



# Pre-budget newsletter

March 2026

## Telecommunication

### In brief

Tanzania's telecommunications sector continues to expand, driven by rising mobile, internet, and mobile-money adoption, alongside significant infrastructure investments. However, unresolved challenges such as high taxes, mobile-money levies and a gap in rural infrastructure limits the sector's ability to reach its full potential.

### Key highlights:

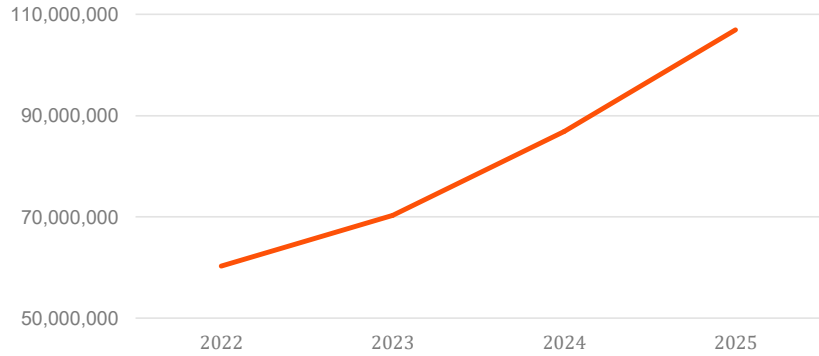
- **Telecom subscriptions:** 106.94 million in December 2025 which was a 23.13% Year-on-Year (YoY) growth.
- **Internet subscriptions:** Increased to 58.12 million in December 2025 reflecting a 20.98% YoY increase from 2024. Internet penetration rate is at 85.3%.
- **Mobile money subscription:** A 20.98% YoY increase in active accounts by December 2025 which translates to 76.47 million subscribers.
- **Network coverage:** Population coverage reached 94.2% for 4G and 30.1% for 5G while geographical coverage is at 77.3% and 10.5% respectively.
- **Sector investment:** Expansion of broadband coverage (new 4G sites and fibre network), capacity enhancements and modernisation of IT infrastructure.
- **Tax Contributions:** VAT and excise duty revenue from telecommunication sector reduced by 1% to TZS 480 billion in the six months to December 2025.
- **Persistent Challenges:** Despite strong growth, the same key obstacles that have been mentioned in the past few years continue to hinder progress: High excise duty rates, mobile money levy on cash withdrawals, infrastructure limitation in rural areas and affordability barriers for smartphones continue to impact the sector achieving its true potential.
- **Key Policy Recommendations:** Reduction of excise duty rate, reinstatement of VAT exemptions on smartphones, abolishment of mobile money withdrawal levy and centralisation of advertisement levy collection for improved compliance.



## Background and market overview

The telecommunication sector continues to play a vital role in Tanzania's economy. The total number of telecom subscriptions grew from 86.85 million in December 2024 to 106.94 million in December 2025 due to expanding network infrastructure.

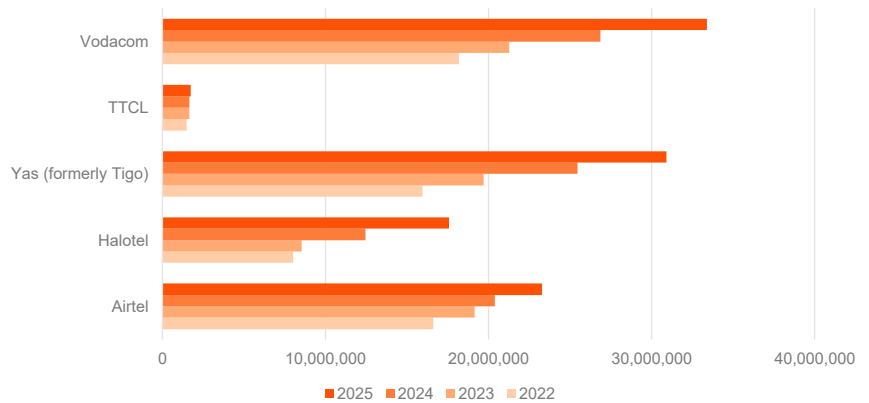
**Telecom Subscriptions  
(Dec 2022 to Dec 2025)**



Source: TCRA - Communication statistics report Quarter ending December 2025

The market also remains competitive with service providers experiencing varied growth trajectories. Vodacom maintains the largest with a market share with 33.41 million subscribers as of December 2025.

**Telecom subscriptions by operator  
(Dec 2022 to Dec 2025)**

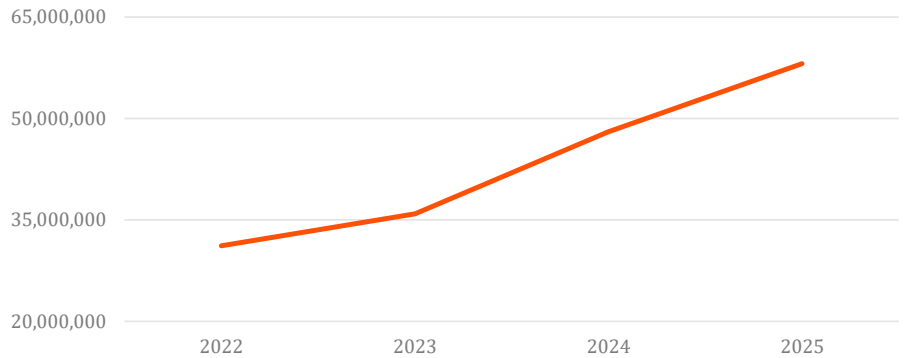


Source: TCRA - Communication statistics report Quarter ending December 2025

Internet adoption has also accelerated with subscriptions reaching 58.12 million in December 2025 due to increased smartphone usage and improved broadband coverage supported by the rollout of 4G and expanding 5G networks which have strengthened connectivity and broadened access across urban and rural areas. The wider availability of mobile broadband and the improved affordability of data plans have increased the demand from households, businesses and public institutions.

Additionally, greater investment in telecommunications infrastructure, enhanced network quality and the proliferation of smart devices have resulted in increasing digital uptake, driving higher data consumption and broader participation in online services. In contrast fixed-line services remain marginal making up less than 0.1% of total subscriptions.

### Internet Subscriptions (Dec 2022 to Dec 2025)



Source: TCRA - Communication statistics report Quarter ending December 2025

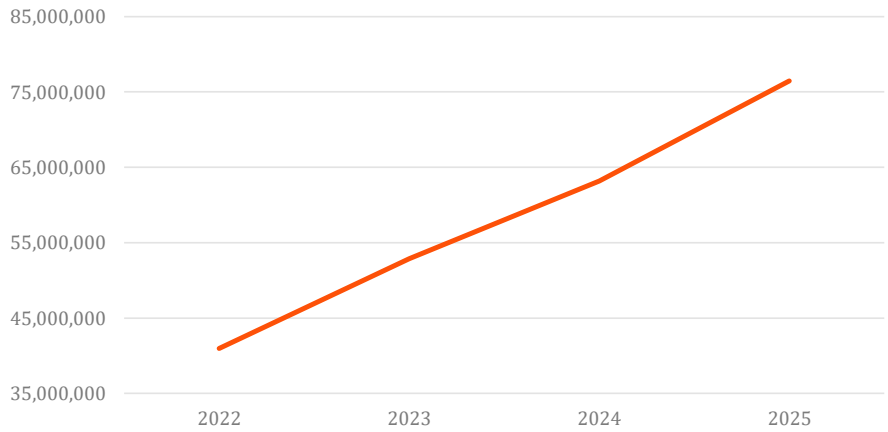
Mobile money service remains a key financial inclusion tool as formal banks are outside the reach of the majority of the population. With 76.47 million active accounts and 1.85 billion transactions recorded for the six months period to December 2025.

The movement in mobile money transactions corresponds closely with the broader economic and telecommunications trends observed during the year. After a steady first quarter, Tanzania's GDP accelerated from 5.4% in Q1 to 6.3% in Q2 and 6.4% in Q3 reflecting a clear rise in overall economic activity that supported higher transaction volumes.

This increase in economic momentum, combined with ongoing improvements in mobile network infrastructure, explains the upward trend seen in the second and third quarters of the graph.

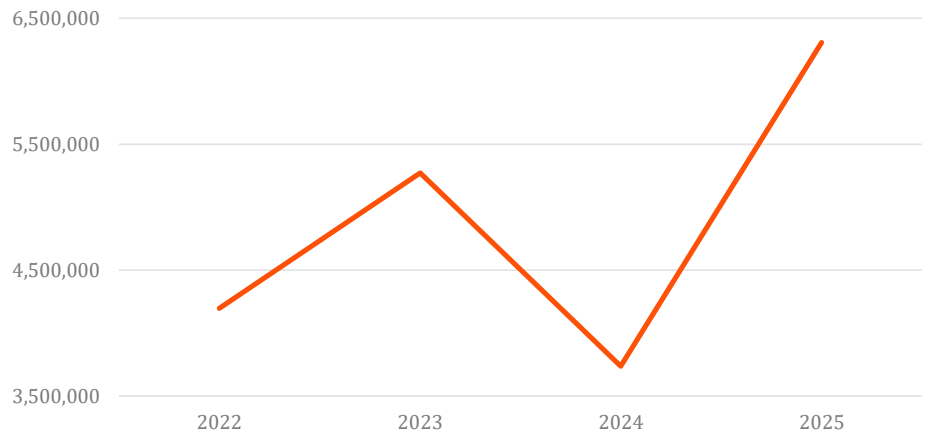


### Mobile money subscription (Dec 2022 to Dec 2025)

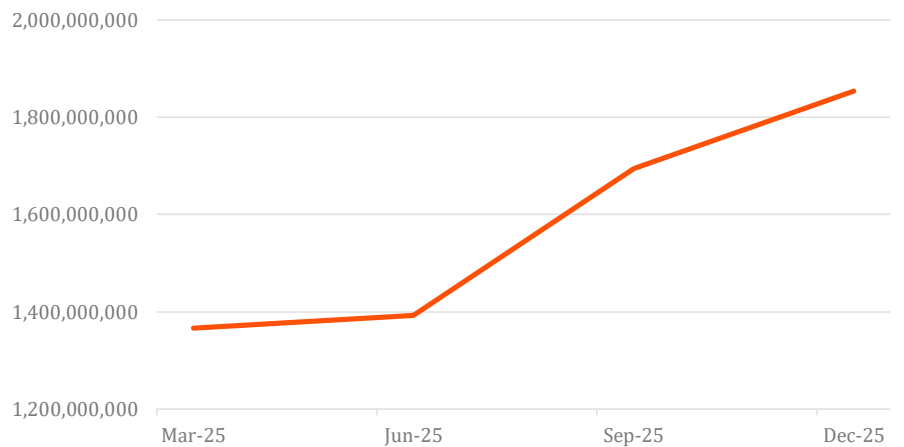


Source: TCRA - Communication statistics report Quarter ending December 2025

### Annual mobile money transaction



### Quarterly mobile money transaction



Source: TCRA - Communication statistics report Quarter ending December 2025

Mobile network coverage continues to expand steadily. As of December 2025, population coverage reached 94.2% for 4G and 30.1% for 5G, while geographical coverage extended to 77.3% for 4G and 10.5% for 5G.

### **Investments by the sector**

- Tanzania Telecommunications Corporation will build 1,400 communication towers by 2027 to expand rural coverage and connect directly to the National ICT Broadband Backbone.
- Vodacom Tanzania is investing over USD 100 million under Vision 2030 Strategy for inclusive digital economy. The strategy focuses on expanding nationwide 4G and 5G, upgrading M-Pesa, introducing greener technologies and supporting Tanzania's digital transformation.
- Paratus Group has launched Internet and Digital Infrastructure services in Tanzania as part of its East Africa expansion. The Pan African Group has entered the market by establishing licensed operations to deliver internet, cloud, cybersecurity and managed network services for enterprise and wholesale customers nationwide.
- Tanzania awards 3.6-3.8 GHZ licenses to boost 5G rollout and broadband expansion. Under the coverage obligations, licence holders must reach at least six administrative regions by 2028 and all regional capitals by 2033, expanding access to high-capacity networks in both urban and underserved areas.
- Tanzania's First Digital Business Hub Launched in Dar es Salaam with over TZS 1 bn investment to serve 2,000 businesses

### **GDP Contribution of the Telecommunications Sector**

The contribution of the Information and Communication sector to Mainland Tanzania's GDP has remained relatively modest over the past seven years, consistently ranging between 1.5% and 1.6%. Despite this, the sector continues to show strong growth dynamics.

The sector recorded a growth rate of 12.3% in the third quarter of 2025 compared to 14.5% in the same quarter of 2024. However, it was the third-fastest-growing sector behind financial and insurance services and electricity.

The growth was driven by:

- Increased voice traffic per minute across networks
- Growth in short message service (SMS) traffic
- Rising average mobile money subscribers
- Expansion of broadcasting and internet services nationwide





### Tax Contribution as per TRA collection statistics

Tax collection statistics for the six months to December 2025 shows a decrease in collections from the telecommunication sector in terms of VAT and excise duty on local supplies.

	December 2025 (6m)	December 2024 (6m)	Decrease
	TZS'bn	TZS'bn	
<b>VAT and excise duty - telecommunications</b>	<b>480</b>	<b>484</b>	<b>-0.9%</b>

VAT and excise are just one part of the tax picture. Other aspects include transaction levy on mobile money as well as other taxes paid (service levy, corporate income tax, skills and development levy (“SDL”)) or generated (employment taxes, withholding taxes) by the telecommunication sector.

#### Challenges faced by the sector

- Inadequate Infrastructure

Infrastructure to support the sector remains underdeveloped especially in rural areas. For operators and players within the sector, the implementation and scaling of advances such as AI, Internet of Things (“IOT”) and 5G networks remain difficult to implement. However, the government together with other partners are working to strengthen supporting infrastructure by expanding the nation’s electrical grid, fiber network and towers.

- Costs

For many Tanzanians, particularly in rural areas, the cost of communication remains a significant barrier. According to Cable, a British technology research firm, Tanzanians spend a larger share of their income on data despite the country having some of the lowest data prices in East Africa.

The price of smartphones, 5G-enabled devices, cable TV and other advanced communication tools, including smart TVs, remains beyond the financial reach of the majority of the population. This limits access to essential digital services and constrains the adoption of modern technologies.

While the telecommunication sector is a key driver of economic growth and financial inclusion, it is also heavily burdened by multiple taxes. Excise duty, VAT, mobile-money levies, and other regulatory fees collectively make services less affordable as operators are obliged to pass these on the customers.

Beyond consumer costs, this multiplicity of taxes imposes significant compliance requirements on telecommunication companies, increasing administrative overheads and operational complexity. The combined effect is a sector that, despite strong growth, faces structural challenges in affordability, access and efficiency, thus limiting the sector’s ability to reach its full potential.

## Tax matters to consider for the ICT sector

The Tanzanian ICT sector continues to face significant taxation challenges, which increase costs, limit digital inclusion and complicate compliance for operators. Below is a structured overview of key tax issues and proposed solutions which are aimed to:

- Reduce service costs for consumers
- Enhance digital inclusion and smartphone adoption
- Streamline compliance for operators
- Foster a competitive and sustainable ICT ecosystem in Tanzania

### 1. Excise Duty on Electronic Communication Services

**Issue:** Excise duty on communication services raises the effective tax rate to 21.06% (Excise + VAT), the highest in Eastern and Southern Africa, making services less affordable.

**Proposed Solution:** Reduce excise duty from 17.5% to a historical level of 10% (2008–2012) to lower the tax burden on consumers and operators.

### 2. VAT on Smartphones

**Issue:** Smartphone penetration remains low (41.82%) compared to feature phones (87.11%). VAT exemptions for smartphones introduced in the Finance Act 2021 were removed in Finance Act 2022 slowing digital adoption.

**Proposed Solution:** Reinstate VAT exemption on smartphones to encourage adoption and improve access to internet services. This will also generate its own ecosystem through increased business such as content creation which is now subject to tax separately.

### 3. Advertisement Levy Collection

**Issue:** Despite reductions, decentralised collection from multiple municipal authorities increases administrative costs and compliance burdens.

**Proposed Solution:** Implement a centralised collection system under TRA or relevant ministry to simplify compliance and improve efficiency.

### 4. Excise Duty on Supply to Intermediaries

**Issue:** Current rules lack clarity on taxable events, creating double taxation risks when services pass through multiple providers resulting in increased costs for MNOs and ISPs.

**Proposed Solution:** Amend the definition of dutiable value to apply excise duty only when an electronic service is used by a final consumer not registered with TCRA.

### 5. Withholding Tax on International Data Transmission (IUC & Roaming)

**Issue:** Section 89(h) of the Income Tax Act imposes withholding tax on data sent via apparatus outside Tanzania, conflicting with Melbourne and Dubai treaties, raising costs and disputes.

**Proposed Solution:** Exempt payments for data transmission outside Tanzania from withholding tax to align with international agreements and reduce costs.



## 6. Universal Communication Services Access Fund (UCSAF) Levy on MFS

**Issue:** Mobile Financial Services (MFS) are required to pay 1% of gross annual turnover to UCSAF even though the UCSAF Act does not cover financial services. This creates unfair competition and higher costs for rural users.

**Proposed Solution:** Exempt MFS entities from the UCSAF levy, recognising that financial services fall outside the scope of the UCSAF Act.

### Appendix

Illustration of the impact on the change of excise duty on the compounded tax.

	Current Pricing			Proposed Pricing			Comment
	Tax/Levy	Tax base	Compounded tax/Levy	Tax/Levy	Tax base	Compounded tax/Levy	
Gross charge before tax		100			100		Gross amount of TZS 100
Excise duty on TZS 100	17%	117	17	10%	110	10	
Add VAT	18%	138.06	21.06	18%	129.8	19.8	VAT is charged on Charge + excise duty
Service levy	0.3%	100	0.3	0.3%	100	0.3	Charged on gross amount
TTMS - 1%; USCAF - 1.25%; Numbering fees - 2%; TCRA - 1%; Frequencies -2%; Nida fees - 1%	8.3%	100	8.25	7%	100	7.25	Charged on gross amount
<b>Effective rate</b>			<b>46.61</b>			<b>37.35</b>	





