November 2026

ABA TAX ALERT

Zanzibar Revenue Authority introduces enhanced VFMS and VAT compliance requirements November 2026

The Zanzibar Revenue Authority (ZRA) continues to enhance its tax administration framework through increased digitalisation and strengthened compliance monitoring.

Recent developments include amendments to the Virtual Fiscal Management System (VFMS) Regulations introducing new requirements for hospitality businesses, additional reporting requirements for purchases supporting input VAT claims, and the implementation of VAT obligations for non-resident suppliers of electronic services to customers in Zanzibar.

These developments are particularly relevant to businesses operating in the hospitality, tourism, accommodation and digital services sectors.

1. Mandatory PMS approval and VFMS integration for hospitality businesses

On 25 August 2026, 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 require accommodation and hospitality service providers to use Property Management Systems (PMS) approved by ZRA. In addition, software vendors and service providers involved in developing, deploying, operating or maintaining PMS solutions are required to obtain the necessary approval and integrate their software with ZRA's VFMS platform.

A PMS is software commonly used by hotels and accommodation providers to manage guest reservations, check-ins, accommodation charges, billing and other hospitality-related transactions.
According to ZRA's public notice, the new requirements were to be implemented by 2 November 2026. Failure to comply constitutes an offence and may attract penalties under the applicable legislation. Hospitality businesses should therefore confirm that their existing PMS solutions meet the approval and integration requirements.

2. Enhanced reporting requirements for input VAT claims through VFMS

On **4 June 2026, ZRA** issued a public notice introducing additional requirements for reporting local purchases supporting input VAT claims through VFMS.

The notice reinforces the documentary requirements under **Section 23(6) of the Tax Administration and Procedures Act, No. 7 of 2009**, as amended, and requires VAT-registered taxpayers to report qualifying local purchases through VFMS with effect from June 2026.

Under the new requirements, electronic fiscal receipts supporting input VAT claims must contain the purchaser's Zanzibar Taxpayer Number (ZTN) Location Number in the prescribed format **(ZXXXXXXXXX-XXX).** Taxpayers should therefore ensure that their correct ZTN Location Number is communicated to suppliers and accurately reflected on fiscal receipts.

Businesses are also expected to ensure that purchase transactions are properly captured and reported through VFMS, making regular reconciliation of accounting purchase records against VFMS reports important in supporting input VAT claims.

3. VAT on electronic services supplied by non-resident businesses

The VAT treatment of electronic services supplied by non-resident businesses to customers in Zanzibar is governed by **Sections 4A and 4B of the Value Added Tax Act, No. 4 of 1998**, introduced through the **Finance Act No. 4 of 2024**. The framework is further supported by the Tax Administration Procedures (Simplified Registration for Non-resident Suppliers of Electronic Services) Regulations, 2022.

In April 2026, ZRA issued guidelines clarifying the registration, filing and payment requirements applicable to non-resident suppliers of electronic services.

The requirements cover qualifying digital services such as software, cloud-based services, website hosting, online subscriptions, streaming services, digital content and certain digital marketplace services.

Non-resident suppliers are required to register with ZRA irrespective of turnover. Qualifying electronic services supplied to non-VAT-registered customers in Zanzibar are subject to VAT at **18%,** while supplies to VAT-registered customers are subject to the applicable reverse charge mechanism.

Registered non-resident suppliers are required to submit monthly VAT returns and account for VAT by the 20th day of the following month. ZRA has provided a transitional period for implementation, with the collection and remittance requirements scheduled to commence on **1 January 2027.**

Accordingly, foreign digital service providers serving customers in Zanzibar should complete the necessary registration and prepare their systems ahead of the implementation date. Zanzibar-based businesses should equally consider whether payments for electronic services obtained from non-resident providers give rise to reverse charge VAT obligations.

How ABA Alliance Advisory Limited can assist

ABA Alliance Advisory Limited provides tax advisory and compliance services to businesses operating in Zanzibar and Mainland Tanzania. We assist businesses in understanding changes in tax legislation, assessing their compliance obligations and addressing tax matters arising from ZRA's administrative requirements.

For businesses operating in Zanzibar, our services include VAT and tax compliance reviews, VFMS compliance support, hospitality and tourism tax advisory, non-resident VAT registration and general tax health checks.

For further information or assistance, please contact ABA Alliance Advisory Limited.

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