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Advocates & Legal Consultants



# ***Investment Climate in Tanzania***



**A PORTRAYAL OF  
THE INVESTMENT CLIMATE  
AND TRADE POLICY IN TANZANIA**



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## INTRODUCTION TO

# THE INVESTMENT CLIMATE IN TANZANIA

The Government of Tanzania has reviewed its policies and regulations in order to attract local and foreign private investment. This is evidenced by the recent development of the Blueprint for Regulatory Reforms to Improve the Business Environment.

The recommendations of the Blueprint are being implemented at reasonable speed, including merging similar functions of regulatory institutions, abolishing nuisance taxes and fees, improving dialogue between Government and private sector etc.

Specifically, the Government has removed 118 nuisance taxes in 2018/19 and 54 in 2019/20; reviewing the National Investment Promotion Policy (1996) and Tanzania Investment Act, 1997.

Merged some of the functions from the former Tanzania Food and Drugs Authority to the Tanzania Bureau of Standards, among others. The country has adopted the World Trade Organization's (WTO's) Trade-related Investment Measures (TRIMs) to encourage investments in line with national priorities, and to attract and regulate foreign investment.

Trade development instruments that Tanzania has adopted include the establishment of export processing zones (EPZs), investment code and rules, export development/ promotion and export facilitation.

EPZs were established by the 2002 EPZ Act and are open to both domestic and foreign investors, particularly in agribusiness, textiles, and electronics sectors. The Special Economic Zones Act of 2006 authorized the establishment of Special Economic Zones (SEZs) to encourage Greenfield investments in light industry, agro-processing industry, and agriculture. The Export Processing Zones Authority (EPZA) governs both EPZs and special economic zones (SEZs).

The Government has encouraged both local and foreign investors to take advantage of the investment opportunities under EPZA for their benefit and for the benefit of the country. There are three categories of licenses issued by EPZA:

- i. Developer's license: for investment in infrastructure development, including construction of industrial buildings and warehouses, development of internal roads, landscaping and fencing, and provision of utilities.
- ii. Operator's license: for investors who are undertaking manufacturing operations, including manufacturing, processing breaking bulk, repackaging, re-labelling, and trading.
- iii. Service provider's license: for investors who are providing services and utilities to EPZ and SEZ investors within the zone, including banking, insurance, and information and communication technologies (ICTs).

EPZA also oversees incentive packages such as exemptions from corporate tax and withholding tax on rent; dividends and interest; remission of customs duty, value-added tax (VAT) and other taxes on raw materials and capital goods; and exemption from VAT on utilities and levies imposed by local authorities.

In addition, work EPZA also oversees incentive packages such as exemptions from corporate tax and withholding tax on rent; dividends and interest; remission of customs duty, value-added tax (VAT) and other taxes on raw materials and capital goods; and exemption from VAT on utilities and levies imposed by local authorities. In addition, work permits for foreign staff can be issued by EPZA.

More information can be found on the website [www.epza.go.tz](http://www.epza.go.tz) and email address is [info@epza.go.tz](mailto:info@epza.go.tz). All the above factors, plus the country's well formulated development-cum-strategic frameworks, have contributed to continuous real GDP growth of about seven percent (7%) for over a decade, and is a member of what the World Bank has dubbed the "7 percent Club", a group of countries forecast to achieve 7 percent or more real GDP growth for the next decade.

Investments in Tanzania are guaranteed against nationalization and expropriation through various agreements of protection and promotion of investments, such as the Multilateral Investment Guarantee Agency (MIGA), of which Tanzania is a member.

Tanzania also offers access to major markets of the world, such as America through the Africa Growth Opportunity Act (AGOA), Europe through Everything-But-Arms (EBA), Asia (e.g. India and China), and Middle East, all done through special bilateral trade and investment agreements and arrangements.

Tanzania is also a member of two major regional economic communities (RECs), namely the Southern African Development Community (SADC) and the East African Community (EAC).

With the upcoming of the SADCEAC-COMESA Tripartite Tanzania is impliedly linked to COMESA as well.

The regional economic communities are growing stronger, and so investors in Tanzania will have the advantage of accessing both domestic and regional markets as well as the export markets in the European Union, the United States, the growing Asian economies of China and India, and in the Middle East, to mention only the leading ones.

The domestic market is significant, given Tanzania's population of more than 55 million people, growing at a rate of 2.7 percent per annum, and a growing middle class. Both EAC and SADC are growing stronger, and so investors in Tanzania will have the advantage to access both domestic and regional markets as well as the export markets in the European Union, the United States, the growing Asian economies of China and India, and in the Middle East, to mention only the leading ones.



## WHY SHOULD YOU INVEST IN TANZANIA?

### **1. Political Stability.**

There is a high degree of investment security because of unparalleled political stability that is strife-free without ethnic division, democratic rule that respects diversity of opinion and a strong tradition of constitution and rule of law.

### **2. Investment Guarantee.**

Investments in Tanzania are guaranteed against nationalization, and expropriation. The Government of Tanzania is committed to and has successfully undertaken economic liberalization measures commended by both the World Bank and IMF with business-supportive legislation continually being improved through genuine dialogue between the Government and the private sectors.

### **3. Investment Incentives.**

There is a well-balanced package of incentives to investors with additional negotiated benefits to strategic investors under EPZA which offers up to 100% tax free on exportation and TIC which offers from 70% on import duties and other related taxes.

### **4. Simplified bureaucracy under TIC**

There is a commitment to ensuring simplified bureaucracy, streamlined through the acclaimed services of the Tanzania Investment Centre (TIC), which is a one-stop facilitation agency of Government registering projects and serving registered investment projects.



## **5. Macro-economic stability.**

The country has maintained business-friendly macro-economic stability with low inflation (around 5%), stable exchange rates supported by unrestricted and unconditional transfers of profits, loan repayments, emoluments, royalties, fees, and charges.

## **6. Emerging Economy.**

The economy is rapidly emerging as the most effective entry point and gateway for trade into eastern, southern, and central Africa.

## **7. Investment Opportunities.**

There are lucrative investment opportunities in infrastructure, natural resource and value-adding facilities that are among the fastest growing segments of the economy, the list on area of investment is well itemized by TIC, such a friendly investment center.

## **8. Credit Availability**

Foreign business operating in Tanzania may obtain credit from domestic financial institutions.

## **9. Simplified process for Registration and Incorporation of Companies**

Tanzania through its various parastatals including the Business Registration and Licensing Agency (BRELA) under the ministry of trade, has set online registration systems



which makes it easier for entrepreneurs, investors, agents, lawyers, and other stakeholders to register their businesses, obtain business licenses, register trademarks, and patent rights. Upon completion with registration process, Tanzania Revenue Authority (TRA) will be there to ensure you easily access Tax Identification Number and Tax Clearance certificates to facilitate other compliances measures such as NSSF, WCF, OSHA, NEMC, TALA, TBS etc.

## CONCLUSION

We are confident to say Tanzania is the only giant nation with regards proper investment destinations in the region, there will not any other right time for any strategic investor, to invest in Tanzania than now.

The country ticks all the boxes that an investor would ordinarily want to have ticked and things can surely only get better.

### **Disclaimer:**

*Material and Information contained on this article is for general information purposes only. You should not rely upon the material or information as a basis for making any business, legal or any other decision.*

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