

Module Content and Topics

Business Environment in Tanzania

Indicative Study Duration: 20 hrs

Table of contents

1.	Learning outcomes and evaluation criteria	4
2.	Overview of business regulations	5
2.1.	What constitutes a company	5
2.2.	Applicable regulations	5
2.3.	Different types of company structures	6
3.	Licenses and permits	7
3.1.	Business registration (BRELA)	7
3.2.	Taxpayer identification number (TbnIN).....	7
3.3.	Business license	7
3.4.	Fire and safety certificate.....	8
3.5.	Health clearance/inspection certificate	8
3.6.	Sector-specific licenses	8
3.7.	Environmental clearance certificate.....	8
3.8.	Work permits (for Foreigners)	8
4.	Employment laws and employee rights	9
4.1.	Employee rights in Tanzania.....	9
4.2.	Employer obligations in Tanzania.....	9
5.	Financial obligations	10
5.1.	Business registration fee	10
5.2.	Business license fee	10
5.3.	Regulatory fees and levies	11
5.4.	Taxes in tanzania.....	11
5.5.	Fines and penalties.....	12
5.6.	Summary of key tax payment deadlines	12
6.	State support.....	13
6.1.	Financial support.....	13
6.2.	Advisory and business development services.....	13
7.	Business compliance and ethics.....	14
7.1.	Importance of compliance.....	14
7.2.	Ethical standards	14

8.	Step-by-step guide to starting a business	14
8.1.	Choosing a business structure	14
8.2.	Registration process	15
8.3.	Obtaining licences and permits	15
9.	Suggested activities and exercises	16
10.	Assessment methods	18
11.	Further reading	19

1. Learning outcomes and evaluation criteria

Learning outcomes

- Understands the factors supporting and limiting the business environment (2).

Evaluation criteria

- **Self-analysis of opportunities:** assess your own opportunities within the business environment.
- **Regional business environment analysis:** collaborate as a team to analyse the regional business environment.
- **Brainstorming:** generate ideas and solutions collaboratively.
- **Case study:** examine and analyse a specific business scenario.
- **Simulations and role-playing games:** engage in simulations and role-playing activities to explore business scenarios.
- **Product/Service analysis:** analyze an existing product or service.
- **Reflection:** reflect on your experiences and learning outcomes.
- **Peer review:** provide and receive feedback through peer reviews.



2. Overview of business regulations

In Tanzania, a company is a legal entity formed by a group of individuals to engage in and operate a business enterprise— either for profit or non-profit purposes. The legal framework that governs companies in Tanzania is primarily the Companies Act, Cap 212 (as amended).

2.1. What constitutes a company

- **Legal registration:** A company must be registered with the Business Registration and Licensing Agency (BREGA). Upon registration, it becomes a legal person separate from its owners (shareholders or members), with rights and obligations.
- **Core features:**
 - **Name:** must be unique and approved by BREGA.
 - **Registered office:** physical address where the company is located and can be contacted.
 - **Memorandum and articles of association (MEMARTS):** documents that define the company's purpose, powers, rules, and internal governance.
 - **Share capital (for limited companies):** represents ownership in the company.
 - **Directors:** individuals responsible for the management of the company.
 - **Shareholders/Members:** owners of the company (can be individuals or legal entities).
 - **Tax Identification Number (TIN):** must be obtained from TRA (Tanzania Revenue Authority).
 - **Business license:** depending on the nature of the business, obtained from relevant authorities.
- **Corporate personality:** a company can own property, sue or be sued in its own name, separate from its members.
- **Compliance requirements:**
 - Filing annual returns with BREGA.
 - Keeping proper accounting records and submitting tax returns to TRA.
 - Holding annual general meetings (AGMs).

2.2. Applicable regulations

The primary regulation governing companies in Tanzania is the **Companies Act, Cap 212 (as amended)**. Additionally, various other laws and regulatory bodies oversee specific aspects of business operations, including:

- **Business registration and licensing agency (BREGA):** for business and company registration.
- **Tanzania revenue authority (TRA):** for tax collection and compliance.
- **Local government authorities (LGAs):** for business operating licenses.
- **Ministry of industry and trade:** for certain sectoral licenses.

- **Fire & rescue force:** for fire safety certificates.
- **Local health department:** for health clearances.
- **National environment management council (NEMC):** for environmental clearances.
- **Immigration department & ministry of labour:** for work permits for foreigners.
- **Occupational safety and health authority (OSHA):** regulates workplace safety.
- **Fair competition commission (FCC):** ensures fair business practices.

2.3. Different types of company structures

Entrepreneurs in Tanzania can register their businesses under different legal structures, each with its own characteristics regarding ownership, liability, and compliance.

- **Private company limited by shares (Ltd):**
 - most common type.
 - cannot offer shares to the public.
 - a separate legal entity protecting personal assets.
- **Public company limited by shares (Plc):**
 - can offer shares to the public.
 - must have at least 7 shareholders.
- **Company limited by guarantee:**
 - often used for non-profit or charitable purposes.
 - members' liability is limited to the amount they guarantee to contribute to the company's assets in the event of winding up.
- **Unlimited company:**
 - has no limit on the liability of its members.
- **Sole proprietorship:**
 - owned and managed by one person.
 - unlimited liability – the owner is personally responsible for debts.
 - easy and cheap to register.
 - no legal separation between the owner and the business.
- **Partnership:**
 - formed by two or more individuals sharing profits and liabilities.
 - can be general, limited, or limited liability partnership (llp).
 - partners share liabilities.

3. Licenses and permits

To operate a business legally in Tanzania, you must obtain several licenses and permits depending on the nature, size, and location of the business. Below is a detailed guide outlining the necessary licenses and approvals required:

3.1. Business registration (BRELA)

- **Agency:** business registrations and licensing agency (BRELA)
- **Purpose:** to legally register the business entity and name.
- **Process:**
 - reserve a business name.
 - register as: sole proprietor, partnership, private/public limited company, or company limited by guarantee.
- **Documents Required:**
 - filled application forms (form 14a, memarts for companies)
 - identification of owners/directors (e.g., passport, nida)
 - share allocation details (for companies)
 - proof of physical address

3.2. Taxpayer identification number (TbnIN)

- **Agency:** tanzania Revenue Authority (TRA)
- **Purpose:** for tax registration and compliance.
- **Requirements:**
 - tin application form
 - business registration certificate
 - national id or passport (for individuals)
 - company documents (for corporate tin)
 - physical address and postal address
- **Note:** After getting your TIN, you must register for VAT (if turnover $\geq$ TZS 100 million/year), PAYE, SDL, WHT (if employing staff).

3.3. Business license

- **Agency:** local Government Authority (LGA) or Ministry of Industry and Trade (for some sectors)
- **Purpose:** authorizes your business to operate within a particular location and industry.
- **Requirements:**
 - certificate of incorporation or registration
 - tin certificate
 - lease agreement/title deed
 - fire safety certificate (if required)
 - health inspection report (for food or hospitality businesses)
 - sectoral clearance (if applicable)
- **Note:** Issued annually, renewable every year.

3.4. Fire and safety certificate

- **Agency:** fire & Rescue Force (under Ministry of Home Affairs)
- **Purpose:** certifies that the business premises meet fire safety standards.
- **Requirements:**
 - site inspection
 - installation of fire extinguishers, alarms, emergency exits, etc.

3.5. Health clearance/inspection certificate

- **Agency:** local health department
- **Purpose:** ensures the business complies with public health and sanitation standards.
- **Required for businesses involved in:** food & beverages, hospitality (hotels, restaurants), beauty salons/barbershops, clinics or pharmaceutical sales.

3.6. Sector-specific licenses

Depending on the nature of your business, additional licenses may be needed. Examples include:

- **Construction:** contractor's license from contractors registration board (crb)
- **Tourism:** tourism operator license from tanzania tourist board (ttb)
- **Transport & logistics:** transport permit from LATRA
- **Medical:** clinic or pharmacy license from ministry of health / pharmacy council
- **Mining:** mining license from ministry of minerals
- **Financial services:** microfinance license, etc., from bank of tanzania (BoT)
- **Beekeeping/Agriculture:** export/operation license from ministry of livestock & fisheries / agriculture

3.7. Environmental clearance certificate

- **Agency:** national environment management council (NEMC)
- **Purpose:** Ensures that the project meets environmental standards.
- **Required for businesses with potential environmental impact:** e.g., manufacturing, mining, construction.

3.8. Work permits (for Foreigners)

- **Agencies:** immigration department & ministry of labour
- **Purpose:** legalize employment and residence of foreign staff.
- **Types:** work permit class b (professionals), residence permit class A, B, C.

4. Employment laws and employee rights

A summary of the key laws in Tanzania concerning employee rights and employer obligations, primarily governed by the Employment and Labour Relations Act, 2004, and related regulations:

4.1. Employee rights in Tanzania

- **Right to a written employment contract:** every employee must receive a written contract if employed for more than 6 days. The contract should specify: duties, wages, working hours, leave, and termination terms.
- **Right to fair remuneration:** employees are entitled to fair wages paid regularly. Wages must not be below the statutory minimum wage, set by sector.
- **Right to equal treatment:** no discrimination based on gender, race, religion, political opinion, disability, or status.
- **Right to safe working conditions:** employers must ensure a safe and healthy working environment. Protective equipment and training must be provided where necessary.
- **Right to leave:**
 - **Annual leave:** 28 consecutive days per year (after 12 months of work).
 - **Sick leave:** 126 days (with a medical certificate); 63 days full pay, 63 half pay.
 - **Maternity leave:** 84 days (100% pay) or 100 days for multiple births.
 - **Paternity leave:** 3 days.
- **Right to join trade unions:** employees have the freedom to form and join trade unions and participate in lawful union activities.
- **Right to severance pay:** upon termination (except for misconduct), an employee with more than 12 months of service is entitled to severance pay (7 days' wage for each completed year).
- **Right to reasonable working hours:** maximum of 45 hours per week (excluding overtime). Overtime must be compensated, not exceeding 50 hours/month.

4.2. Employer obligations in Tanzania

- **Issue contracts and terms of employment:** must provide clear, lawful employment contracts. Contracts should be in a language understood by the employee.
- **Pay wages promptly and fairly:** wages must be paid in legal tender, regularly, and not below minimum wage.
- **Provide a safe workplace:** ensure compliance with occupational health and safety standards.

- **Register with authorities:** employers must register with Social Security Funds (e.g., NSSF), Workers Compensation Fund (WCF), and TRA (for PAYE deductions).
- **Deduct and remit statutory contributions:** must deduct and remit: PAYE (Pay As You Earn) taxes, NSSF contributions, Skills Development Levy (SDL), and WCF contributions.
- **Avoid discrimination and harassment:** must not engage in or tolerate workplace discrimination or harassment.
- **Disciplinary and termination procedures:** employers must follow fair and lawful disciplinary processes. Must provide valid reasons and adhere to due process before termination.
- **Provide leave entitlements:** employers must grant employees their entitled leaves as per law.

5. Financial obligations

A summary of fees, fines, and taxation processes for businesses in Tanzania, including how and when taxes should be paid:

5.1. Business registration fee

Where to register: business registration and Licensing Agency (BRELA) via URS portal.

<u>Service</u>	<u>Fee (TZS)</u>
Business name registration	~20,000 – 100,000
Company incorporation (Tanzania)	~95,000 – 385,000+
BRELA online service charges	Vary depending on service

5.2. Business license fee

Where to apply: Local Government Authority (LGA) or relevant ministry (e.g., Ministry of Industry and Trade)

<u>Type of business</u>	<u>Annual license fee</u>
Small businesses	~100,000+ TZS
Large and specialized sectors	Varies by industry
Export/Import License	Based on commodity/value



5.3. Regulatory fees and levies

<u>Regulatory body</u>	<u>Fees</u>
NSSF/WCF Registration	One-time + monthly contribution
Skills Development Levy	4% of gross salaries
Workers Compensation Fund	1% of annual payroll (private sector)

5.4. Taxes in tanzania

5.4.1. Corporate Income Tax

<u>Type of business</u>	<u>Tax rate</u>
Resident companies	30% of net profit
Newly listed companies	25% for first 3 years
Small companies (turnover < TZS 100M)	Presumptive tax (see below)

5.4.2. Presumptive tax (for small businesses)

For businesses with turnover below TZS 100 million, income tax is based on turnover not profit:

<u>Turnover range (tzs)</u>	<u>Tax without records</u>	<u>Tax with records</u>
0 – 4,000,000	Exempted	Exempted
4,000,001 – 7,500,000	150,000	3% of turnover
7,500,001 – 11,500,000	300,000	3% of turnover
11,500,001 – 100,000,000	450,000 – 1,200,000	3.5% of turnover

- **Payment Deadline:** Quarterly or annually to Tanzania Revenue Authority

5.4.3. Value added tax (VAT)

- **Rate:** 18%
- **Threshold:** Mandatory for businesses with annual turnover above TZS 100 million.
- **Returns:** Monthly VAT returns due by the 20th of the following month.

5.4.4. Pay-As-You-Earn (PAYE) – employee tax

<u>Income range (tzs)</u>	<u>Tax rate</u>
Up to 270,000	0%
270,001 – 520,000	8%
520,001 – 760,000	20%
760,001 – 1,000,000	25%
1,000,001 and above	30%

- **When:** Deduct monthly from employees and remit by the 7th day of the following month to TRA.

5.4.5. Withholding rax (WHT)

- **Applicable to:** Professional services, rent, dividends, interest, etc.
- **Standard rate:** 10% for services.
- **Remittance:** To TRA by 7th day of the following month.

5.4.6. Other applicable taxes

<u>Tax/Levy</u>	<u>Rate</u>
Skills Development Levy (SDL)	4% of gross salary
Local Government Service Levy	0.3% of annual turnover
Excise Duty (where applicable)	Varies per product

5.5. Fines and penalties

<u>Offense</u>	<u>Penalty/Fine</u>
Late tax filing	Up to 100,000 TZS + interest
Non-payment of VAT/PAYE	Interest + 5% penalty
Non-registration with TRA	Fines or closure of business
Operating without a business license	Penalties or seizure of goods

5.6. Summary of key tax payment deadlines

<u>Tax</u>	<u>Due date</u>
VAT	20th of the next month
PAYE & WHT	7th of the next month
Corporate Tax	Quarterly (Advance)
SDL	Monthly
Business License	Annually (renew before Jan)

6. State support

The Tanzanian government does provide support in the form of **financial aid, tax incentives, advisory services, training, access to markets, and incubation programs.**

6.1. Financial support

6.1.1. SME credit guarantee schemes

- Provided through Tanzania Agricultural Development Bank (TADB) and National Economic Empowerment Council (NEEC).
- Helps small and medium enterprises access bank loans with partial government guarantees.

6.1.2. Loans and grants via institutions

Institution

Tanzania Investment Centre (TIC)
Tanzania Industrial Development Bank (TIB)
Youth Development Fund
Women Development Fund (WDF)
SIDO (Small Industries Development Organization)

Support provided

Investor facilitation, access to incentives
Medium- and long-term loans for industrial and agro-processing ventures
Loans to youth entrepreneurs via LGAs
Soft loans to women entrepreneurs
Equipment leasing and startup capital support

6.2. Advisory and business development services

6.2.1. SIDO (small industries development organization)

Offers: Business advisory, Entrepreneurship training, Incubation centers, Technical support in food processing, textile, metal works, etc.

6.2.2. Tanzania chamber of commerce, industry and agriculture (TCCIA)

Offers: Business registration guidance, Trade facilitation and matchmaking, Market access support.

6.2.3. Tanzania entrepreneurship and competitiveness centre (TECC)

Provides training, mentorship, and networking.

6.2.4. Microfinance institutions

Support business funding.

6.2.5. Tanzania investment Centre (TIC)

Supports business growth and funding.

6.2.6. Special incentives

Exist for youth and women entrepreneurs.

7. Business compliance and ethics

Entrepreneurs must ensure timely tax filing and VAT payments, and compliance with labor laws, consumer protection, and environmental regulations. Failure to follow regulations can result in penalties, fines, or business closure.

7.1. Importance of compliance

- Operating legally and sustainably.
- Avoiding penalties, fines, or business closure.
- Maintaining a good reputation and trust with customers.
- Ensuring fair business practices.
- Protecting personal assets (especially for LLCs).

7.2. Ethical standards

- Adherence to ethical standards is crucial for long-term success.
- Avoiding practices like corruption and tax evasion.
- Ensuring product quality and safety.
- Fair treatment of employees.
- Environmental responsibility.

8. Step-by-step guide to starting a business

This section provides a detailed guide to the steps required to establish a business, from registration to operation.

8.1. Choosing a business structure

<u>Feature</u>	<u>Sole proprietorship</u>	<u>Partnership</u>	<u>Limited liability company (LLC)</u>
Best for	Small businesses, freelancers	Joint ventures, professional firms	Growth-oriented businesses
Registration Cost	Low	Moderate	High
Legal Identity	No separate legal entity	No separate legal entity	Separate legal entity
Personal Liability	Unlimited	Shared	Limited
Ease of Raising Capital	Difficult	Moderate	Easier (can attract investors)
Compliance Requirements	Low	Moderate	High

8.2. Registration process

8.2.1. Sole proprietorship

1. Choose a business name and register it with BRELA.
2. Obtain a Business License from the local municipal authority.
3. Register for Taxpayer Identification Number (TIN) with TRA.

8.2.2. Partnership

1. Draft a Partnership Agreement.
2. Register the business with BRELA.
3. Obtain a Business License.
4. Register for TIN and VAT (if applicable) with TRA.

8.2.3. Limited liability company (LLC)

1. Register a unique company name with BRELA.
2. Prepare Memorandum and Articles of Association.
3. Get a Business License.
4. Register for TIN, VAT, and social security contributions.

8.3. Obtaining licences and permits

[Refer to Section 2: Licenses and Permits for detailed information.](#)

9. Suggested activities and exercises

Example forms and documentation

Consider completing the following example documents together with students to provide lifelike, practical scenarios:

Business registration documents (BRELA)

- **Application forms:** such as form 14a for company registration.
- **Memorandum and articles of association (memarts):** essential for defining the company's purpose and governance.
- **Identification:** passport or national id (nida) for owners/directors.
- **Proof of address:** lease agreement or title deed for the registered office.

Tax Filing Documents (TRA)

- **TIN certificate:** required for all tax-related activities.
- **VAT returns:** monthly forms for businesses exceeding the TZS 100 million turnover threshold.
- **PAYE returns:** monthly forms for remitting employee taxes.
- **Corporate tax returns:** quarterly or annual filings based on business turnover/profit.

Compliance scenarios and checklists

Case study: compliance risks in a local small business

Asha owns a small animal health supply shop and consultancy service in a growing town in Tanzania. The business has been operating informally for over two years, offering vaccinations, feed supplements, and basic animal care advice. However, Asha has started facing several challenges that may affect the long-term sustainability and legality of the enterprise.

Provide solutions on how to address the identified compliance issues:

- The business is not formally registered with BRELA or the local authority.
- No business license has been obtained or renewed.
- Annual turnover has crossed TZS 120 million, but VAT registration has not been completed.
- Three part-time workers help in the shop, but none are officially employed or registered for social security (e.g. NSSF).
- Financial records and receipts are not consistently kept or submitted.
- There is no basic health and safety documentation, despite dealing with veterinary pharmaceuticals.

Implementation

- Duration 1-2 sessions
- Group work

Business structure role-playing

Scenario: a growing bakery business.

- **Sole proprietor:** might explain initial ease of setup but discuss challenges in raising capital for expansion and unlimited personal liability.
- **Partnership group:** could highlight shared capital and expertise but acknowledge potential disagreements and shared liabilities.
- **LLC owner:** would emphasize limited liability and easier access to funding for growth, while noting higher registration costs and compliance requirements.

Implementation

- Duration 1-2 sessions
- Role-play

Case study analysis – business failure due to tax evasion

Scenario: a small business that did not register for taxes, avoided paying VAT, was fined by the Tanzania Revenue Authority (TRA), and eventually shut down due to penalties.

- **What went wrong:** failure to comply with tax laws, leading to escalating fines and legal issues.
- **Corrective actions (if possible):** early registration, timely filing, and seeking professional tax advice.
- **How other businesses can avoid this mistake:** proactive compliance, understanding tax obligations, and utilizing available government support and advisory services.

Implementation

- Duration 1-2 sessions
- Group Work

10. Assessment methods

- **Self-analysis of opportunities:** students can analyze their own potential opportunities within the tanzanian business environment.
- **Regional business environment analysis:** students can collaborate to analyze the business environment of different regions in tanzania.
- **Brainstorming:** students can brainstorm ideas and solutions related to business challenges and opportunities in tanzania.
- **Case study:** students can examine and analyze specific business scenarios or real-world examples from tanzania.
- **Interviews and meetings:** students can conduct interviews and meetings with local tanzanian entrepreneurs, business owners, or government officials.
- **Guest speaker:** hosting a representative from a tanzanian business incubator, a successful local entrepreneur, or a government agency involved in business regulation.
- **Simulations and role-playing games:** students can engage in simulations and role-playing activities that explore various business scenarios in tanzania, such as starting a business, navigating regulations, or dealing with market challenges.
- **Peer review:** students can provide and receive feedback on their analyses, reports, or business plans related to the tanzanian context.
- **Route map:** students can develop a route map outlining strategic plans or processes for entering or operating within the tanzanian business environment.

11. Further reading

- Business Registrations and Licensing Agency. (n.d.). *BRELA* | Mwanzo. <https://www.brela.go.tz/>
- International Labour Organization. (2004). *Employment and Labour Relations Act, 2004*. <https://webapps.ilo.org/static/english/inwork/cb-policy-guide/tanzaniaemploymentandlabourrelationsact2004sec626to7.pdf>
- Tanzania Investment Centre. (n.d.). *Tanzania Investment Centre (TIC)*. <https://www.tic.go.tz/>
- Tanzania Revenue Authority. (n.d.). *Tanzania Revenue Authority (TRA)*. <https://www.tra.go.tz/>
- World Bank. (n.d.). *Tanzania | Economy profile | Business Ready*. <https://www.worldbank.org/en/businessready/economy/tanzania>

Funded by the European Union. Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union or the European Education and Culture Executive Agency (EACEA). Neither the European Union nor EACEA can be held responsible for them.