THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF FINANCE

REPORT ON
TAX EXPENDITURE FOR THE CALENDAR YEAR 2024

November, 2025

TABLE OF CONTENTS

ACRONYMS

BTS	Benchmarking Tax System
CIT	Corporate Income Tax
DSE	Dar es Salaam Stock Exchange
EACCET	East Africa Community Common External Tariff
EACCMA	East African Community Customs Management Act
EPZA	Export Processing Zone Authority
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
MNEs	Multinationals
MoF	Ministry of Finance
NISC	National Investment Steering Committee
OECD	Organization for Economic Co-operation and Development
SADC	Southern African Development Community
SEZ	Special Economic Zone
TE	Tax Expenditure
TIC	Tanzania Investment Centre
TZS	Tanzanian Shillings
USD	United States Dollar
VAT	Value Added Tax

EXECUTIVE SUMMARY

This report evaluates Tanzania's tax expenditures for the calendar year 2024, prepared in accordance of Section 61 of the Budget Act Cap 439. The findings are based on Information extracted from TRA's tax administration systems. The analysis indicates that tax incentives granted during the period resulted in forgone revenue, reflecting deviations from the established benchmark system, recorded herein as revenue loss. The objective of this tax expenditure analysis is to promote fiscal transparency, support government decision-making in evaluating fiscal performance, and inform strategic allocation of tax incentives to various economic activities.

The tax expenditure analysis primarily focused on major tax items, namely Corporate Income Tax, Value Added Tax on domestic supplies and imports, as well as Excise Duty and Import Duty. For each tax category, a benchmark tax system was established to quantify the revenue foregone resulting from tax administration during the year under review. Additionally, the analysis presents the proportional contribution of tax expenditures to both total tax revenue and Gross Domestic Product (GDP).

The report shows that the Tax Expenditure for the year 2024 reached **TZS 3,121,799.48 million** equivalent to **10.32 percent** of total tax revenue collected and **1.52 percent** of GDP. The composition of tax expenditures for the year 2024 includes; Corporate Income Tax: **TZS 6,373.92 million (0.20%)**; Excise Duty on imports: **TZS 49,932.32 million (1.60%);** Import Duty: **TZS 1,593,638.43 million 51.05%)**; Value Added Tax on imports **TZS 814,295.27 million (26.08%)**; and Value Added Tax on domestic supplies **TZS 657,559.54 million (21.06%)**

Additionally, the analysis revealed that import related tax expenditures accounted for the largest share of total tax expenditures, amounting to **TZS 1,593,638.43 million**. This figure represents **51.05 percent** of total tax expenditures, **5.27 percent** of total tax revenue, and **0.77 percent** of GDP.

Overall, tax expenditure ratio to revenue and Nominal GDP decreased from 12.86 percent and 1.63 percent in 2023 to 10.32 percent and 1.52 respectively in 2024.

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CHAPTER ONE:
INTRODUCTION TO TAX EXPENDITURE

1.0 Background

Tax revenue plays a vital role in financing government spending on both recurrent and development projects. It is a source of fund that facilitates investment in social and economic sectors as a result boosting the economic growth of the country. On the other hand, the government provides various tax incentives that include tax relief, exemptions, and deductions and reduced rates among others to various sectors or individuals in order to provide relief, attract investments and meet international obligations. These incentives represent a form of indirect government spending administered through the tax system. The revenue forgone as a result of such measures is classified as tax expenditure, reflecting the fiscal cost of these policy interventions.

Tax expenditures serve policy objectives comparable to those of direct government spending programs. Tax expenditures represent revenue losses attributable to special provisions in tax legislation that reduce tax obligations for specific income sources, economic activities, or taxpayer groups. These measures serve as an alternative to direct government spending, functioning as indirect subsidies designed to support particular taxpayer categories or stimulate targeted economic behaviours. The common forms of tax expenditures include tax exemptions, zero-rating on domestic supplies and preferential or reduced tax rates, amongst others. The justifications for tax incentives mainly aim to support specific sector activities or achieve particular public policy objectives that are considered strategically important in boosting economic activity or social welfare.

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1.1 Benchmark Tax System

The key step in identifying the amount of tax expenditure in any country is the determination of the Benchmark Tax System (BTS). The BTS is a reference point against which forgone revenue is measured. Any provision that deviates from the benchmark system is thus costed as a tax expenditure (TE).

The Tax Expenditure Report thus follows the legal approach to defining the benchmark tax system, where the existing tax law forms the basis for defining the benchmark and for identifying differential and preferential treatments. The major tax items and categories considered in the report include the following:

a) Corporate Income Tax imposed under the Income Tax Act, CAP 332
b) Value Added Tax administered under the Value Added Tax Act, CAP 148

c) Excise Duty imposed under the Excise (Management and Tariff) Act, CAP 147 and
d) Import Duties imposed under the East Africa Community Common External Tariff (EAC CET) and the East Africa Community Customs Management Act, 2004 (EACCMA).

Furthermore, the elements of the benchmark tax system include the unit of taxation, the taxation period, the tax base and the tax rate structure. ***Table 1*** summarizes the benchmark tax system for Tanzania as used in this report.

Table 1**: Tanzania Benchmarking Tax System**

S/N	Tax item	Category	Benchmark	Tax expenditure
1.	Income Tax	Corporate Income Tax (CIT)	Standard rate 30%	Tax Holidays
				Preferential Rates (Reduced rates)
2.	Value Added Tax (VAT)	VAT on Domestic Supplies	Standard Rate 18%	VAT Exemptions
			Zero rated for Export	Zero rated on Local Supplies
3.	Import taxes	Import Duty	East African Community Common External Tariffs (EAC CET) rates	Exemptions under the East African Community Customs Management Act (EAC CMA,2004), 5^{th} Schedule
				Exemptions under Investment schemes and others through the 6^{th} Schedule of the Customs (Management and Tariff) Act, CAP 403.
			Preferential treatments under Other Regional Blocks and International Trade Agreements	Duty Remission
		VAT on import	Standard Rate 18%	VAT exemptions
		Excise Duty import	Various rates under the 4^{th} schedule of the Excise (Management and Tariff) Act.	Any Exemptions and GNs

Source: TRA, 2024

1.2 Objectives of the report

The overall objective of the report is to estimate the tax expenditure of Tanzania for the year 2024. Specifically, the report intends to:

(i). Review the legal framework governing tax expenditure in Tanzania
(ii). Estimate the tax expenditure of major tax categories
(iii). Estimate the percentage of tax expenditure for each tax head relative to both tax revenue collected and the Gross Domestic Product (GDP) and
(iv). Identify the share of tax expenditure by major economic activities.

1.3 Scope of the report

This report covers the analysis of tax expenditure from tax incentives granted under the Income Tax (Corporate Income Tax), Value Added Tax (VAT) domestic, and taxes on imports (Import Duty, Excise Duty, and VAT) for the year 2024. The analysis focused on the major tax categories to provide a deeper description of the benchmark tax system, estimates of the tax expenditure, and its share of total tax revenue collections and GDP. This introductory chapter covers the background of the report, the benchmark tax system, and the objectives of the report. The subsequent part of the report is organized into chapters: Chapter Two expounds on the legal framework governing tax expenditure in Tanzania; Chapter Three provides an analysis of tax expenditure under the major tax items mentioned earlier; and Chapter Four presents conclusions and recommendations.

CHAPTER TWO:

LEGAL FRAMEWORK GOVERNING TAX EXPENDITURE IN TANZANIA

2.0 Overview

Tanzania's tax system provides several tax reliefs and exemptions that aim to facilitate social and economic growth, create a favourable environment for investors under the Tanzania Investment and Special Economic Zone Authority, and respond to regional and international obligations.

The tax reliefs and exemptions, sometimes referred to as tax incentives, are available under different regimes. For example, investors in economic zones benefit from tax holidays, reduced tax rates and exemptions. The key tax incentives offered in Tanzania are governed by the Value Added Tax Act, CAP 148; the Income Tax Act, CAP 332; the Excise (Management & Tariff) Act, CAP 147; and the EAC Customs Management Act (EAC CMA, 2004). A detailed explanation of each tax law is provided below.

2.1 Income Tax Act

The Income Tax Act, CAP 332, grants tax relief and exemptions in accordance with specific provisions. Some of these provisions exempt part of the taxable income, apply zero rates, or grant preferential rates. The amounts exempted from income tax are listed in the Second Schedule of the law, as provided under Section 10 of the Act.

Apart from exemptions, the Income Tax Act provides other tax incentives, such as reduced corporate income tax rates for specific sectors. Paragraph 3(1) of the First Schedule lists the following reduced rates:

a) Newly listed companies on the Dar es Salaam Stock Exchange, with at least thirty percent of equity ownership issued to the public, are taxed at a reduced corporate income tax rate of twenty-five percent for three consecutive years from the date of listing;

b) Corporations with newly established plants for assembling motor vehicles, tractors, fishing boats, or outboard motors, and that have a performance agreement with the government, are taxed at a reduced corporate income tax rate of ten percent for five consecutive years from the year of commencement of production; and

c) Newly established entities involved in the manufacture of pharmaceuticals or leather products, and that have a performance agreement with the government, are taxed at a reduced corporate income tax rate of twenty percent for five consecutive years from the year of commencement of production.

2.2 Value Added Tax Act

The tax reliefs and exemptions under the VAT Act, CAP 148, are provided for under Sections 6, 7, 56, 57 and 99. Section 6(2) of the VAT Act grants exemptions on goods or services for the implementation of special strategic investments approved by the National Investment Development Committee under the Tanzania Investment and Special Economic Zone Act. Further, Section 6(3) grants exemptions on the following:

a) Importation of raw materials to be used solely in the manufacture of long-lasting mosquito nets;
b) Importation of raw materials of Heading 39.02 and 39.07 to be used solely in the manufacture of packaging materials of pharmaceutical products;
c) Importation of pre-fabricated structures or supply of locally manufactured pre-fabricated structures of H.S Code 9406.20.90 to be used solely in poultry farming;
d) importation by or supply to a government entity of goods or services to be used solely for implementation of a project funded by-
    i. the Government;
    ii. a concessional loan, non-concessional loan or grant through an agreement between the Government of the United Republic and another government, donor or lender of concessional loan or non-concessional loan; or
    iii. a grant agreement duly approved by the Minister in accordance with the provisions of the Government Loans, Grants and Guarantees Act entered between local government authority and a donor:

Provided that, such agreement provides for value added tax exemption on goods or services;

e) importation or supply of goods or services for the relief of natural calamity or disaster;

f) importation by or supply of goods or services to an entity having an agreement with the Government of the United Republic for purpose of operating or executing a strategic project.

Provided that, such agreement provides for value added tax exemption on goods or services;

g) an importation by or supply of goods or services to a non-governmental organisation having an agreement with the Government of the United Republic solely for project implemented by the respective non-governmental organisation:

Provided that, such agreement provides for value added tax exemption on goods or services as duly approved by the Minister

Furthermore, Section 56 and 57 zero-rated a supply of locally manufactured fertilizers and a supply of locally manufactured garments made from locally grown cotton respectively. Moreover, Finance Act 2024 amended Section 55C and 55D to zero rate supply of gold to the Bank of Tanzania and a licensed refinery in Mainland Tanzania respectively.

In addition, Section 99(2) of the VAT Act provides special relief on the purchase of goods and services for investors engaged in the exploration and prospecting of minerals, gas, or oil, as well as for investors registered under the Export Processing Zone Act or the Special Economic Zone Act. Also, the VAT Act grants exemptions on items listed under Part I and II of the Exemption Schedules.

2.3 The Excise (Management & Tariff) Act

Tax exemptions and/or relief in the Excise (Management & Tariff) Act, CAP 147, are provided under Sections 130 and 138 of the law. Section 130(2) empowers the Minister for Finance by Order published in the Gazette, to remit in whole or in part any excise duty payable by any person on any imported or purchased goods if he is satisfied that it is in the public interest so to do. Section 130(3) grants an exemption on the purchase or importation of fuel for use in projects exempted by an agreement to which the United Republic is a party. In addition, Section 130(4) exempts excise duty on goods and services imported or purchased for the implementation of strategic and special strategic investments. Furthermore, Section 138 provides exemptions for the importation by, or supply of, aircraft lubricants to a local operator of air transportation or a designated airline under a Bilateral Air Service Agreement between the government of the United Republic and a foreign government.

2.4 The East African Community Customs Management Act, 2004 (EACCMA)

The exemptions of import duty are provided for under Section 114 of the East African Community Customs Management Act, 2004 (EACCMA), under the Fifth Schedule (Exemption Regime). The exempt schedule is divided into two parts; Part A covering specific exemptions, and Part B providing general exemptions. In addition, the EACCMA, offers other tax incentives including duty remission scheme under Section 140 and the Export Processing Zone investment schemes incentives under Section 167, as outlined in Regulation 16 of Annex VII of the EAC Protocol on EPZ.

CHAPTER THREE:

TAX EXPENDITURE ANALYSIS

3.1 Overview

This chapter provides the analysis of the tax expenditure under the Income Tax, VAT on domestic supplies and the taxes charged on imports including Import duty, VAT and Excise duty. In addition, the analysis of tax expenditure also determined the percentage contribution of the major tax items against total revenue collected and GDP during the period under review.

3.2 Income Tax

The analysis of tax expenditure under the income tax focused on the Corporate Income Tax (CIT). Corporate Income Tax is a tax charged to corporate entities such as limited liability companies and entities among others on their annual taxable income that is earned by resident corporations. The benchmark unit of taxation for the corporate income tax is the single company, cooperative society, public business, partnership or other entity established to realize profits from business activities within a calendar year.

Therefore, due to the core structural characteristics of the Tanzania's Personal Income tax system (PIT), PIT is not the point of interest in establishing Benchmark Tax System (BTS) and reporting tax expenditure under the income tax in Tanzania whilst the main focus is on Corporate Income Tax.

3.2.1 Corporate Income Tax Benchmark

The benchmark for the CIT is the prevailing standard rate of 30 percent. The statutory general rate of 30% is applied to worldwide income of businesses minus allowable expenses incurred to earn that taxable income. This implies that, any deviation from the standard rate will be regarded as the Tax Expenditure during estimation of CIT tax expenditure.

3.2.2 Corporate Income Tax Expenditure

The tax expenditure under the CIT is categorized into two forms; the tax holidays and preferential/reduced rates. Tax holiday is a tax incentive granted to investors under the economic zones in order to exempt them from paying corporate income tax for the period of ten years. The main objective of this measure is value creation and increase foreign earnings. On the other side, preferential/reduced income tax rates are provided to investors for the purpose of encouraging them invest in priority sectors or going public by being listed to the stock market.

The tax expenditures under the CIT was computed based on information extracted from the TRA systems for the taxpayers benefiting from tax holiday and those subject to preferential or reduced tax rates. During the year 2024, it was revealed that majority of the taxpayers enjoying tax holiday reported loss of their taxable income and based on this result the tax expenditure under the tax holiday regime amounted to **TZS 4,813.69 million.** In Addition, the analysis shows that the tax expenditure arising from taxpayers benefiting from preferential or reduced tax rates valued at **TZS 1,560.24 million.**

Therefore, the total CIT tax expenditure arising from tax holidays and preferential rates schemes for the year 2024 amounted to **TZS 6,373.93 Million**. This tax expenditure represents **0.21 percent** of the total CIT revenue collected and 0.003 percent of GDP (**Table 2**).

Table 2**: Corporate Income Tax Expenditure, 2024**

Tax Item	Amount (TZS Millions)	Share (%)
Tax Holidays	4,813.69	75.52%
Preferential (Reduced Rates)	1,560.24	24.48%
Total CIT TE	**6,373.93**	**100.00%**
Total Corporate Tax Revenue	3,747,336.95	
Nominal GDP	205,846,493.00	
Total TE % of CIT Revenue		0.17%
Total TE % of Nominal GDP		0.003%

Source: TRA

3.2.3 Analysis of beneficiaries under income Tax

Beneficiaries under Tax Holiday

The analysis shows that, out of 138 beneficiaries of the tax holiday, 31 made profits and benefited under the regime with total exemptions amounting to TZS 4,813.68 million during the review period

Beneficiaries under Reduced

The analysis reveals that, out of 24 beneficiaries of the reduced tax rate, only three generated profits in 2024 and enjoyed exemption amounting to TZS 1,560.24 during the review period.

3.2.4 Analysis of Income Tax Expenditure by Sector

The analysis indicates that the manufacturing sector accounts for the largest share of both tax holiday (72.78%) and reduced rate (99.99%) incentives, suggesting that the majority of income tax beneficiaries fall within this sector. Other sectors benefiting include wholesale and retail trade; repair of motor vehicles and motorcycles (15.19%), and transportation and storage (8.93%), with smaller shares distributed across additional sectors. Within tax holidays, accommodation and food service activities hold the smallest share (0.00002%), while under the reduced rate, professional, scientific, and technical activities account for the lowest share (0.003%) (Table 5).

The implication of this finding on share of tax incentives in the manufacturing sector reflects government priorities in promoting industrial growth and economic development through value addition.

Table 3: Beneficiaries of income tax expenditure by Sector

SECTOR	Total Tax Holidays (Millions)	Total Reduced rate(Millions)	Share(%)-Tax holiday	Share(%)-Reduced rate
Manufacturing	3,503.21	1,560.18	72.77594%	99.9967%
Wholesale and retail trade; repair of motor vehicles and motorcycles	731.58	-	15.19795%	-
Transportation and storage	429.91	-	8.93096%	-
Professional, scientific and technical activities	7.73	0.05	0.16049%	0.0033%
Mining and quarrying	1.38	-	0.02858%	-
Construction	0.12	-	0.00257%	-
Agriculture, forestry and fishing	98.46	-	2.04552%	-
Administrative and support service activities	41.30	-	0.85796%	-
Accommodation and food service activities	0.001	-	0.00002%	-
Sub Total	**4,813.69**	**1,560.24**	**100%**	**100%**
Grand Total		**6,373.92**	**75.52%**	**24.48%**

Source: TRA 2025

3.3 Value Added Tax (VAT)

The Tanzania VAT system is a credit-invoice VAT based on the destination principle, charging on taxable supplies at each stage of production and distribution. The destination principle requires that VAT be collected at the point of consumption, with exports zero-rated.

VAT registration is compulsory for any person who attains the annual registration threshold of TZS 200 million. This obligation applies universally to all businesses, with exemptions granted only to: professional service providers; government entities engaged in economic activities; and intending traders upon submission of sufficient evidence, such as contracts, tenders, building plans, business plans, or proof of bank financing.

VAT receives worldwide accolades on account of its broad base, neutrality, elimination of cascading effects, and revenue productivity. However, the VAT law allows for limited, necessary exemptions, which are mainly standard. Exemptions are justified on the grounds of social and economic growth, investment attraction, humanitarian reasons, and international obligations.

3.3.1 VAT Benchmark

Under the benchmark VAT system, domestic supplies are taxed at a standard rate of **18 percent**, while exports are **zero-rated**. The intended tax burden falls on the final consumer (**unit of taxation**) for all goods and services supplied. The **tax base** is consumption, broadly defined to encompass all goods and services consumed within Tanzania

3.3.2 VAT Expenditure

Tax Expenditure under VAT covers some exemptions and zero-rated on local supplies as provided by VAT law. A VAT exemption involves the remission or waiver of VAT on taxable supplies and imports of goods and services, as stipulated in Section 6 and the exemption schedule of the VAT Act. These exemptions encompass reliefs for special categories, which include investors operating under TISEZA. Therefore, the revenue foregone from VAT exemptions and zero-rated on local supplies is referred to as VAT expenditure.

Domestic VAT Expenditure

The analysis of domestic VAT tax expenditure is based on information extracted from the TRA's tax administration systems for taxpayers benefiting from VAT exemptions and zero-rated on local supplies. The analysis indicates that the total domestic VAT expenditure during the period under review amounted to **TZS 657,559.54 million**. This total includes VAT special reliefs on local supplies totalling **TZS 617,814.75 million** and zero-rated VAT on local supplies amounting to **TZS 39,744.79 million**.

The analysis further reveals that VAT exemptions for special reliefs constituted the largest portion of VAT expenditure, accounting for **93.96 percent**. This is mainly attributed to exemptions granted to special economic zone investors operating under

TISEZA. This was followed by zero-rated supplies, which accounted for **6.04 percent**, as shown in ***Table 3*** below. Furthermore, domestic VAT tax expenditure accounted for **14.85 percent** of total VAT collected and **0.32 percent** of GDP.

Table 4: Domestic VAT Expenditures, 2024

Tax Item	Amount (TZS Million)	Share (%)
Special Relief	617,814.75	93.96
Zero Rated Local Supplies	39,744.79	6.04
Total TE on VAT Local Supplies	**657,559.54**	**100.00**
Total Domestic VAT Revenue Collection	4,427,855.37	
Nominal GDP	205,846,493.00	
Total TE of VAT Local as % VAT Revenue		14.85
Total TE of VAT Local as % GDP		0.32

Source: TRA, 2024

3.3.3 Analysis of VAT Expenditure by sector

Reflecting strategic fiscal decisions to support national priorities, the government extended VAT relief to several key sectors in 2024. The manufacturing sector was the primary beneficiary at **32.76 percent** of total exemptions, underscoring a deliberate policy to boost its competitiveness and promote social - economic development.

The wholesale and retail trade sector received **31.94 percent** of the relief, highlighting the government's support for commercial distribution networks to ensure access to goods and services. The construction sector received **31.62 percent**, indicating sustained investment in public and private infrastructure development. The transportation and storage sector received exemptions of **29.34 percent**, reflecting a deliberate effort to enhance logistical efficiency and support national infrastructure projects.

Mining and quarrying sector has a share of **7.00 percent** highlighting alignment with the government's National Mineral Policy. Administrative & Support Service Activities and Professional, Scientific & Technical Activities accounted for **6.15 percent** and **2.19 percent**, respectively. Financial and insurance activities followed with **0.19 percent**, which reflects efforts to foster financial inclusion and ensure stability within the financial system.

Agriculture, Forestry, & Fishing and Accommodation and Food Service Activities represented **1.15 percent** and **1.09 percent**, respectively. This reflects the government's effort to stimulate agricultural development and ensure food security. Overall, this distribution highlights the government's strategic focus on both economic expansion and public service provision through targeted fiscal incentives, as detailed in ***Table 7***.

Table 7: VAT Expenditure by sector/economic activities in 2024

No	Sector/Economic Activities	Domestic VAT (TE)	Share (%)
1	Manufacturing	215,439.06	32.76
2	Whole sale and Retail Trade	210,010.95	31.94
3	Construction	207,909.84	31.62
4	Transportation and Storage	192,916.45	29.34
5	Mining and Quarrying	46,057.20	7.00
6	Administrative and Support Service Activities	40,445.73	6.15
7	Professional, Scientific and Technical Activities	14,383.85	2.19
8	Water Supply, Sewerage and Waste Management and Remediation Activities	11,609.49	1.77
9	Financial and Insurance Activities	7,817.07	0.19
10	Agriculture, Forestry, and Fishing	7,537.90	1.15
11	Accommodation and Food Service Activities	7,186.13	1.09
12	Electricity, Gas, Steam and Air Conditioning Supply	4,092.26	0.62
13	Public Administration & Defence; Compulsory Social Security	1,830.00	0.28
14	Other Service Activities	1,258.04	0.19
15	Real Estate Activities	885.72	0.13
16	Information and Communication	595.15	0.091
17	Activities of Households as Employers; Undifferentiated Goods and Services-producing activities of household for own use	16.40	0.0025
18	Activities of Extraterritorial Organizations and Bodies	3.18	0.00048
19	Education	1.98	0.00030
20	Arts, Entertainment and Recreation	0.25	0.00004
	Total	**657,559.54**	**100,000**

Source: TRA

3.4 Taxes on Imports

The importation of goods is subject to the imposition of duties, taxes and other kinds of levies and charges. The duties and taxes applied vary based on nature of the goods, respective quantities, applicable rates and the customs value of the goods being imported. The Import taxes include the import duty, excise duty and value-added tax (VAT).

3.4.1 Benchmarking Taxes on imports

Estimating tax expenditures on imports requires a well-defined benchmark tax system, which serves as the standard against which deviations such as exemptions, deductions, or preferential rates are measured. This benchmark ensures consistency and objectivity in evaluating the revenue foregone by the government due to tax incentives and exemptions provided to specific goods, sectors or stakeholders as explained below; -

a) Import Duties

There are four groups of import duty rates that depend on the nature of goods to be imported and level of processing. The Import duty rates are zero percent for capital goods, 10 percent for intermediate goods and 25 percent and 35 percent for consumer goods as provided by the East Africa Community Common External Tariff (CET, 2022).

Due to the need to protect local industries across the EAC Region, some goods are classified as sensitive and attract import duty at rates above 35 percent while goods emanating from the EAC region, SADC countries and goods traded under other trade agreements meeting the criteria set out in the agreements and rules of origin are accorded preferential Import Duty rates. The sensitive items are listed in the schedule 2 of the EAC Common External Tariff (CET 2022).

Thus, any deviation from the regionally agreed rates of Import Duty in form of duty remission exemption/reduced rates is considered as tax expenditure. This includes some goods specified under the 5th schedule of the East African Customs Management Act, 2004.

b) VAT on Imports

The VAT on import is a tax that is payable on goods that are imported into the Mainland Tanzania from another country. Import VAT is often payable in addition to import duty and other taxes with the standard rate 18 percent. The VAT Act, CAP 148 provides exemptions of some goods imported based on the policy behind the granting.

Therefore, some exemptions under the Part I and Part II of the VAT Act schedule are regarded as the Tax Expenditures.

c) Excise Duty on Imports

Excise Duty is levied on excisable goods imported into the country. Laws and Regulations governing the imposition of Excise Duty are contained in the Excise (Management and Tariff) Act, CAP 147. The taxable value for charging Excise Duty on imported products is the sum of customs value plus the applicable Import Duty.

Excisable goods are contained in the Fourth Schedule of the Act, while the same Schedules represent the benchmarks with exceptions of items, which are considered as tax expenditures

3.4.2 Tax Expenditure on Imports

During the review period, the analysis indicated that a total of **TZS 2,457,866.52 million** was foregone as tax expenditure on imports. This amount indicates a growth of **24.7 percent** compared to the **TZS 1,970,619.00 million** recorded in the year 2023. Tax expenditure on imports in 2024 represents **21.26%** of the total import taxes collected and **1.19%** of the GDP. (**Table 8**). The increase was mainly attributed to exemptions granted on importation of industrial sugar, goods for Strategic projects and wheat grain under duty remission scheme. Amount of tax expenditure under this section take into account import duty, Excise Duty and Value Added Tax (VAT) on imports.

Table 8: **Tax Expenditures for Import Taxes, 2024**

Tax Item	Amount (TZS Millions)	Contribution (%)
A. Imports Duty		
Duty Remission	1,127,272.75	
Exemption under TISEZA	62,736.12	
Other Exemptions	403,629.56	
TE on Import Duty	**1,593,638.43**	**64.84%**
B. TE on VAT Imports	**814,295.27**	**33.13%**
C. TE on Excisable Imports	**49,932.82**	**2.03%**
Total Tax Expenditure (TE) for Import Taxes	**2,457,866.52**	**100.00%**
Total Tax Collection on Imports	11,559,243.06	
Nominal GDP	205,846,493.00	
TE % of Revenue Collection on imports		**21.26%**
TE as % of GDP		**1.19%**

Source: TRA, 2024

Tax Expenditure emanating from the import duty was recorded **TZS 1,593,638.43 million** that contributed to the **64.84 percent** of the total tax expenditure on imports and comprised duty remission of **TZS 1,127,272.75 Millions**, Exemptions under TISEZA of **TZS 62,736.12 Millions** and other exemptions **TZS 403,629.56 Millions**. Furthermore, VAT expenditure on imports amounted to **TZS 814,295.27 million** equivalent to **33.13 percent** of total import-related tax expenditures while Excise duty on imports amounted **TZS 49,932.82 Million** equivalent to **2.03 percent** of the total tax expenditure on imports.

Generally, the analysis shows that TE granted on imports in 2024 was predominantly attributable to four beneficiaries, which collectively constituted nearly 80 percent of the total. The leading contributor was the importation of industrial sugar by licensed manufacturing companies (31.93%), followed by goods for the strategic projects (22.51%), wheat grains under a duty remission scheme (15.44%), and fertilizer (7.00%).

The comparative analysis of TE on imports reveals substantial growth in several areas for 2024. Exemptions for goods related to the Strategic projects increased by **1,349 percent** to **TZS 553,297.58 million** from **TZS 38,184.68 million** granted in 2023. TE for industrial sugar and fertilizer imports also grew, by **40 percent** (to **TZS 784,742.81 million**) and **103 percent** (to TZS 172,133.10 million) from **TZS 559,415.29 million** and **TZS 84,713.10 million** granted in 2023 respectively. Conversely, exemptions for wheat grains under the duty remission scheme decreased by **12 percent** to **TZS 379,613.50 million** from TZS 429,478.21 million in 2023. This reduction in wheat grain TE was largely driven by a **95 percent** increase in domestic fertilizer production, which rose to **158,628 tons** in 2023/24 from **83,485 tons** produced in 2023. .

3.5 Total tax expenditure in the CY 2024

The total tax expenditure for the review period was **TZS 3,121,799.48 million**. This was distributed across key tax categories as follows: import duty counted at a larger share accounting at TZS **1,593,638.43 Million (51.05%)**, followed by Value Added Tax (VAT) on imports at **TZS 814,295.27 million (26.08%),** VAT on domestic supplies counted at **TZS 657,559.54 million (21.06%)**, Excise Duty on imports **TZS 49,932.32 million (1.60%)** and Income Tax (CIT) represented relatively smaller shares of **TZS 6,373.92 million (0.20%)**.

Furthermore, the total value of tax expenditures amounted to **10.32 percent** of all tax revenue collected and **1.52 percent** of GDP (see ***Table 9***)

Table 9: **Total Tax Expenditure by Major Tax Items for the Year 2024**

Tax Head	**Amount (TZS Millions)**	**Share (%)**
Import duty Exempted	1,593,638.43	51.05%
VAT import exempted	814,295.27	26.08%
VAT Domestic (exempted and zero rated)	657,559.54	21.06%
Excise Duty Exempted	49,932.32	1.60%
Corporate Income Tax	6,373.92	0.20%
TOTAL TAX EXPENDITURE	**3,121,799.48**	**100.00%**
Nominal GDP	205,846,493.00	
TRA Total Tax Collection	30,245,190.23	
%TE to TRA Tax Collection		**10.32%**
% TE to GDP		**1.52%**

Source: TRA, 2025

CHAPTER FOUR:

SUMMARY AND CONCLUSION

4.0 Overview

This chapter provides conclusions and Recommendations of the report. It is divided into two sections, the summary of conclusion of the report and the other provides the policy recommendations.

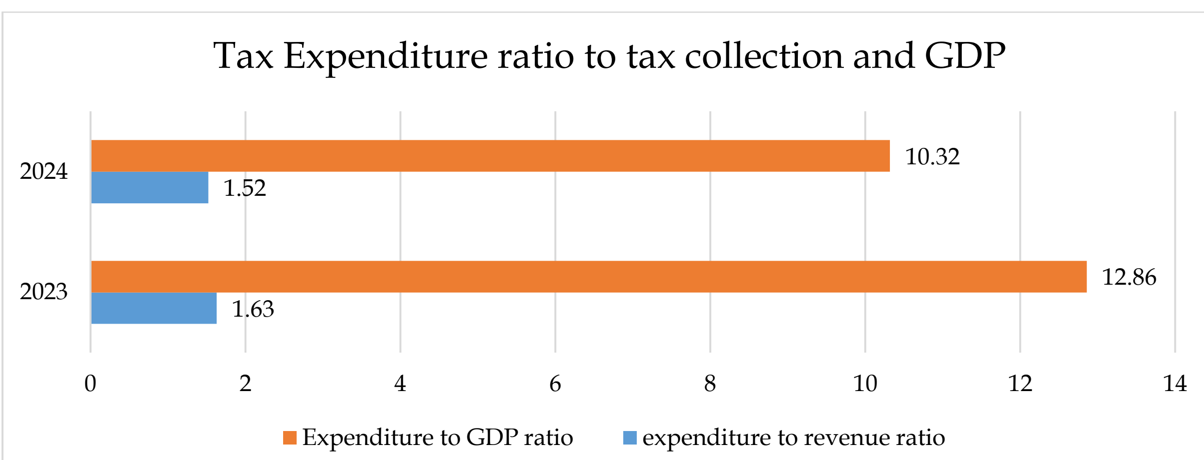
4.1 Summary

This report presents comprehensive analysis of Tax Expenditure in Tanzania for the year 2024 amounting to **TZS 3,121,799.48 million** equivalent to **10.32 percent** of the total annual tax revenue collected and **1.52 percent** of the National Gross Domestic Product (GDP). This amount comprises of tax expenditure on Income Tax amounting to **TZS 6,373.92 million (0.20%)**; tax expenditure on Customs **TZS 2,457,866.52 million (51.05%)** of which**;** Excise Duty on imports amount to **TZS 49,932.32 million,** import duty **TZS 1,593,638.43 million**, and VAT on imports amounting to **TZS 814,295.27 million**. VAT on domestic supplies amounting to **TZS 657,559.54 Million** of which zero-rated local amounting to **TZS 39,744.79** and Special reliefs granted to operators in SEZ and Strategic projects amounting to **TZS 617,814.75 million.**

It is worth noting that, the Total import tax Expenditure dominated the significant share of the total tax expenditures as it contributed to a total value of **TZS 1,593,638.43 Million** equivalent to **51.05 percent** of Total Tax Expenditures, **5.27 percent** of total tax collected and **0.77 percent** of the GDP.

4.2 Key Findings

i. Tanzania Tax expenditure ratio to revenue and Nominal GDP decreased from 12.86 percent and 1.63 percent in 2023 to 10.32 percent and 1.52 respectively in 2024.



Source: Authors, 2025

ii. Special relief under the VAT domestic expenditure constituted the largest portion of Tax Expenditure granted to investors under TISEZA.
iii. Economic activities under the Manufacturing Sector benefited more on VAT granted reliefs compared to other Sectors.

4.3 Conclusion

Based on the analysis of the Tax Expenditure Report, it is evident that strengthening the governance, transparency, and accountability of tax expenditures remains essential in mitigating fiscal risks and ensuring effective utilization of public resources. The Ministry of Finance, through the Tanzania Revenue Authority (TRA), will continue to enhance monitoring, evaluation, and compliance mechanisms for all granted exemptions and tax incentives to ensure that they are administered and utilized in accordance with established policy objectives.