

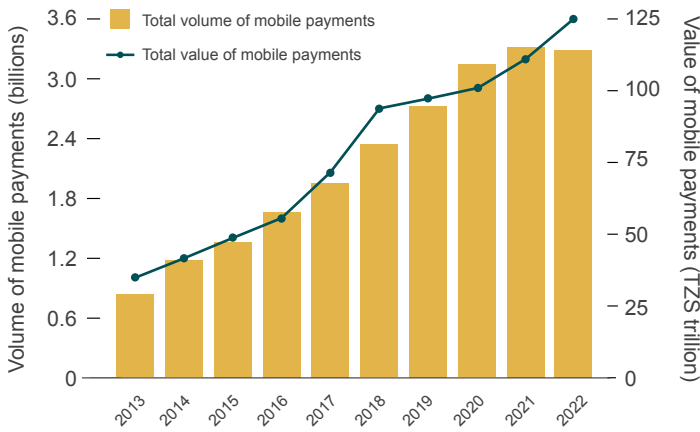
Taxation of digital financial services in Tanzania



February 2024

1. Who uses digital financial services, and how much?

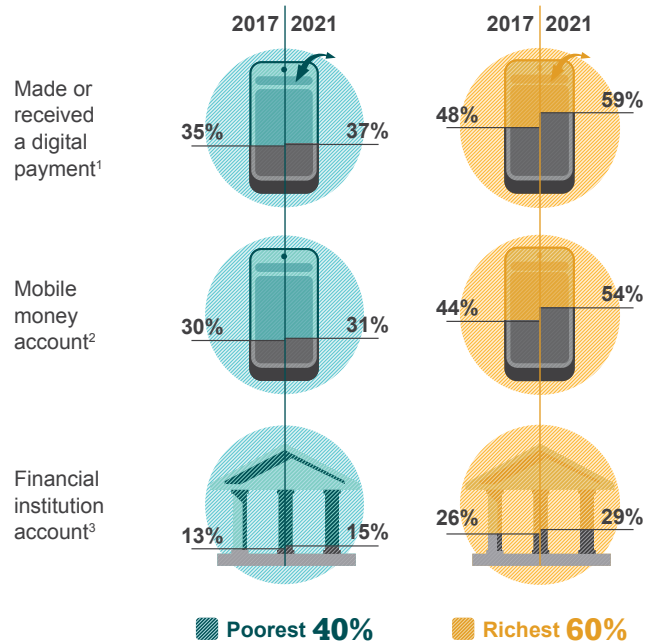
Digital financial services (DFS) are growing in Tanzania



The values and volumes of mobile payments have **increased every year** from 2008 up to 2022

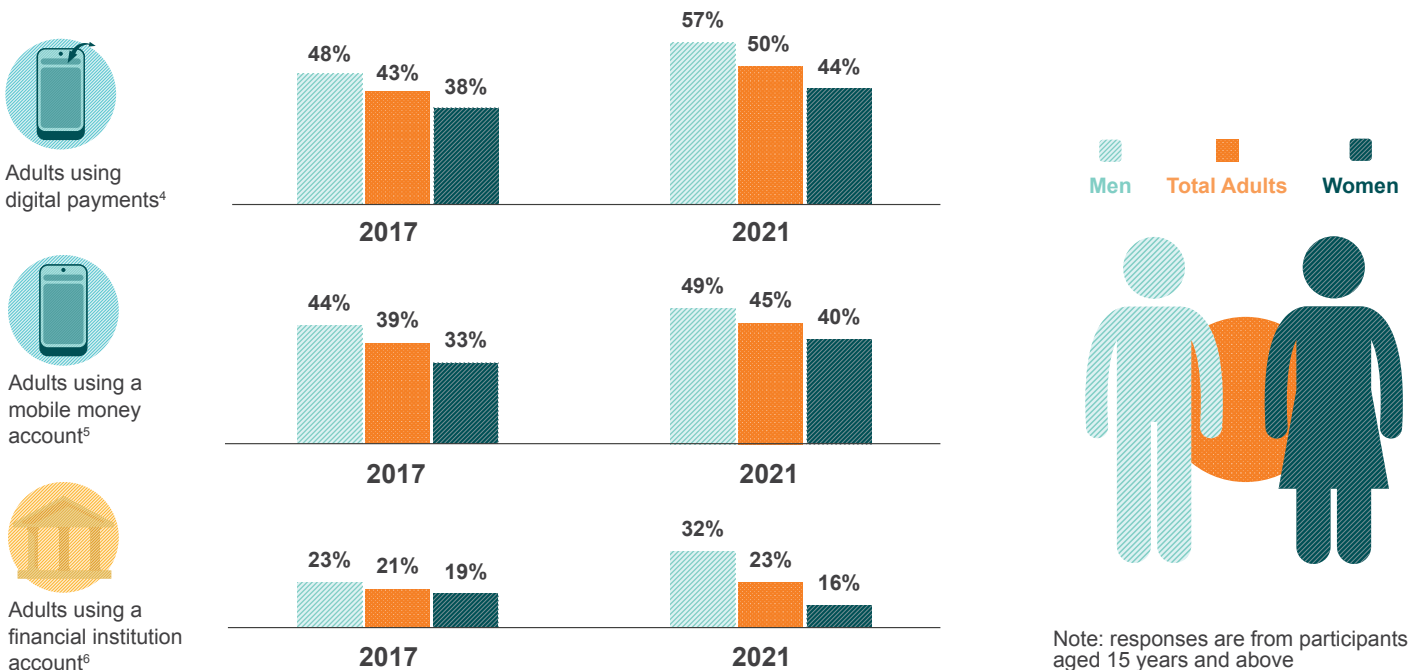
Source: Bank of Tanzania, Mobile Transaction Statistics (2023)

Most of the recent growth is among the richest 60% of the population







Source: 1, 2, 3. World Bank, The Global Findex Database (2021)

Digital payment and account use varies by user group, but overall a greater increase has been seen among men than among women

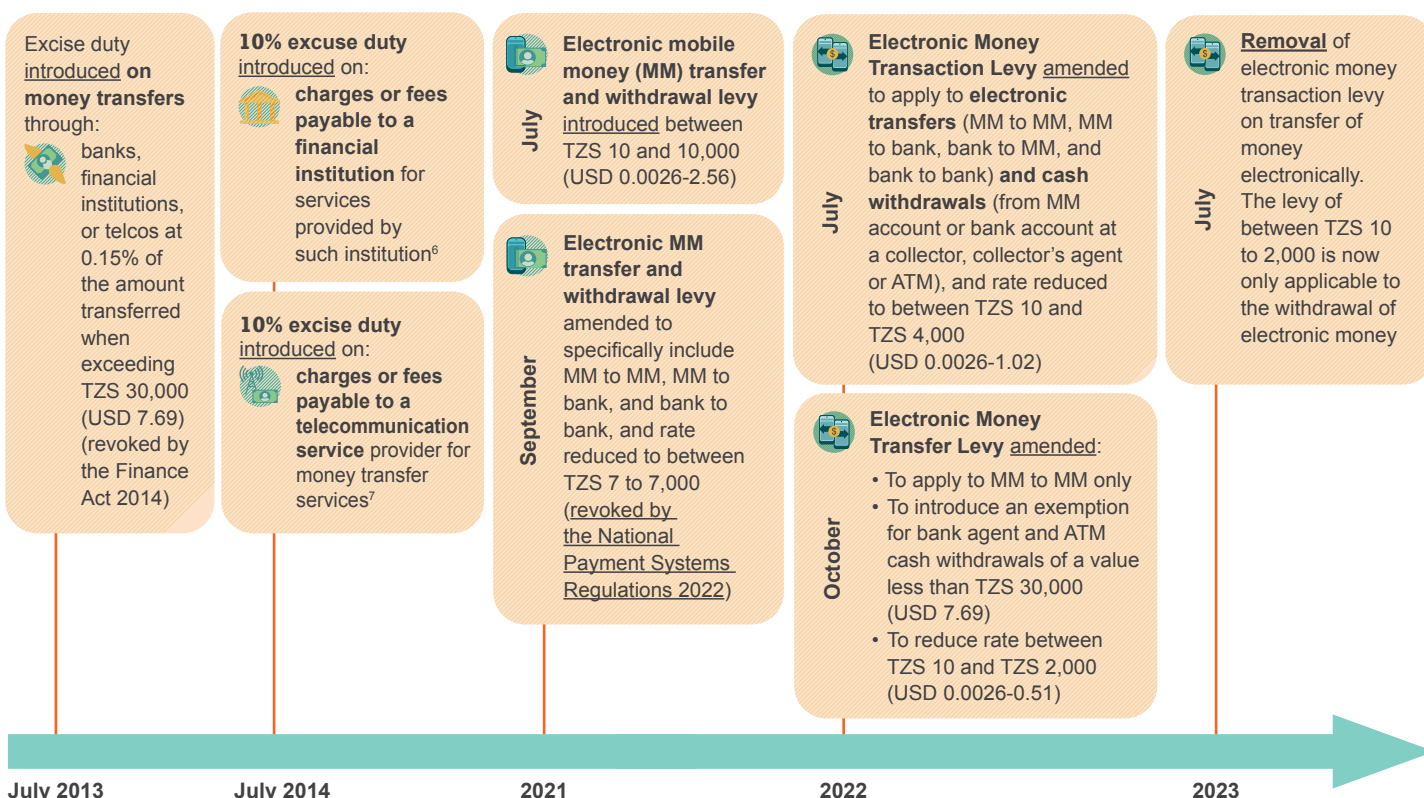


Source: 4, 5, 6. World Bank, The Global Findex Database (2021)

2. How are digital financial services taxed?

	Rate	Tax
<p>Tanzania applies excise duties on the fees charged by financial services providers, and sector-specific taxes on the value of electronic money withdrawals</p>	<p>From TZS 10 to 2,000 (USD 0.0026-0.51)</p>	Levy applied to electronic money withdrawals through a payment system, which varies depending on the amount withdrawn ³
	 <p>10%</p>	Excise tax applied to fees for money transfer and payment service payable to telecommunication service providers ²
	 <p>10%</p>	Excise tax applied to all charges or fees payable to banks or non-bank financial institutions, including for money transfers ¹
	 <p>10%</p>	Withholding tax applied to commissions paid to money transfer agents, commercial bank agents, or digital payment agents ⁴
	 <p>18%</p>	VAT applied to charges or fees payable to banks, non-bank financial institutions, or telecommunication service providers ⁵

Timeline: sector-specific taxes on money transfers



1. Excise (Management and Tariff) Act, Chapter 147, Art. 124(6A)
 2. Excise (Management and Tariff) Act, Chapter 147, Art. 124(6B)
 3. Finance Act 2023, Sec. 48, amending the National Payment Systems Act, Cap. 437, Sec. 46A
 4. Income Tax Act 2004, as amended, First Schedule, Par. 4, Sec. 86
 5. VAT Act, Cap. 148 (Government Notice No. 607 published on 19 October 2018), Schedule, No. 13. Only the "supply of financial services supplied free of charge" are exempt from VAT
 6. Excise (Management and Tariff) Act, Ch. 147, Art. 123, 6A(a), introduced by the Finance Act. 2014, Sec. 17(c)
 7. Excise (Management and Tariff) Act, Ch. 147, Art. 123, 6A(b), introduced by the Finance Act. 2014, Sec. 17(c)

Disclaimer: This factsheet collects publicly available information on digital financial services and how they are taxed from a variety of sources. Its purpose is to inform but not to assess or comment on the efficacy of digital payments or taxes. The information expressed in this factsheet is compiled from sources believed to be reliable as of 31 January 2024. This factsheet supersedes any previous versions. If you are aware of any changes or inaccuracies, please notify us at ictddigitax@ids.ac.uk.

ICTD's **DIGITAX Research Programme** aims to inform and guide governments and key stakeholders at the interface of digital financial services, digital IDs and tax. For up-to-date information on evolving tax regulations, visit ICTD's **DFS TaxMap**, a dynamic web portal in English and French tracking the diverse approaches to DFS taxation.

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