ABA Alliance

FINANCE ACT 2026:KEY UPDATES

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KEY TAX AND REGULATORY CHANGES AFFECTING BUSINESSES IN TANZANIA

July 2026

The Finance Act, 2026 was assented to on 30 June 2026 and became effective on 1 July 2026. The Act introduces amendments across several tax and non-tax statutes, reflecting the Government's continued focus on enhancing revenue collection, strengthening tax administration, encouraging investment and promoting voluntary compliance.

While several proposals announced during the 2026/27 Budget Speech were enacted without significant modification, others were revised during the legislative process or omitted entirely from the Finance Act. As a result, taxpayers should not rely solely on the Budget Speech when assessing their tax obligations but should instead consider the provisions of the enacted legislation.

In this publication, we highlight the key amendments introduced by the Finance Act, 2026 and discuss their practical implications for businesses operating in Tanzania.

EXECUTIVE SUMMARY OF KEY CHANGES

Area	Key Amendment
Income Tax	Introduction of a 12-month income tax holiday for qualifying newly registered individual businesses.
Income Tax	Presumptive tax threshold increased from TZS 100 million to TZS 200 million, with an option to adopt the normal income tax regime.
Income Tax	Deemed distribution percentage reduced from 30% to 15%, with exemptions for listed companies, financial institutions, insurance companies and qualifying mining companies.
Framework Agreements	Tax exemptions under Framework Agreements are now restricted to the construction phase of mining projects.
Value Added Tax	The VAT deferment scheme for imported capital goods has been made permanent.
Value Added Tax	Digital marketplace operators are now deemed suppliers for VAT purposes in specified transactions.
Value Added Tax	Introduction of new VAT exemptions to support local manufacturing, agriculture and strategic sectors.
Tax Administration	New offence introduced for misuse of Framework Agreement tax exemptions, attracting penalties of up to 100% of the exempted tax in addition to repayment of the exempted tax.
Tax Administration	Mandatory electronic disclosure of contractors and subcontractors in the construction and extractive industries.
Transfer Pricing	Penalties revised to the higher of 30% of the transfer pricing adjustment or 100% of the resulting tax shortfall.
Tax Administration	Expanded powers for the Commissioner General to access electronic records, accounting systems and digital information during tax audits.
Tax Disputes	Statutory period for amicable settlement extended from 60 days to 90 days, with a possible 30-day extension.
Excise Duty	Annual excise duty adjustments will now be based on actual inflation plus 2%, while revised excise duty rates apply to used imported motor vehicles and requirement for non-resident digital service providers (B2C) to register, file returns and remit excise dut
Stamp Duty	Transfers of agricultural land now attract 0.5% ad valorem stamp duty, replacing the previous fixed duty.
Other Legislation	Amendments to the Bank of Tanzania Act, Electronic Transactions Act, and Local Government Finance Act.
Finance Bill Updates	Certain proposals announced in the Finance Bill, including the 30-day VAT refund timeline, 1% instalment tax on food crops, and 5% excise duty on gambling stakes and motorcycles, were not enacted into the Finance Act.

Income Tax

Tax holiday introduced for newly registered businesses

What changed?

The Finance Act introduces a twelve-month income tax holiday for newly registered individual businesses. The exemption is available from the date of Taxpayer Identification Number (TIN) registration and is granted upon application to, and approval by, the Commissioner General.

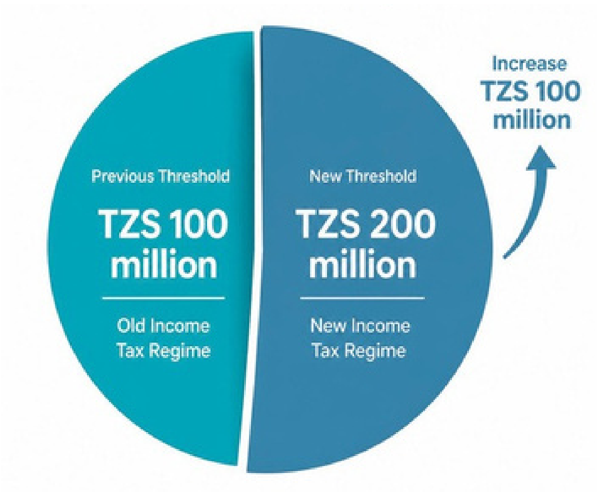
Practical impact

This measure reduces the initial tax burden on start-up businesses and encourages formalization. Eligible taxpayers should ensure that the necessary application is submitted, as the relief is not granted automatically.

Expansion of the Presumptive Tax Regime

What changed?

The turnover threshold for the presumptive income tax regime has been increased from TZS 100 million to TZS 200 million. In addition, taxpayers falling within the threshold may elect to prepare audited financial statements and be assessed under the normal income tax regime.



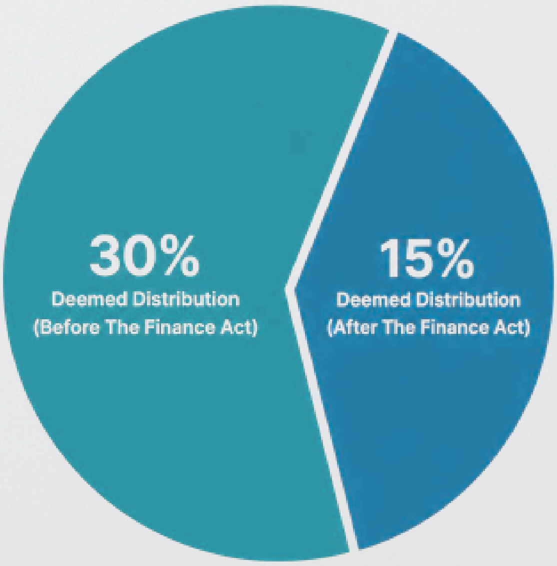
The presumptive tax rate applicable to the highest turnover band has also been revised to 4%, replacing the previously proposed 4.5%.

Practical impact

The amendment broadens access to the simplified tax regime while providing qualifying taxpayers with greater flexibility in determining the most appropriate basis of taxation.

Reduced deemed distribution tax

The Finance Act reduces the deemed distribution percentage from 30% to 15% of taxable profits.



In addition, listed companies, banks, insurance companies and mining companies operating under Framework Agreements are now excluded from the deemed distribution regime.

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While this amendment lowers the effective withholding tax cost on retained earnings and provides additional flexibility for businesses that reinvest profits rather than distribute dividends.

We note that companies should continue to review their dividend policies, particularly where significant retained earnings are accumulated over several years, as the deemed distribution rules continue to apply to taxpayers who remain within the scope of the provision.

Restriction of Framework Agreement Tax Exemptions

What changed?

The Finance Act formally recognizes Framework Agreements entered between mining license holders and the Government for income tax purposes. However, the exemption has been restricted to the construction phase of a mining project and ceases immediately upon commencement of production.

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Mining investors should review financial models and investment assumptions as tax incentives will no longer extend into the production phase.

Value Added Tax

VAT deferment scheme made permanent

What changed?

The sunset clause (deferment termination date: 30 June 2026) has been removed, making the VAT deferment scheme for imported capital goods a permanent incentive. The Minister may prescribe additional qualifying conditions through a Gazette Notice.

The business impact

Businesses undertaking major capital investments can continue benefiting from improved cash flow by deferring VAT on eligible imports.

Digital Marketplace Operators

What changed?

The Finance Act expands the scope of VAT by deeming operators of digital marketplaces and online intermediation platforms to be suppliers of electronic services where supplies are made to non-registered persons in Mainland Tanzania.

Both residents and non-resident operators may therefore become liable to register for VAT, collect VAT from customers and remit the tax to the Commissioner General.

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Businesses operating digital platforms should review their VAT registration status, pricing models and billing systems to ensure compliance with the new rules.

VAT Exemptions

What changed?

The Finance Act introduces several new VAT exemptions and extends existing reliefs covering selected sectors of the economy.

Among the notable exemptions are supplies of locally manufactured garments made from locally grown cotton, locally manufactured fishing nets, electric vehicle charging stations, selected aircraft equipment and specified packaging materials.

Intention

These measures are intended to encourage domestic manufacturing, promote investment and support strategic sectors of the economy.

Tax Administration Act

New Penalty for Abuse of Framework Agreement Exemptions

What changed?

A new offence has been introduced for taxpayers who misuse tax exemptions or remissions granted under Framework Agreements.

A person commits an offence where exempt goods are used for purposes other than those for which the exemption was granted, transferred without approval or obtained through false or misleading information.

Upon conviction, the taxpayer may be liable to a fine equal to one hundred percent of the exempted tax, in addition to repayment of the tax that would otherwise have been payable.

Mandatory Disclosure of Contractors and Subcontractors

What changed?

Businesses operating in the construction and extractive industries are now required to electronically disclose contractor and subcontractor information to the Commissioner General within thirty days after execution of a contract.

The disclosure requirements include details relating to the contractor, the nature of the contract, contract value and anticipated withholding tax obligations.

Intention

The amendment is expected to enhance tax transparency and improve monitoring of compliance within these sectors.

Revised Transfer Pricing Penalties

What changed?

The Finance Act revises the penalty applicable for non-compliance with the transfer pricing regulations.

The applicable penalty is now the higher of (30%) thirty percent of the transfer pricing adjustment or one hundred percent of the resulting tax shortfall.

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Businesses with related party transactions should consider reviewing their transfer pricing documentation proactively, particularly before the commencement of any tax audit or examination.

Expanded Powers to Access Electronic Records

What changed?

The Commissioner General's powers have been expanded to include access to electronic systems, accounting software and other digital records maintained by taxpayers.

Tax Revenue Appeals Act

Extended Period for Amicable Settlement

What changed?

The Finance Act extends the period available for amicable settlement of tax disputes from 60 days to 90 days, with an additional extension of up to thirty days where justified.

Intention

This amendment provides taxpayers and the Tanzania Revenue Authority with additional time to negotiate and resolve disputes without proceeding through the full appeals process.

Excise (Management and Tariff) Act

The Finance Act introduces several amendments to the Excise Duty regime aimed at aligning duty rates with inflation, refining the taxation of imported goods and expanding the scope of excise obligations for certain digital services. Businesses involved in the importation, manufacture or supply of excisable goods should review the revised rates and assess the potential impact on pricing, costs and compliance.

Key Changes

The Finance Act introduces several amendments to the Excise Duty regime aimed at aligning duty rates with inflation, refining the taxation of imported goods and expanding the scope of excise obligations for certain digital services. Businesses involved in the importation, manufacture or supply of excisable goods should review the revised rates and assess the potential impact on pricing, costs and compliance.

Annual adjustment of excise duty rates

- Specific excise duty rates will now be adjusted annually based on the actual year-on-year inflation rate for the period ending March, plus 2%.
- This replaces the previous proposal to use projected inflation, providing a more objective basis for annual adjustments.

Used imported motor vehicles

- The Finance Act revises excise duty rates on used imported vehicles as follows:
  - 18% (reduced from the proposed 20%)
  - 35% (reduced from the proposed 40%)
  - 40% (reduced from the proposed 50%)

Although lower than those proposed in the Finance Bill, the revised rates still increase the cost of importing older vehicles.

Non-resident digital service providers

- Non-resident service providers supplying specified electronic services to non-VAT registered persons in Tanzania remain subject to excise duty.
- The Act broadens the provision to cover services supplied through the internet or any other electronic means, expanding its application.

Finance Bill proposal that have not been enacted:

- The proposed 5% excise duty on gambling stakes or wagers was not enacted.
- The proposed 5% excise duty on motorcycles (other than specified exemptions) was also not enacted.

STAMP DUTY ACT

Agricultural Land Transfers

Previous Position

Transfers of agricultural land attracted a nominal stamp duty of TZS 500.

New Position

Stamp duty is now charged at 0.5% of the value of the land.

Business Impact

The stamp duty changes above significantly increase transaction costs for agricultural land acquisitions and should be factored into commercial negotiations.

Other Stamp Duty Changes

The Finance Act also increases stamp duty on various instruments, including:

Instrument	New Position
Bill of exchange	TZS 5,000 (previously Nil)
Bill of sale by way of security or collateral security	Maximum TZS 100,000 (up from maximum TZS 10,000)
Cheque	TZS 500 (up from TZS 100)
Conveyance of agricultural land	0.5% of the consideration value (up from TZS 500 fixed duty)
Partnership deed	Minimum TZS 5,000 (up from minimum TZS 1,000)

OTHER LEGISLATIVE CHANGES

The Finance Act also amends several non-tax laws, including:

Bank of Tanzania Act

Reduction in the Government overdraft ceiling from 18% to 14% of the previous year's actual revenue.

Electronic Transactions Act

The Minister may prescribe categories of payments that must be made electronically before certain transactions can be approved.

Local Government Finance Act

- Allocation for women, youth and persons with disabilities increased from 10% to 15%.
- Local Government share of land rent reduced from 20% to 10%.

What Should Businesses Do?

The Finance Act, 2026 introduces a range of changes that may affect how businesses manage their tax affairs, compliance obligations and future investment decisions. Taking the time to understand these changes now can help businesses avoid unnecessary compliance risks and identify opportunities that may arise from the new provisions.

Businesses should review their current tax positions, accounting processes, transfer pricing arrangements and existing contracts to determine whether any adjustments are required under the new law. Where necessary, internal policies and systems should be updated to reflect the legislative changes.

As with any significant tax reform, early planning is key. Seeking professional advice and addressing the changes proactively will help businesses remain compliant while making the most of the reliefs and incentives introduced by the Finance Act, 2026.

ABA Alliance Advisory Limited provides tax, legal, advisory and business consulting services to local and international clients across diverse industries. Our team assists clients with tax compliance, tax advisory, transfer pricing, tax audits, VAT, customs, and strategic tax planning, helping businesses navigate Tanzania's evolving tax landscape with confidence.

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