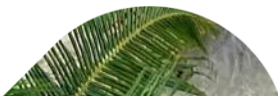
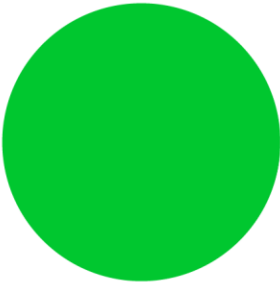


payspace

by **deel.**

Zanzibar

2024 Tax Year



Tax Year: January - December

Zanzibar Revenue Authority (ZRA): www.zanrevenue.org Tanzania Revenue Authority (TRA): www.tra.go.tz

Zanzibar Social Security Fund (ZSSF): www.zssf.or.tz

National Health Insurance Fund (NHIF): www.nhif.or.tz

Tax Administration

The United Republic of Tanzania was created from the union of two former colonial territories in 1964. The United Republic of Tanzania consists of mainland Tanzania and Zanzibar. The Constitution of the United Republic of Tanzania recognizes the two distinct entities within the union.

The Constitution identified union taxes and non-union taxes. While the Tanzania Revenue Authority (TRA) is tasked with collecting union taxes, the Zanzibar Revenue Authority (ZRA) is responsible for the non-union taxes in Zanzibar. Union taxes include tax on income and customs duties. Domestic consumption taxes like value-added tax (VAT), excise duties, hotel levies, stamp duties, motor vehicle taxes and other associated charges are included in non-union taxes.

PAYE System

A resident employer is required to withhold PAYE from payments that contribute to an employee's taxable employment income on a monthly basis and remit it to the Tanzania Revenue Authority (TRA) within 7 days following the salary pay month.

Taxable Employment Income

An individual's income from employment means the profits and gains from such employment.

Taxable employment income includes cash compensation, employer-provided benefits, and annual director's fees for non-fulltime service directors. Gains or profits from employment include:

Payment for wages, salaries, leave compensation, fees, commissions, bonuses, gratuity, allowances, reimbursement of expenses, payments related to employment conditions, retirement contributions and payments, redundancy payments, other employer-related payments, and annual director's fees for non-full-time service directors.

Taxable Fringe Benefits

These are non-cash benefits that employees may enjoy from the employer. Benefits in kind are quantified by the prescribed rules and included in the taxable income of an employee. Taxable fringe benefits are taxed at a flat/fixed rate method or an actual/real rate method, depending on the type of benefit. In the absence of prescribed regulations, the market value will apply in determining other benefits in kind.

Fringe benefits with specific rules:

The taxable value for the **private use of a motor** vehicle is based on the engine size and age of the vehicle as tabled below (annual amounts):

Engine size	Vehicle less than 5 years old (Tshs)	Vehicle more than 5 years old (Tshs)
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

The taxable value of a **housing benefit** (residential occupation including any furniture or other contents), is calculated as the lower of the market value of renting the premises and the higher of the following:

- 15% of the employee's total employment income for the tax year (excluding the housing benefit). Where the premises are occupied for only part of the tax year, apportioned as appropriate; and
- expenditure claimed as a deduction by the employer in respect of the premises for the period of occupation by the employee during the tax year.

Reduced by the amount of rent paid by the employee for the housing benefit.

The taxable value of a **low-interest or no-interest soft loan** provided to the employee will be equal to the amount that would have been paid using the commercial interest rate less the actual interest paid by the employee (if any).

Where an employer provides a loan, whose term is less than twelve months and the aggregate amount of the loan and similar loans outstanding at any time during the previous twelve-month period do not exceed three months' basic salary of an employee, then the amount of benefit in kind is nil.

Exempt Fringe Benefits

- A benefit from the use of 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.

Exempt Employment Income

Exempt employment income includes the following (the list is not exhaustive):

- Exempt amounts and final withholding payments
- Non-discriminatory on-premises cafeteria services
- Medical services, payments for medical services or insurance, to the extent that the services or payments are made available to the individual, spouse, and up to 4 children, and made available by the employer on a non-discriminatory basis.
- Allowances solely reimbursing expenses related to income production
- Passage payment for employees (incl. their spouse and up to 4 children) living over 20 miles from their 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 offering private services
- Various allowances for Government employees or institutions primarily funded by the Government

Tax Deductions

The contributions made by the employee (or the employer contributions if included in taxable employment income) to approved retirement funds are allowed as a tax deduction to reduce the gross employment income to calculate chargeable employment income used in calculating the PAYE. The amount of the reduction is equal to the lesser of:

- the actual contributions made to the approved retirement funds, or
- the statutory amount of the fund.

Termination Payments

Lumpsum payments other than terminal payments should be included in the year of payment and be taxed on the basis of the adjusted taxable employment income for the year.

Terminal payments which include redundancy and other payments for loss or termination of office shall be spread over a maximum period of six years or actual years of employment and taxed as income for these years.

Tax Rates: Residential Individuals

Annual Income (Tshs)	Tax Rate
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 Income (Tshs)	Tax Rate
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%

Tax Rates: Secondary Employment



Employees may be employed by one or more employers. An employee with secondary employment is taxed on gross employment income (no tax deductions allowed) at the highest individual tax rate, which is currently set at 30%.

Tax Rates: Non-Residential Individuals and Directors



Remuneration paid to a non-resident employee is subject to a final withholding tax of 15% on gross employment income.



Directors (other than full-time service directors) are taxed at a flat rate of 15% on the fees paid to the director. The tax payable is categorised as non-final withholding tax.

Tax Rebates

There are no rebates or tax credits for individuals.

Other Statutory Contributions

Zanzibar Social Security Fund (ZSSF)

The Zanzibar Social Security Fund (ZSSF) was established under the Zanzibar Security Fund Act of 1998. The main objective of the ZSSF is to provide financial assistance for members in times of unexpected events like ageing, illness, maternity, death and disability.

Companies operating in Zanzibar are required to register all their employees with the Zanzibar Social Security Fund (ZSSF). It is the employee's responsibility to ensure they are registered with the ZSSF and obtain their membership card within fourteen (14) days after signing the employment contract with the employer.

ZSSF Contribution Rates	2024
Employer	14%
Employee	7%

The contribution rate is based on the employee's monthly salary. Each member is required to contribute at the prescribed rate, and the employer must remit these contributions to the Zanzibar Social Security Fund no later than 15 days after the end of the month.

National Health Insurance Fund (NHIF)

The National Health Insurance Fund (NHIF) is a Social Health Insurance Institution established under the National Health Insurance Act. The main objective is to ensure accessibility of health care services to people.

NHIF contributions are mandatory for individuals in public office carrying out public duties, whether they report directly to the president or not. This requirement extends to those under the authority of a Local Government body.

The Fund also administers the Bunge Health Insurance Scheme and covers Members of the Zanzibar House of Representatives. Other groups may join the Fund voluntarily.

Registered members will contribute to the Fund at the prescribed rate, equally shared between the employer and employee. The Fund has put in place separate contribution arrangements for other groups that join voluntarily.

The Zanzibar Health Services Fund (ZHSF) is working together with the NHIF to implement programs for the newly established fund as per the Zanzibar Health Services Fund Act of 2023.

NHIF Contribution Rates

2024

Employer	3%
Employee	3%

The contribution rate is based on the employee's monthly salary. The minimum contribution amounts are in accordance with the National Minimum Salary. There is no maximum ceiling for contributions.

Skills Development Levy (SDL)

The Skills and Development Levy is imposed under the Vocational Training Act of 2006. An employer who employs 10 or more employees is subject to contribute towards SDL.

Exempt employers include Government departments, public institutions fully funded by the Government, diplomatic missions, the United Nations and its affiliated organisations, international and other foreign institutions providing aid or technical assistance, and local Government Authorities.

The rate of contribution is 5% of total emoluments. Small-scale mining operations are to pay SDL at a rate of 0.4%.

SDL Contribution Rates

2024

Employer	5%
----------	----

The contribution is based on gross emoluments, which means all cash payments made to employees, excluding any fringe benefits. For bonus payments, the levy will apply in the month in which the payment is made.

The levy should be remitted to the TRA by the 7th day of the month following the month of payroll.

Workers Compensation Fund (WCF)

Workers Compensation Fund (WCF) is a social security scheme established in accordance with the Workers Compensation Act. WCF applies to employees working in Zanzibar whose employers are operating their business mainly in Mainland Tanzania.

The main objective of the WCF is to ensure fair and just compensation for employees who experience occupational injuries during their employment.

All employers in the formal and public sectors in Mainland Tanzania are required to contribute. Employers are required to register with the Workers Compensation Fund within 30 days of recruiting their first employee.

The contributions are paid by the employer. The ZSSF is working with the WCF to establish a scheme in Zanzibar, as WCF only provides service in Mainland Tanzania.

WCF Contribution Rates

2024

Employers in Private sector	0.5%
Employers in the Public sector	0.5%

The contribution rate is based on the employee's earnings. Employee's earnings include basic salaries and other fixed allowances which are paid monthly. The employer is also required to submit a Return of Annual Earnings by 31 March each year.

DISCLAIMER: While every effort has been made to ensure the accuracy and reliability of this document, PaySpace does not provide any warranties or representations regarding the quality or suitability of the documentation for any specific purpose. The user, of this documentation, acknowledges and accepts that the use of this information is entirely at their own risk and that they will indemnify and hold PaySpace harmless against any and all claims and / or actions which may arise from the use thereof.