THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF FINANCE

BUDGET INSIGHTS 2026/27

Ministry of Finance

July, 2026

Preface

The Ministry of Finance is pleased to present the 2026/27 Budget Insight a comprehensive blueprint that not only highlights macroeconomic trends, sectoral allocations, revenue performance, and strategic projects but also unveils bold, innovative tax measures, far-reaching fiscal reforms, and robust governance strategies. These initiatives are intended to strengthen Tanzania's economic resilience while championing equitable, inclusive development across every region and community.

Crucially, this Budget marks the historic inaugural step in implementing the Tanzania Development Vision 2050 (DIRA 2050), anchored in the theme: "Building Economic Resilience through Digital Transformation, Strategic Investment and Fiscal Sustainability for Inclusive Growth." It signals a decisive shift toward a digitally empowered, investment-driven economy that leaves no one behind.

Furthermore, in alignment with our regional commitments, the overarching theme of the 2026/27 budget, as agreed upon by the East African Community Partner States, is "Deepening Regional Integration and Value Addition for Inclusive and Sustainable Development."

As we embark on this transformative journey, the Ministry of Finance reaffirms its unwavering dedication to transparency, accountability, and collaborative partnership with all stakeholders, ensuring that every Tanzanian participates in budget process and benefits from our shared prosperity.



Hon. Ambassador Khamis Mussa Omar (MP)
Minister for Finance

CONTENTS

01 REVIEW OF 2025/26 BUDGET IMPLEMENTATION

1.1 Economic Performance 01
1.1.1 Key Macroeconomic Performance 01
1.2 **Budget Performance** 03
1.2.1 Revenue Performance 03
1.2.2 Expenditure Performance 04
1.3. Government Debt 06
1.3.1 Moody's and Fitch Ratings 06
1.4 **Sector Development** 07
1.4.1 Flagship Projects 07
1.4.2 Strategic Projects 08
1.4.3. Productive Sectors 09
1.4.4 Social Service 10
1.4.5 Governance and Diplomacy 11
1.4.6 Environment and Climate Change 11
1.4.7 Financial Sector Development 12
1.4.8 Gender and Inclusion 16

CONTENTS

02 2026/27 BUDGET

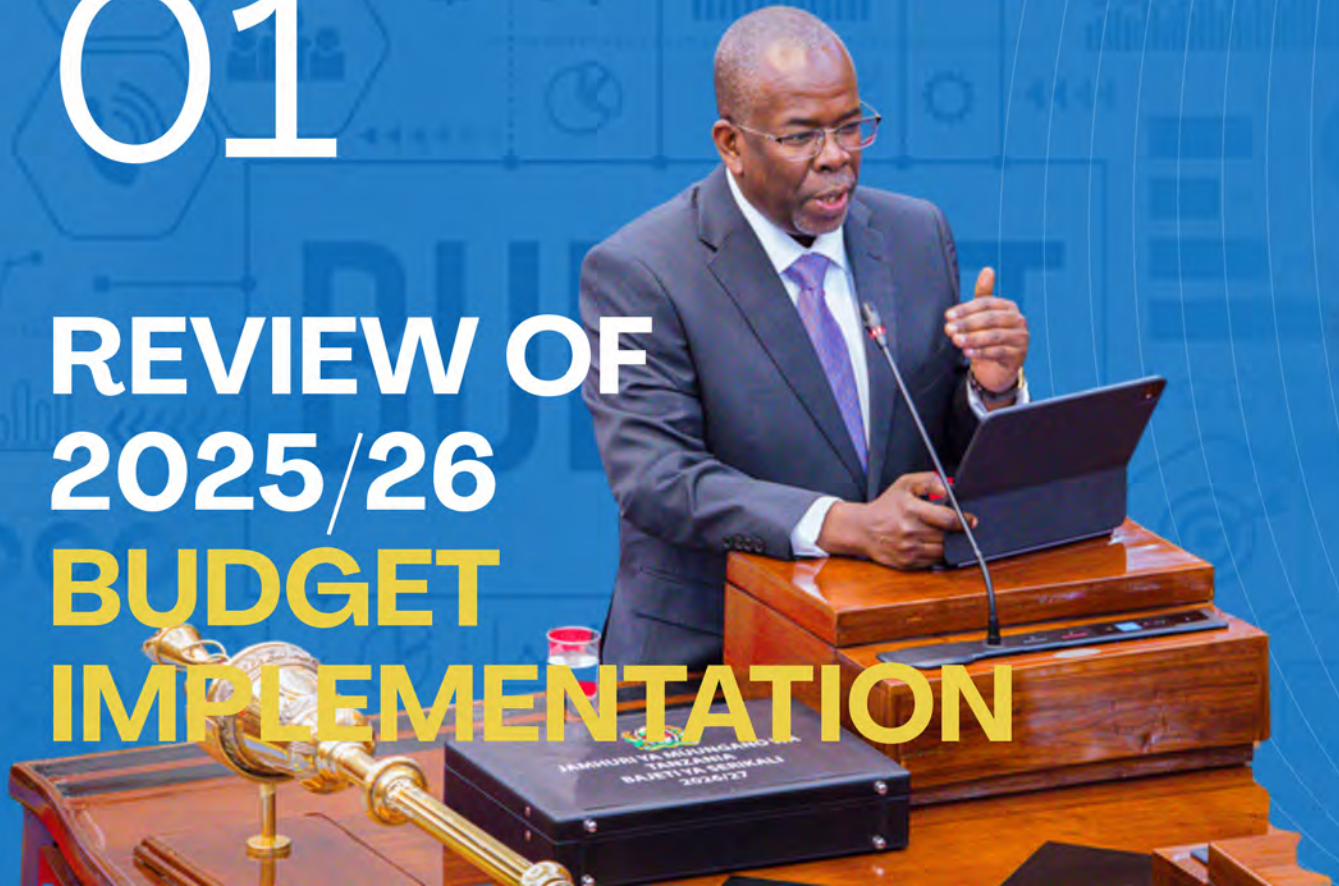
2.1 **Budget Theme**.....18
2.2 Macroeconomic Targets.....19
2.3 **Budget `Framework**.....20
2.3.1 Revenue Framework.....22
2.3.2 Expenditure Framework.....25
2.4 **Revenue and Expenditure Management**.....26
2.4.1. Revenue Policies.....26
2.4.2 Expenditure Policies.....27
2.5 **Budget Priorities**.....28
2.5.1 Strategic Sector Allocation.....29

03 PROPOSED TAX MEASURES

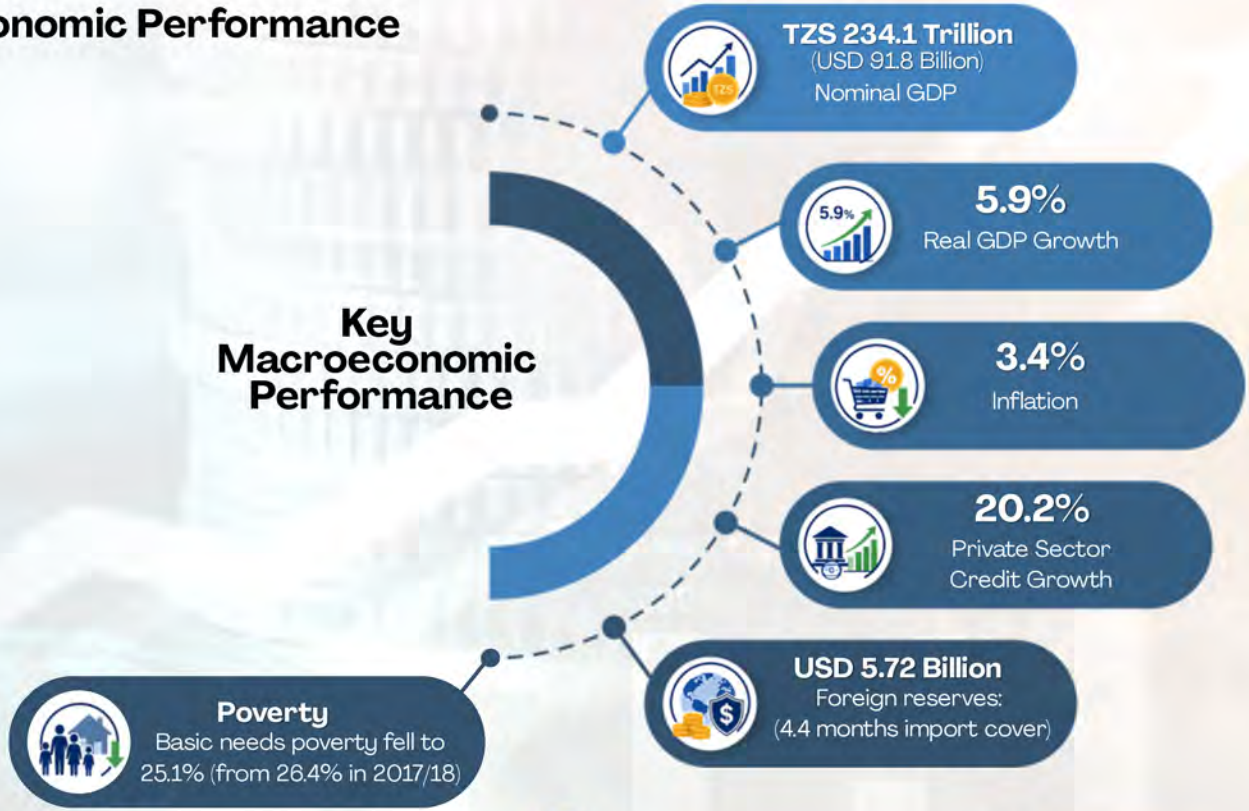
3.1 Summary of Key tax Measures.....35

01

REVIEW OF 2025/26 BUDGET IMPLEMENTATION



1.1 Economic Performance



Tax Revenue to GDP

Steady improvement in revenue mobilisation relative to the size of the economy.

Domestic revenue-to-GDP ratio has risen from 15.6% in 2024/25 to a projected 17.1% in 2026/27.

The 2026/27 budget aims to push domestic revenue to TZS 46.23 trillion (17.1% of GDP).

The increase is driven mainly by stronger tax revenue performance (especially Income Tax and VAT), as highlighted in the speech (2025/26 tax revenue collection reached 105.1% of target).

Financial Year	Domestic Revenue (TZS trillion)	GDP (TZS trillion)	Domestic Revenue/GDP	Tax Revenue (TZS trillion)	Tax Revenue /GDP
2024/25	34.85	223.04	15.60%	30.1	13.50%
2025/26	41.03	244.81	16.80%	35.34	14.40%
2026/27	46.79	270.36	17.10%	39.09	13.7%

1.2 Budget Performance

1.2.1 Revenue Performance

+ 101.8%
of target

Revenue Collection
34.75
Trillion (TZS)
July 2025 - April 2026.

70% Government expenditure
Financed by Domestic Resources

+ 105.1%
of target

Tax Revenue
28.10
Trillion (TZS)

89.5% Non-Tax Revenue
of target

eg. Government Authorities' own-source revenue

5.92 Trillion (TZS)

1.2.2 Expenditure Performance

98.8%
of target

Total Government Expenditure
40.92
Trillion (TZS)
July 2025 - April 2026.

Expenditure Priorities

- TZS 7.02 trillion for public servants' salaries and benefits;
- TZS 7.02 trillion for goods and services;
- TZS 5.09 trillion for interest payments;
- TZS 19.41 trillion for subsidies, social contributions, social benefits, and other recurrent expenditures; and
- TZS 2.38 trillion for acquisition of non-financial assets (development expenditure).

Key Sectors

- Transport infrastructure (roads, bridges, airports, and the Standard Gauge Railway);
- Energy, including the completion of the Julius Nyerere Hydropower Project and expansion of rural electrification;
- Education, including student loans and fee-free basic education;
- Water supply infrastructure;
- Sport, (construction of infrastructure and stadiums, and participation in the AFCON 2027 tournament);
- Health, including procurement of medicines, medical equipment, and rehabilitation of health facilities; and
- Settlement of verified arrears owed to contractors, suppliers, consultants, and service providers

Poverty and Inclusion:
Gradual Progress

Basic needs poverty fell to 25.1% in 2025 (from 26.4% in 2017/18)



Beneficiaries of TASAF's Productive Social Safety Net declined to 6.7% of the population.



Beneficiaries of TASAF's Productive Social Safety Net declined to 6.7% of the population.



Risks & External Shocks (Well Managed So Far)

Geopolitical tensions (Russia–Ukraine, Middle East) caused sharp rises in fuel (+44–49%) and fertiliser prices.

Government response:



Targeted diesel subsidies



Strategic Petroleum Reserve acceleration



Promotion of alternative fertilisers and domestic production.

1.3 Government Debt

- Public debt (March 2026): TZS 114.34 trillion (33.6% domestic / 66.4% external).
- PV of debt-to-GDP: 39.6% (well below 55% threshold).
- External debt-to-GDP: 24.4% (< 40% threshold).
- External debt-to-exports: 123.1% (< 180% threshold).

Tanzania won the Commonwealth Debt Management Award — first time on March 26, 2026 during the Commonwealth Public Debt Management Forum in London, United Kingdom.

1.3.1 Moody's & Fitch's Rating

Assessment: Both **IMF/World Bank DSA** and **Moody's/Fitch's** reviews confirm low-to-moderate risk of debt distress. *Debt is being used productively for growth-enhancing infrastructure.*



Overall Verdict: Tanzania's macroeconomic fundamentals are solid and improving. The economy shows strong resilience, fiscal discipline, and prudent debt management. Revenue mobilisation and infrastructure investment are paying dividends. The main external risks (energy and fertiliser prices) are being actively mitigated.

1.4 Sector Development

1.4.1 Flagship Projects

Multi-year projects are key drivers of the 5.9% GDP growth, economic resilience, and structural transformation. These are grouped by sector below, with funding and status from the speech.

1 Energy & Power Sector

Julius Nyerere Hydropower Project

Completed and launched. Added 2,115 MW, bringing total national generation capacity to 4,522.54 MW. Funding (2025/26): Part of TZS 1.59 trillion for electricity generation, transmission & distribution.

Rural Electrification Programme (REA)

TZS 521.3 billion disbursed, attributed to 39,003 hamlets newly connected to electricity.
Goal: Reduce the urban-rural energy gap and support the productive use of power.

Role in economy:

Critical for industrialisation, mining (LNG, coal, iron ore), and manufacturing.

2. Transport & Connectivity

Standard Gauge Railway (SGR) – Phase 1 (Dar es Salaam – Dodoma)

Status: Lot 1 & 2 completed and operational.
Total railway allocation 2025/26: **TZS 1.27** trillion.
In 2026/27, **TZS 1.5** trillion was budgeted.

Roads, Bridges & Airports

TZS 2.86 trillion spent (2025/26).
Focus: TZS 2.91 in 2026/27 allocated for upgrading trunk roads, bridges, and airport capacity to support trade and AFCON 2027.

Role in economy:

Improves logistics costs, supports exports, and enables regional integration

Key Insight:

The flagship projects are heavily weighted towards energy self-sufficiency, transport connectivity, and human capital — the three pillars the government sees as essential for moving Tanzania from a low- to a middle-income to an upper-middle-income economy under Dira 2050.

1.4.2 Strategic Projects

AFCON 2027 Infrastructure

TZS 302 billion for stadiums, sports infrastructure, and related works. Expected to boost tourism, services, hospitality, and short-term economic activity.

Large Strategic Extractive & Energy Projects
(mentioned as future drivers)

– LNG Project (natural gas)
– Coal and iron ore mining & processing
These are expected to significantly increase exports, forex earnings, and industrial value addition.





1.4.3 Productive Sectors



Mining

- Increase in revenues collected from the sector to $5,401million as compared to $4,119.9 million equivalent to 31.1% increase
- Increase in number of mineral markets from 43 to 114 which facilitates easy mineral trading and minimize the mineral black market
- Sector contribution to GDP increased to 11.9% from 9.1%



Agriculture

- Subsidies and support for fertilizer use, including promotion of affordable alternatives and organic fertilizers.
- Continued investment in irrigation, water supply projects, and dams (e.g., Kidunda Dam).
- Promotion of value addition in crops like cotton, cashew, coffee, tea, sisal, and tobacco.
- Support for cooperatives and Agricultural Marketing Cooperative Societies (AMCOS) to strengthen market access.
- Food production reached 23.78 tones which ensured food security
- Employment to youth through the BBT program
- Increase in productivity and export revenues due to input and subsidies provision



Industries

- Laws and regulations reforms to create conducive business environment
- Registration of 16,504 companies and 512 industries
- Strategic focus on industries tied to minerals and energy (rare earths, natural gas, iron ore, coal).
- Promotion of local content initiatives in government projects to nurture SMEs and larger enterprises.

1.4.3 Productive Sectors



Fisheries

- Increase in fisheries products through modernized fishing and aquaculture farms



Livestock

- Value of livestock increased from 33.2 trillion to 34.33 trillion
- Contribution to GDP rose to 6.2%



Tourism

- Increase of tourists from 5,360,247 to 5,935,561
- which is equal to 10.1%
- Increase in revenues from the sector to $4.4 billion from $3.9 billion
- Completion of the National Wildlife Census

1.4.4 Social Services

Water Supply & Sanitation

- TZS 870.4 billion allocated to increase access to clean water and support agriculture & urban growth
- **Key project:** Kidunda Dam (serves Morogoro, Pwani & Dar es Salaam regions).

Human Capital Development

- Education Sector - TZS 1.58 trillion allocated.
- Achievements: Fee-free compulsory education for 16.8 million students
- Higher education student loans for 284,487 students
- Strengthening vocational training institutions & youth skills development

Health Sector

- TZS 681.7 billion allocated for the procurement of medicines, medical equipment, reagents, and rehabilitation/construction of health infrastructure.
- **Role in economy:** Long-term productivity and poverty reduction (aligned with World Bank emphasis on foundational education and human capital).

1.4.5 Governance and Diplomacy

The Government is determined to build strong governance and strategic diplomacy aimed at achieving sustainable economic growth and national self-reliance.

Governance:

- Emphasizes peace, security, stability, and accountability as foundations for development.
- Promotes transparent public financial management, stronger audits, fiscal discipline, and efficient use of public resources.

Diplomacy:

- Supports regional and international cooperation through frameworks such as the East African Community Vision 2050, African Union Agenda 2063, and the UN Sustainable Development Goals.
- Uses economic diplomacy to attract foreign investment, technology, and international financing.
- Promotes regional integration through transport and trade projects such as the SGR and TAZARA railway.
- Emphasizes national sovereignty and self-reliance, reducing dependence on foreign aid and excessive borrowing while strengthening domestic revenue collection.
- Prioritizes digital transformation, including digital payments, integrated government systems, AI, and electronic tax administration.

1.4.6 Environment and Climate Change

- Climate change is mainstreamed into planning and budgeting, with investments in clean energy, strategic petroleum reserves, and infrastructure rehabilitation.
- The use of World Bank CERC funds demonstrates proactive risk management.



1.4.7 Financial Sector Development

23.6%

Credit to Private Sector

44,603.1

Billion (TZS) in 2025 from **36,097.4** in 2024.



Financial Inclusion

- SELF Microfinance managed to provide total loans of 43.26 billion shillings to small entrepreneurs, equivalent to 90.13 percent of the target of 48 billion shillings, boosting small enterprises.
- TADB managed to provide total loans of 429.74 billion shillings in 2025/26, equivalent to 143.24 percent of the target of 300.00 billion shillings, boosting agricultural activities in the country
- Increased use of digital financial services, whereby in 2025 transactions processed through this system reached 651 million, valued at 54.95 trillion shillings, compared to 453 million transactions valued at 29.82 trillion shillings in 2024



Money Market Trends

Liquidity

- Liquid Assets to Demand Liabilities ratio was 27.8 percent in December 2025 compared to 28.6 percent in the same period in 2024, which is above the minimum ratio required by law of 20 percent.
- Capital adequacy ratio remained at 19.3 percent, which is above the legally acceptable minimum limit of 10 percent.

This indicates that banks have sufficient liquidity for their day-to-day activities, including lending and absorption of unexpected losses, such as loan defaults

- Returns on Asset – ROA was 4.7 percent in December 2025, compared to 5.2 percent in December 2024
- Returns on Equity - ROE reached an average of 20.6 percent in December 2025 from 23.7 percent in the same period in 2024
- Indicating that the banking sector has continued to be resilient and profitable

Interest rates

- Interest on loans decreased and reached an average of 15.24 percent in December 2025 compared to an average of 15.71 percent in December 2024, meaning cheaper loans, easier borrowing and boosting investment.
- The average deposit interest increased slightly to 8.36 percent in December 2025, compared to 8.33 percent in December 2024, driven by banks' efforts to increase deposits by offering more attractive interest rates
- Interest rate spread decreased to 5.88 percent in December 2025, from 6.12 percent in the same period in 2024.

The budget identifies the financial sector as a key enabler of economic transformation, private sector growth, digitalization, and domestic resource mobilization. The Government's approach focuses on ***expanding access to finance, strengthening financial infrastructure, attracting investment, and deepening financial inclusion.***

Accelerating Digital Financial Services

The budget strongly promotes digital finance and cashless transactions.

Measures include:

- ✓ Expansion of digital payment infrastructure.
  Wider use of LIPA NAMBA and TANQR/QR Code payment systems.
- ✓ Mandatory digital payments for many business transactions.
- ✓ Upgrading national payment systems to facilitate international money transfers.
- ✓ Encouraging traders to adopt digital payment platforms.

Digital Transactions		Values
651 million Trasactions	2025	54.95 trillion
453 million Trasactions	2024	29.82 trillion



Analytical Insight

This indicates rapid growth in digital financial services and that Tanzania is moving toward a more formal, transparent, and efficient financial ecosystem.

Capital Market Development



Analytical Insight

This will:

- Increase the size and liquidity of Tanzania's capital markets.
- Provide alternative financing sources for public enterprises.
- Broaden investment opportunities for Tanzanians.



1.4.8 Gender and Inclusion

Key Gender Issues in Tanzania (FY 2026/27)



Education

- Women's literacy rate: 82.1% vs men's 88.0%
- Girls continue to face barriers in school retention and STEM participation.

Priority actions:

- Invest in girls' education
- Promote STEM participation
- Expand scholarships and retention programs



Health

- Maternal mortality: 104 deaths per 100,000 live births
- Adolescent fertility: 112 births per 1,000 girls aged 15–19

Priority actions:

- Increase investment in maternal health services
- Strengthen reproductive health programs



Access to Productive Resources

- Women land ownership: 34% vs men 37%
- Women have limited access to productive inputs, technologies, and extension services.

Priority actions:

- Improve women's access to productive assets.
- Increase access to agricultural inputs and technologies.



Financial Inclusion

- Women with bank accounts: 16% vs men 32%
- Limited access to credit, financial services, and business capital.

Priority actions:

- Expand women's financial inclusion.
- Strengthen women-focused credit and SME financing.

Key Gender Issues in Tanzania (FY 2026/27)



Economic Participation

- Female labour force participation: 67.4% vs male 79.6%
- Women are concentrated in informal and low-productivity sectors.

Priority actions:

- Promote women's economic empowerment
- Improve market access and business opportunities



Leadership and Decision-Making

- Women in public sector leadership positions: 22.1%
- Women remain underrepresented in decision-making roles.

Priority actions:

- Strengthen leadership development programs
- Promote affirmative action measures



Rural Gender Disparities

- About 65.1% of Tanzania's population lives in rural areas.
- Rural women face wider gender gaps in access to opportunities and services.

Priority actions:

- Invest in rural infrastructure
- Expand livelihood and social service programs



Youth Empowerment

Key issues emphasized in this area include:

- Youth employment Creation
- Skills development and Vocational Training
- Access to credit and Business Support

02

2026/27 BUDGET



2.1 Budget Theme



"Building Economic Resilience through Digital Transformation, Strategic Investment and Fiscal Sustainability for Inclusive Growth"

2.2 Macroeconomic Targets

ITEM	2024/25	2025/26	2026/27
Real GDP Growth	5.5%	6.0%	6.3%
Inflation	3.1%	3% - 5%	3% - 5%
Domestic Revenue (Including Non-Tax)	15.8% of GDP	16.7% of GDP	17.1% of GDP
Tax Revenues	12.8% of GDP	13.3% of GDP	13.7% of GDP
Deficit (W/Grants)	3.4% of GDP	3.0% of GDP	3.0% of GDP
Forex Reserve (Months of Imports)	4.4	4.4	4.4

Economic Outlook:
Moderate Growth and Stability

(i) Accelerate real GDP growth to 6.3 percent in 2026 from 5.9 percent in 2025

(ii) Contain inflation within a single digit on an average of 3.0-5.0 percent in the medium term

(iii) Increase domestic revenue to 17.1 percent of GDP in 2026/27 from the projected 16.5 percent in 2025/26;

(iv) Increase tax revenue to 13.7 percent of GDP in 2026/27 from the projected 13.2 percent in 2025/26;

(v) Ensure that budget deficit does not exceed 3.0 percent of GDP in 2026/27; and

(vi) Maintain foreign reserves sufficient to cover at least four (4) months of imports of goods and services

2.3 Budget Framework

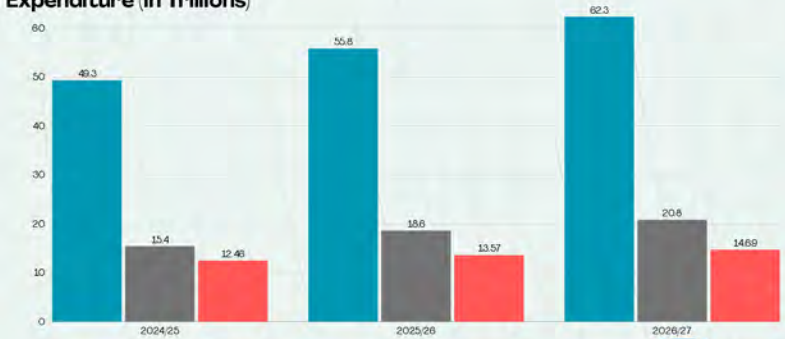
ITEM	2024/25	2025/26	2026/27
Revenue	32,210.21	41,536.02	46,791.30
Expense	38,516.94	46,146.54	52,169.95
Compensation of Employees	7,492.37	9,108.58	10,127.30
Use of goods and services	7,037.13	4,946.31	5,215.41
Interest	5,176.70	6,493.72	6,859.54
Subsidies	1,373.46	112.64	2,791.97
Grants (Transfers)	16,721.35	22,350.73	22,528.16
Social benefits	581.90	1,002.57	1,007.69
Other expense	134.01	2,131.98	3,639.88
Acquisition of Nonfinancial Assets	2,317.28	2,308.78	2,328.66
Net lending/borrowing/Balance after Grants	(8624.01)	(6919.30)	(7707.31)
Financing	13,819	15,699	7,707.31
Domestic	1,655.68	2,632.96	3,272.35
Foreign	12,163.52	13,066	4,435

2.3.1 Budget Trends 2024/25 - 2026/27

Revenue (in Trillions)



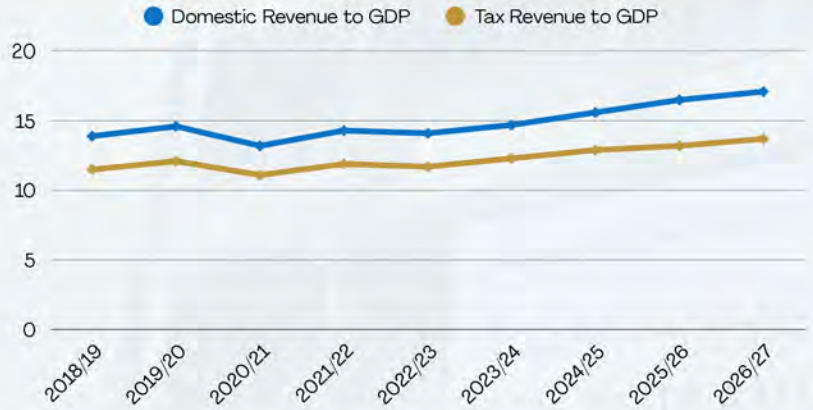
Expenditure (in Trillions)



2.3.2 Revenue framework

a) Domestic Revenue and Tax Revenue to GDP Ratio

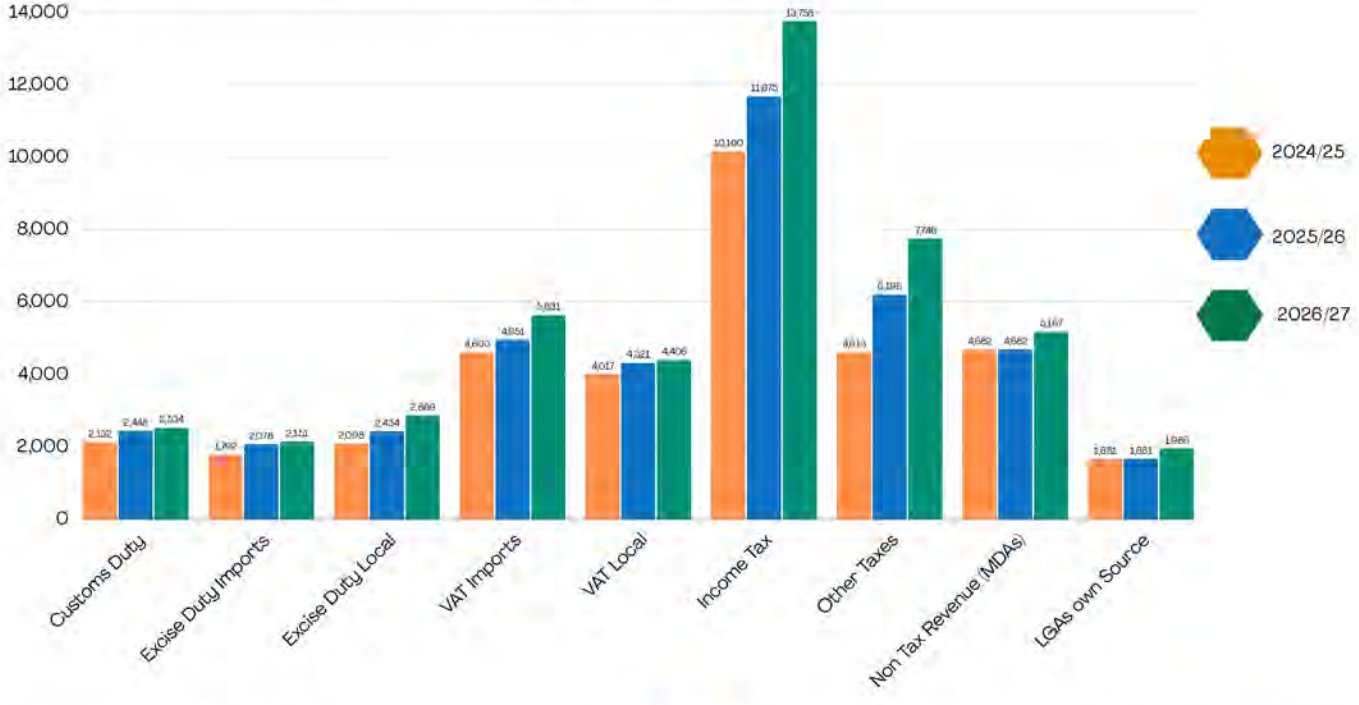
- The ratio of domestic revenue to Gross Domestic Product (GDP) increased to 16.5% in 2025/26 from 14.3% in 2021/22
- 2.2 percentage point increase in four years indicates stronger domestic revenue mobilization, largely due to policy and administrative reforms.



b) Domestic Revenue Composition and Growth

ITEM	FY	FY2	Percentage Change	FY3	Percentage Change	%2026/27 over Total
	2024/25	2025/26	%	2026/27	%	% Weight
Custom Duty	2132	2176	2.06%	2534	16.47%	6.48%
Excise Duty Imports	1792	1858	3.69%	2151	15.76%	5.50%
Excise Duty Local	2098	2680	27.74%	2869	7.02%	7.34%
VAT - Imports	4603	4973	8.05%	5631	13.22%	14.40%
VAT - Local	4017	4332	7.83%	4406	1.70%	11.27%
Income Tax	10160	11269	10.91%	13758	22.09%	35.19%
Other Taxes	4613	6816	47.76%	7746	13.65%	19.81%
TOTAL	**29,415**	**34,104**		**39,095**		**100.00%**

c) Domestic Revenue Sources (Billion Shillings)



2.2.3 Expenditure Framework

- **Total Expenditure:** Expands from 49.3 trillion in 2024/25 to 62.3 trillion in 2026/27, aligned with revenue growth.
- **Recurrent Expenditure:** Accounts for the largest share, but grows slower compared to development spending. It rises from 33.9 trillion to 41.5 trillion.
- **Development Expenditure:** Shows significant growth, from 15.4 trillion in 2024/25 to 20.8 trillion in 2026/27. Local development financing increases sharply, indicating government priotization of infrastructure and capital projects.

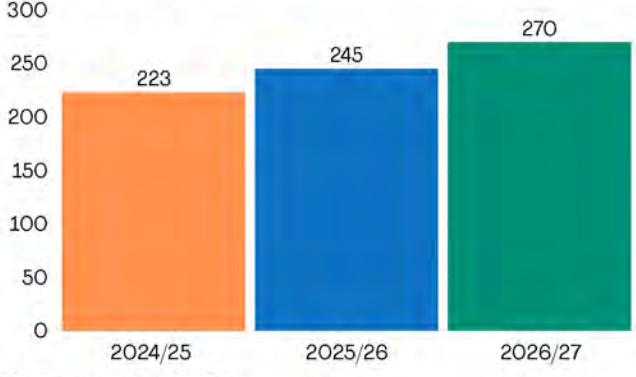
Key Recurrent Spending Trend

- **Debt Service:** Grows steadily, from 12.46 trillion in 2024/25 to 14.69 trillion in 2026/27. This reflects rising obligations but remains manageable relative to GDP.
- **Wages and Salaries:** Increase moderately, from 11.2 trillion to 14.1 trillion, showing controlled growth in the public wage bill in line with expansion in public sector employment, wage adjustments due to cost-of-living and recruitment in key sectors (education, health).

GDP Context

GDP: Expands from 223 trillion in 2024/25 to 270 trillion in 2026/27. The budget size as a share of GDP remains around 20–23%, showing consistent fiscal planning relative to economic growth.

GDP (in Trillions)



Budget as % of GDP



MOF, Budget Division

Key Takeaways

- The government is reducing reliance on foreign grants and shifting toward domestic revenue and loans.
- Development expenditure growth outpaces recurrent spending, signaling a stronger push for investment in infrastructure and long-term projects.
- Debt servicing remains a major expenditure item, but its growth is slower than overall revenue, suggesting sustainability.

2.4 Revenue and Expenditure Management

2.4.1 Revenue Policies

Government strategy in FY 2026/27

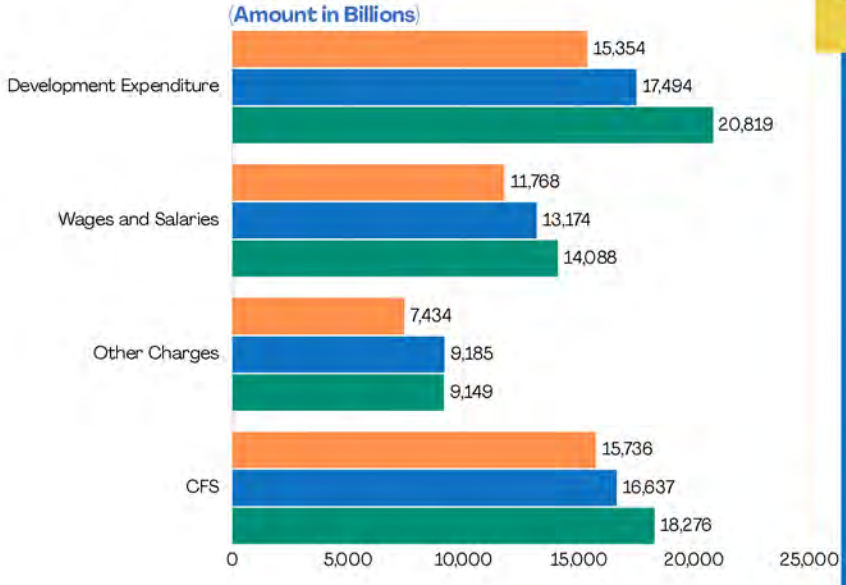
- Expand the tax base through investment promotion.
- Deploy Artificial Intelligence, Big Data and integrated ICT systems.
- Strengthen management of SOEs to improve dividend and non-tax revenue collection.
- Enhance EFD utilization and taxpayer awareness campaigns.
- Implement recommendations from the Presidential Commission on Tax Reforms.
- Introduce the Patriotism Award (Tuzo ya Uzalendo) to encourage issuance and demand of EFD receipts.

Declining External Financing

- Development Partner grants are projected to decline by 39.1 percent in FY 2026/27 compared to FY 2025/26.
- The decline is attributed to changes in Development Partners' policies.
- The trend reinforces the need for stronger domestic resource mobilization and fiscal self-reliance.

2.4.2 Expenditure Policies

Government strategy in FY 2026/27



In FY 2026/27, the Government will continue to strengthen public expenditure management by focusing on the following policy directions:

- Strengthen fiscal discipline, transparency, and budget credibility;
- Improve efficiency and value for money in public expenditure and development projects;
- Prioritize resources toward high-impact and productive investments;
- Accelerate digital transformation and modernization of public financial management systems;
- Strengthen governance, accountability, and financial sustainability of public institutions and State-Owned Enterprises; and
- Enhance management of public assets, special funds, and contractual obligations.

2.5 Budget Priorities

Strategic emphasis:



Energy



Infrastructure



Human Capital



Industrialization



Tourism

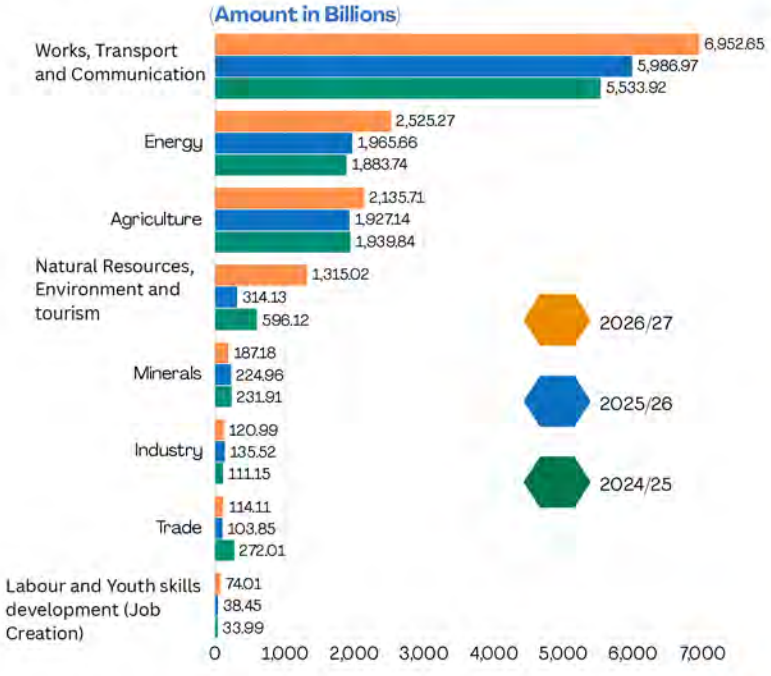
These are all aligned with the ambition of achieving Vision 2050 and sustaining GDP growth above 6% be characterized as an investment-driven transformation budget, designed to accelerate Tanzania's transition toward a more industrialized, competitive, and resilient economy.

2.5.1 Sector Budget Allocation

SECTOR	2024/25	2025/26	2026/27	% GROWTH	% WEIGHT
Housing and Community Development	1,421.58	1,795.50	2,063.01	14.90%	3.31%
Social Development	2,653.44	3,183.50	3,171.32	-0.38%	5.09%
Health	2,648.43	3,104.93	3,702.98	19.26%	5.94%
Defence, Public order and Safety	5,493.17	6,377.30	7,399.77	16.03%	11.87%
Education	6,369.83	7,394.36	7,729.95	4.54%	12.40%
Economic Development	10,601.79	10696.67	13,509.22	26.29%	21.67%
General Public Service	21,103.17	23,937.99	24,757.94	3.43%	39.72%
Grand Total	50,291.41	56,490.26	62,334.19		

2.5.2 Strategic Sector Allocation

(a) Economic Development



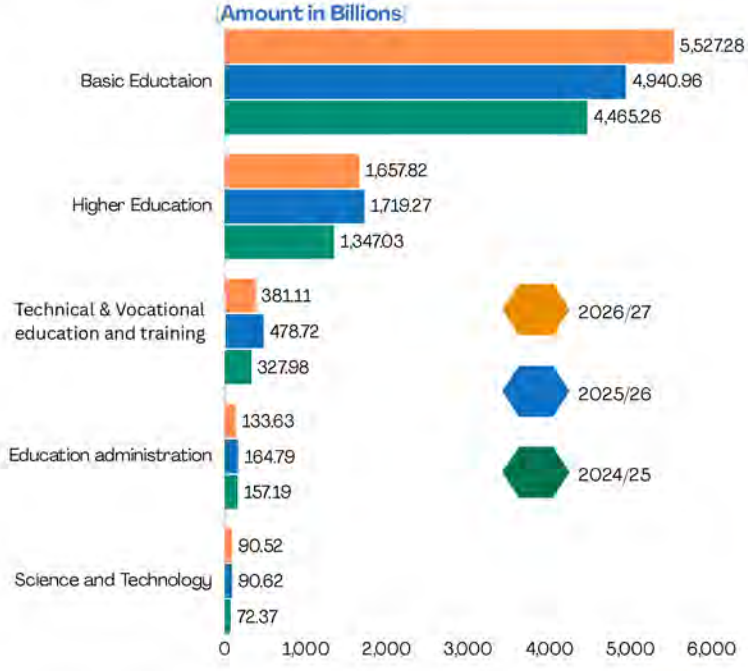
Highest Priority

- Principal growth engine
- Long-term commitment to economic transformation through infrastructure-led growth.

Strategic focus on:-

- Infrastructure & Transport
- Energy
- Agriculture and Food Security
- Industry
- Tourism
- Digital Transformation
- Climate Resilience and Environmental Sustainability

(b) Human Capital Development



Highest Priority

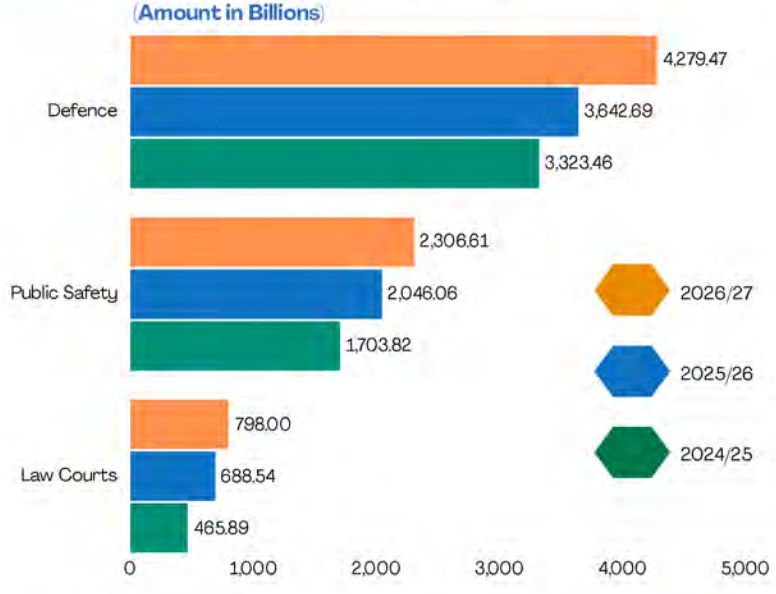
Building a knowledge-based economy

Focused on:

- Improving education and health services for citizens in order to improve human capital

(c) Governance, Security and Institutional Capacity

Defence, Public Order and Safety



Highest Priority

It is an enabling sector

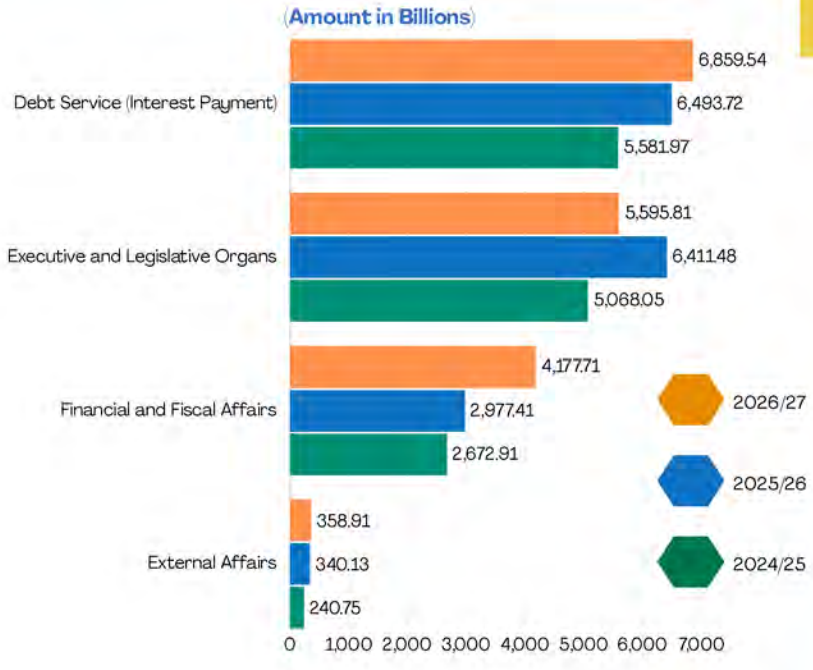
Focused on:

- Strengthening governance;
- Revenue collection;
- Accountability;
- Policy coordination; and
- Service delivery.

Placed emphasis on:

- Implementing government policies;
- Delivering public services;
- Strengthening Public servicing debt; and
- Financial Management.

General Public Services



Highest Priority

It is an enabling sector

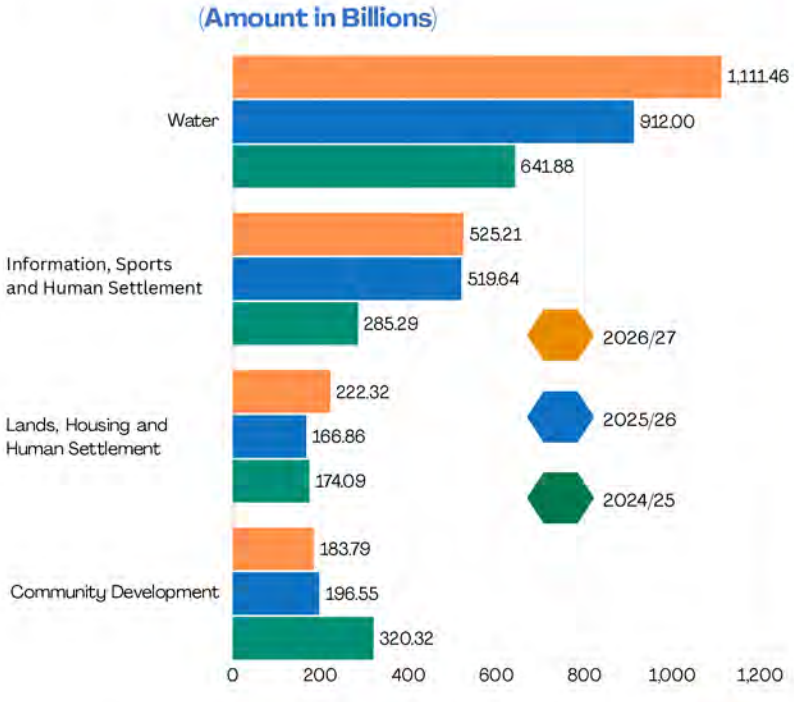
Emphasis on:

- Public administration Security institutions
- Revenue authorities
- Local government effectiveness

Essential for:

- Investment confidence
- Efficient service delivery
- Fiscal management
- Political stability

(d) Housing and Community



Highest Priority

Focus on:

- Investment in affordable housing;
- Land administration reforms;
- Community infrastructure; and
- Human capital development

Emphasis on:

- Housing Development
- Community Development
- Social Development
- Expected impact:
- Greater access to secure land ownership
- Better access to essential services.
- Stronger social cohesion and community resilience.

03

PROPOSED KEY TAX MEASURES

3.1 Summary of the key tax measures proposed in Tanzania's 2026/27 Budget

1. Value Added Tax (VAT) Measures

VAT exemptions introduced or extended for:

- Electric vehicle charging equipment.
- LPG smart meters imported by LPG distributors.
- Locally produced edible oil using locally grown seeds.
- Clothes and garments produced using locally grown cotton.
- Dairy packaging materials.
- Aircraft engines, turbines, and aircraft tyres.

VAT administration reforms:

- VAT refunds to be processed within 30 days.
- Interest payable on delayed VAT refunds.

VAT exemptions removed on:

- Imported fishing nets.
- Dog and cat food.

Expected revenue impact: -
TZS 26.6 billion

2. Income Tax Measures

Business formalization incentives:

- One-year income tax holiday for newly registered taxpayers under the presumptive tax regime.

Presumptive tax reforms:

- Threshold increased from TZS 100 million to TZS 200 million annual turnover.
- Presumptive tax rate increased from 3.5% to 4.5%.

Withholding tax measures:

- 1% withholding tax on purchases of food crops.
- 1% withholding tax on purchases of livestock, unprocessed milk, fish, and fish maws.
- Tax withholding expanded to Government procurement payments.
- Digital service tax increased from 2% to 3% for foreign digital service providers.
- Royalty withholding tax for sports institutions increased from 5% to 10%.

Other measures

- Retained earnings tax reduced from 30% to 15%.
- Tax base expanded to include additional forest products.

Expected revenue impact: -
TZS 174.5 billion

3. Excise Duty Measures

Excise duty reforms introduced on:

Business formalization incentives:

- Imported artificial flowers and related products (20%).
- UV/LED nail curing machines (10%).
- Imported beauty and cosmetic products (rate increased from 10% to 15%).
- Motorcycles (5%), excluding electric, gas-powered, and ambulance motorcycles.
- Imported plastic/rubber clogs (10%).
- Small-engine vehicles (5%).
- Gambling activities and betting transactions (5%).

Environmental and industrial measures:

- Higher excise duty on older imported vehicles.
- Gradual adjustment of specific excise duty rates to improve predictability and reduce inflationary shocks.

Expected Revenue Impact: + TZS 355.1 billion

4. Customs Processing Fee

Customs Processing Fee increased from 0.6% to 7%
Purpose:

- Strengthen electronic revenue collection systems and customs administration.

Expected Revenue Impact: + TZS 203.2 billion

5. Industrial Development Levy (IDL)

Industrial Development Levy introduced on imported:

- Exercise books and notebooks (5%).
- Trailers (5%).
- Fishing nets (10%).
- Doors, windows, and frames (5%).
- Steel structures (10%).
- Aluminium structures (5%).

Other reforms

- EAC-origin goods exempted from IDL subject to Rules of Origin requirements.
- Reciprocal measures introduced against discriminatory trade practices.

Expected Revenue Impact: + TZS 37.0 billion

6. Export Tax Measures

Export taxes introduced on:

- Waste paper.
- Quartz and feldspar minerals.
- Wheat bran.
- Cotton cake.
- Rice bran.
- Maize bran.
- Sunflower cake.

Purpose

- Promote local value addition and ensure availability of raw materials for domestic industries.

Expected Revenue Impact: + TZS 24.4 billion

7. Stamp Duty Reforms

Stamp duty increased or introduced on:

- Bills of sale used as collateral.
- Partnership deeds.
- Cheques.
- Lease surrender documents.
- Property exchange transactions.
- Transfers of agricultural land.

Purpose

- Strengthen electronic revenue collection systems and customs administration.

Expected Revenue Impact: + TZS 11.1 billion

8. Cashless Economy and Tax Administration Reforms

Measures introduced to promote digital transactions:

- Mandatory use of digital payment channels for selected transactions.
- Digital payment devices required for business licensing.
- Mandatory bank accounts for selected business sectors.
- Proof of digital payment required for transfer of assets.

Tax administration improvements:

- Expanded use of AI, big data, blockchain, and integrated digital systems.
- Increased number of TRA offices and mobile tax service centres.
- Development of simplified digital receipt systems for traders.

9. Trade and Investment Promotion Measures

Measures to support investment and domestic industries:

- Continued protection of edible oil, textile, garment, iron and steel, glass, paper, detergent, soap, and leather industries.
- Duty remission on selected industrial inputs, machinery, packaging materials, and raw materials.
- Tax incentives for clean energy technologies and electric vehicles.
- Tax incentives aligned with strategic mining and investment framework agreements.

Summary of Major Revenue Impacts

Measure	Revenue Impact (TZS Billion)
Income Tax Measures	174.50
Excise Duty Measures	355.10
Customs Processing Fee	203.20
Industrial Development Levy	37.00
Export Tax Measures	24.40
Stamp Duty Reforms	11.00
VAT Measures	-26.60
Total Major Impact	**778.70**

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