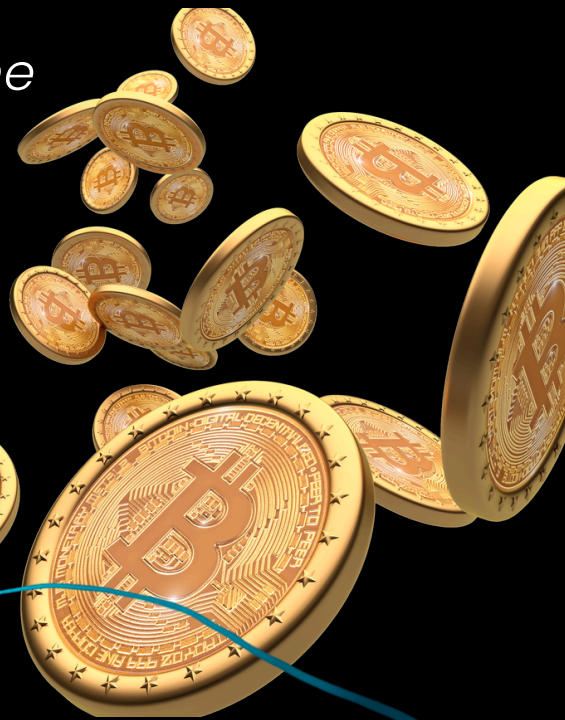


The Cryptocurrency Business in Tanzania

*Growth, Legal Uncertainty, and the
Case for Regulation*



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1 Introduction

Cryptocurrency has moved from a fringe curiosity to a significant, if officially unacknowledged, feature of Tanzania's financial life. Since November 2019, the Bank of Tanzania (BoT) has told the public that trading, marketing, and using virtual currencies is contrary to the country's foreign exchange rules and that the Tanzanian Shilling remains the only lawful legal tender. Yet the same government has, since July 2024, been collecting a withholding tax on digital asset transactions, and in December 2024 the High Court of Tanzania enforced a commercial contract worth over USD 1.19 million arising from a cryptocurrency business. Tanzania today sits in an unusual position: crypto trading is discouraged by central bank notice, taxed by statute, and upheld by the courts, all at once. This article examines whether the crypto business is actually growing in Tanzania, what its legal status truly is, whether the time has come to regulate rather than ban it, whether the country is losing tax revenue because of the current approach, and what a sensible regulatory path forward could look like.

2 Is the Cryptocurrency Business Growing in Tanzania?

The evidence, though largely drawn from international blockchain-analytics firms rather than domestic statistics, points to sustained and rising activity. Tanzania is consistently ranked among the top 20 countries in Chainalysis's Global Crypto Adoption Index, alongside regional peers Kenya, Nigeria, and South Africa, despite having no licensed local exchanges and an official warning against the practice. Sub-Saharan Africa as a whole recorded roughly 52% year-on-year growth in on-chain value received between mid-2024 and mid-2025, with stablecoins accounting for a large share of that volume, reflecting their use for remittances, savings, and protection against shilling depreciation rather than pure speculation.

Top 20

Among the world's leading crypto-adopting nations

Tanzania ranks in the top 20 of Chainalysis's Global Crypto Adoption Index, with an estimated USD 2 billion in 2024 transaction value, even as more than 70% of Tanzanians remain outside the formal banking system.

Reporting by The Citizen, drawing on Chainalysis-linked data, describes Tanzania as having led the region in stablecoin adoption in 2024, with annual growth of around 53% and an estimated USD 2 billion in transaction value, compared to roughly USD 8 billion recorded in neighbouring Kenya over the same period. A large part of this is driven by structural factors rather than a fad: more than 70% of Tanzanians remain outside the formal banking system, smartphone and mobile-money penetration is high, and peer-to-peer (P2P) platforms have become popular on-ramps into crypto and useful tools for cross-border remittances and informal commercial payments across East Africa. In short, the crypto business in Tanzania is growing, largely underground and beyond the visibility of regulators, precisely because the

underlying financial need it serves (cheap remittances, dollar-denominated savings, access to global markets) is real and currently underserved by the formal system.

3 What Is the Legal Position on Cryptocurrency Trading in Tanzania?

The legal status of cryptocurrency in Tanzania is best described as unsettled rather than clearly banned or clearly legal. Four developments define the current picture.

3.1 The 2019 Bank of Tanzania Notice

On 12 November 2019, the BoT issued a public notice cautioning Tanzanians against trading, marketing, and using virtual currencies, stating that doing so was contrary to existing foreign exchange regulations and reaffirming the Tanzanian Shilling as the sole legal tender. This notice is frequently described in the media and by law firms as a "ban," but it is a central bank advisory rather than a standalone criminal statute outlawing possession or use of cryptocurrency by individuals. No dedicated law expressly criminalises owning or trading Bitcoin or other digital assets in Tanzania.

3.2 Anti-Money Laundering Framework

Rather than legalising or licensing crypto businesses, Tanzania has brought virtual asset service providers (VASPs) within the scope of its Anti-Money Laundering Act and its 2022 and 2023 Anti-Money Laundering Regulations, which extend reporting, due-diligence, and risk-assessment obligations to virtual asset activity. This is an AML/CFT control measure, not a licensing or consumer-protection regime, and Tanzania still has no dedicated VASP law comparable to Kenya's Virtual Asset Service Providers Act, 2025.

3.3 The Finance Act, 2024 and the 3% Withholding Tax

Effective 1 July 2024, the Finance Act, 2024 amended the Income Tax Act, 2019 (the now 2023) to introduce a 3% withholding tax on payments made by residents or non-residents who own a digital asset exchange platform, or who facilitate the exchange or transfer of a digital asset, to a resident person. "Digital asset" is defined broadly to capture cryptocurrencies and other cryptographically generated tokens of value. This is significant: it is the first time Tanzanian law has formally recognised digital assets and digital asset exchanges as a taxable category, years after the BoT's cautionary notice and without a corresponding law declaring the underlying trade illegal.

3.4 The Yellow Card Case (December 2024)

The clearest judicial statement to date came in *Yellow Card Tanzania Limited v. Nyamwero Michael Nyamwero, Commercial Case No. 12171 of 2024*, decided by the High Court of Tanzania's Commercial Division on 13 December 2024. A former employee of a cryptocurrency trading company was sued to enforce a settlement deed for USD 1.193 million after being accused of misappropriating company funds. In his defence, he argued the settlement was void because it concerned a cryptocurrency business that was "banned" in Tanzania. The Court rejected that argument, reasoning that because parties dealing in digital money and digital assets have been paying tax on those dealings under Tanzanian tax law, the underlying

transactions could not simultaneously be treated as illegal. The Court went on to enforce the settlement and award the full sum claimed.

"A state that discourages crypto rhetorically while taxing it fiscally and enforcing it judicially: a genuine legal grey area, not a clean prohibition."

Legal commentators, have described this as a landmark decision that effectively draws crypto-related contracts into the ordinary framework of Tanzanian commercial law, meaning disputes can be resolved using standard doctrines such as breach of contract, even though no comprehensive regulatory regime for virtual assets yet exists. Taken together, the 2019 notice, the AML amendments, the 2024 tax, and the Yellow Card ruling show a state that discourages crypto rhetorically while taxing it fiscally and enforcing it judicially: a genuine legal grey area, not a clean prohibition.

4

Is It High Time for Tanzania to Regulate or Formalise the Crypto Business?

On the weight of the evidence, yes. Several converging factors point the same way.

First, prohibition has not stopped the market; it has only pushed it into informal, peer-to-peer, and offshore channels that are far harder to supervise, tax, or protect consumers within. Dr. Bravious Kahyoza, an economist at Kampala International University's Dar es Salaam campus, has been widely quoted in *The Guardian* (IPP Media) arguing that "Tanzania should not ban crypto it should regulate it", noting that the country is already among the top 20 crypto-adopting nations in the world "with or without regulation".

Second, our courts have already started treating crypto-linked contracts as legally enforceable, and our tax authority collects revenue from crypto exchanges. Maintaining a public posture that the business is banned, while taxing and adjudicating it as if it were lawful, creates legal uncertainty for consumers, investors, and businesses alike, and increases litigation risk for the state.

Third, the regional direction of travel is unmistakable. Kenya's Virtual Asset Service Providers Act, 2025 creates a dual-regulator model (the Central Bank of Kenya for wallets, payments, and stablecoins; the Capital Markets Authority for exchanges and tokenisation platforms) with mandatory licensing. Nigeria lifted its banking-sector ban on crypto in December 2023, requires VASPs to incorporate and maintain local offices, and now treats stablecoins as securities under its Investment and Securities Act, 2025. South Africa has already licensed 248 crypto asset service providers under its Financial Sector Conduct Authority and Financial Intelligence Centre regime and has adopted the FATF Travel Rule. Ghana has also moved to legislate.

Fourth, consumer protection is genuinely at stake. Africa lost an estimated USD 3.7 billion to crypto-related scams in 2022, and Tanzanians trading through unregulated, often foreign, platforms with no local office and no recourse mechanism are especially exposed. A licensing and disclosure regime, rather than a notice-board warning, is the more effective tool for managing that risk.

5 Is Tanzania Losing Tax Revenue Because of the Crypto Ban?

There is a reasonable case that Tanzania is forgoing revenue, even though it has begun collecting some. The Finance Act, 2024's 3% withholding tax on digital asset exchange payments took effect only in July 2024, and reporting citing the Tanzania Revenue Authority suggests crypto-related levies contributed only a modest share, on the order of 2%, of total tax revenue in fiscal year 2024/25. Set against Tanzania's estimated USD 2 billion in stablecoin and crypto transaction value in 2024 and its ranking among the world's top 20 adopting countries, a 2% contribution to overall tax revenue looks small relative to the scale of underlying activity, implying that a large share of trading volume is happening outside the reach of the withholding mechanism.

The structural reason is straightforward: because our country has no licensing regime and no requirement for exchanges to maintain a local presence, most of the platforms that Tanzanians actually use are foreign-domiciled, peer-to-peer, or otherwise outside the jurisdiction's practical enforcement reach. A withholding tax works best when there is a local, identifiable withholding agent; without mandatory local registration or incorporation of exchanges (the approach Nigeria has taken) or licensed local VASPs (the Kenyan and South African approach), a meaningful share of transactions will simply never generate a tax collection point inside Tanzania. In that sense, the current combination of reputational "ban" plus narrow tax mechanism captures some revenue at the margin but likely leaves a substantial amount of taxable economic activity untaxed, and it forfeits the licensing fees, AML compliance economy, and formal-sector jobs that a properly regulated industry could generate.

6 Why and How Tanzania Should Regulate Crypto Transactions

The overall recommendation is to replace the current mix of central-bank caution, narrow taxation, and judicial improvisation with a single, coherent legal framework. The following steps outline why and how.

- 1 We have to enact a dedicated legal framework rather than relying on a 2019 press notice. We need to amend or supplement the National Payments System Act, 2015 to expressly define digital/virtual assets as a distinct asset class separate from legal tender and to set out who may operate a digital asset exchange or wallet service in Tanzania. This removes the ambiguity that produced the Yellow Card litigation and gives businesses, banks, and consumers legal certainty.
- 2 Establish a licensing regime for Virtual Asset Service Providers (VASPs), naming a lead regulator or a dual-regulator model similar to Kenya's, where the Bank of Tanzania could oversee wallets, payment-type tokens, and stablecoins, while the Capital Markets and Securities Authority (CMSA) oversees exchanges and investment-type tokens. Licensing should include fit-and-proper tests for directors, minimum capital requirements, and standards for custody of client assets.
- 3 Require local incorporation or, at minimum, local registration and a designated compliance officer for any exchange serving Tanzanian customers. This is the single most important lever for expanding the tax base described in Section 5, because it converts offshore, untaxed P2P volume into transactions with an identifiable, in-country withholding agent.

- 4 Retain and refine the existing 3% withholding tax, reviewing the rate and mechanism periodically against Kenya's comparable levy to avoid triggering a shift of trading volume to less-regulated jurisdictions, and extend the mechanism (through the licensing regime above) so it actually reaches the exchanges and platforms Tanzanians use in practice.
- 5 Fold licensed VASPs formally into the existing Anti-Money Laundering Act framework as accountable institutions, with clear suspicious-transaction reporting obligations to the Financial Intelligence Unit, building on the 2022 and 2023 AML Regulations amendments rather than starting from scratch.
- 6 Build in consumer protection and public-education measures: mandatory risk disclosures, a public registry of licensed platforms, and an awareness campaign addressing the fraud risk highlighted by the estimated USD 3.7 billion lost to crypto scams across Africa in 2022.
- 7 Coordinate regionally, particularly with Kenya under the East African Community framework, to harmonise licensing standards, tax rates, and AML rules, building on the tax alignment the two countries have already achieved and reducing opportunities for regulatory arbitrage.
- 8 Provide explicit legal clarity for commercial contracts referencing digital assets, codifying the enforceability principle the High Court applied in the Yellow Card case so that businesses do not need to rely on judicial improvisation to know whether their agreements are enforceable.
- 9 Explore a Central Bank Digital Currency (a digital Tanzanian Shilling) as a complementary, state-backed track alongside private crypto regulation, following the direction the Bank of Tanzania has already been studying and drawing on lessons from Nigeria's eNaira rollout.

7 Conclusion

Tanzania's crypto business is not a marginal phenomenon; it is a fast-growing part of the financial lives of an unbanked, young, and increasingly digital population, and it already generates enough activity to rank the country among the world's top adopters. The country's legal response, however, has not kept pace: a 2019 advisory notice, narrow AML amendments, a 2024 withholding tax, and a landmark 2024 court judgment have together produced a state of functional but unofficial recognition, rather than a clear, purpose-built law. That gap creates legal risk for businesses and consumers, leaves tax revenue on the table, and puts Tanzania behind Kenya, Nigeria, South Africa, and Ghana in building the institutions needed to supervise this sector.

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