

**Agenda**

1. Why this seminar?
2. PwC Africa Desk
3. Doing Business in Rwanda and Tanzania
Why this seminar?
Why this seminar?

Interest in investing in Africa continues to grow rapidly.

Need for general as well as specific hands-on information and ability to discuss new developments.
Seminars so far

1. Zambia (March 2013)
2. Mozambique (August 2013)
3. Namibia and Botswana (January 2014)
4. Angola (April 2014)
5. South Africa (July 2014)
6. Kenya and Ethiopia (September 2014)
7. Next seminar planned for May 2015
The PwC Africa Desk

- The PwC Africa Desk commenced in 2009 and is part of the International Tax Services team in Johannesburg.

- The Desk is staffed by secondments from various PwC offices across Africa e.g. Nigeria, Uganda, Zambia etc.

- Created to enhance coordinated tax service delivery across PwC in Africa.
Ways the Africa Desk can support you

One-stop service

Because of helicopter view, identification of other cross-country alternatives

Quick responses on general and specific questions

Proactively informs relevant parties on new developments

Thought leadership through AfriTax newsletter, One page tax summaries per African country, country seminars, etc.
Staying informed

AfriTax

Quarter ended 31 December 2014

Issue 23

Welcome

Accessing and keeping up with the diverse tax and regulatory changes on the African continent can be challenging. To meet this need, PwC’s Africa Desk in Johannesburg provides a snapshot of the most significant and recent tax and regulatory changes in Africa through AfriTax, its quarterly newsletter.

We trust you will find this publication useful, and we look forward to your comments.

New / Increased taxes

- Angola – Branch profit tax
- Guine – Turnover tax for telecommunication companies
- South Africa – Withholding tax on royalties and interest

Budget updates

- Cape Verde
- Ghana
- Nigeria
- Zimbabwe

Corporate tax reductions

- Angola
- Zimbabwe

Paying Taxes 2015

The latest PwC publication reports that Africa's total tax rate is no longer the highest globally.
The PwC presence in Africa

In Africa...

- Member firms in 33 countries with over 8,500 professional staff.
- We have the largest footprint of professional services on the African continent.
- All our African firms are locally-owned.
- Provide a range of professional business advisory services to the public and private sectors throughout the continent.
- Committed to the development and prosperity of the African people and economies.
Doing business in Africa: Rwanda
Agenda

3. Country context
4. Business Vehicles
5. Legal and labour
6. Tax Framework
7. Key Issues
Country context

3.1. General
3.2 Living and working in Rwanda
3.3 Economy
3.4 Risk factors
Country context

3.1. General
3.2 Living and working in Rwanda
3.3 Economy
3.4 Risk factors
Country context
General

Where is Rwanda?

Rwanda, officially the Republic of Rwanda, is a land-locked country that lies under the equator, with Tanzania to the east, Burundi to the south, Democratic Republic of Congo to the west, Uganda to the north. Its capital and largest city is Kigali.

Rwanda is also known as the “land of a thousand hills”.

Country context

General

History

• Rwanda was first a German colony

• In 1962, Rwanda became independent

• Rwanda’s economy suffered heavily during the 1994 genocide against the Tutsi tribe but has since strengthened and is on a growth path

• Rwanda is a presidential republic based on multiparty system

• The current president of Rwanda is President Paul Kagame
Country context

3.1. General
3.2 Living and working in Rwanda
3.3 Economy
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Country context

Living and working in Rwanda

Rwanda is the safest country to live in Africa (Gallup Report 2012). Kigali, capital city is representative of this turnaround;

- Kigali was declared winner of UN Habitat Award (2008);
- 2nd safest city in the world for women to walk alone (Gallup report 2012)

The vast majority of companies operating in Rwanda have their offices in the country’s capital, Kigali.

Kigali has a subtropical climate. Between 1,300 metres (4,270ft) and 1,600 metres (5,250) above sea level, Kigali lays down on several hills. The sunniest and warmest part of the year is from July to September. There are two rainy seasons, but rainfall can be moderate.

Kigali International Airport directly serves major cities in Africa (e.g. Addis Ababa, Bujumbura, Dar es Salaam, Johannesburg, Nairobi, etc.), and some major European and Middle Eastern cities.
Country context

3.1 General
3.2 Living and working in Rwanda
3.3 Economy
3.4 Risk factors
Rwanda is currently recording improved economic growth

**Strengths**

- Peace and political stability
- Investor-friendly government committed to the market economy
- Low incidence of corruption
- Preferential access to several developed-country markets
- Higher percentage of paved roads than its East African neighbours
- Rwanda is part of the East African Community ("EAC"). A market of about 145 million people
... but still faces some challenges

- Landlocked country with high costs of energy and transportation.
- Low skill levels, aggravated by the consequences of the 1994 genocide.
- Inadequate infrastructure.
Economic growth and stability

- Rwanda’s economy has grown at an average real GDP of 8% for the last four years (2010-2013).
- The services sector is the country’s largest economic output contributing about 36% of GDP in 2014.
- Inflation has declined since 2008, to average 3%. This is due to improved food production and prudent management of fiscal and monetary policies.
- Fitch recently upgraded Rwanda’s credit outlook to B+.
Conducive Business Environment

• Ranked 46th out of 189 countries globally
  - 9th easiest place in the world to start a business; (The World Bank Doing Business series)
  - 8th easiest place in the world for business to register property and 13th easiest to acquire property.
• Rwanda is currently rated as the top reformer in Africa.
• Most competitive place to do business in East Africa and 2nd in Africa, after Mauritius
• Seventh best destination in the world for investments and 2nd in Africa after Botswana (BPI index 2014).
## Sectors – contribution to nominal GDP for calendar year 2013 - 2014

<table>
<thead>
<tr>
<th>Sector</th>
<th>Contribution to GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>33%</td>
</tr>
<tr>
<td>Industry</td>
<td>15%</td>
</tr>
<tr>
<td>Trade and transport</td>
<td>16%</td>
</tr>
<tr>
<td>Services</td>
<td>36%</td>
</tr>
</tbody>
</table>
Sectors
Travel and tourism

- Tourism is a strategic sector and the leading foreign exchange earner - about USD 293.6 million in 2013.
- Currently receives over 1 million tourists, growth of 25% expected.
- Unique attractions include mountain gorillas, diverse bird species, game reserves, equatorial forests etc.
- Hotels set to enter the market: Marriott, Radisson Blue, Radisson by Park Inn, Protea

Investment opportunities

- Room for more 3-star, 4-star or 5-star hotels in Kigali and in other regional towns like Butare, Gisenyi, Muhazi, Nyanza and Akagera.
- Premium eco-tourism operators.
**Sectors**

**Energy**

- Top priority on government’s agenda.
- Significant energy demand in order to meet growth targets of 400%.
- Connectivity rate must also increase from current 20% to 70%.
- Following sources of energy exist/are under development: hydro power, geothermal energy, peat to power, methane gas, biogas and solar energy.

**Investment opportunities**

- Significant opportunities as Government regularly launches tenders for PPP
**Sectors**

**Construction and development**

- A major contributor of tax revenue in Rwanda.
- Vibrant and booming sector with a lot of investors.
- The Kigali Master Plan is also a catalyst for investment in this sector.

**Investment opportunities**

- High demand for residential and commercial housing.
- Office blocks in Kigali City—fully serviced land available for mixed use.
- Brick & tile making factory.
- High demand for construction materials.
- Rail across EAC.
**Sectors**

**Mining**

- Main mineral exports are ores processed to extract tin, coltan and tungsten
- Only 25% of $200M potential output is currently being exploited

**Investment opportunities**

- Value addition establishing processing plants to smelt ores.
- Increase productivity through industrial mining and vast amounts of untapped reserves.
- Diversification in quarries (for construction materials) and precious stones (gold, diamond, beryl, topaz, rubies, sapphires, and other unexploited deposits).
- Mineral exploration opportunities in the identified 21 prospective target areas.
**Sectors**

**ICT and telecommunication**

• ICT is the pillar of Rwanda’s vision - country aims to become knowledge based economy by the year 2020.

• Significant government investment, laying over 5,000km of fibre optic to provide backbone and reliable internet.

• Technology park set up to host multiple universities and professional skills development companies which will supply highly specialised and skilled resources to support financial transactions, data and business continuity etc.

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**Investment opportunities**

• Computer repair and assembly
• Technical training institutes
• Establishment of call centres
• Offshore software development
• Web design and E-commerce solutions
• Printed circuit board manufacture
• Software management consultancy
• Disaster recovery planning facilities
• Computer security management
**Sectors**

**Infrastructure**

- Although land-locked, government is keen to transform Rwanda into a land-linked country.

- Investments made in key infrastructure areas to achieve this e.g. RwandAir, the national airline has expanded rapidly in last 6 years and now serves in 15 international destinations.

- Standard gauge railway to connect Kenya, Uganda and Rwanda is also another significant investment.

- Eldoret-Kampala-Kigali oil pipeline will ease the transportation of oil and petroleum products from Kenya to Kigali.
**Sectors**

Financial services

- Aspires to become a financial hub within the region.
- 58% of Rwandans have no access to formal financial services.

**Investment opportunities**

- Investment banking services and asset management
- Life policies and other innovative insurance products
- Private equity funds, mortgage banks
Ease of doing business ranking by World Bank that ranks from 1 to 189 (2015)

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<tr>
<th>Economy</th>
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<td>80</td>
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</tbody>
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Country context

3.1. General
3.2 Living and working in Rwanda
3.3 Economy
3.4 Risk factors
**Good opportunities, but what are the risk factors?**

**External**

- The impact of changes in international oil prices and other international commodity prices including tea and coffee
- Interest rates in financial markets outside Rwanda
- The impact of possible future regional instability
- Strong economic growth relying on international aid
**Good opportunities but what are the risk factors?**

**Internal**

- Agricultural economy is highly dependent on weather conditions
- Risk of instability in neighbouring countries
- Small country/market
- The levels of foreign direct investment
Business Vehicles

4.1. Types of entities
4.2 Establishing a subsidiary/branch
Business Vehicles

4.1. Types of entities

4.2. Establishing a subsidiary/branch
Business Vehicles
Types of entities

Business may be conducted in a variety of forms in Rwanda, such as:

- Limited Liability Company
- Public Limited Company
- Limited Partnership
- Commercial Partnership
Foreign companies wishing to establish a branch or a subsidiary in Rwanda apply to the Minister of Trade and Industry for authorisation to establish a branch and the Registrar General of RDB for registration in the registry of companies.

They must present a board resolution of the company to invest in Rwanda, articles and memorandum of association of the parent company and certificate of incorporation.

**Types of business registrations**
- Standard procedures
- Regulated secondary licenses

**Cost**
- Standard procedures pay between Rwf 12,000 and Rwf 100,000 (about USD 17 to USD 140) depending on the type of the business

**Time to incorporate company**
- 1-2 days on provision of required information
Business Vehicles

4.1. Types of Entities
4.2. Company vs Branch
## Business vehicles
### Company vs branch

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<td>Legal personality</td>
<td>Yes</td>
<td>That of parent</td>
</tr>
<tr>
<td>2</td>
<td>Tax personality</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>3</td>
<td>Liability</td>
<td>Limited to shareholding</td>
<td>Head office</td>
</tr>
<tr>
<td>4</td>
<td>No. of shareholders</td>
<td>1</td>
<td>Head office</td>
</tr>
<tr>
<td>5</td>
<td>Incorporation registration costs</td>
<td>Same</td>
<td>Same</td>
</tr>
<tr>
<td>6</td>
<td>Stakeholder’s perception</td>
<td>Long-term presence</td>
<td>Short-term presence</td>
</tr>
<tr>
<td>7</td>
<td>Audited accounts</td>
<td>Mandatory</td>
<td>Mandatory</td>
</tr>
<tr>
<td>8</td>
<td>Profit repatriation</td>
<td>15% WHT</td>
<td>15%</td>
</tr>
</tbody>
</table>
5.1 Legal system at a glance
5.2 Labour
Legal and labour

5.1 Legal system at a glance

5.2 Labour
Legal system

- Rwanda has a legal system that combines civil law and common law
- The judicial branch hierarchy is as follows: the Supreme Court, high courts of the Republic, provincial courts, district courts, and mediation committees
- Rwanda adopted a new Constitution in May 2003
- The Constitution is the Supreme law in Rwanda and any law or custom in conflict with it is null and void to the extent of its inconsistency
Legal and labour

5.1 Legal system at a glance

5.2 Labour
**Immigration**

- All foreigners undertaking employment in Rwanda must have a valid visa which is renewable after a year.

- A police clearance from the country where the applicant has lived for the last 6 months is required.

- Cost of work permit is between Rwf 10,000 and Rwf 100,000 (about USD 14 to USD 140).

- The response time assuming all information requested for is provided promptly ranges between 3 to 5 working days.

- EAC citizens are exempted from work permit fees, although are required to obtain the work permit.

- EAC citizens are granted the first privilege in case they are competing for the same positions with nationals from outside the EAC region.
In 2013, the government published an “Occupation on Demand List” ("ODL") which outlines the nature of skilled professions which are in high demand in Rwanda.

Applicants who fall within the ODL obtain work permit easily.

The professions within the ODL include the following:

- Certified accountants
- Engineers
- Teachers
- Nurses and medical doctors
Tax Framework

6.1. Tax overview
6.2. Tax Incentives
Tax Framework

6.1. Tax overview

6.2. Tax Incentives
**Tax framework**
Rwanda compared with SA and Africa

**Total tax rate**

![Graph showing tax rates in South Africa, Rwanda, World, and Africa](image)

Source: PwC paying tax 2015 analysis

Doing business in Africa - Rwanda and Tanzania

March 2015
Tax framework
Rwanda compared with SA and Africa

Time to comply (hours)

Source: PwC paying tax 2015 analysis
**Tax Framework**

Rwanda compared with SA and Africa

**Number of payments**

Source: PwC paying tax 2015 analysis

Doing business in Africa - Rwanda and Tanzania

PwC
# Tax framework

## Tax overview

<table>
<thead>
<tr>
<th>Item</th>
<th>Tax type</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Corporate Income Tax</td>
<td>30%</td>
</tr>
<tr>
<td>2</td>
<td>Dividends</td>
<td>15% Withholding Tax (double treaties exist with Mauritius, South-Africa and Belgium)</td>
</tr>
<tr>
<td>3</td>
<td>Capital Gains</td>
<td>30% taxed together with corporate income or exempt</td>
</tr>
<tr>
<td>4</td>
<td>Individual Income Tax</td>
<td>30%</td>
</tr>
<tr>
<td>5</td>
<td>Value Added Tax</td>
<td>18%</td>
</tr>
<tr>
<td>6</td>
<td>Transfer Pricing acknowledge OECD Guidelines</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Customs Duties, Excise Duties</td>
<td></td>
</tr>
</tbody>
</table>
Other taxes

**VAT**
There is reverse VAT on imported services. This is not automatically deductible

VAT refunds are settled promptly

**Excise duty**
8% on non-traditional services like “airtime”

**Customs duty**
Customs union with three rates of 0%, 10% and 25%
**Tax compliance matters**

### Common features
- Self assessment regime with punitive penalties for non-compliance
- Tax rates – 30%
- Quarterly taxes paid during the year
- Monthly taxes payable (WHT, PAYE, VAT)
- E-filing and E-payment
- Regular RRA audits
- Active follow up of tax arrears

### Tread carefully because of:
- Thin capitalisation rules (4:1)
- Loss carried forward limited to 5 years
- Transfer pricing rules (in pipeline)
- Sale of commercial property attract capital gains at 30% (proposed new law on CGT)
- Change in ownership structure could result in forfeiture of tax losses
- Tax appeal does not suspend tax collection
Update on employee taxes

- Very limited tax reliefs / planning opportunities in Rwanda - employees hit the top rate of marginal tax (30%) after their salaries exceed approximately USD 140 per month

- If you become tax resident (183 days or more), you are taxed on worldwide employment income
Key proposed tax updates

• Introduction of Capital Gains Tax law
• Abolishing investment allowance (40% and 50%) and embedding this in the investment code
• Introduction of Transfer Pricing guidelines
• Widening the definition of “income sourced in Rwanda” to include services performed outside Rwanda. Such will now attract WHT
### Double tax treaties

<table>
<thead>
<tr>
<th>Country</th>
<th>Dividends qualifying companies</th>
<th>Interest</th>
<th>Royalties</th>
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</thead>
<tbody>
<tr>
<td>Non-treaty</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Treaty:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>0%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Mauritius</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>South Africa</td>
<td>10%</td>
<td>10%</td>
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</tbody>
</table>
6.1. Tax overview

6.2. Tax incentives
**Tax framework**

**New Investment Law**

A new Investment Law has been approved by Parliament but it is awaiting presidential signature and official gazette issuance to complete process of enactment. The new law proposes significant tax incentives for various categories of investors.

The incentives include the following:

- Preferential tax rate of 0%
- Preferential tax rate of 15%
- Tax holidays – 5 years and 7 years
- Exemption from capital gains tax
- Prompt settlement of VAT refunds – within 15 days
- Enhanced capital allowances of 50%
- Immigration incentives
**Tax framework**

**Tax incentives**

Approved investors are entitled to a range of tax incentives and benefits contained in the investment code. Rwanda Development Board (RDB), a government agency charged with responsibility for accelerating development, mainly through increased investments, administers several incentives aimed at attracting investors, while stimulating economic growth. These include:

- Duty free importation of machinery and equipment as well as raw materials but with reference to East African Customs Management Act.
- No restriction on repatriation of capital.
- 100% write off on R&D costs.
- Investment allowance, accelerated capital allowances (40% in Kigali and 50% outside Kigali).
- Additional fiscal incentives in strategic sectors (e.g. energy, ICT)
Key issues
Key issues

Tax Authority and compliance

1. Do not wait for tax authority audits
2. Keep abreast of legislative changes

Non-compliance penalties and interest

1. Punitive
2. Waiver – stringent conditions. Not easy to get.
Contacts
Contacts
Rwanda

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Doing business in Africa:
Tanzania
Agenda

1. Country context
2. Business Vehicles
3. Legal and labour
4. Tax Framework
5. Key Issues
6. Structuring
Country context

1.1 General
1.2 Living and working in Tanzania
1.3 Economy
1.4 Risk factors
Country context

1.1 General
1.2 Living and working in Tanzania
1.3 Economy
1.4 Risk factors
### Country context

#### General

#### Where is Tanzania?

Tanzania, officially the United Republic of Tanzania, is a country in East Africa within the Africa Great Lakes region.

It is bordered by Kenya and Uganda to the north; Rwanda, Burundi, and the Democratic Republic of the Congo to the west; Zambia, Malawi, and Mozambique to the south; and the Indian Ocean to the east.

Its capital city is Dodoma and the largest city is Dar es Salaam.
Country context
General

History

• Tanzania was a British colony
• In 1961, the country became independent
• In 1962, Julius Nyerere became president
• In 1964, the country became Tanzania – “Tan” comes from Tanganyika and “Zan” from Zanzibar
• In 1992, the constitution was amended to allow multiple political parties
• In 1995, the first multi-party elections were held
Country context

1.1 General
1.2 Living and working in Tanzania
1.3 Economy
1.4 Risk factors
Country context
Living and working in Tanzania

The vast majority of the companies operating in Tanzania have their offices in Dar es Salaam.

Dar es Salaam is the largest city by population in Eastern Africa and is considered a regionally important economic centre.

The city is projected to have over 5 million inhabitants over the coming decade with both foreigners and locals from other cities moving in, creating a culturally diverse city.

The Dar es Salaam port handles about 95% of the Tanzania international trade. There are still many infrastructure challenges and power shortages.

The Julius Nyerere International Airport is the main airport in the country, connecting to major cities across Africa.
Country context

1.1 General
1.2 Living and working in Tanzania
1.3 Economy
1.4 Risk factors

1
Key economic sectors

- Agriculture
- Construction
- Extractive Sector: Oil and Gas, Mining
- Energy / Infrastructure
- Financial Services
- Manufacturing
- Telecommunications
- Tourism
- Transport [hub for landlocked countries]
Ease of doing business ranking by World Bank that ranks from 1 to 189 (2015)

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Country context

1.1 General
1.2 Living and working in Tanzania
1.3 Economy
1.4 Risk factors

Ranking: 121st. Concerns highlighted included:

- Deteriorating institutions
- Corruption (98th)
- Policymaking “continue to be opaque”
- Infrastructure underdeveloped (130th) with poor roads and ports and an unreliable electricity supply (125th)
- Education - enrollment rates at the secondary and university levels are among the lowest in the world (132nd & 134th place respectively), while the quality of the educational system needs upgrading
- Low level of technological readiness (131st), with very low uptake of ICTs such as the Internet and mobile telephony
- Poor health indicators and high levels of communicable diseases
2

Business Vehicles

2.1 Types of entities
2.2 Company vs Branch
Business Vehicles

2.1 Types of entities
2.2 Company vs Branch
Business Vehicles
Types of entities

Business may be conducted in a variety of forms in Tanzania, such as:

- Public or private company
- Branch of a Foreign Company
- Limited liability partnership
- Partnership, including joint venture
- Sole proprietor
**Business Vehicles**

Set-up process and timeframe

- Registration with Companies Registrar (1 - 2 weeks)
- Taxpayer Identification Number (TIN) registration with TRA (1 week)
- Specific trade/profession registrations (timing varies)
- Tanzania Investment Centre (TIC) Registration (timing varies – may take up to 2 months)
- Business licence (2 to 3 weeks)
- Residence/work permits (1-2 months)
- VAT registration with TRA (1 week)
- NSSF registration (1 week)
2.1 Types of Entities
2.2 Company vs Branch
## Business vehicles
### Company vs branch

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<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>3</td>
<td>Liability</td>
<td>Limited to shareholding</td>
<td>Head office</td>
</tr>
<tr>
<td>4</td>
<td>No. of shareholders</td>
<td>2 to 14</td>
<td>Head office</td>
</tr>
<tr>
<td>5</td>
<td>Incorporation Registration costs</td>
<td>Same</td>
<td>Same</td>
</tr>
<tr>
<td>6</td>
<td>Stakeholder’s perception</td>
<td>Long-term presence</td>
<td>Short-term presence</td>
</tr>
<tr>
<td>7</td>
<td>Audited Accounts</td>
<td>Mandatory</td>
<td>Preferred</td>
</tr>
<tr>
<td>8</td>
<td>Profit repatriation</td>
<td>10% WHT</td>
<td>10%</td>
</tr>
</tbody>
</table>
3.1 Legal system at a glance
3.2 Labour
3.1 Legal system at a glance

3.2 Labour
Legal system

• Tanzania has a legal system based on English common law.
• Islamic or customary laws are also accommodated, mainly in personal or family matters.
• The Judiciary in Tanzania has four tiers: The Court of Appeal, the High Courts, Magistrates Courts and Primary Courts (being the lowest in the judicial hierarchy).
• The Constitution is the Supreme law in Tanzania.
• Other foreign laws and court decisions have persuasive value in Tanzania – they are used by the courts to interpret or widen the legal principles.
Legal and labour

3.1 Legal system at a glance
3.2 Labour
Immigration

• Visa granted for a period of 3 months for purposes of visit, leisure, holiday, business, health treatment or studies.

• Residence and work permit granted for employment – Maximum of 2 years

• Processing time is about 2 – 3 months
Tax Framework

4.1 Tax overview
4.2 Tax incentives
Tax Framework

4.1 Tax overview
4.2 Tax incentives
Tax framework
Tanzania compared with SA and Africa

Total tax rate
**Tax framework**
Tanzania compared with SA and Africa

**Time to comply (hours)**
Tax framework
Tanzania compared with SA and Africa

Number of payments
# Tax framework

## Tax overview

<table>
<thead>
<tr>
<th>Item</th>
<th>Tax type</th>
<th>Tax rate</th>
</tr>
</thead>
</table>
| 1    | Corporate Income Tax          | Residents: 30%  
                                              Non residents: 30%          |
| 2    | Profit repatriation           | Residents: 10% withholding tax on dividends  
                                              Non residents: 10% repatriation tax |
| 3    | Capital Gains                 | Residents: 30% (single instalment tax of 10%)  
                                              Non residents: 30% (single instalment tax of 20%) |
| 4    | Individual Income Tax         | Residents: 30% (maximum ceiling)  
                                              Non residents: 20% (maximum ceiling) |
| 5    | Value Added Tax               | 18% standard rate                                                        |
| 6    | Transfer Pricing              | acknowledge OECD Guidelines                                              |
**Other taxes**

<table>
<thead>
<tr>
<th>Loan funding</th>
<th>Withholding tax – payments to non-residents</th>
<th>Exit (disposal of shares in Tanzania company)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 10% withholding tax on interest</td>
<td>• 15%: Natural resource payments, royalties, services</td>
<td>• Income tax: 30% on gain</td>
</tr>
<tr>
<td>• Thin capitalisation limit – 70:30 debt to equity ratio</td>
<td>• 10%: Dividends, interest, rent</td>
<td>• Stamp duty: 1% of consideration</td>
</tr>
<tr>
<td></td>
<td>• 5%: Insurance premium</td>
<td></td>
</tr>
</tbody>
</table>
Other taxes

**Customs duty**
- 0% - Capital goods, raw materials, agricultural inputs
- 10% - Semi finished goods
- 25% - Finished final consumer goods

**Excise duty**
- Various rates
- Final consumer goods

**Payroll**
- SDL 5%
- NSSF/PPF 20%

**Local Government**
- 0.3% service levy

**Stamp Duty**
- On specified legal instruments
**Tax updates and developments**

- **Transfer Pricing Regulations 2014** (effective February 2014):
  - Require local TP policy
  - Significant penalties for non-compliance
- **Value-Added Tax Act of 2014** (to commence 1 July 2015):
  - Proposed removal of VAT exemption on computers, packaging materials, services relating to mobile phones etc.
- **Remedies for current challenges on international services (export of services and imported services)**
- **Tax Administration Act 2014** (expected to commence 1 July 2015)
**Tax administrative improvements but challenges still remain**

- Tax treatment of cross border transactions
- Exporters – timing of VAT refunds
- Occasional inconsistency between tax legislation and agreements
- A need for more consultation on drafting of legislation before enactment
- Considerable time taken to finalise tax matters
- Aggressive approach to revenue collection
## Double tax treaties

<table>
<thead>
<tr>
<th>Country</th>
<th>Dividends qualifying companies</th>
<th>Interest</th>
<th>Royalties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-treaty</td>
<td>10%</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Treaty:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>10%</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Denmark</td>
<td>10%</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Finland</td>
<td>10%</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>India</td>
<td>5%**</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Italy</td>
<td>10%</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Norway</td>
<td>10%</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>South Africa</td>
<td>10%*</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Sweden</td>
<td>10%</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Zambia</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

* Lower rate applies if the beneficial owner is a company which controls 15% of the voting power in the company paying the dividends, otherwise the higher rate applies.

** Lower rate applies if the recipient is a company that owns at least 25% of the shares of the company paying the dividends during the six month period immediately preceding the date of payment, otherwise the higher rate applies.
Double tax treaties

DTA with SA

• Came into force on 15 June 2007
• Withholding tax
  o not applicable on services
  o reduced rate on royalties
• PE definition includes provision of services (in-country) for 6 months or more
• Capital gains – taxing right normally only with country of residence

Other DTAs and condition

• Awaiting ratification: East Africa
• Under negotiation: Various including Mauritius
• “Beneficial ownership” requirement (or limitation on benefits clause) embedded in domestic tax legislation
Tax Framework

4.1 Tax overview
4.2 Tax Incentives
**Tax incentives**
Tanzania Investment Centre (“TIC”)

- Investment threshold for foreign investors: US$ 500,000
- “Strategic Investor” threshold – US$ 50 million
- No specific tax incentives, but:
  - A TIC registered investor can be eligible for extended list of capital goods (“deemed capital goods”)
  - A TIC registered investor that is a “strategic investor” entitled to (i) relief from withholding tax on interest from loans from foreign financial institutions; and (ii) other exemptions subject to negotiation
- Other benefits include: guarantee of minimum number of work permits (5) at the initial stage
## Tax incentives

### Other

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Agriculture</th>
<th>SEZ (export) / EPZ</th>
<th>Mining</th>
<th>Oil &amp; Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax holiday</strong></td>
<td>N/A</td>
<td>N/A</td>
<td>10 years</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Tax depreciation</strong></td>
<td>Equipment 12.5% / 25% / 37.5% RB; Buildings 5% SL.</td>
<td>100%</td>
<td>See “General” column</td>
<td>100%</td>
<td>20% straight line</td>
</tr>
<tr>
<td><strong>Customs Duty exemptions</strong></td>
<td>Capital goods</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>VAT relief on inputs</strong></td>
<td>Capital goods</td>
<td>Implements (exempt) &amp; spare parts</td>
<td>Capital goods, Raw Materials</td>
<td>Exploration &amp; prospecting</td>
<td>Exploration &amp; prospecting</td>
</tr>
<tr>
<td><strong>Withholding tax</strong></td>
<td>Normal rates</td>
<td>Normal rates</td>
<td>10 year tax holiday</td>
<td>Normal rates</td>
<td>Normal rates</td>
</tr>
</tbody>
</table>
**Tax incentives**

Regional Economic Communities

**East African Community (population – about 145m ‘2013 estimates’)**:

- 2005: Customs Union (fully fledged in 2010)
- 2009: Signature of Common Market Protocol
- Ongoing initiatives in relation to tax harmonisation

**Southern African Development Community**:

- Free Trade Area
- 2000: Trade Protocol → phased elimination of tariffs
Key issues
Key issues

1. Tax Authority and compliance
   - Do not wait for tax authority audits
   - Keep abreast of legislative changes

2. Non-compliance penalties and interest
   - Punitive
   - Waiver available

3. Legislation changes
   - Removal of many VAT exemptions later this year
   - Tax Administration Act expected to come into force later in 2015
Key issues

Future exit or divestment

- Possible tax on indirect disposal of underlying investment

Forex legislation

- Restrictions for transactions on capital account
Tax Framework
Structuring considerations

Where to locate your holding company

Exit Strategy

Repatriation of Funds (incl. forex)
Structuring considerations
Rwanda and Tanzania

- Double tax treaty networks are limited

- Optimise interest deductibility in Rwanda and Tanzania, for example through hybrid loan

- Exit strategy regarding capital gains taxation

- Use of the South Africa headquarter company regime
Structuring considerations
Rwanda and Tanzania
SA headquarter company

- Create a gateway through SA for holding African activities.
- Benefits:
  - No withholding tax on dividend, interest and royalties to parent (Foreign Co)
  - Dividend participation
  - Limited exchange control
  - No transfer pricing
  - Treaty access
  - CGT participation exemption
  - Look through for CFC purposes
- Strict requirements to be met to qualify
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