

TZ Budget Highlights

"Resilience and Self Sustainability"

June 16, 2025





Key figures:

- 71% will be financed by local sources
- 33% of the development expenditure is to cover salaries and wages
- 36% of the development expenditure is to service the debt currently at TZS 107trn
- Expected tax collection is TZS 32.31trn

June 16, 2025

2025-26 Budget Speech

Preamble

The Minister of Finance, Hon Dr. Mwigulu Nchemba read the 2025-26 budget at the National Assembly on the 12th of June 2025.

This was the 5th budget for the sixth phase government lead by her excellency, Dr. Samia Suluhu Hassan, and a pivotal one, given the looming elections to be held in October this year.

This year's budget intended to lay down a marker and a demonstration of the strong economic performances for the past 4 years and a continuation of strides towards industrial development and self reliance.

The Minister tabled a TZS 56.5tn budget, a 12% increase from last year, out of which TZS 17.5 (31%) will be committed towards development.

We provide below our brief analysis for your information:

Key VAT changes

- Introduce VAT exemption on specified pesticides;
- Reinsurance by a Tanzania reinsurer now exempt from VAT;
- Zero rate of VAT on textile products made from locally grown cotton;
- Exempt VAT on locally produced fertilizers for 3 years;
- Exempt VAT on locally produced edible oils for 1 year;
- Abolish the VAT exemption on gaming supplies;
- Exempt VAT on natural gas sold to CNG stations for motor vehicles

Proposed VAT changes

Key VAT changes

- Exempt VAT on cooking gas tanks and cylinders;
- Online intermediation services to include online marketplace platforms;
- Non resident online payment services that use other included as part of financial intermediaries (online intermediation payment platforms);
- Online payment for purchase of goods (B2C) now subject to VAT at a reduced rate of 16%;
- To establish withholding of VAT at 3% on payments to a registered seller;

Key Income Tax changes

- Definition of equity in s 12 of the ITA 2004 to now include retained earnings;
- Introduce a 10% withholding tax on undistributed retained earnings after 6months;
- Introduce a 3.5% income tax as single installment on sale of forest products;
- Introduce a 2% withholding tax on purchase of raw salt from Primary License holders;
- Introduce 10% withholding tax on commission payments from sport betting advertisements;

Proposed Income Tax changes

Key Income Tax changes

- Withholding tax on reinsurance to non residents now at 10%
- Withholding tax on (technical) professional and management services to extractive sector increased to 10%;
- Alternative Minimum Tax (AMT) now increased to 1%;
- Loss restriction to extractive sector after a period of 4 consecutive years' now at 60%;
- Income tax exemption to SEZs entities selling to local market to be abolished;

Other key changes

The Industrial Development Levy (IDL) introduced will include goods originating within the East Africa Community (EAC). The changes are as follows:

- Introduce a 10% IDL on imported;
 - Kitchenware, tableware, household articles
 - Road tractors;
 - Prefabricated buildings
 - Bars and rods
 - Imported furnitures
 - Glass

Introduce IDL at the higher of either 10% IDL or TZS 4,500 per sqm on ceramic tiles;

Introduce a 15% IDL on imported flat rolled products;

Introduce IDL exemption on cement clinker

Proposed Import Control Act changes

Other Key changes...

- Mining Companies with contract with Government to allocate at least 20% of the gold produced to smelting, refining and trading locally;
- Introduce a 75% exemption on duty for deemed capital goods to SEZ investors;
- Grant strategic investment status to mining projects with framework agreement with the Government;
- Increase excise duty rate on electronic communication to 17.5%;
- Introduce a levy of 0.1% on gross market value of minerals;
- Increase the betting winning tax to 15%

Key Tax changes

- City service levy to be reduced to 0.25%;
- Reduce hotel levy from 10% to 2%;
- Introduce an excise duty at 10% on money transfers other than through financial or telecommunication systems;
- Introduce a 2% withholding tax on purchase of raw salt from Primary License holders;
- Increase excise duty on pay per view to 10%;
- Introduce an excise duty at TZS 22,000 per metric tonne of carbon produced from coal and natural gas;

Other Tax Measures

Key Tax changes

- Increase excise duty to TZS 0.55 per cubic feet of natural gas;
- Require taxpayers to interface their accounting softwares/invoice issuing softwares with TRA system;
- Introduce a mandatory travel insurance for foreigners (excluding EAC and SADC citizens) at US\$ 44;

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