

Tax Alert

October 2026

ZRA expands VFMS compliance requirements for hospitality businesses and reinforces VAT input tax reporting requirements

The Zanzibar Revenue Authority (ZRA) continues to enhance its tax administration framework for businesses operating in Zanzibar.

Recent developments include (i) new Virtual Fiscal Management System (VFMS) compliance requirements applicable to accommodation and related hospitality service providers, as well as, software vendors offering Property Management Systems (PMS); and (ii) changes to the claiming of input VAT on local purchases by VAT registered persons.

Amendments to the Tax Administration and Procedures (Virtual Fiscal Management System) Regulations 2021 require accommodation and related hospitality service providers to use a PMS approved by the ZRA. The amendments also require software vendors and service providers offering PMS solutions to obtain approval for their software and integrate it with the VFMS platform administered by the ZRA.

This publication has been prepared as general information on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice.

1. Mandatory PMS adoption and VFMS integration for hospitality businesses

On 25 August 2026, the Zanzibar Revenue Authority (ZRA) issued a public notice following amendments to the Tax Administration and Procedures (Virtual Fiscal Management System) Regulations, 2021 through Legal Notice No. 106 of 2026.

The amendments introduce new requirements for both accommodation and hospitality service providers and software vendors operating Property Management Systems (PMS) by **2 November 2026.**

A PMS is a software application used by accommodation and hospitality businesses to capture and process business transactions, including guest bookings, accommodation charges and other hospitality-related services. Under the amended Regulations, accommodation and hospitality service providers are required to use a PMS approved by the ZRA.

In addition, software vendors and other service providers that develop, deploy, operate, maintain or manage PMS solutions for accommodation and hospitality businesses are required to integrate their application software with the Virtual Fiscal Management System (VFMS) administered by ZRA.

Accommodation and hospitality businesses should ensure that any PMS deployed within their operations has been approved by ZRA and is capable of interfacing with the VFMS platform.

Consequences of non-compliance

According to the public notice, failure to comply with the amended requirements constitute an offence which can be penalised as prescribed under the applicable law. This applies to accommodation and hospitality service providers that fail to use an approved PMS, as well as software vendors and service providers that fail to obtain the necessary approval and integrate their software with the ZRA's VFMS platform.

Recommended actions

For accommodation and hospitality businesses:

- Review whether existing PMS solutions are approved by ZRA or require replacement to comply with the requirement.
- If the PMS is not yet integrated with VFMS, develop implementation plans to ensure compliance before the deadline.
- Engage with ZRA and software providers early to address operational or technical challenges that may arise during implementation.



For PMS software vendors and service providers:

- Apply for approval of the PMS from the ZRA.
- Ensure the software is capable of integrating with the VFMS platform as required by the amended Regulations.
- Coordinate with hospitality clients to facilitate implementation and compliance within the prescribed timeframe.
- Provide adequate user training and technical support to clients transitioning to the approved PMS environment.

VAT input tax reporting through VFMS

This development follows an earlier ZRA public notice issued on 4 June 2026, which introduced changes to the submission of VAT Input Tax purchase reports through VFMS. Effective from June 2026, purchases made within Zanzibar and intended to support input VAT claims are required to be reported through Virtual Electronic Receipt System (VFMS).

Key requirements for claiming input VAT

VAT-registered taxpayers intending to claim input VAT on local purchases should ensure that the following requirements are met:

a. Electronic fiscal receipt is mandatory

In addition to the documentary requirements under section 23(6) of the Tax Administration and Procedures Act, the fiscal receipt supporting an input VAT claim should contain the purchaser's ZTN Location Number in the prescribed format (ZXXXXXXXXX-XXX).

b. Accurate recording of transaction information

Businesses should ensure that all information reflected on fiscal receipts, including the purchaser's ZTN Location Number, is accurate to facilitate validation and reporting through VFMS.

c. Verification of input tax records

Taxpayers should periodically review their purchase records and VFMS reports to ensure that transactions intended to support input VAT claims have been properly captured and reported.



Recommended actions

- Ensure valid electronic fiscal receipts are obtained and retained for all purchases supporting input VAT claims.
- Provide the suppliers with the correct ZTN Location Number and verify that it is accurately reflected on fiscal receipts.
- Review procurement and accounts payable procedures to ensure compliance with VFMS reporting requirements.
- Strengthen internal controls to verify the completeness and accuracy of information captured on fiscal receipts.

How PwC can help

PwC can assist businesses in:

- Assessing readiness for compliance with the amended VFMS Regulations.
- Advising accommodation and hospitality businesses on PMS approval requirements and implementation considerations.
- Assisting PMS vendors and service providers in getting ZRA approval and system integration requirements.
- Reviewing PMS implementation and VFMS integration readiness.
- Assessing the adequacy of supporting documentation for input VAT claims.
- Reviewing procurement, finance and tax compliance processes.
- Performing VAT input tax claim reviews and reconciliations to identify potential compliance gaps.
- Conducting VAT and indirect tax health checks.
- Assisting businesses in responding to ZRA enquiries, compliance reviews and audits.
- Providing support in engagements with ZRA regarding the interpretation and application of the new requirements.

Should you require any assistance, please feel free to reach out to us, and we will be happy to support you.



Rishit Shah
Partner, Tax and Legal Services
rishit.shah@pwc.com

Joseph Lyimo
Partner, Tax and Legal Services
joseph.lyimo@pwc.com

Fadhila Tiisekwa
Associate Director, Tax and Legal Services
fadhila.t.tiisekwa@pwc.com

Hermelinda Bikongoro
Manager, Tax and Legal Services
hermelinda.bikongoro@pwc.com

Shepherd Ngemera
Assistant Manager, Tax and Legal Services
sherperd.ngemera@pwc.com

Goodluck Msuya
Senior Associate, Tax and Legal Services
goodluck.msuya@pwc.com

© 2026 PricewaterhouseCoopers Limited. All rights reserved.