

TANZANIA

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COUNTRY INFORMATION

The United Republic of Tanzania, the largest country in East Africa was formed in April 1964 from the Union of Tanganyika and Zanzibar, which were granted independence in 1961 and 1963, respectively. The country has an area of over 945,200 km² and a population of approximately 45 million drawn from a wide diversity of tribal groups. The Tanzanian mainland covers 945 087 km² and Zanzibar 1 658 km². According to the 2012 Population and Housing Census for the United Republic of Tanzania (2012 Tanzania Population and Housing Census, National Bureau of Statistics) the official population of Tanzania is 44 928 923 of which 43 625 354 reside on the Tanzanian mainland and 1303 569 in Zanzibar. The capital city is Dodoma (legislative) while Dar es Salaam is the major commercial city. Other Metropolitan centers are Arusha, Mwanza, Mbeya, Mtwara and Kilimanjaro. Over the past year, and upon the orders of the President, the Prime Minister, Ministers and senior government officials have relocated to Dodoma.

POLITICAL SYSTEM

The country is a unitary republic of two states based on a multiparty parliamentary democracy. The two states are the Republic of Tanzania and the Revolutionary Republic of Zanzibar (together forming the United Republic of Tanzania). All state authority in Tanzania is exercised and controlled by the Government of the United Republic of Tanzania and the Revolutionary Government of Zanzibar.

LATEST GDP FIGURES

In October 2014 the Government released revised estimates of Tanzania's Gross Domestic Product (GDP) for the base year 2007. The revision was aimed at enhancing the quality of National Accounts estimates to better portray the economic activities in the country and ensure international comparability by using concepts, definitions and methods described in the UN System of National Accounts 1993 (SNA 1993) and (partly) the 2008 SNA. The revised GDP at market price is estimated at 70 Trillion Tanzanian Shillings for 2013 (after revision) with a growth rate of 6.9 % for the second quarter in 2014. The contributions of various sectors to GDP include agriculture 31.7%, Wholesale and Trade 10.6%, Construction 9.3%,

Manufacturing 6.9%, Mining 4.3%, Transport 4.0% and Hotels and Restaurants 1.3%.

INFLATION RATE

The annual inflation rate accelerated to 6.6% in November of 2015 from 6.3% in the previous month. It is the highest figure since September 2015. The inflation rate averaged 7.48% from 1999 until 2015, reaching an all time high of 19.80% in December 2011 and a record low of 3.40% in January of 2003.

INVESTMENT CLIMATE

The Tanzanian Government has a favorable policy towards foreign direct investment (FDI) and has made significant efforts to encourage FDI although the number of tax incentives that were being granted has declined, and are only applicable to strategic large scale projects. Generally, foreign investors receive the same treatment as local investors.

The Tanzania Investment Act No 26 of 1997 (the TIC Act) makes provisions for a few favourable conditions for investors. The TIC Act establishes the Tanzania Investment Centre (TIC) as the Government agency with the objectives of promoting and facilitating investment. Benefits available under the TIC Act include the guaranteed repatriation of profits and proceeds of sale of investment, a guarantee against expropriation, guaranteed minimum quotas of up to five expatriate employees and certain tax benefits (which have been decreased from what was previously available). The TIC Act applies to all businesses other than mining and oil exploration and exploitation. However, the benefits in relation to the guaranteed repatriation of dividends and capital and the guarantee against expropriation available under the TIC Act are also extended to investors in mining and oil exploration and exploitation. In addition, The Constitution of the United Republic of Tanzania guarantees the right to private ownership of property and State protection of that property and forbids the nationalisation of private property without due process that guarantees fair and speedy compensation. Similar incentives are offered to investors in Zanzibar through the Zanzibar Investment Promotion Agency (ZIPA).

All land in Tanzania is public land vested in the President who grants rights of occupancy on leasehold (not freehold) basis for



specific periods of 33 years, 66 years and 99 years. There is a Central Land Registry in which all land titles are registered. One copy of the title deed is kept at the Land Registry, the other copy being in the possession of the owner. Any mortgages, charges or similar third party rights against the property or the transfer of the right of occupancy are endorsed on the two copies of the title deeds as proof of their existence. There are Zonal Land Registries which are administratively answerable to the Central Land Registry. The Commissioner for Lands is the principal administrative officer and advisor to the Government with respect to land matters and he/she is a Presidential appointee.

Investments on the Dar es Salaam Stock Exchange (the DSE) are open to foreign investors but the injection of foreign capital is capped at 60% of the listed shares. However, in the case of a public issue and with prior written approval of the Capital Markets and Securities Authority, an issuer may allot securities in excess of the prescribed limit to residents of the East African Community and foreign investors, in that order of priority, if Tanzanians do not take up the securities.

FORMS OF BUSINESS

Principal forms of business organisation are a sole proprietor, partnership, company and registered branch of a foreign company.

FORMATION OF COMPANIES

Limited liability companies and branches must be registered with the Business Registration and Licensing Agency (BRELA). Partnerships and sole traders (if trading in names other than their own) have to be registered with BRELA.

A foreign investor can set up a place of business in Tanzania by either registering a branch of a foreign company or by incorporating a local company. A company can be incorporated as an independent entity or a subsidiary of a parent company which is incorporated in a foreign jurisdiction. Companies require a minimum two shareholders but may be 100 percent foreign owned except in certain sectors such as shipping agencies, insurance, telecommunications, TV and radio stations and certain small scale mining licenses which are restricted to citizens of Tanzania or require a specified percentage of local participation.

Business licenses must be obtained for all forms of business undertaken for gain. Certain businesses like banks, insurance companies, contractors, tour operators, hotels, mining, oil and gas and professionals must have specific sector licenses issued by the respective regulatory authorities in addition to business licenses.

EXCHANGE CONTROLS

Tanzania enjoys a liberal foreign exchange control regime where residents can establish and maintain foreign currency bank accounts with local banks with limited regulation of international transfers. Transfer of funds overseas requires proof of the reason for the remittance and, at times, proof that relevant taxes on the funds have been paid. The Bank

of Tanzania regulates the establishment of foreign currency accounts abroad and dealings relating to gold.

TAXATION

The Income Tax Act 2004 regulates the assessment and collection of revenues. Other tax statutes include the Value Added Tax Act 2014, the East African Community Customs Management Act, 2004 and the Stamp Duty Act, Revised Edition 2006. The main taxes are:

- corporate income tax - 30% (25% for newly listed companies for three years)
- individual income tax - maximum rate of 30%
- VAT - 18%
- tax on the disposal of an investment by an individual resident - 10% on local assets and 30% on overseas assets
- tax on the disposal of an investment by an individual non-resident — 20% on local assets and 30% on overseas assets
- tax on the disposal of an investment by corporates (both resident and non-resident) - 30%
- stamp duty on conveyancing - 1%

There are various capital deductions on buildings, plant and machinery, agriculture or livestock farming, manufacturing and tourism, mining prospecting as well as oil and gas exploration.

Tanzania has double taxation treaties currently in force with Canada, Denmark, Finland, Italy, Norway, South Africa, Sweden and Zambia. Agreements with Kenya and Uganda are signed but awaiting ratification.

MONETARY POLICY

Tanzania's monetary policy is formulated by the Bank of Tanzania using instruments such as the Refinancing Policy, Minimum Reserve Policy, Open Market Policy, foreign exchange interventions and others. The attainment of monetary policy objectives is facilitated by a continued application of market oriented policies in the financial sector, the public sector, the industrial sector, the agricultural sector and the external payments regulatory regime.

LEGAL SYSTEM

Tanzania's legal system is sourced from English common law, statutes, case law, Islamic law and customary law. English common law applies only in the absence of statutory law and where commercial law has been enacted, the common law does not apply. Islamic law is applied only in matters of marriage and succession to Tanzanians of Islamic faith while customary law applies generally to matters of ancestral land ownership and inheritance.

The judicial system is made up of the Court of Appeal of Tanzania which extends to Zanzibar, the High Court of Tanzania, Courts of Resident Magistrates, District Courts, Primary Courts and special tribunals. Zanzibar has its own High Court and



subordinate courts. A Commercial Court was established as a division of the High Court of Tanzania in 1999 to quickly decide commercial disputes. This Court has had reasonable success in expeditiously resolving commercial disputes.

Tanzania has supportive business and commercial laws, such as the law guaranteeing private property rights (which is also enshrined in the constitution), laws authorising business enterprises (the Companies Act, 2002 and the Business Names Registration Act), laws governing contracts, the sale of goods, leases, payment and credit instruments, secured transactions, bankruptcy and unfair trade practices, among others.

INTELLECTUAL PROPERTY

The Copyright and Neighboring Rights Act No. 7 of 1999 provides for the protection of copyright and other rights in literary, artistic works, folklore and other related matters.

The Trade and Service Marks Act No. 12 of 1986 provides for the registration and protection of trade and service marks and related matters.

The Patent (Registration) Act No. 1 of 1987 provides for the protection of inventions and innovation for the facilitation of the acquisition of technology on fair terms through the grant and regulation of patents, utility certificates and innovation certificates

BANKING

The Bank of Tanzania is responsible for establishing conducive monetary policies to ensure low and stable inflation. The Banking and Financial Institutions Act No.5 of 2006 (BFIA) consolidates the law relating to banking and aims to harmonize the operations of all financial institutions in Tanzania, to foster sound banking activities, regulate credit operations and provide for other matters incidental to or connected with those purposes.

INSURANCE

The Insurance Act No.10 of 2009 came into force on 1 July 2009 and established the Tanzania Insurance Regulatory Authority (TIRA) which is vested with the powers to regulate the insurance market in Tanzania and promote and maintain an efficient, fair, safe and stable insurance market for the benefit and protection of insurance policyholders.

KEY STRATEGIC GROWTH INITIATIVES BY GOVERNMENT/PRIVATE SECTOR

The National Strategy for Growth and Poverty Reduction (NSGRP) has identified Private Sector Development (PSD) as an important source of Tanzania's economic growth. The strategy stipulates that domestic firms including Small and Medium sized Enterprises (SMEs) will be supported and encouraged to be innovative, pay attention to product development, quality and superior marketing strategies that make them competitive and capable of responding to global market conditions.

PUBLIC PRIVATE PARTNERSHIPS

The Public Private Partnership Act No. 19 of 2010 (PPP Act) has been amended by the Public Private Partnership (Amendment Act) 2014. The main purpose of the PPP Act is to promote private sector participation in the provision of public services through public private partnership projects involving investment capital, managerial skills and technology. The Amendment went further to require that all Public Private Partnership projects (both solicited and unsolicited) must be procured through an open and competitive bidding process.

ECONOMIC EMPOWERMENT

The Government of Tanzania has implemented the National Economic Empowerment Policy of 2004 by providing (through various funds and programs) soft loans and advice on forming cooperatives (SACCOS) and Village Community Banks (VICOBA) in order to promote income generation, employment and poverty reduction.

The Government continues to promote the National Economic Empowerment Policy to citizens to enable them to understand it and participate effectively in its implementation. It provides training to entrepreneurs, advice on savings and investments and conducts studies aimed at developing entrepreneurship skills as well as initiating and improving economic activities. In addition, the Government will also continue to promote the participation of people in development activities through the Tanzania Social Action Fund (TASAF).

In line with the National Economic Empowerment Policy, the National Economic Empowerment Act No. 16 of 2004 has been enacted in order to establish the National Economic Empowerment Council for the promotion and facilitation of ownership of income generating activities and assets by Tanzanians, to provide a legal and Institutional framework for the Council, to establish the national Economic Empowerment Fund and to provide for the control of the financial affairs of the Council and the Fund and other incidental matters.

TREATIES AND BILATERAL AGREEMENTS

Tanzania has entered into bilateral treaties for the promotion and protection of Foreign Direct Investment (FDI) with Denmark, Finland, Germany, India, Italy, Netherlands, Norway, Sweden, Switzerland, United Kingdom and Zambia.

Tanzania is a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, the Centre for Settlement of Investment Disputes (ICSID) and Multilateral Investment Guarantee Agency (MIGA). In addition, Tanzanian courts will uphold the judgments of foreign courts or foreign arbitral awards on a reciprocal basis. Tanzania has reciprocal enforcement of judgments agreements with the United Kingdom, Swaziland, Zimbabwe, Somalia, Seychelles, Zambia, New South Wales, Mauritius, Sri Lanka, Botswana and Lesotho.



MEMBERSHIP OF INTERNATIONAL AND REGIONAL ORGANISATIONS

Tanzania is a member of the United Nations Organisation, the African Union, the East African Community (EAC) and the Southern African Development Community (SADC).

ROAD AND TRANSPORT

Transport in Tanzania is mainly by road supplemented by a series of railway networks. Tanzania's road network is currently of better quality with tarred roads connecting all major regions across the country.

Tanzania has an abundance of coastal and lake waterways around its borders. The active ports are Dar es Salaam, Tanga, and Mtwara. There are also the minor ports of Kilwa, Lindi and Mafia on the Indian Ocean.

WATER

Tanzania has sufficient water resources to meet most of its present needs. They include surface and underground sources.

ENERGY AND GAS

Electricity generation, transmission and distribution in Tanzania are provided through the Tanzania Electric Supply Company (TANESCO). Although electricity generation and distribution has been liberalised, TANESCO (a 100% Government owned entity) is responsible for 90% of the electricity supply. Biomass-based fuels particularly fuel-wood (charcoal and firewood) accounts for more than 90% of the primary energy supply. Commercial energy sources i.e., petroleum and electricity, account for about 8% and 1.2% respectively of the primary energy used. Coal, solar and wind account for less than 1% of energy used.

TELECOMMUNICATIONS

Tanzania has the second largest telecommunications market in East Africa after Kenya. Tele-density has risen from 1% in 2001 to 61% in September 2013 representing a subscriber base of 27 395 650 million mobile subscribers.

The Electronic and Postal Communications Act No. 3 of 2010 came into force on 20 March 2010. It sets out the procedure for regulating the communications industry and requires the registration of all detachable SIM cards and built-in SIM card mobile telephones. The objective is to enhance national security, to protect consumers from misuse of communication services and to enable consumers to be identified when they use value-added services such as mobile money transfers (another mobile service which is growing steadily). The Act also requires existing licensees of network facilities, network services, application services or content services to offer their shares to the public and subsequently list on the Dar es Salaam stock exchange within three years from the commencement of the statute. The listing of such shares must however comply with the listing requirements of the Capital Markets and Securities Authority. Regulations governing the listing of mobile company operators have not yet been issued.

From July 2016 all mobile operators (including amongst others telecommunication companies and suppliers) must float to local Tanzanians 25% of their paid up share capital on the Dar es Salaam Stock Exchange (DSE).

AGRICULTURE

Agriculture is the most important sector of the economy, accounting for over 20% of the Gross Domestic Product (GDP). Coffee, tea, sisal, cotton and tobacco are the principal exports accounting for as much as 50% of total exports. Mining, tourism, transportation, manufacturing and fishing are playing an increasingly important role in the economy. Agriculture is still dominated by subsistence farming. Food crops make up about 85% of the sector with livestock accounting for 3%. Major food crops include cassava, millet, maize, sorghum, rice, wheat, pulses (mainly beans) potatoes, bananas and plantains. Tanzania has good arable land and the production of more food than required in 2014 is partly responsible for the low inflation figure of 6.8% by the end of December 2014.

TOURISM

There has been a significant increase in tourism with arrival numbers exceeding one million tourists per year. Popular tourist destinations include the Ngorongoro Carter, the popular Kilimanjaro, Serengeti and Lake Manyara national parks and Zanzibar. Southern tourist destinations are also becoming popular including the Selous Game Reserve and the Ruaha and Katavi national parks. Smaller national parks include Mikumi, Gombe and Tarangire. Tanzania's national parks and reserves constitute about 25% of Tanzania's land area.

MINING

Mining is an important sector of the economy. Tanzania is Africa's third largest gold producer after South Africa and Ghana and is estimated to have gold reserves of more than 1000 tones. Until 2012, mining constituted up to 60% of Tanzania's export revenue of which about 47% came from gold alone. Tanzania boasts a variety of other minerals including tanzanite, silver, copper, diamonds, rubies, sapphires, base metals, platinum, coal, uranium, agro-minerals, chemicals, graphite and other industrial minerals including soda ash, kaolin, granites, marble and quartzite. Salt is found along the coast and inland lakes, along with vermiculites, limestone, silica sands, phosphate, gypsum and mica.

On 23 April 2010 the Mining Act No.14 of 2010 came into force and made substantial amendments to the laws relating to prospecting, mining, processing and dealing in minerals, the grant, renewal and termination of mineral rights and the payment of royalties, fees and other charges. The Mining Act 2010 increased the tenure of a prospecting licence from 7 to 9 years.

In February 2017, the Government promulgated regulations under the Mining Act requiring that all mining companies who are holders of Special Mining Licences must float to local



Tanzanians 30% of their paid up share capital on the Dar es Salaam Stock Exchange (DSE).

OIL AND GAS

Tanzania has increasingly drawn attention as a leading destination in terms of oil and natural gas exploration in East Africa. The recently passed Petroleum Act 2015 provides for the regulation of upstream, midstream and downstream petroleum activities, the establishment of the Petroleum Upstream Regulatory Authority and a National Oil Company and securing the accountability of petroleum entities.

In 2012 and 2013 Tanzania led the region in new discoveries of natural gas with 43.1 trillion cubic feet of proven natural gas reserves in August 2013. Following these discoveries there is increased expectation of an oil find but the Government is currently focused on natural gas and its exploitation. Commercial opportunities in exploration include bidding for blocs advertised by the Ministry of Energy and Minerals from time to time, the direct application for blocks, farming into existing Production and Sharing Agreements (PSAs), power generation and upstream services as well as material and services suppliers to this growing sector. There are active downstream activities in relation to natural gas and oil. Open areas being promoted by the Tanzania Petroleum Development Corporation (TPDC) include the Rufiji basin, inland rift basins of Lake Tanganyika, Lake Rukwa, Lake Nyasa and the Ruhuhu Karoo basin.

A major natural gas pipeline from the natural gas fields in Mtwara to Dar es Salaam (the main commercial capital) has been constructed by the Government. This will increase access to natural gas by industries, offices and homes.

A Petroleum export pipeline of over 1400km is also currently being considered from Kabaale, Uganda to Tanga, Tanzania. This would be one of the largest projects in the country involving the Government of Uganda and the private sector.

