

4. LEGAL REFORMS, FISCAL REGIME AND LICENSING FRAMEWORKS IN THE EXTRACTIVE INDUSTRY

4.1. Legal Reforms

The Government of Tanzania introduced a series of legal and regulatory reforms aimed at strengthening the governance, transparency, and economic performance of the extractive industry. These reforms are publicly disclosed and are resulted from public consultation. These include the amendments introduced in the subsidiary legislation on local content, small-scale mining and the Finance Act elaborated as follows:-

- i. **Amendments of the Mining (Local Content) Regulations, 2018 under the Government Notice No. 563 of 2025**
 - a) Requiring non-indigenous owned company which seeks to supply goods or services to a contractor, subcontractor, licensee, or a government corporation in Tanzania to establish a joint venture with an existing indigenous Tanzanian company that is wholly owned (100%) by Tanzanian citizens and operates within the same line of business as the goods or services to be supplied, provided that the indigenous Tanzanian company holds a minimum of 20% equity participation in the joint venture company and unless the goods and services are listed as exemptions in Regulation 13A (Regulation 8(6)).
 - b) Amendment of Regulation 8(7) by requiring contractors, subcontractors, mineral rights holders or other allied entities to submit to the Mining Commission the Joint Venture Agreement entered with the indigenous Tanzanian Company for approval before the commencement of mining activities, specifying roles and responsibilities, shareholders and share participation, strategy for transfer of technology and know-how to the indigenous Tanzanian Company.
 - c) Adding Regulation 12(3) (e) and (f) by requiring the submission of the banking sub-plan and procurement sub-plan to the Mining Commission.

d) Introducing Regulation 11(8), which states that if the Commission fails to notify the applicant of its approval or otherwise of the revised plan, the plan is deemed to be approved upon expiry of 50 working days from its submission.

e) Introducing Regulations 13A which require the publication of goods and services to be provided by indigenous Tanzanians. This Regulation states that, the Commission shall, from time to time, publish in the Gazette, on its website, and in media of nationwide circulation, a list of goods and services that are exclusively to be provided by an indigenous Tanzanian company that is 100% owned by Tanzanians.

f) Amend Regulation 16(1)(a) by requiring contractors, subcontractors, licensees, or other allied entities to inform the Commission of each proposed contract or purchase order related to mining activities that is to be sole-sourced and whose value is estimated to exceed the amount in Tanzanian shillings (TZS) equivalent to USD 10,000.

g) Amendment of Regulation 17(1) by requiring quarterly reports submitted to the Mining Commission to include: a list of contracts or purchase orders that are to be sole-sourced. It expands the reporting timeline for high-value contracts instead of being limited to those intended for the upcoming quarter, entities must now report contracts projected for the entire year or quarter. This change promotes forward planning, oversight, and transparency in procurement across the mining industry.

h) Amendment of the third schedule by requiring contractors and licensees to submit to the Commission detailed information prior to issuing an Expression of Interest. The required information has been streamlined to a description of the scope of work, prequalification criteria, and number of days allowed for submission of the Expression of Interests.

The amendments on joint venture requirements, new sub plans, enhanced reporting, and streamlined procurement ensure greater involvement of indigenous Tanzanian companies while promoting efficiency, transparency and regulatory oversight in the mineral sector.

ii. Introduction of Technical Support for Small - Scale Miners Regulations

The Technical Support for Small - Scale Miners Regulations “Kanuni za Msaada wa Kiufundi kwa Wamiliki wa Leseni Ndogo za Uchimbaji Madini za Mwaka 2025, Tangazo la Serikali Na. 260 la Mwaka 2025” contain several conditions including:

- a) The holder of Primary Mining Licence (the licensee) shall be offered the Technical Support through a written agreement with the facilitator (the Agreement) (Regulation 4). The agreement will be reviewed and registered by the Mining Commission and if the Commission decides not to register the agreement, it will give the applicant reasons thereof.
- b) The Agreement shall be implemented and interpreted in accordance with the Laws of Tanzania.
- c) The Mining Commission shall be responsible for overseeing, reviewing, and monitoring the implementation of all Agreements (Regulation 21).
- d) The holder of Primary Mining Licence has the right to enter into an agreement with one facilitator for not more than 10 mining licenses per agreement, in the same area (Regulation 5).
- e) The agreement shall consider profit sharing mechanisms as provided for under Regulation 9(a) and 9(b).
- f) The Licensee shall receive a gross profit from the mineral production and concentrates of not less than 30% after royalties, inspection fees and all government charges that have been paid without taking into account running costs of the project incurred by the facilitator.
- g) The management of the mine operations will be a joint responsibility between the Facilitator and the Licensee, and all workers in the mine shall be Tanzanian citizens only except in matters requiring technical assistance in accordance with these Regulations (Regulation 10).
- h) The Facilitator in collaboration with the Licensee shall ensure equipment and machineries for the provision of technical support are supplied to the mine and the Licensee should notify the Resident Mines Officer (Regulation 11).

- i) The Licensee and the Facilitator shall be responsible for maintaining the security of the property and the licensed area throughout the term of the agreement (Regulation 12).
- j) The agreement shall be for a term not exceeding 3 years from the agreement registration date and shall be eligible for renewal 3 months before its expiry for a period not exceeding 12 years considering the term of the licence (Regulation 13).
- k) In case there will be a change of law affecting the implementation of part or the whole of the Agreement, then the facilitator and the Licensee will have to negotiate and agree to new terms under the agreement that conform to the change of law effect and amend the agreement to incorporate the changes and submit to the Mining Commission for review and registration.
- l) Subject to issuance of 30 days' notice, parties shall have a right to terminate the agreement due to the reasons provided for under Regulation 16.
- m) Any dispute between the facilitator and the licensee regarding implementation of the agreement shall be resolved through peaceful negotiations and if that fails, then the aggrieved party shall have the right to escalate the matter to designated legal authorities (Regulation 20).

iii. The Finance Act of 2025

The Finance Act of 2025 introduced several amendments including;

- a) **HIV Response Levy:** A new 0.1% is introduced, calculated on the gross value of minerals. The funds collected will be split where 70% of the collected funds will go to the AIDS Trust Fund and 30% to the Universal Health Insurance Fund.
- b) **Consistency in Tax Rules:** The amendment aims to standardize the tax rules for carrying forward tax losses in the extractive sector to align with those applied in other sectors.
- c) **Withholding Tax on Services:** Introduced section 33A in the Income Tax Act which states that, where the Commissioner determines that an entity has not made distribution for the year of income for a period of twelve months, after the end of the year of income, may treat that thirty percent of the profit of the entity, for the

purposes of this Act, as having been distributed on a date twelve months after the end of the year of income. This section shall not apply to a resident entity covered under section 96(6). Where an entity subsequently makes distribution, the entity shall not be required to withhold income tax in respect of the amount deemed distributed.

d) **Hired Vehicles:** A new 10% non-final withholding tax has been imposed on the hiring of motor vehicles.

e) **Disclosure of Information on Contracted Services by an entity engaged in Extractive Activities:** Section 54 of the Tax Administration Act has been amended to require extractive industry entities to disclose names of the persons, value of the contract, nature of the subcontracted works and the duration of carrying out the works, within thirty (30) days from the date of commencement of the subcontracted works and in the manner as may be prescribed by the Commissioner General. This provision clarifies that the disclosure shall start within 30 days from the date of commencement of the subcontracted works.

f) **Introduction of Transfer Pricing Penalty to loss making entities:** Section 90(2) of the Tax Administration Act has been amended such that if a person enters into controlled transactions (with related parties) and fails to apply the arm's length principle when determining income and expenses, there is a penalty equal to 100% of tax shortfall and amended by adding "or 30% of the adjusted loss". The stated objective is to ensure related-party transactions are priced fairly just like they would be between independent businesses.

g) **Deemed Admission of Objection:** The Tax Administration Act Section 62(8) has been amended to expand the conditions under which an objection is deemed to be admitted. Before this amendment an objection was deemed to be admitted when the taxpayer had met the tax payment deposit requirement. Two other conditions have been introduced. That, for cases where tax is due (there is a tax liability), an objection shall be deemed to have been admitted on the earlier of the date of service of the objection to the Commissioner General that is within 30 days or on the date of payment of the lesser amount as allowed by the Commissioner General. For cases where there is no tax liability the objection shall be deemed to have been admitted on the date of service of the objection to the Commissioner General.

h) **Introduction of new Withholding VAT mechanism:** Tanzania has established a VAT collection agency system to be collected by withholding agents. The objective is to increase efficiency in collection of VAT. These withholding agents include (a) the Ministry responsible for finance; (b) a government entity which retains whole or part of its collected revenue; and (c) a registered person as may be appointed by the Commissioner General by notice. A withholding agent must issue a VAT Withholding Certificate to the supplier not later than the day on which value added tax becomes payable on the supply. The certificate shall be in a prescribed format by the Minister and should include the date of issue, Withholding agent's name, TIN, and VAT registration number, Supply details (description, quantity, etc.), total payment and VAT amount included, VAT rate and amount withheld, Supplier's name, address, TIN, and VAT registration number.

i) **Return of Income to be Certified by a Certified Public Accountant in Public Practice:** The Income Tax Act has been amended to mandate the return of income to be prepared or certified by a certified public accountant in public practice for cases of an individual whose turnover in a year of income exceeds five hundred million (TZS 500m) shillings and a corporation whose gross income in a year of income exceeds one hundred million shillings (TZS 100m).

j) **Reduction of VAT rate to 16% for Online Purchases:** purchases of goods paid via digital means will enjoy a reduced VAT rate of 16% (down from 18%) effective from September 1, 2025 as an incentive for cashless payments.

k) **VAT Exemptions:** New VAT exemptions were introduced, including the supply of piped natural gas for conversion to Compressed Natural Gas (CNG) for motor vehicles (effective July 1, 2025, to June 30, 2028) to encourage clean energy use. Specific equipment for CNG stations also received VAT exemptions.

l) **Reduced corporate tax rate for listed entities with at least 25% of stocks issued to the public:** The amendment decreases from 30% to 25% the percentage of equity ownership that an entity is required to issue to the public to be eligible for a reduced corporate tax rate of 25% for three consecutive years from the date of listing. This measure is likely to encourage companies to utilize the capital markets, as well as encourage investors to invest in the capital markets.

m) **Reduced rate for service levy from 0.3% to 0.25%**

This is a turnover based tax imposed by the local government authorities under the Local Government Finance Act Cap 290. Following the Finance Act, 2025, the rate was reduced from 0.3% to 0.25% for urban, district and township authorities. It is calculated on the turnover net of the VAT and excise duty and paid to the relevant local government.

iv. **Review of the Model Production Sharing Agreement (MPSA)**

The revised MPSA had reached the final stage of Government approval. Once approved, it is expected to deliver significant improvements in the governance of Tanzania's oil and gas sector by modernizing fiscal, transparency, and accountability terms.

4.2. Fiscal Regime in the Extractive Industry

Tanzania's fiscal regime of the extractive industry is strong, stable and robust for more inclusivity. It has a broader tax base and strengthened tax administration mechanisms enhancing efficiency and effectiveness in tax collection. This has been key to the sustained significance of the sector's position in contributing to the national Gross Domestic Product and the prospected long term growth trajectory of the mineral, oil and gas sector.

a) **Fiscal Regime of the Mineral Sector**

Tanzania's Mining Act, Cap. 123, Income Tax Act, Cap. 332, Value Added Tax Act, Cap. 148, Finance Act, 2025, and other national legislation govern the fiscal regime of the country's mineral sector. Companies in the mineral sector provide the government with income through the collection of royalties, taxes, fees, rents, and other responsibilities as outlined in various laws. Various types of payments made to the government by companies that conduct mineral exploitation activities in the country are summarized in **Table 7** below