

Sage in Tanzania

Payroll Taxes 2020

1. General Information

Official currency

The official currency of Tanzania and Zanzibar is the Tanzanian Shilling (TZS).

Tax year end

The tax year ends on 31 December.

Revenue service

Tanzania Revenue Authority (TRA)

Website: www.tra.go.tz

2. Tax rates

Secondary Employment

Withhold tax at the highest rate of the individual income tax rates applicable. Currently **30%**.

Directors

For directors other than a full-time service director, tax is withheld at a rate **15%** of the fee paid.

Non-Residents

For non-resident employees (e.g. temporary employees from abroad) tax is withheld at the rate of **15%** of payment.

Tax Tables

Monthly tax tables for the period 01 January 2020 to 30 July 2020

Bands of taxable income (TShs)		Tax rate
From	To	%
0	170 000	0
170 000.01	360 000	9
360 000.01	540 000	20
540 000.01	720 000	25
Over	720 000	30

Monthly tax tables for the period 01 July 2020 to 31 December 2020

Bands of taxable income (TShs)		Tax rate
From	To	%
0	270 000	0
270 000.01	520 000	9
520 000.01	760 000	20
760 000.01	1 000 000	25
Over	1 000 000	30

3. Taxable Income

Taxable Compensation

Taxable compensation includes, but is not limited to:

- payments of wages, salary, payment in lieu of leave, fees, commissions, bonuses, gratuity or any subsistence travelling entertainment or other allowance received in respect of employment or service rendered;
- payments providing any discharge or reimbursement of expenditure incurred by the individual or an associate of the individual;
- payments for the individual's agreement to any conditions of the employment;
- retirement contributions and retirement payments;
- payment for redundancy or loss or termination of employment;
- Other payments related to employment including benefit in kind, travelling or car mileage paid or reimbursed to an employee for home to office journeys should be taxed in full

Benefits-in-Kind (BIK)

Housing benefit

The value of premises for residential occupation, including any furniture or other contents, is calculated as the lesser of:

- the annual market value of the rental of the house; and
- the greater of 15% of the employee's total income for the year excluding the housing benefit component and the expenditure claimed as a deduction by the employer in respect of the premises during the year of income.

Where the premises are occupied by the employee for only part of the year of income, the benefit is apportioned as appropriate, that is the portion of the period the premises are occupied over the year of income.

Car benefit

Where an employer provides a motor vehicle for the private use of the employee, this is a taxable benefit to the employee. Where the benefit is taxable, it is quantified using the following table:

Engine size	Less than 5yrs old	5yrs and older
	TShs	TShs
Up to 1 000 cc	250 000	125 000
1 001 - 2 000 cc	500 000	250 000
2 001 - 3 000 cc	1 000 000	500 000
Above 3 000 cc	1 500 000	750 000

Any other benefits

The rules of quantification are as prescribed in the regulations, or in the absence of regulations, the market value, less if any, part of the cost of the benefit made good by the employee to the provider (employer.)

4. Exemptions

Leave Passage

Where an employer makes payment for providing travelling for the employee, the employee's spouse and up to four children between the place of work and the place of domicile which is more than 20 miles away, the payment is not included in calculating the employee's income from the employment provided that the employee is recruited or engaged for employment solely in the service of the employer at the place of employment.

Relocation or Removal

Where an employee has to move from Tanzania, and incurs costs for physically moving their household goods or family members due to the change in employment location, reimbursement of such costs by the employer would be treated as reimbursement of business expenses, thus not included in taxable income.

Reimbursement of Employment-Related Costs

Any subsistence, travelling, entertainment, or other similar payments that represents solely the reimbursement to the recipient of an amount expended by him/her wholly and exclusively in the production of his/her income from his/her employment or services rendered is not included in taxable income.

Medical Services

Medical services, payment for medical services, and payments for insurance for medical services to the extent that the services or payments are:

- Available with respect to medical treatment of the individual, spouse of the individual and up to four of their children; and
- Made available by the employer (and any associate of the employer conducting a similar or related business) on a non-discriminatory basis to all employees of the employer.

Cafeteria Services

On premises cafeteria services available on a non-discriminatory basis to all employees of an employer are not taxable as a benefit in kind.

Unapproved Retirement Funds

Where an employee makes contributions to such resident unapproved fund, and later on withdraws more than his/her contributions, the amount in excess of contributions shall not be included in taxable income.

Retirement contributions by employers

Retirement contributions paid by an employer on behalf of the employees towards approved retirement funds, subject to the limit of the actual contribution or the statutory amount.

Motor Vehicle Benefit

Benefits derived from the use of motor vehicle by the employee for the employee's personal use is generally taxed as a benefit in kind provided the employer claims relief or deduction in relation to ownership, maintenance or operation of the vehicle. However, if the employer does not claim the deduction or relief the benefit is excluded from the income of the employee.

Insignificant payments

Payment that is unreasonable or administratively impracticable for the employer to account for or allocate to the recipients.

5. Tax deductions

The amounts of contributions made by employee/employer to the approved retirement funds (e.g. PPF and NSSF) reduce the gross pay when calculating the PAYE. The amount of this reduction is equal to the lower of:

- The total of the employee; or employer contributions where it is included in calculating the monthly pay made to approved retirement funds; and
- The statutory amount of the fund.

6. Statutory pension funds

The Public Service Social Security Fund (PSSSF) was established by Act No. 2 of 2018 (effective August 2018). The GEPF, LAPF, PPF and PSPF have been merged into one fund, the PSSSF. The NSSF is unaffected.

According to an official communication from the Social Security Regulatory Authority (SSRA) you are advised as follows:

- All Employers from the Public Sector including those in the Private Sector in which the Government has more than 30% shares must send their contributions to the Public Service Social Security Fund (PSSSF) with immediate effect.
- All Employers in the Private Sector shall contribute to the National Social Security Fund (NSSF) with immediate effect.
- All Employers in the Private Sector who were contributing to the abolished Funds, that is, PPF, PSPF, LAPF and GEPF should send to the NSSF the same contributions they were remitting to the defunct Funds with immediate effect. This is a result of the agreement reached at a meeting between ATE, NSSF and PSSSF aimed at having a smooth transition.

This means those who were making their contributions based on basic wage should continue to do so even when contributing to the NSSF.

National Social Security Fund (NSSF)

A contribution to the National Social Security Fund (“NSSF”) is based on the employee’s wages as follows:

- 10% (or 15%) payable by employer; and

- 10% (or 5%) payable by employee

Contributions are compulsory for employers and employees in the private sector.

www.nssf.or.tz/

7. Skills Development Levy (SDL)

The rate applicable for SDL is 4.5% of the total emoluments paid to all employees during the month.

8. Workers Compensation Fund

Monthly contributions are 1% of employer's monthly wage bill for employees in the private sector and 0.5% of employer's monthly wage bill for employers in the public sector.

9. Zanzibar

The Income Tax Act which applies to Tanzania also applies to Zanzibar. However, Zanzibar has a different set of tax tables compared to the ones applicable to Tanzania mainland.

All the other tax treatments are the same in Tanzania and Zanzibar.

Tax rate

Monthly tax table for the 2020 tax year

Monthly taxable income		Tax rate
From (TSH)	To (TSH)	%
0,00	180 000	0
180 000,01	360 000	9
360 000,01	540 000	20
540 000,01	720 000	25
720 000,01	and above	30

Skills Development Levy

The Skills and Development levy (SDL) is uniformly applied for both Tanzania Mainland and Zanzibar.
See SDL section above.

Zanzibar Social Security Fund (ZSSF)

The employee contributes 7% and the employer will contribute 13%.

www.zssf.org

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