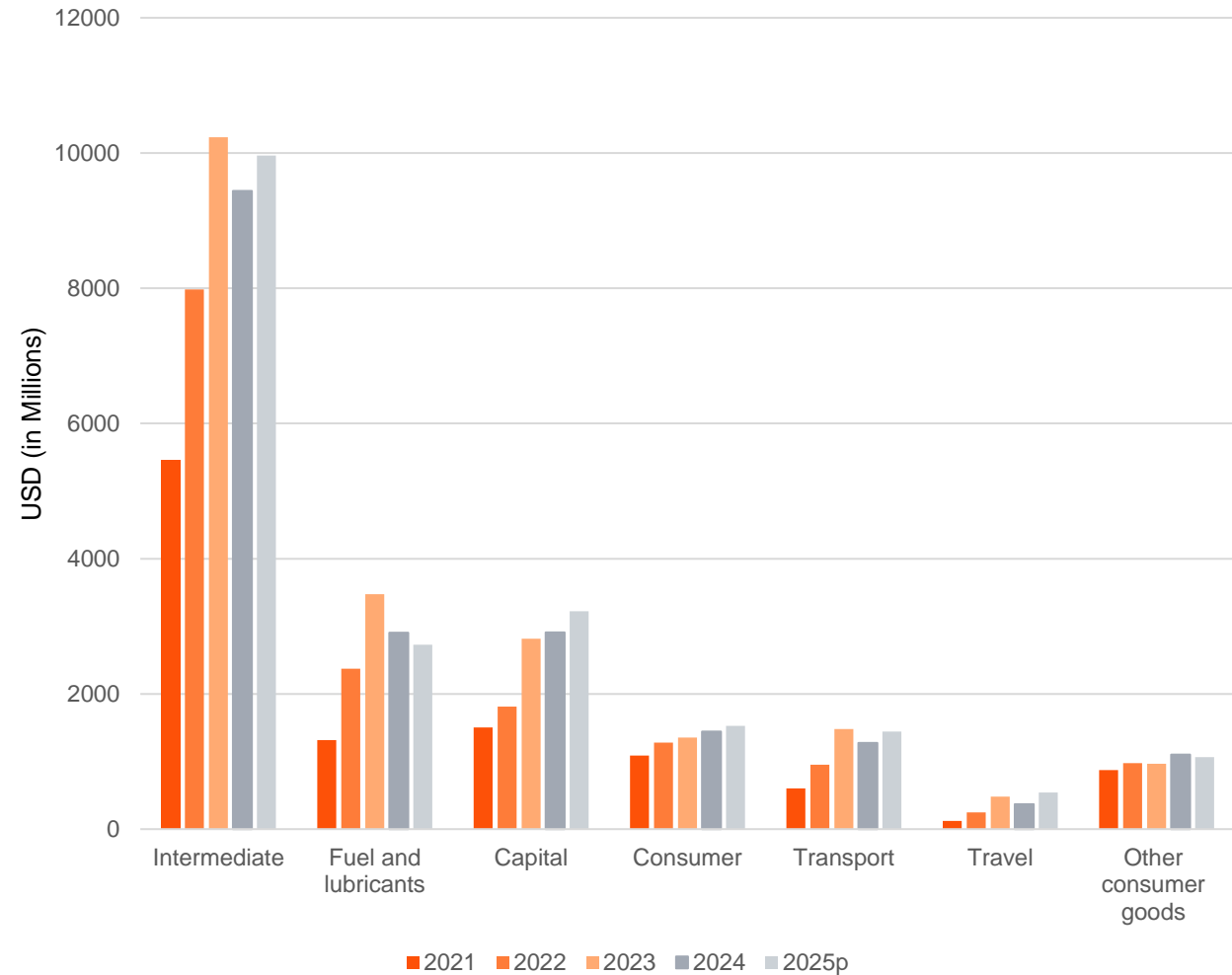
# The Economy

## Imports

Imports of goods and services grew moderately to USD 17,560.4 million in the year ending April 2025 from USD 16,110.2 million in the same period in 2024. The increase was mainly due to imports of industrial transport equipment and supplies.<sup>21</sup>

Service payments increased by 22.8% to USD 2,842.6 million as of April 2025 from USD 2,314.6 million in the same period in 2024, driven by high freight payments, which accounted for 53.3% of total service payments.<sup>22</sup>

Import of Goods and Services (Year ending April)



Source: BOT – Monthly Economic Review P.12, P.22 (May 2025)

BOT – Monthly Economic Review P.13 (May 2023)

<sup>21, 22</sup> BOT – Monthly Economic Review P.12 (May 2025)

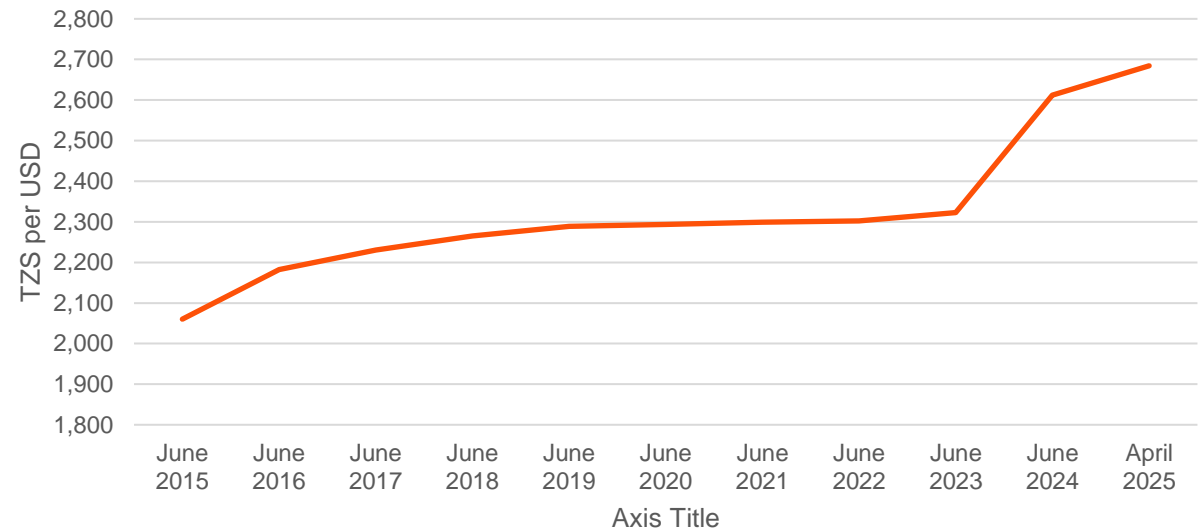
# The Economy

## Exchange rates

The Shilling traded at an average rate of TZS 2,684.41 per US dollar in April 2025 compared with TZS 2,584.69 per US dollar in the preceding year translating to an annual depreciation of 3.9%<sup>23</sup>.

Moreover, the recent Regulations of March 2025 mandate that all domestic transactions be conducted in Tanzanian Shillings (TZS) and prohibit the use of foreign currencies for pricing and payments. The Regulations also specify transactions that are permitted to be conducted in foreign currency<sup>24</sup>.

### Exchange Rate Movement - USD to TZS (June 2015 - April 2025)



Source: BOT Exchange rates – PwC Analysis

<sup>23</sup> BOT – Monthly Economic Review P.07 (May 2025)

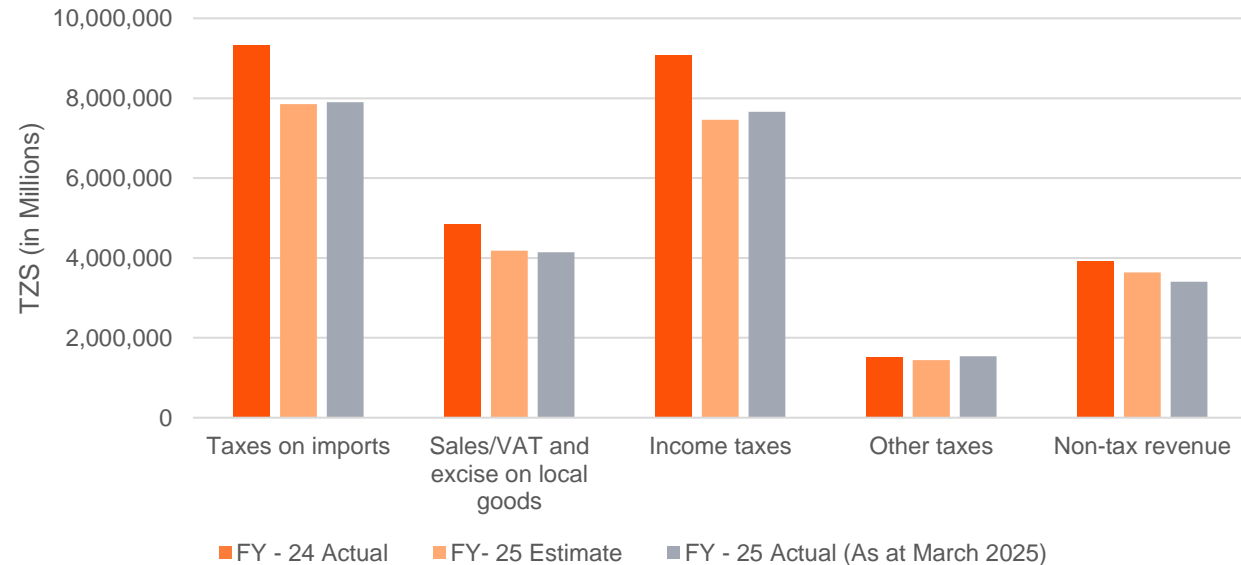
<sup>24</sup>BOT Public Notice, May 2025

# The Economy

## Revenue/Collections

Budget execution by the Government was roughly in line with expectations. By May 2025, total revenue (including borrowings) was TZS 45.07 trillion or 89.6% of the annual target of TZS 50.29 trillion from both internal and external sources. Tax collection totalled TZS 26.86 trillion accounting for 91.3% of the annual target. Foreign concessional borrowing and grants were TZS 5.32 trillion while external commercial loans were TZS 2.43 trillion<sup>25</sup>.

Central Government Revenue as of March 2025



Source: BOT – Monthly Economic Review P.17 (May 2025)  
 BOT – Monthly Economic Review P.16 (August 2024)

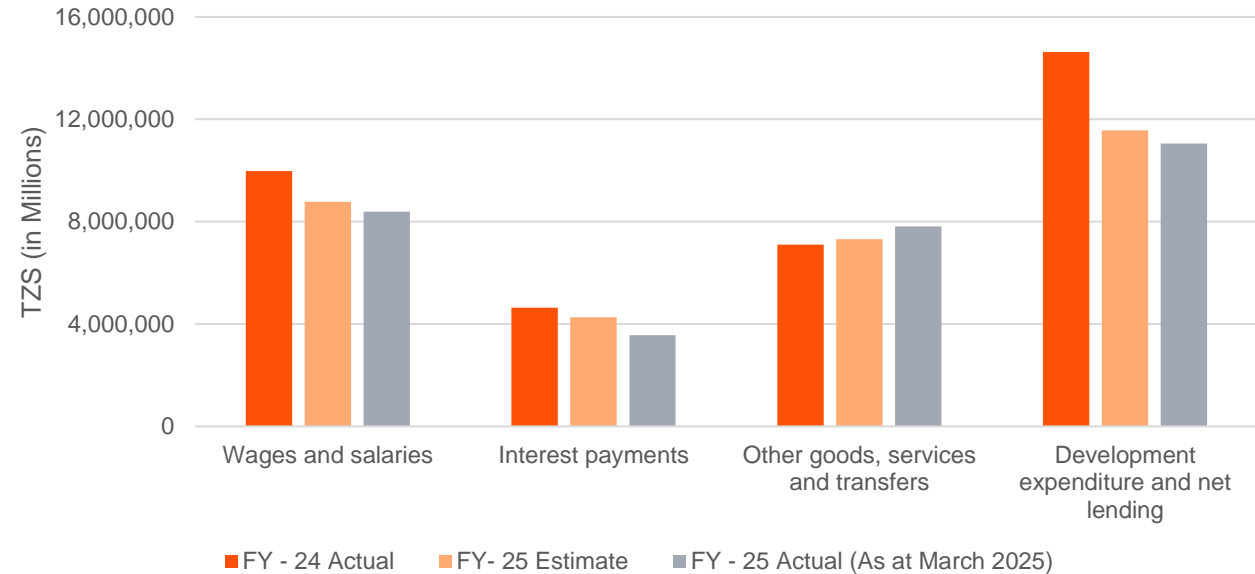
<sup>25</sup> National Budget Speech 2025/26, p7

# The Economy

## Expenditure

The planned expenditure for 2024/2025 was TZS 50.29 trillion with TZS 46.38 trillion spent by May 2025 split as TZS 30.63 trillion was spent for recurring expenditure and TZS 15.75 trillion for development projects. As of April 2025, the public debt was TZS 107.7 trillion of which 32.3% was domestic debt with the balance being external debt. In March 2025, Moody Investors Service published the results of its first review of sovereign credit ratings for 2025 which maintained Tanzania's credit rating at B1 rating with a stable outlook. The rating review carried out with Fitch is expected to be released shortly but the expectation is that it will maintain the same rating that it determined in December 2024 of B+ with a stable outlook.

### Central Government Expenditure as of March 2025



Source: BOT – Monthly Economic Review P.17 (May 2025)

BOT – Monthly Economic Review P.16 (August 2024)

# The Economy

## Macroeconomic policy

Tanzania has embarked on the fifth and final year of the implementation of the National Five-Year Development Plan 2021/22 – 2025/26 with the theme “Realizing Competitiveness and Industrialization for Human Development<sup>26</sup>”. In addition, the main theme of the 2025/26 as agreed upon by the partner states of the East African Community is “Inclusive Economic Transformation through Domestic Resource Mobilization and Resilient Strategic Investment for Job Creation and Improved Livelihoods”.

<sup>26</sup> <https://www.mof.go.tz/uploads/documents/en-1733814575-Mwongozo%20wa%20Maandalizi%20ya%20Mpango%20na%20Bajeti%20kwa%20Mwaka%202025.26.pdf>

## Priority areas

### Completing implementation of flagship and strategic projects

The government aims to finalise major infrastructure projects - railways, roads, ports, and energy - to stimulate economic growth, enhance national competitiveness, and improve service delivery across sectors and regions. Flagship projects include SGR and the expansion of the national grid

### Enhancing human capital development especially in the social service sectors

Investments target education, health, water, and social welfare to improve service quality, expand access, reduce inequalities, and build a skilled, healthy, and empowered population for sustainable development.

### Improving investment and business environment to attract private sector participation in economic activities

The government will streamline regulations, reduce non-tariff barriers, promote public-private partnerships, and enhance infrastructure to attract private investment and foster a competitive, inclusive, and resilient economy.

### Strengthening productive sectors which have multiplier effect in the economy

Focus is on agriculture, industry, mining, and tourism to boost productivity, create jobs, increase exports, and generate inclusive growth through value addition, innovation and expanded market access.

# The Economy

## Energy sector

In the 2025/26 budget, the government has prioritised the financing of programs and projects for electricity generation, transmission, distribution, and supply. Special focus is placed on the following<sup>27</sup>:

- Allocation of TZS 2.25 trillion to the Ministry of Energy with 96.5% of the budget being dedicated to development projects, reflecting a strong commitment to infrastructure investment.
- Continued implementation of the National Grid Strengthening Project, including maintenance and rehabilitation of power generation plants to ensure reliable electricity supply.
- Expansion of electricity distribution to hamlets, mining areas, agricultural zones, industries, water pumps, and health centres to enhance productivity and service delivery.
- Promotion of clean cooking solutions such as Compressed Natural Gas (CNG) to reduce reliance on charcoal and firewood, improving health and environmental outcomes in line with the National Strategy for Clean Cooking Energy (2024-2034).
- Completion of the 2,115 MW hydropower plant and Electricity Transmission and Distribution Projects such as the 400 kV transmission line (345 km) from Chalinze to Dodoma.



<sup>27</sup> Ministry of Energy FY25/26 Budget Speech

# The Economy

## Education, Science and Technology

**The government has allocated TZS 2.44 trillion to the Ministry of Education, Science and Technology for the 2025/26 fiscal year to prioritise improved access, quality, and innovation in education. A substantial share is directed toward development projects, while the rest covers recurrent expenditures such as salaries and operational costs. Special focus is placed on the following<sup>28</sup>:**

- The government will continue educating stakeholders on the 2014 Education and Training Policy (2023 Edition), finalise the reviews of the Education Act and related institutional laws to align with national and international frameworks, and complete key implementation tools including national assessment and curriculum systems.
- Continued implementation of the Education and Skills for Productive Jobs Program, including construction and rehabilitation of vocational training centres and technical colleges across the country
- Enhancement of higher education and research, coordinate the admission of 150,000 first-year students into higher education institutions and assess 10 agencies that facilitate students studying abroad to ensure compliance and registration.
- Promotion of science, technology, and innovation, investment in research and innovation hubs, support for STEM education, and integration of ICT in teaching and learning to foster a knowledge-based economy.
- The government will expand 55 secondary schools into vocational secondary schools, register 100 new technical and vocational institutions, and strengthen the capacity of these institutions to improve the quality, relevance, and accessibility of skills-based education across the country.



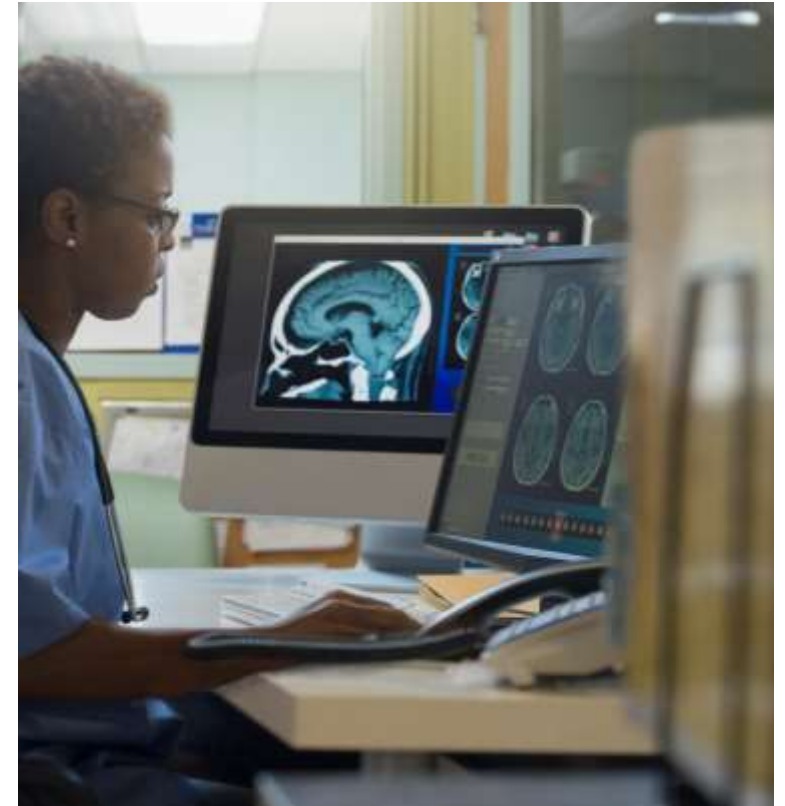
<sup>28</sup> Ministry of Education FY25/26 Budget Speech

# The Economy

## Health

In the 2025/26 budget, the government has allocated 1.62 trillion TZS for financing programs and projects within the Ministry of Health, with a focus on improving access to and the quality of healthcare services provided at all levels, from dispensaries to the national level. Special emphasis is placed on the following areas<sup>29</sup>.

- Enhancing the use of ICT and artificial intelligence to improve service delivery efficiency, system integration, information exchange
- Enhancing Benjamin Mkapa Hospital to achieve the status of a National Hospital and establishing an international kidney transplant centre and an East African Centre of Excellence for the treatment of blood and bone marrow diseases.
- Increasing the number of Regional Referral Hospitals capable of providing essential specialised services to nine.
- Enhancing access to treatment services for infectious diseases, non-communicable diseases, and epidemic diseases.
- Revitalising the Tanzania Pharmaceutical Industry (TPI) factory located in Arusha to start producing ARVs (antiretroviral drugs).



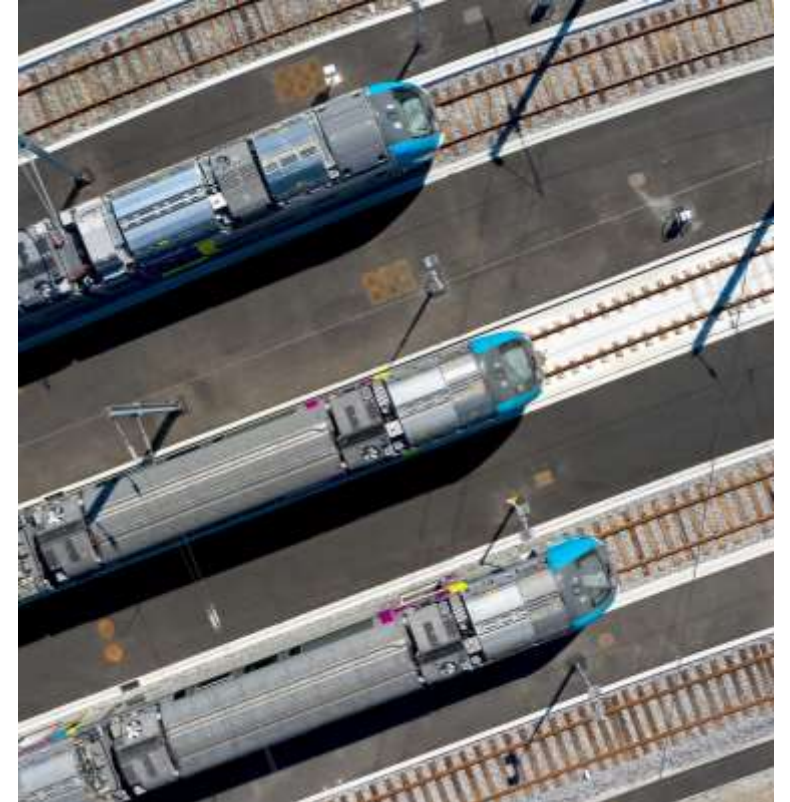
<sup>29</sup> Ministry of Health FY25/26 Budget Speech

# The Economy

## Transport

The Government of Tanzania has made significant strides in transforming the country's transportation infrastructure as part of its broader strategy to stimulate economic growth, enhance regional integration, and improve the quality of life for its citizens. These efforts are aimed at creating a modern, efficient, and interconnected transport network supports trade, tourism, and industrial development<sup>30</sup>.The focus is mainly on:

- Execution of flagship projects including the Standard Gauge Railway (SGR), improvement of Air Tanzania Company Limited (ATCL), and enhancement of maritime and lake transport safety.
- Upgrading of key ports such as the Dar es Salaam Port through the Dar es Salaam Maritime Gateway Project (DMGP).
- Construction and rehabilitation of airports including Mwanza, Arusha, Mtwara, Bukoba, Kilimanjaro International Airport (KIA), and other regional airports.
- Procurement of railway equipment and improvement of existing railway infrastructure to enhance transport efficiency.
- Construction of new ships and rehabilitation of existing vessels to strengthen water transport and logistics services.



<sup>30</sup> Ministry of Transport FY25/26 Budget Speech

# The Economy

## Revenue polices for FY25/26

The government strategies to increase revenue in 2025/26 include the following<sup>31</sup>:

### Strategies for collection of domestic revenue

- To conduct research, assessments and reviews of existing revenue sources and improve the taxpayer and government databases to identify areas of revenue loss and enhance the efficiency of revenue collection;
- To establish tax service centres in areas experiencing growth in economic activities, including small-scale businesses;
- To integrate tax systems with those of other public institutions in order to obtain information that will help identify unregistered taxpayers and bring them into the formal tax system;
- To broaden the scope of revenue collection by identifying new sources of revenue and establishing mechanisms to simplify the identification, registration, assessment and payment of government taxes, fees, and charges;
- To improve the supervision and monitoring of taxpayers through the use of the Taxpayer Block Management System, which utilises Geographic Information System (GIS) technology;
- To continue promoting and educating on the use of Electronic Fiscal Devices (EFDs) through various public awareness programs, including the “Tunu ya Uzalendo” initiative;



<sup>31</sup> Plan and Budget Guideline FY25/26

# The Economy

## Strategies for collection of domestic revenue (cont'd)

- To ensure that institutions oriented toward integrated service delivery improve their collection systems by providing a unified payment number to simplify the payment of government taxes, fees, and charges, thus enhancing voluntary compliance;
- To continue investing in the use of technology and improving collaboration among government revenue-collecting institutions for the purpose of information sharing and coordinated collection strategies to reduce costs and increase efficiency;
- To combat tax evasion by strengthening access to information and continuing to build the capacity of public servants, especially in areas of audit and investigation;
- To strengthen the management and collection of various fees and charges in growing economic activities, including in the land, fisheries, forestry, livestock, and construction sectors, thereby creating greater revenue opportunities;
- To improve the administration of revenue sources charged by regulatory authorities by addressing deficiencies and complaints raised by citizens;
- To promote and encourage the use of digital payments to reduce the use of cash; and
- To review tax incentives/exemptions in order to assess the benefits and determine whether they should be continued or not.



# The Economy

## Strategies for Mobilisation of Grants and Loans

The Government will continue to implement the Development Cooperation Framework with the aim of strengthening collaboration with Development Partners through strategic dialogue aimed at identifying Government priorities to facilitate access to aid funds as planned. Additionally, the Government will continue to implement the following:

- Encourage Development Partners to provide aid funds directly to the Government without going through Non-Governmental Organisations in order to increase the efficiency of those funds in the implementation of various projects; and
- Continue to allocate a portion of the Government budget (counterpart fund) for development projects implemented in collaboration with Development Partners.



# The Economy

## Expenditure polices for FY25/26

The expenditure management strategies will include the following:

- Continuing to manage and enhance the proper use of ICT systems in the implementation of government activities to control expenditures, including systems for human resource management, government payments, procurement, and management of government assets;
- Allocating funds to implement strategic projects with high economic and social returns and ensuring that ongoing projects are prioritised over new ones;
- Strengthening accountability and control in the use of public funds by adhering to laws, regulations, and procedures governing public financial management to seal loopholes for misuse and ensure value for money in government spending;
- Strengthening the management and operational systems in public institutions and agencies;
- Integrating systems to enable the exchange of budgetary information;
- Continuing to promote and strengthen sectoral collaboration to avoid duplication of resource use in performing similar functions across multiple ministries/institutions; and
- Enhancing monitoring and evaluation in project implementation to ensure efficiency and reduce potential additional costs during execution.



# Total and Targeted Revenue collections for 2024/25 and 2025/26

	<b>2024/25 12 month Budget TZS' bn</b>	<b>2024/25 12 month Likely TZS' bn</b>	<b>2025/26 12 month Budget TZS' bn</b>	<b>2025/26 v 2024/25 Budget Increase/ (decrease) in %</b>	<b>2025/26 v 2024/25 Likely Increase/ (decrease) in %</b>
<b>Domestic Revenue</b>					
Tax Revenue - TRA	29,415	30,006	34,104	15.94%	13.66%
Non - Tax Revenue	3,839	3,526	4,682	21.95%	32.79%
	<b>33,254</b>	<b>33,532</b>	<b>38,786</b>	<b>16.63%</b>	<b>15.67%</b>
Local Government Authorities (LGA) own source	1,356	1,361	1,681	23.90%	-18.91%
<b>Domestic Revenue + LGA</b>	<b>34,611</b>	<b>34,892</b>	<b>40,466</b>	<b>16.92%</b>	<b>15.98%</b>
Grants and Concessional Loans	6,076	5,730	7,117	-28.51%	-18.91%
Domestic borrowings	6,618	6,642	6,278	-5.13%	-5.48%
Non-concessional borrowings	2,987	2,946	2,629	-11.97%	-10.76%
<b>Total Revenue</b>	<b>50,291</b>	<b>50,211</b>	<b>56,490</b>	<b>12.33%</b>	<b>12.51%</b>

# Total and Targeted Expenditure for 2024/25 and 2025/26

	2024/25 12 month Budget TZS' bn	2024/25 12 month Likely TZS' bn	2025/26 12 month Budget TZS' bn	2025/26 v 2024/25 Budget Increase/ (decrease) in %	2025/26 v 2024/25 Likely Increase/ (decrease) in %
<b>Expenditure</b>					
Recurrent	34,590	34,584	38,997	12.74%	12.76%
Development	14,755	15,627	17,494	18.56%	11.95%
	<b>49,345</b>	<b>50,211</b>	<b>56,490</b>	<b>14.48%</b>	<b>12.51%</b>
<b>Recurrent expenditure</b>					
National debt service	13,121	12,750	14,209	8.29%	11.44%
Wages and salaries	11,768	11,727	13,174	11.95%	12.34%
Other charges	9,701	10,107	11,613	19.71%	14.90%
	<b>34,590</b>	<b>34,584</b>	<b>38,997</b>	<b>12.74%</b>	<b>12.76%</b>
<b>Development expenditure</b>					
Domestic funding	11,114	12,044	12,118	9.03%	0.61%
Foreign financing	3,641	3,583	5,376	47.65%	50.03%
	<b>14,755</b>	<b>15,627</b>	<b>17,494</b>	<b>18.56%</b>	<b>11.95%</b>

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