



Tax Alert

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Reframing VAT Boundaries: Court of Appeal clarifies deductibility criteria for business related employee accommodation

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The Court of Appeal of Tanzania (CAT) has on 20 May 2026 delivered a landmark judgment against the Tanzania Revenue Authority (TRA) in the case of Aggreko International Projects Tanzania Branch v Commissioner General (TRA) (Civil Appeal No. 175 of 2025). The decision has ruled that accommodation and lodging expenses incurred for employees, specifically those stationed at remote operational sites, do not constitute “entertainment” or “hospitality of any kind” within the meaning of section 68(3)(a) of the Value Added Tax Act, 2014 (VAT Act) (now section 72(3) (a) of the Value Added Tax, Cap 148 R.E 2023).

Why this decision matters

This decision settles a long-contested dispute between various taxpayers and the TRA and confirms a position of law that input VAT on such accommodation expenses is claimable.

Background

The Appellant, a service provider engaged in, amongst other things, the supply of technical personnel to Barrick mine sites, had its input VAT claims on accommodation and lodging expenses disallowed by the TRA following a tax

audit covering the years 2010 to 2019. The dispute progressed through the Tax Revenue Appeals Board (“Board”) and the Tax Revenue Appeals Tribunal (“Tribunal”), both of which upheld the disallowance before the appellant appealing further to the CAT.

The central question was whether accommodation expenses fall within the definition of “entertainment” under section 2 of the VAT Act, which defines entertainment as “the provision of food, beverages, amusement, recreation or hospitality of any kind.”



Decision

The CAT overturned the decisions of both the Board and Tribunal and allowed the appeal, with reasoning as below:

1. **Accommodation is not entertainment** — “At any stretch of the imagination, accommodation or lodging facility expenses for any taxpayer’s employees cannot be entertainment within that context. In other words, unlike mere entertainment or recreation, accommodation serves a fundamentally different purpose towards the production of taxable income”.

CAT emphasized further that tax laws should be interpreted using their plain meaning. It held that section 68(3)(a) of the VAT Act aims to disallow input VAT claims for expenses related to luxury or personal enjoyment, such as meals, entertainment, and recreation. However, the court clarified that employee accommodation or lodging does not fall under “entertainment”

in this context, and therefore such expenses should not be disqualified on that basis.

2. **The *ejusdem generis* rule applies** — The general words “hospitality of any kind” must be confined to things of the same kind as the specific words preceding them: food, beverages, amusement and recreation. Accommodation provided to employees for the purpose of making taxable supplies does not belong to this species.
3. **Accommodation is an essential business input** — The CAT recognised the commercial realities of operations in remote environments, holding that employee accommodation at mining sites constitutes “crucial business costs enabling the employees... to comfortably and conveniently perform” — not a luxury.
4. **Interest on wrongly assessed tax falls away** — Interest charged under section 76(1) (now section 87(1)) of the Tax Administration Act, 2015 Cap 438 RE 2023)

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cannot stand where the principal tax assessment itself was found to be groundless, as the accommodation expenses were wrongly disallowed in the first place.

Key takeaways for taxpayers

- 1. Input VAT on employee accommodation is not automatically restricted and is claimable within the principles of VAT deduction** — Where accommodation expenses are incurred in furtherance of a taxpayer's economic activity, input VAT is allowable and not restricted under section 68(3)(a) VAT Act.
- 2. The TRA's longstanding position is overturned** — The practice of disallowing input VAT on accommodation by treating it as entertainment no longer has legal support as determined at the highest appellate level.

- 3. Opportunity for sectors operating in remote environments to critically reassess their VAT treatment and revisit prior disputes** —

The decision has considerable precedential value for taxpayers in mining, energy, infrastructure, and other sectors where employees are stationed at remote sites.

Our observations

This is one of the most significant VAT decisions in Tanzania in recent years. It confirms the position always taken by us (PwC) and provides clarity on an issue that has been the subject of conflicting decisions at the Board and Tribunal levels and brings Tanzanian jurisprudence in line with the plain meaning of the VAT Act.

The judgment reinforces the principle that tax statutes must be interpreted according to their plain meaning, and that courts should not extend statutory

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definitions beyond what Parliament has expressly provided. It also underscores the importance of applying established canons of statutory interpretation (particularly the ejusdem generis rule) in tax disputes.

Practically, the decision is likely to prompt a reassessment of TRA's audit approach to accommodation-related input VAT claims and may open the door for taxpayers to potentially recover amounts previously disallowed (provided the timeline still permits amongst other factors).

What taxpayers should do now

1. **Review ongoing disputes** – Identify any current objections, appeals or assessments involving disallowed input VAT on accommodation expenses and consider mediation options for those at appellate level. This judgment strengthens the taxpayer's position.
2. **Assess historical claims** – Consider whether refund claims or amended assessments may be pursued for previously disallowed accommodation-related input VAT.
3. **Strengthen documentation** – Ensure that accommodation expenses are properly documented as being incurred in the course of the taxpayer's economic activity and in furtherance of making taxable supplies.
4. **Engage with TRA proactively** – Taxpayers currently under audit should bring this decision to the attention of TRA auditors when accommodation input VAT claims are being queried.

Let's talk

For a deeper discussion on how this landmark decision may affect your business, or for assistance in reviewing your VAT position, please get in touch with your usual PwC contact or any of the individuals listed herein.



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