



BUDGET

NEWSLETTER

2
25
6



Balakrishna Sreekumar & Co.
CERTIFIED PUBLIC ACCOUNTANTS

TAX

Assurance

Advisory

BUDGET NEWSLETTER

2025-2026

Key Highlights	2
Economic Review.....	3
Theme of the Budget.....	3
Key Macro-economic Policy Targets.....	3
Key Priority areas for the year 2025/26	3
Some notable achievements	3
Review of 2024/25 Budget Implementation for 11 months up to May 2025.....	4
Tax Reforms	5
Budget Structure 2025/2026	16

Key Highlights



Key Highlights

- ✚ Withholding tax at a rate of 10% introduced on retained earnings after six months from the end of financial year.
- ✚ A final Withholding tax at a rate of 10% introduced on commission payments derived from sport betting advertisements.
- ✚ Withholding tax rate on insurance and re-insurance premium payments made to non-resident companies increased from 5% to 10%.
- ✚ Withholding tax rate on payments for professional and management services provided in the extractive sector increased from 5% to 10%.
- ✚ Alternative Minimum Tax (AMT) increased from 0.5% to 1%.
- ✚ Income tax at a rate of 3.5% on income derived from the sale of forest products.
- ✚ Abolish the income tax exemption granted for the initial 10-year period to investors registered in EPZ and SEZ when goods produced and services rendered within these zones are sold in the local market.
- ✚ Amend Section 12 of the Income Tax Act, CAP 332 to restore retained earnings in the definition of the term "equity."
- ✚ Reduce city service levy from 0.3% to 0.25%.
- ✚ Reduce the hotel levy rate from 10% to 2%.
- ✚ Remove loading and offloading fees charged by Local Government Authorities related to transportation of goods.
- ✚ Introduce travel insurance for foreigners entering the country at the rate of US\$ 44 per foreigner (excluding EAC and SADC citizens).
- ✚ Exemption of VAT on Re-insurance transactions between insurance and re-insurance companies.
- ✚ Zero rating of VAT on Textile Products made from locally grown cotton extended for one more year.
- ✚ Zero rating of VAT on Locally Produced Fertilizers extended for three more years.
- ✚ Bitumen is now VATABLE.
- ✚ Purchase and importation of Gaming Supplies are now VATABLE.

Economic Review





Economic Review

Theme of the Budget

- Theme of the budget is set as “Inclusive Economic Transformation through Domestic Resource Mobilization and Resilient Strategic Investment for Job Creation and Improved Livelihoods”.

Key Macro-economic Policy Targets

- Achieving GDP growth rate to 6.0 percent in 2025 from 5.5 percent in 2024.
- To keep inflation rate between 3.0-5.0 percent in the medium term.
- Tax revenue to reach 13.3 % of GDP in 2025/26 from 12.8 % in 2024/25.
- Fiscal deficit (including Grants) to be 3 % of GDP from 3.4 %.

Key Priority areas for the year 2025/26

- Completion of flagship and strategic projects; strengthening productive sectors; enhance human capital development particularly in social services and improving investment and business environment.

Some notable achievements

- Lots 1 and 2 of the SGR have been completed, with construction ongoing for Lots 3 through 7. By March 2025, the Tanzania Railways Corporation (TRC) had transported 2,054,828 passengers and generated TZS 60.25 billion in revenue. The SGR has significantly reduced travel time between Dar es Salaam and Dodoma from 9 hours to just 3 hours.
- The country witnessed major progress in road infrastructure through the expansion of the road network, completion of key bridges, and the successful delivery of Phase II of the Bus Rapid Transit (BRT) system. Construction of BRT Phases III to V is currently underway.

- ✚ The construction of the 2,115 MW Julius Nyerere Hydropower Project has reached 99.93 percent completion. The project has enabled the electrification of all 12,318 villages across mainland Tanzania.
- ✚ The number of health facilities across the country increased from 8,458 in 2020 to 9,826 in 2024, enhancing access to healthcare services nationwide.
- ✚ The Government continued efforts to enhance education access through infrastructure development. The number of classrooms in primary schools rose from 128,425 in 2020 to 155,330 in 2024, while those in secondary schools increased from 46,928 to 81,052 over the same period.
- ✚ The Tanzania Instant Payment System (TIPS) has been successfully developed and operationalized. This initiative has improved financial inclusion and significantly lowered transaction costs for users across the country.

Review of 2024/25 Budget Implementation for 11 months up to May 2025

- ✚ As of May 2025, a total of 45.07 trillion shillings were collected, equivalent to 89.6 % of the annual target of 50.29 trillion shillings, whereby, TRA contributed major part of 26.86 trillion shillings, equivalent to 91.3 percent of the target;
- ✚ As of May 2025, a total of 42.90 trillion shillings was released for expenditure, equivalent to 85.3 percent of the annual target. Out of the released amount, 30.63 trillion shillings was for recurrent expenditure and 12.27 trillion shillings was for implementation of development projects.



Tax Reforms





Tax Reforms

A. Amendments in the Value Added Tax Act, CAP 148

✚ Value Added Tax - Exemption on new items or extension of time period

The following items have been proposed to be added under Exempt Supplies: -

- a) Pesticides identified under HS Code 3808.61.00, 3808.62.00 and 3808.69.00.
- b) Re-insurance transactions between insurance companies and re-insurance companies.
- c) Newspapers published locally.
- d) Natural Gas sold to Compressed Natural Gas stations for motor vehicles use only.
- e) Cooking gas tanks and cylinders under HS Code 7311.00.10 and carbonization furnace with HS Code 8417.80.00 used in the production of briquettes.
- f) Edible oil produced locally using locally grown seed. (This exemption has been extended for one more year up to 30th June 2026).

✚ Value Added Tax - New items under Zero Rated or extension of time period.

- a) Zero rating of Supply of textile products (Fabric & Garments) made using locally grown cotton has been extended for another one year up to 30th June 2026.
- b) Zero rating of Supply of locally produced fertilizers has been extended for a period of three years up to 30th June 2028.

✚ Value Added Exemption Abolished

The following items have been proposed to be VATABLE: -

- a) Purchase and Importation of Gaming Supplies.
- b) Bitumen classified under HS Codes 2713.20.00 and 2715.00.00

✚ Other Amendments in Value Added Tax Act 2014

- a) A condition has been imposed for VAT Exemption for tractor tyres used in agricultural activities identified with HS Code 4011.70.00; dam liners identified with Heading 39.20; forks (HS Code 8201.90.00); rakes (HS Code 8201.30.00; and axes (HS Code 8201.40.00, that the exemption shall be granted after obtaining the approval for Minister responsible for agriculture.

We wait for the further clarification on the methodology to be adopted for obtaining such approval.

- b) Cosmetic changes in the following Items of Part I of Value Added Tax Exemption Schedule:-

Item 15 (8) – ~~Liquefied Petroleum and Natural Gases~~ to be replaced with **Liquefied Petroleum Gas**.

Item 15 (9) – ~~Compressed Petroleum and Natural Gases~~ to be replaced with **Compressed Natural Gas for Motor Vehicles**.

Item 15 (10) – ~~Compressed or Liquefied Gas Cylinders for petroleum and natural gases for cooking~~ ~~Petroleum and Natural Gases~~ to be replaced with **Liquefied Petroleum Gas Cylinders for cooking**.

- c) Item 15 of Part Two of the Value Added Tax Act for Imports Exempt from Value Added Tax has been amended to delete ~~some items~~ from Item No 15 and add **two new items**, as under: -

Item No 15 An import of CNG plants equipment, ~~natural gas pipes, transportation and distribution pipes~~, CNG storage cascades, CNG special transportation vehicles, ~~natural gas metering equipment~~, CNG refuelling of filling, ~~gas receiving units, flare gas system, condensate tanks and leading facility, system piping and pipe rack, condensate stabilizer,~~ **CNG Compressor and CNG Metering Equipment** by a natural gas distributor.

- d) Definition of Online Intermediation service shall now include **online marketplace platforms and network marketing platforms.**
- e) Definition of Financial Intermediaries shall now include **Non-resident online payment services platforms that use the infrastructure of other service providers that provide service in the country from abroad.**
- f) Reduction in Vat from 18% to 16% on the purchase of goods where payment is made online (B2C) and the consumer confirms that the payment invoice issued contains the correct amount of the transaction.
- g) Introduction of VAT collection agency system on payments made to a registered seller. Under this system, Ministry responsible for finance, Government Institutions that collect revenue and retain, and taxpayers registered to collect VAT, to be specified in the VAT Collection Agency Regulations and they will be required to collect 3 percent of VAT and submit it to TRA.

(We understand that the VAT Collection Agency regulations to be issued, shall contain more clarity on this.)

The VAT measures are expected to increase Government Revenue by Tshs. 833,829.1 Million

B. Amendments in the Income Tax Act, CAP 332

Amendment of Section 12 –

Retained earnings has been included in the definition of term equity, for the purpose of calculating the debt equity ratio to calculate the allowability of interest under thin capitalisation for exempt controlled entities.

Currently the Definition of Equity contains only paid-up capital.

Introduction of or Amendment in withholding tax rates

- Introduction of withholding of 10% on retained earnings after six months.

(While more clarification is awaited on this, it may demotivate investors or other business as they have to pay withholding tax on retained earnings irrespective of distribution or re-invest in the business).

- Introduction of withholding of 2% on payments arising from the purchase of raw salt from holders of a Primary Mining License (PML) or Artisanal Miners.
- Introduction of **Final** withholding of 10% on commission payments derived from sports betting advertisements.
- Increase in withholding rate from 5% to 10% on insurance and re-insurance payments made to non-resident companies.
- Increase in withholding rate from 5% to 10% on professional and management services provided in the extractive sector.

Increase in Alternate Minimum Tax

Alternate Minimum Tax rate for companies incurring losses for 3 consecutive years has been increased from 0.5% to 1%.

Reduction in Limit ratio of carrying forward loss for Businesses in mining, petroleum, oil and gas activities.

Carrying forward losses from previous years that can be deducted during the income tax calculation for businesses in mining, petroleum, oil and gas businesses has been limited to 60 percent from existing 70 percent.

✚ Abolishment of Income Tax Exemption

The income tax exemption granted for initial 10 years period to investors in Special Economic Zones (EPZ and SEZ) shall be abolished if the goods produced and services rendered within these Zones are sold in the local markets.

✚ Imposition of income tax on sale of forest products

An income tax of 3.5% shall be imposed on income derived from the sale of forest products and will be payable in single instalment for each consignment value.

✚ Passenger and Goods Transportation Business

Introduction of income tax relief for the category of two-wheeled motorcycles, three-wheeled motorcycles (Bajaji), and goods carrying vehicles with a load capacity not exceeding 500 kilograms. The income shall be charged as under: -

a) Passenger Service Vehicles

No.	Current Practice		Proposed Amendments	
	No of Passengers	Rates	No of Passengers	Rates
1	N/A	N/A	Not Exceeding 5	120,000
2	Not Exceeding 15	250,000	From 5 to 15	250,000

b) Goods Carrying Vehicles

No.	Current Practice		Proposed Amendments	
	No of Passengers	Rates	Weights	Rates
1	N/A	N/A	Not more than 500 Kg	120,000
2	Not More than 1 Tonne	250,000	From 500 KG to 1 Tonne	250,000

c) Private Hire Service Vehicles

No.	Current Practice		Proposed Amendments	
	No of Passengers	Rates	Weights	Rates
1	Motor Cycles	65,000	Motor Cycles	N/A
2	Tricycle	120,000	Tricycle	N/A

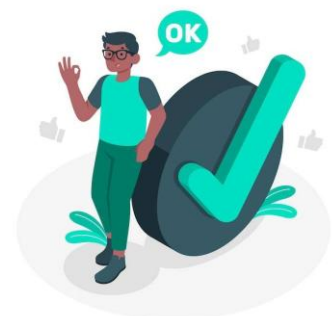
The Income Tax measures are expected to increase Government Revenue by Tshs. 74,944.4 Million

C. Amendments in Excise (Management and Tariff) Act, CAP 147

The budget for the year 2025/2026 proposed total of 20 adjustments in excise duty rates. However, the notable proposals are as follows.

- ✚ To remove licensing fees of shilling 300,000 to manufacturers and importers of excisable goods.
- ✚ To reduce excise duty rate from 7,000 to 5,000 shillings per-litre on imported undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol or higher and from 5,000 to 4,000 shillings per-litre on locally produced ethyl alcohol.
- ✚ To introduce carbon-based excise at a rate of 22,000 shillings (approximately 8 US\$) per metric ton of carbon produced from coal and natural gas.
- ✚ To increase excise duty from 20 percent to 25 percent on imported furniture under heading 94.03 for the purpose of protecting and promoting local investment.
- ✚ To increase excise duty from 0.45 shilling to 0.55 shilling per cubic feet of natural gas.
- ✚ To introduce excise duty at a rate of 10 percent to other service providers of money transfer and payment system who employs independent systems other than financial or telecommunication systems.

The Excise Duty measures are expected to increase Government Revenue by Tshs. 1,069,436.8 Million



D. Amendments in the Tax Administration Act, CAP 438

- ✚ **Taxpayers shall now be required to interface** their system used in the issuance of electronic receipts with the system operated by TRA.
- ✚ **Tax Objection:** The requirement to pay the amount of tax which is not in dispute of one third of the assessed tax whichever is greater within fifteen days from the date of receipt of tax decision has been waived.

While we await more clarification on this, we understand that the waiver application can now be made within 30 days, i.e. along with the objection.

E. Amendments in The Local Government Finance Act, CAP 290

- ✚ The Rate of City Service Levy reduced from 0.3% to 0.25%.

F. Amendments in Gaming Act, CAP 41

- ✚ Gaming Act to be amended to increase the winning tax from 10% to 15% on sports betting games and from 12% to 15% on land-based casinos.

G. Amendments in The Insurance Act, CAP 394

- ✚ Amendment of the Insurance Act, CAP 394 to introduce travel insurance for foreigners entering the country at the rate of US\$ 44 as is the case in Zanzibar. This insurance will be limited to 92 days per foreigner and will not include EAC and SADC citizens.

H. Amendments in The Export Tax Act, CAP 196

- ✚ The budget for the year 2025/2026 proposes to amend the Export Levy Act, CAP 196 by introducing export levy of 30% or 150 shillings per Kilogram whichever is higher on veneer with HS Code 44.08.



I. Amendments in The Import Control Act, CAP 276

The budget for the year 2025/2026 proposes total of 11 adjustments in the Import Control Act. However, the notable proposals are as follows.

- ✚ To introduce industrial development levy at a rate 10 percent on imported kitchenware, tableware and other household articles of plastic with heading 39.24.
- ✚ To introduce industrial development levy at a rate 10 percent on imported bars and rods under
HS Codes 7214.10.00; 7214.20.00; 7214.30.00; 7214.91.00; 7214.99.00; 7213.10.00; 7213.20.00; and 7213.99.00.
- ✚ To introduce industrial development levy at a rate 10 percent on imported furniture under heading 94.03.
- ✚ To introduce industrial development levy at a rate of 10 percent or 4,500 shillings whichever is higher on imported ceramic tiles under
HS Codes 6907.21.00; 6907.22.00; 6907.23.00; 6907.30.00; and 6907.40.00.

J. Amendments in The Registration and Identification of Persons Act, CAP 36

- ✚ The budget for the year 2025/2026 proposes to exempt Local Government Authorities, Ministries, Government Departments and Agencies which remits all revenue collection to the Consolidated Fund, from paying fee of use of information under the custody of National Identification Authority (NIDA).

K. Amendments in The Mining Act, CAP 123

- ✚ The budget for the year 2025/2026 proposes to amend section 59 of the Mining Act, CAP 123 to require companies with contracts with the Government to allocate gold at a rate of not less than 20% of production for smelting, refining, and trading in the country, like other companies that do not have contracts with the Government.



L. Amendments in The Fair Competition Act, CAP 285

- ✚ The budget for the year 2025/2026 proposes to make amendment in The Fair Competition Act, CAP 285 as follows:
 - To amend section 78(1)(a) to specify that the revenue of the Fair Competition Commission shall comprise of 2.5% of the fees collected from business licenses instead of the existing practice, which states that the revenue shall not exceed 2.5%; and
 - To add provision that specify 1% of the gross revenue of the Regulatory Authorities mentioned under Section 78(1)(c), including EWURA, LATRA, TCRA and TCAA, shall be remitted to the Fair Competition Commission.

M. Amendments in The Investment and Special Economic Zones Act, 2025

- ✚ The budget for the year 2025/2026 proposes to make amendment in the Investment and Special Economic Zones Act, 2025 as follows:
 - To include provision that grants 75% exemption of import duty for deemed capital goods imported by the investors registered under Investment and Special Economic Zones Act, 2025.
 - To include provision which provide negative list of products which does not qualify for exemptions as provided in the repealed Act. The list will include: Sugar, beverages, roofing sheets, air conditioners, cement, PVC, HDPE Pipes, and cutleries.
 - To grant strategic investment status to mining projects with framework agreement signed between the Government and the Investors in the mining sector.



N. Amendments in The Road Traffic (Motor Vehicles Registration) Regulations 2024

✚ The budget for the year 2025/2026 proposed to amend the Road Traffic (Motor Vehicles Registration) Regulations 2024 as follows:

- To reduce registration fee of commercial motorcycles from 340,000 shillings to 170,000 shillings paid for the three years
- Repeal the presumptive tax payable annually and introduce once time payment of fee and presumptive tax at a rate of 120,000 shillings instead of 290,000 shillings.
- To reduce motorcycle and tricycle license fee from 70,000 shillings to 30,000 shillings;

O. Amendments in the East African Community Customs Management Act, 2004

✚ There are about 13 proposed new changes in the Common External Tariff. However, the notable one is as follows:

- Grant stay of application of the EAC CET rate of 25 percent and apply a duty rate of 0 percent on buses for transportation of more than 25 persons under HS Codes 8702.10.99; 8702.20.99 and 8702.90.99 imported for rapid transport project for one year.

✚ There were 50 Measures that were affected during 2024/25 and will continue to be implemented in 2025/26. However, the notable ones are as follows:

- Grant stay of application of EAC CET rates of 10 percent and apply a duty rate of 0 percent for one year on cash registers and other Electronic Fiscal Device (EFD) Machines and Point of Sale (POS) of HS Codes 8470.50.00 and 8470.90.00 imported by the Government or authorized persons.
- Grant stay of application of EAC CET rate of 25 percent and apply a duty rate of 0 percent on Smart cards under HS Code 8523.52.00 imported by the National Identification Authority

- ✚ The East African Community Partner propose to maintain an import duty at a rate of 25 percent instead of 0 on consumption sugar under HSCode 1701.14.90 as well as sugar for industrial use under HS Code 1701.99. 10 imported from the Southern African Development Community (SADC) under permits issued by the Tanzania Sugar Board.

P. Amendments in the Business Licensing Act, CAP. 101

- ✚ To repeal section 3(4) of the Act, which obliges business licensing authorities to order the closure of a business upon a breach of the Act by the business owner.
- ✚ To insert section 8(7) into the Act, empowering the Minister responsible for Trade to designate, by order, specific business activities that shall be prohibited for conduct by non-citizens. The order issued pursuant to this provision shall set out the list of business activities that non-citizens are not permitted to undertake.

Q. Various Government Fees and Levies of the Government Agency and Implementation of the Blueprint Improvement Plan

i. Ministry of Natural Resources and Tourism

- To consolidate approved accommodation facilities of Group A (Approved A) and Group B (Approved B) and be recognized as Approved Accommodation Facilities.
- This measure goes hand in hand with reducing the license fee for this group from US\$800 to TZS 766,500/-

ii. Occupational Safety and Health Agency (OSHA)

To impose a requirement that interest on fines not exceed 100 percent of the original fine instead of the 170 current practice of charging interest at the rate of 5 percent of the fine for each day.



Budget Structure



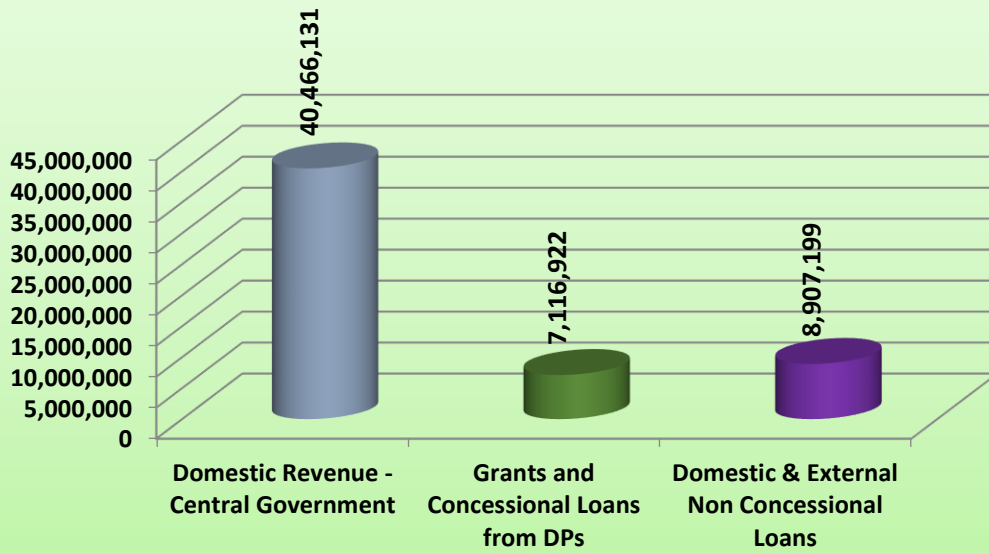


Budget Structure 2025/2026

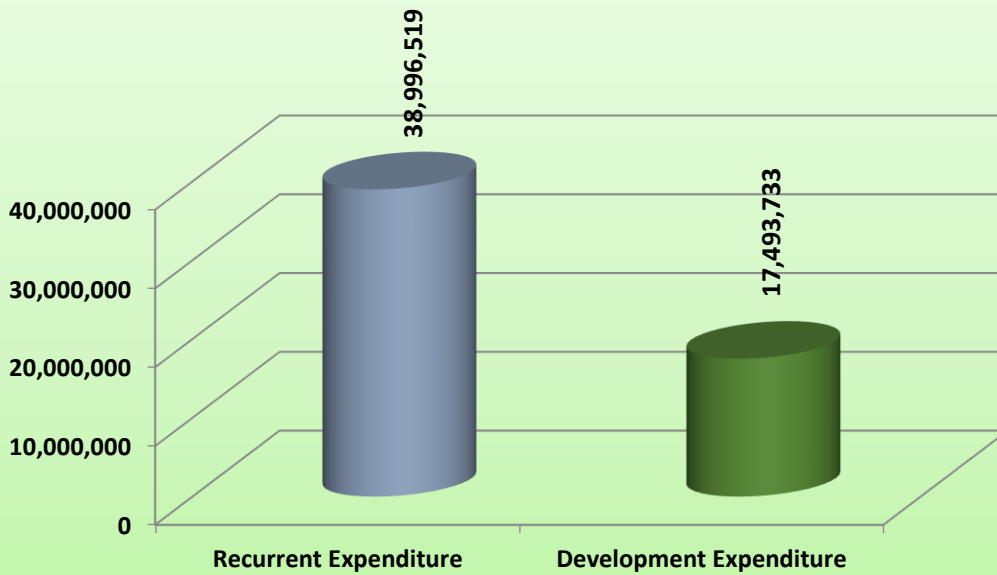
	Particulars	TZS Millions	TZS Millions	%
	Revenue			
A.	Domestic Revenue - Central Government		40,466,131	71.63%
	(i) Tax Revenue (TRA)	34,103,890		
	(ii) Non-Tax Revenue	6,362,241		
B.	Grants and Concessional Loans from DPs		7,116,922	12.60%
	(i) Programme Loans and Grants	1,741,018		
	(ii) Project Loans and Grants	5,186,168		
	(iii) Basket Support Loans and Grants	189,736		
C.	Domestic & External Non Concessional Loans		8,907,199	15.77%
	(i) Non-Concessional Borrowing	2,629,012		
	(ii) Domestic Borrowing - Financing	2,952,630		
	(iii) Domestic Borrowing - Rollover	3,325,557		
	Total Revenue (A+B+C+D)		56,490,252	100.00%
	Expenditure			
D.	Recurrent Expenditure			
	(i) CFS		16,637,469	29.45%
	- Debt Services	14,208,979		
	- CFS Other	2,428,490		
	(ii) Wages and Salaries		13,174,241	23.32%
	(iii) Other Charges		9,184,809	16.26%
	- Other Charges (OC)	8,117,744		
	- LGAs Own Source	1,067,065		
E.	Development Expenditure			
	(i) Local		12,117,828	21.45%
	(ii) Foreign		5,375,905	9.52%
	Total Expenditure (D+E)		56,490,252	100.00%
	Overall Budget Deficit (ss percentage of GDP)		3.0%	

Source: Ministry of Finance

TOTAL REVENUE (TZS Millions)



TOTAL EXPENSES (TZS Millions)



CONTACTS



Balakrishna Sreekumar & Co.
CERTIFIED PUBLIC ACCOUNTANTS

TAX — **Assurance** — **Advisory**

Plot # 254 Alykhan Road, Upanga,
P.O. Box 948, Dar es Salaam,
T: +255 22 215 3137
M: +255 715 505678
E: sree@bsk.co.tz; kapil@bsk.co.tz

Our analysis highlights the main aspects of the Budget, presented in parliament on 12th June 2025. The information contained in this analysis has been compiled from the Budget speech read on 12th June 2025 and the economic review. While all reasonable attempts have been made to ensure that the information contained herein is accurate, Balakrishna Sreekumar & Co. accepts no responsibility for any errors or omissions it contains whether caused by negligence or otherwise. The review contains general information only and is neither intended to be a comprehensive publication nor provide specific advice.