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Tanzania Payroll Tax Guide

2025



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Country Information

- **Tax Year:** January to December
- **Currency:** Tanzanian Shilling (TZS, symbol TSh)
- **Tax authority:** *Tanzania Revenue Authority (TRA)* - www.tra.go.tz
- **Social security authorities:**
  - *National Social Security Fund (NSSF)* - www.nssf.go.tz
  - *Public Service Social Security Fund (PSSSF)* - www.psssf.go.tz
- **Health insurance authority:** *National Health Insurance Fund (NHIF)* - www.nhif.or.tz

Employees' Tax (PAYE) System

Pay As You Earn (PAYE) is the system used to collect income tax from employment income in Tanzania. Employers are required to deduct PAYE from an employee's taxable employment income each month and remit it to the Tanzania Revenue Authority (TRA) within seven days after the end of the month in which the deduction was made.

Taxable employment income

Employment income refers to all gains or profits derived from employment.
This includes cash compensation, non-cash benefits provided by the employer, and fees paid to non-full-time service directors.

Taxable employment income covers, but is not limited to:

- Wages, salaries, and overtime pay
- Leave compensation
- Commissions, bonuses, and gratuities
- Fees and allowances
- Employer reimbursements or payments made on behalf of the employee
- Payments related to employment conditions
- Retirement contributions and payments (where taxable)
- Redundancy, termination, or severance payments
- Annual director's fees for non-full-time service directors

Taxable fringe benefits

Fringe benefits (or benefits in kind) are non-cash benefits that an employee receives from their employer in connection with their employment.

These benefits are quantified using prescribed rules and included in the employee's taxable income for PAYE purposes.

Where no prescribed valuation rule exists, the market value of the benefit applies.

Fringe benefits are taxed using either a fixed rate or actual value method, depending on the benefit type.

Private use of a motor vehicle

The taxable value of an employer-provided motor vehicle used privately by an employee depends on the vehicle's engine size and age, as shown below (annual amounts):

Engine Size (cc)	Vehicle less than 5 years old (TSh)	Vehicle 5 years or older (TSh)
Up to 1,000 cc	250,000	125,000
1,001 – 2,000 cc	500,000	250,000
2,001 – 3,000 cc	1,000,000	500,000
Above 3,000 cc	1,500,000	750,000

Housing benefit

The taxable value of a housing benefit (including furnished accommodation) is determined as the lower of the market rental value and the higher of:

- 15% of the employee's total annual employment income (excluding the housing benefit), apportioned where applicable; and
- The employer's actual expenditure claimed as a deduction on the premises during the employee's period of occupation.

This amount is then reduced by any rent paid by the employee.

Low-or-no-interest soft loans

When an employer provides a low-interest or interest-free loan, the taxable benefit equals the difference between:

- The interest payable at the prevailing commercial rate, and
- The actual interest paid by the employee (if any).

However, no benefit arises if:

- The loan term is less than 12 months, and
- The total of such loans does not exceed the equivalent of three months' basic salary of the employee during any 12-month period.

Exempt fringe benefits

The following fringe benefits are exempt from tax:



A benefit from the use of a motor vehicle where the employer does not claim any deduction or relief for the ownership, maintenance or operation of the vehicle.



A benefit from the use of residential premises by a government employee or any institution not largely funded by the Government.

Termination payments

Payments made to an employee on termination of employment may be classified as either lump-sum payments or terminal payments.

- Lump-sum payments (other than terminal payments) are taxed in full in the year of payment. The amount is included in the employee's taxable employment income for that year.
- Terminal payments, such as redundancy compensation, gratuity, or payments for loss or termination of office, are spread evenly over the actual period of employment, up to a maximum of six years. The taxable portion for each year is included as employment income for that year.

Exempt employment income

The following types of employment income are exempt from tax in Tanzania (this list is not exhaustive):

- Amounts subject to final withholding tax or other exempt income under the Income Tax Act.
- Meals or cafeteria services provided on the employer's premises on a non-discriminatory basis.
- Medical services, medical insurance or reimbursements provided by the employer to the employee, their spouse, and up to four children, where such benefits are made available on a non-discriminatory basis.
- Allowances that solely reimburse expenses incurred by an employee related to income production.
- Passage or relocation payments for an employee (and their spouse and up to four children) who live more than 20 miles (approximately 32 kilometres) from their usual workplace.
- Retirement contributions and retirement payments exempted under the Public Service Retirement Benefits Act.
- Payments that are unreasonable or administratively impracticable for the employer to account for or allocate to recipients.
- Allowances for public hospital employees providing private medical services under approved arrangements.
- Allowances and benefits for Government employees or those working in institutions primarily funded by the Government, where exempted by the Minister through regulation.

Tax deductions

Employee contributions to an approved retirement fund are deductible from gross taxable employment income when calculating chargeable employment income for PAYE purposes.

If the employer's contributions are included in the employee's taxable income, those contributions are also deductible.

The allowable tax deduction is the lower of:

- the actual contributions made to the approved retirement fund, or

- the statutory limit prescribed for that fund.

Approved retirement funds include the National Social Security Fund (NSSF), Public Service Social Security Fund (PSSSF), and other pension schemes approved by the Commissioner.

Tax rates

The following graduated tax rates apply to a resident individual's annual taxable income in Tanzania.

Annual taxable pay (TSh)	Rates of Tax
Not exceeding 3,240,000	0%
Exceeding 3,240,000 but not exceeding 6,240,000	8%
Exceeding 6,240,000 but not exceeding 9,120,000	20%
Exceeding 9,120,000 but not exceeding 12,000,000	25%
Exceeding 12,000,000	30%

Monthly tax tables

Monthly taxable pay (TSh)	Rates of Tax
Not exceeding 270,000	0%
Exceeding 270,000 but not exceeding 520,000	8%
Exceeding 520,000 but not exceeding 760,000	20%
Exceeding 760,000 but not exceeding 1,000,000	25%
Exceeding 1,000,000	30%

Secondary employment



Employees who hold more than one job are considered to have secondary employment in their additional positions.
Income from secondary employment is taxed at the highest individual marginal rate (currently 30%) on gross income, with no deductions allowed.

Non-residential individuals and directors



Non-resident employees: Employment income earned in Tanzania is subject to a final withholding tax of 15% on the gross amount.



Non-executive directors: Fees paid to directors (other than full-time service directors) are taxed at a flat rate of 15%. This is treated as non-final withholding tax.

Tax reliefs or rebates

There are no tax rebates or personal reliefs available to individuals under Tanzanian tax law.

Public Service Social Security Fund (PSSSF)

The Public Service Social Security Fund (PSSSF) is a mandatory social security scheme established under the Public Service Social Security Fund Act, 2018.
Its primary purpose is to provide retirement pension benefits to individuals employed in the public service.

The Act applies to all public service employers and employees in Mainland Tanzania.
Employers must remit monthly social security contributions to the PSSSF by the last day of the following month.

Contribution rates



Employee contribution: 5%



Employer contribution: 15%

Employers and employees may contribute at higher rates, provided that the employee's contribution does not exceed 50% of the total contribution.

Contribution base

The contribution rate is based on the employee's monthly salary. PSSSF contributions are based on the basic salary excluding any allowances, payments or benefits in kind.

National Social Security Fund (NSSF)

The National Social Security Fund (NSSF) is a statutory social security scheme established under the National Social Security Fund Act.
Its objective is to provide social security protection to members employed in the private and informal sectors.

NSSF membership is compulsory, and employers must register with the Fund as soon as the business is established.
Non-resident employees and those in secondary employment also contribute.
A non-resident employee may apply for a refund of contributions upon permanently leaving Tanzania.

Contribution rates and structure

Every registered employer must remit 20 % of the employee's monthly wage as a joint contribution to the NSSF by the 30th day of the following month.

 **Employee contribution:** 10% (or 5%)

 **Employer contribution:** 10% (or 15%)

An employer may choose to contribute at a higher rate, provided the employee's share does not exceed 50% of the total contribution.

Contribution base

Contributions are calculated on the employee's monthly wage, which includes:

- Any cash allowance paid by the employer directly or indirectly in respect of living expenses, and
- Any payment in lieu of notice on termination of employment.

National Health Insurance Fund (NHIF)

The National Health Insurance Fund (NHIF) is a mandatory health insurance scheme established under the National Health Insurance Fund Act. Its primary objective is to ensure access to quality and affordable healthcare services for members and their dependants.

NHIF membership is mandatory for all individuals employed in the public service, whether they report directly to the President or serve under a Local Government Authority or other public institution. Employers in the public sector must register their employees with the Fund and remit monthly contributions.

Contribution rates and structure

 **Employee contribution:** 3%

 **Employer contribution:** 3%

The total statutory contribution is therefore 6 % of the employee's gross monthly salary.
The minimum contribution corresponds to the national minimum wage.

Contribution base

The contribution rate is based on the employee's monthly salary.

Skills Development Levy (SDL)

The Skills Development Levy (SDL) is imposed under Section 14 of the Vocational Education and Training Act. Its purpose is to finance vocational education and training in Tanzania and enhance the national skills base.

All employers with 10 or more employees are required to contribute to the levy. Exempt employers include:

- Government departments and agencies
- Public health providers
- Charitable or religious organisations
- Diplomatic missions and similar entities

Payments made to intern students from higher learning or technical and vocational institutions, who are engaged under the Tanzania Employment Services Agency (TaESA) Programme, are exempt from SDL.

Employers must remit the levy to the Tanzania Revenue Authority (TRA) by the 7th day of the month following the month of payroll.

Contribution rate



Employer contribution: 3.5% from 1 July 2023

Contribution base

The SDL is calculated on the employee's gross emoluments, which include all cash payments made to employees, excluding fringe benefits. For bonus payments, the levy applies in the month the bonus is paid.

Workers Compensation Fund (WCF)

The Workers Compensation Fund (WCF) is a statutory social security scheme established under Section 5 of the Workers Compensation Act.
Its objective is to ensure fair and timely compensation to employees who suffer work-related injuries, occupational diseases, or death in the course of employment.

The Fund applies to all employers in the formal and public sectors in Mainland Tanzania.
Employers are required to register with the WCF within 30 days of hiring their first employee and to remit contributions before the end of the month following the payroll month.

Each employer must also submit a Return of Annual Earnings to the Fund by 31 March of every year.

Contribution rates



Employers in the private sector: 0.5%



Employers in the public sector: 0.5%

Contribution base

Contributions are calculated on the employee's earnings, which include:

- The basic salary, and
- Any fixed monthly allowances paid by the employer.

Compliance Repository Shortcuts

Shortcut		Navigation Path
	Payroll Tax Guide	In-product: Navigate to How can we help? via your profile icon > PaySpace Wisdom > Africa > Compliance Digital Tools > select the country. Alternatively, from the Deel Local Payroll website > Resources > Africa Tax Guides
	Compliance News	In-product: Navigate to How can we help? via your profile icon > PaySpace Wisdom > Africa > Compliance News
	Digital Tools	In-product: Navigate to How can we help? via your profile icon > PaySpace Wisdom > Africa > Compliance Digital Tools > select the country
	FAQ Articles	In-product: Navigate to How can we help? via your profile icon > PaySpace Wisdom > Africa > Select the relevant topic.
	Product User Guide	In-product: Navigate to How can we help? via your profile icon > PaySpace Wisdom > Africa > Compliance Product User Guides > select the country
	Preliminary Notes	In-product: Navigate to What's New > Preliminary Notes > Legislation changes
	Release Notes	In-product: Navigate to What's New > Release Notes > Legislation changes
	Tax Alerts	In-product email distributed to customers
	Compliance Pop-up Notifications	In-product pop-up notification when logging into PaySpace by Deel with a compliance notice specific to a country

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