



Tax Alert

February 2026

Key Tax and Fiscal Changes introduced in prior years, taking effect in 2026

In brief

Tanzania has implemented several important fiscal, regulatory, and administrative changes in the recent years. Some of these measures came into effect in January 2026 while others are expected to take effect—or lapse—later in the year. As the year progresses, these timelines will have varying impacts on businesses, making proactive preparation essential.

All prices for goods and services supplied within Tanzania must be quoted in TZS

This newsletter serves as a timely reminder of the key changes that took effect in January 2026, those upcoming later in the year and the practical steps that taxpayers and businesses should take to ensure full compliance.

A. Foreign Currency Regulations, 2025 – One-Year Transition Period Ending on 27 March 2026

On 28 March 2025, the Government of Tanzania through Government Notice No. 198, published the Foreign Currency Regulations, 2025 (made under section 70 of the Bank of Tanzania Act, Cap 197).

Key provisions

1. Emphasis on the use of Tanzanian Shillings (TZS)

Unless specifically exempted:

- All prices for goods and services supplied within Tanzania must be quoted in TZS
 - Payments for goods and services in Tanzania must be done only in TZS
- #### 2. Highlighted transactions that can be done in foreign currency
- Contributions paid by the Government to regional institutions within the country;
 - Transactions involving embassies and international organisations within Tanzania;

Contracts (including employment contracts) signed prior to 28 March 2025 must be reviewed and amended by 27 March 2026 to align with the regulations

- Loans provided by commercial banks and financial institutions within the country in foreign currency;
- Payments for goods in duty-free shops; and
- The Bank of Tanzania granted a specific exemption for the tourism sector through their letter dated 8 July 2025, allowing resident tour operators to continue making payments in foreign currency for goods and services on behalf of non-resident tourists and acquire specialised motor vehicles from domestic suppliers, provided the vehicles are designed for tourism purposes.
- Pricing and payment systems should be updated to ensure all quotations and payments comply with the regulations.
- Non-compliance may attract penalties under the Bank of Tanzania Act.

Recommended next steps for businesses

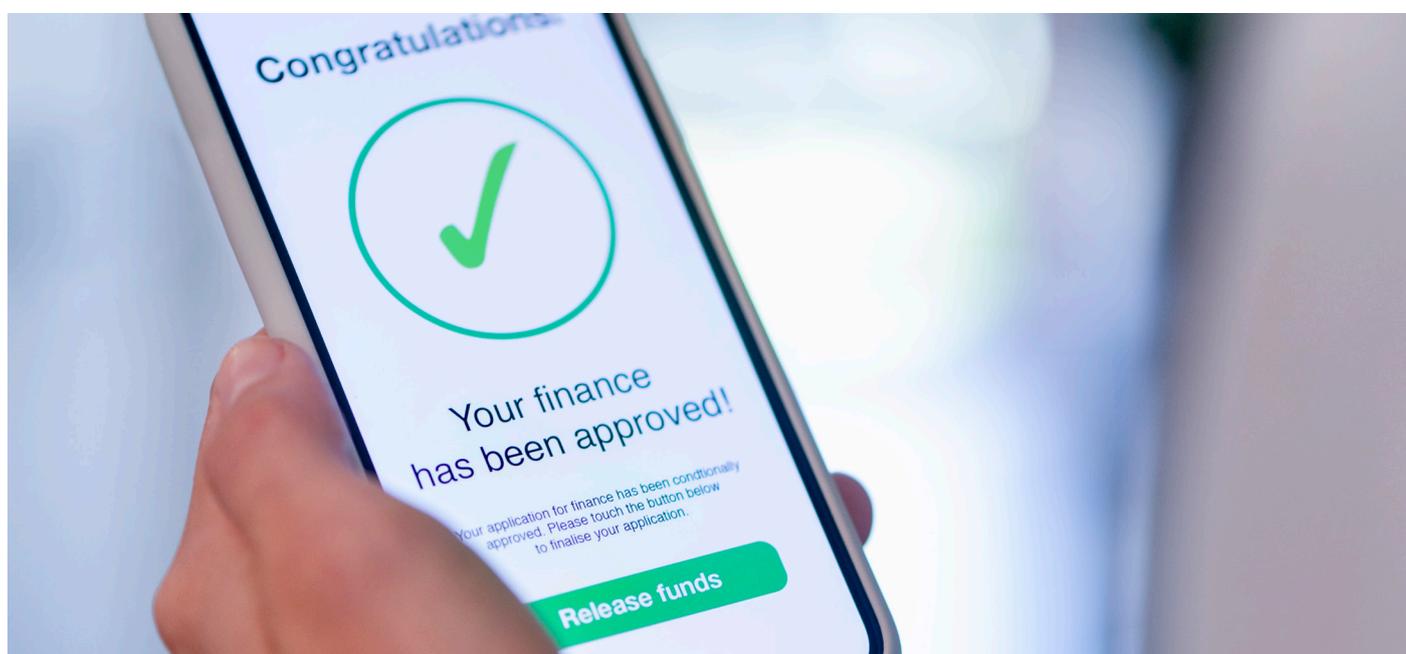
- Conduct an internal review of contracts, pricing, and invoicing systems.
- Seek regulatory guidance from legal advisors
- Communicate changes to customers, suppliers and stakeholders.

Implications for businesses

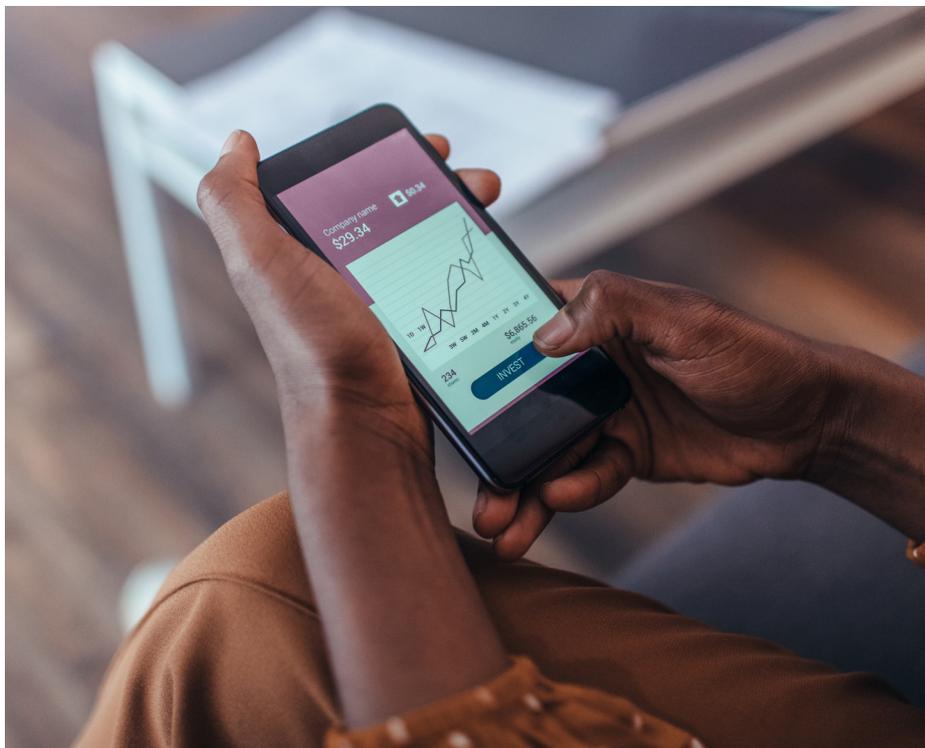
- All contracts entered into after 28 March 2025 must fully comply with the new requirements.
- Contracts (including employment contracts) signed prior to 28 March 2025 must be reviewed and amended by 27 March 2026 to align with the regulations.

B. Finance Act Provisions Effective in 2026

While most of the Finance Act changes begin on 1 July of the respective year, certain measures were deferred to begin in 2026. Below is a highlight of these changes and what they mean for taxpayers.



The Finance Act, 2023 amended the Value Added Tax Act, Cap. 148 to end VAT deferment on imported capital goods effectively 30 June 2026



Income Tax

Single Instalment Tax on Forest Produce (Effective 1 January 2026)

The Finance Act, 2025 introduced 2% income tax on the gross payment received by a person other than a corporation from sales of forest produce (timber, logs, mirunda and poles). The income tax is payable before transportation, by way of single instalment, and constitutes the final tax liability on that income.

Compliance Tips

- Ensure proper accounting of tax on the gross amount of the payment before dispatch of forest goods.
- Maintain evidence of tax payment and ensure that you obtain the single instalment certificate before the transportation of forest products.

Value Added Tax

VAT deferment scheme for imported capital goods (Ceases on 30 June 2026)

The Finance Act, 2023 amended the Value Added Tax Act, Cap. 148 to end VAT deferment on imported capital goods effectively 30 June 2026, after which the scheme will apply only to locally manufactured capital goods.

While the law clearly stops the approval of new deferments for imported capital goods after this date, it does not state whether previously approved deferments (which normally run for 10 years) will be terminated or made payable on the cessation date.

Next steps for business

- For the second half of 2026, it will be important to reassess project budgets, capital expenditure plans, and financing needs, while also reviewing import

Foreigners entering Mainland Tanzania must obtain inbound travel insurance costing USD 44 (c. TZS 110,000), covering stays of up to 92 days

schedules to ensure consignments arrive before the cutoff date. In addition, conducting tax planning to evaluate the impact of VAT cash-flow obligations will be critical.

Expiry of zero rating and VAT exemption on specific goods/services (Cease on 30 June 2026)

- Zero rating - Locally manufactured garments made from locally grown cotton; and
- Exemption - Edible oil produced locally using locally grown seeds and air charter services.

Business considerations:

- Ahead of the expiry, it is essential to reassess pricing strategies to manage margin impacts. At the same time, supply chain and purchase agreements should be updated to reflect increased VAT exposure. In addition, anticipated price changes should be communicated proactively with distributors and retail partners to ensure smooth transitions.

Industrial Development Levy (IDL)

Imposition of IDL on imported goods with HS codes 11.08 (starch), 8544.70.00 (optical fibre cable), and 19.02 (pasta) of rates 5%, 10% and 15% respectively which became effective from 1 January 2026.

Business considerations for affected industries:

- Reassess pricing strategies to incorporate the increased landed costs resulting from the IDL.
- Review and renegotiate long-term supply contracts that did not factor in the newly introduced levy.
- Explore opportunities to invest in local production to reduce reliance on imported inputs subject to IDL.
- Strengthen compliance and documentation processes to minimise risks during Post-Clearance Audits (PCA).

Insurance Act

Inbound insurance for foreigners entering Mainland Tanzania

Foreigners entering Mainland Tanzania must obtain inbound travel insurance costing USD 44 (c. TZS 110,000), covering stays of up to 92 days.

Key features

- Exemptions: Residents of EAC and SADC member states are excluded.
- Implementation was expected to commence in January 2026¹.
- The Finance Act had indicated that regulations may be published for better implementation of the provision. However, to date, we are not aware of regulations that have been issued by the Minister.

¹<https://www.thecitizen.co.tz/tanzania/news/national/tourism-players-welcome-policy-delay-but-insurance-concerns-persist-5098464>



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