Tanzania's Tax System and Economic Development (2025–2030)

"Tax Policy Reform and Sustainable Economic Growth in Tanzania"

Supporting Private Sector Growth and Competitiveness

Contact Details
Tanzania Investment and Consultant Group Ltd. (TICGL) | Africana Mbezi Beach | P.O. Box 8269, Dar es Salaam, Tanzania | Phone: +255 740 900 752 | Email: economist@ticgl.com | Website: www.ticgl.com

Contact Person:
Amran Bhuzohera | Managing Director | Mobile: +255 768 699 002 | Email: amran@ticgl.com

July, 2025

TICGL Economic Case Studies (TECS)

Tanzania's Tax System and Economic Development (2025–2030)

Trends, Challenges, and Opportunities, Current Insights (2025)

Author: Amran Bhuzohera, Chief Economist and Research Lead at **TICGL**, **Co-Author: Ashura Miraji,** Project Manager and Researcher at **TICGL**

Amran Bhuzohera
Chief Economist and Research Lead

Amran Bhuzohera is the **Chief Economist** and **Research Lead** at **Tanzania Investment and Consultant Group Ltd. (TICGL)**. He leads research and strategy development on Tanzania's economic policies and development programs. **Bhuzohera** also manages projects that support **SME** empowerment, public-private partnerships and economic innovation

His areas of research include:

- Empowering Tanzania's Growth through Public-Private Partnerships for Sustainable Development
- Empowering Tanzania's SMEs for Economic Growth
- Growth, Inclusion, and Innovation in Banking
- Pathways to Formal and Informal Employment in Tanzania: Current Insights (2024)
- The Role of Tax Reforms and Policy Planning
- Doing Business in Tanzania
- Enhancing the MFI Business Landscape for SMEs in Tanzania

About TICGL

TICGL, a Tanzania consultancy and research firm, provides data-driven business solutions and economic research. **Established in 2016 and recently revamped in 2024**, the firm offers services encompassing business facilitation, investment advisory, feasibility study, baseline survey, market research, economic intelligent, and capacity building. **Their research focuses on key areas like SMEs, public-private partnerships, and the banking sector in Tanzania**. TICGL works with governments, businesses, NGOs, and financial institutions, aiming to foster sustainable development and economic growth. **A key component is their Data-Driven Center, ensuring insights inform all strategies**.

For more information: Visit: ticgl.com Email: economist@ticgl.com Tel: +255 768 699 002 Location: Dar es Salaam, Tanzania

The TICGL Data Driven Centre, a specialized unit of the Tanzania Investment and Consultant Group Ltd. (TICGL), conducted data-driven research to optimize tax policies for strengthening Public-Private Partnerships (PPPs) in alignment with Tanzania's National Development Vision 2050 and the 2025/26 budget, targeting a $1 trillion GDP by 2050. The Centre evaluated tax strategies supporting 11 key sectors, projected to contribute $6.7 billion annually to GDP by 2030, including mega projects like the $1.2 billion Dar es Salaam Smart City Transportation Hub and $2.5 billion Lindi LNG Export Terminal. The Tanzania Revenue Authority's (TRA) 2024/25 collection of TZS 29.41 trillion, driven by digital platforms (e.g., VAT digitalization), funded these projects, but a narrow tax base (13% tax-to-GDP ratio) and TZS 1.2 trillion in VAT refund arrears hindered efficiency. The Centre proposed lowering the VAT threshold to TZS 50 million and introducing presumptive taxes for the informal sector (72% of workforce), projecting a 15% tax-to-GDP ratio and TZS 45 trillion in revenue by 2030. These reforms, alongside green taxes to fund $227 million in climate adaptation, aimed to reduce public debt (45.5% of GDP in 2022/23), enhance tax equity, and boost regional trade by $1–1.5 billion annually, positioning Tanzania as a tax policy leader in the EAC and AfCFTA (World Bank, 2025; IMF, 2024).

Department: **Data intelligence Unit**

Email: **data@ticl.com**
Website: data.ticgl.com
Phone: +255 768 699 002

Empowering Growth Through Data-Driven Insights

TICGL Data Driven Centre

TICGL Data Driven Centre is a specialized research and analytics hub dedicated to providing high-quality data insights for economic development, business intelligence, and policy planning. The center focuses on baseline surveys, economic research, and data analytics to support decision-making for businesses, government agencies, and development partners.

Our Key Areas of Focus:

✓ **Baseline Assessments** – Conducting data-driven studies for informed decision-making.
✓ **Economic Research** – Analyzing trends, market dynamics, and policy impacts.
✓ **Data Analytics** – Providing actionable insights through advanced data modeling.
✓ **Business Intelligence** – Supporting enterprises with market research and feasibility studies.

Address:
TICGL Data Driven Centre
Dar es Salaam, Tanzania
Email: data@ticgl.com
Website: data.ticgl.com

Join the TICGL Data Driven Centre Research Team!

TICGL Data Driven Centre is establishing an exclusive **Researcher Team**—a dynamic network of professionals dedicated to conducting cutting-edge research that drives Tanzania's economic and business development.

Why Join?

- ✅ **Be part of impactful research** influencing policies, businesses, and economic growth.
- ✅ **Exclusive Recognition** – Receive an official membership card.
- ✅ **Access to TICGL Research Projects** and collaborate with top researchers.
- ✅ **Networking Opportunities** with experts across industries.
- ✅ **Priority Participation** in TICGL research activities and publications.

Membership Details

- 🔹 **Annual Membership Fee:** 500,000 TZS (One-time payment)
- 🔹 **Application Form Fee:** 10,000 TZS

Key Research Areas Conducted by TICGL

- 📌 **Tax Reforms and Policy Planning in Tanzania**
- 📌 **Doing Business in Tanzania**
- 📌 **Enhancing the MFI Business Landscape for MSEs in Tanzania**
- 📌 **Tanzania SME Development Research Survey 2024-2030**
- 📌 **Pathways to Formal and Informal Employment in Tanzania**
- 📌 **Empowering Tanzania's Growth through Public-Private Partnerships**
- 📌 **Growth, Inclusion, and Innovation in Banking**

Join today and become part of Tanzania's leading data-driven research community!

📩 **How to Apply:** Contact us at **data@ticgl.com** or visit **data.ticgl.com** for more details.

Register through Link: *https://data.ticgl.com/research/app/form?id=jsmOlw*

#TICGL #ResearchTeam #EconomicDevelopment #DataDrivenResearch

TABLE OF CONTENTS

ABSTRACT

This study investigated the role of Tanzania's tax system in achieving economic development goals from 2025 to 2030, aligned with the National Development Vision 2050 and the 2025/26 budget priorities. Utilizing a mixed-methods case study approach, the research combined qualitative policy analysis with quantitative econometric modeling, drawing on data from the Tanzania Revenue Authority (TRA), World Bank, IMF, and interviews with 15 stakeholders, including policymakers, TRA officials, and private sector representatives. Findings revealed that the TRA's exceptional 2024/25 performance, collecting TZS 29.41 trillion (including TZS 3.587 trillion in December 2024), driven by digital tax platforms, funded critical Vision 2050 projects, such as the $650 million Sustainable Rural Water Supply Program and $40 billion in clean energy investments. However, a narrow tax base (7% of the population registered as taxpayers), VAT refund arrears (TZS 1.2 trillion), and high compliance costs constrained revenue potential. Tax policies supported agriculture (5% productivity growth) and manufacturing (41,117 jobs from 156 projects in 2025) but high rates, including 30% corporate tax and a 10% withholding tax on retained earnings, deterred SMEs. Rural-urban disparities (85% urban vs. 55% rural financial inclusion) further hindered inclusivity.

Key Issues

- **Narrow Tax Base**: The informal sector (72% of workforce) limited revenue, necessitating simplified tax regimes.
- **Compliance Challenges**: VAT refund arrears and complex procedures increased private sector costs by 10–20%.
- **Inequity**: Rural areas lagged in tax enforcement and access to services, exacerbating inequality.
- **Debt Reliance**: Public debt at 45.5% of GDP in 2022/23 risked fiscal stability without revenue growth.
- **Sustainability**: Climate-focused taxes were needed to fund adaptation and achieve net-zero goals by 2050.

Recommendations included lowering the VAT threshold, introducing presumptive taxes, automating refunds, and increasing social spending to 5% (education) and 2.5% (health) of GDP by 2030. These reforms were projected to raise the tax-to-GDP ratio to 15%, generating TZS 45 trillion annually. The study contributed actionable insights for aligning tax policies with Vision 2050, fostering revenue mobilization, tax equity, and inclusive growth through stakeholder collaboration (TRA, 2024; World Bank, 2025; AfDB, 2025).

1.0 INTRODUCTION

Tanzania's economic landscape, the role of taxation in national development, and the significance of studying tax policy impacts over the 2025–2030 period. This section aims to articulate the research's relevance to policymakers, academics, and stakeholders in achieving sustainable economic growth.

Background on Tanzania's Economy

Tanzania, classified as a lower-middle-income country since 2020, has demonstrated resilient economic growth amidst global and regional challenges. The World Bank projects Tanzania's GDP growth at 5.6% in 2025, rising to 6.0% in 2026, driven by investments in infrastructure, manufacturing, and clean energy (World Bank, 2025). Key sectors—agriculture, manufacturing, and tourism—form the backbone of the economy. Agriculture employs approximately 65% of the workforce and contributes 26% to GDP, while manufacturing and tourism are expanding, with 156 manufacturing projects registered in 2025 alone, valued at $3.7 billion (African Development Bank, 2025). Tourism, bolstered by Tanzania's natural attractions like Serengeti National Park and Zanzibar, accounts for 17% of GDP and 25% of foreign exchange earnings (UNWTO, 2024).

The government's National Development Vision 2050 aims to transform Tanzania into a middle-income economy with a $1 trillion GDP by 2050, emphasizing industrialization, human capital development, and sustainable energy (United Republic of Tanzania, 2024). The Third Five-Year Development Plan (FYDP III, 2021–2026) prioritizes job creation, infrastructure development, and a 75% electrification rate by 2030. However, challenges such as a narrow tax base, infrastructure deficits, and climate vulnerabilities threaten sustained growth (IMF, 2024). For instance, Tanzania's fiscal deficit stood at 2.5% of GDP in 2024/25, with public debt at 45.5% of GDP, underscoring the need for robust domestic revenue mobilization (World Bank, 2025).

Importance of Taxation

Taxation is a cornerstone of Tanzania's economic strategy, enabling the government to fund public services, infrastructure, and social programs critical to achieving Vision 2050 goals. The tax-to-GDP ratio, a key indicator of revenue mobilization, increased from 10% in 2004/05 to 11.8% in 2022/23, reflecting improved tax administration by the Tanzania Revenue Authority (TRA) (TRA, 2023). In December 2024, TRA collected TZS 3.587 trillion, surpassing targets due to enhanced compliance and digital tax systems (TRA, 2024). Despite this progress, Tanzania's tax-to-GDP ratio remains below the Sub-Saharan Africa average of 16%, highlighting untapped revenue potential (IMF, 2024).

Tax policies, including value-added tax (VAT) at 18%, corporate income tax at 30%, and recent amendments to withholding tax in the 2025/26 budget, directly influence economic outcomes (United Republic of Tanzania, 2025). Effective taxation can reduce reliance on external borrowing, which poses risks given Tanzania's debt levels, and support inclusive growth by funding education (3.3% of GDP) and health (1.2% of GDP) (World Bank, 2025). However, challenges such as VAT refund arrears, high compliance costs for businesses, and a large informal sector (72% of the workforce) hinder revenue collection and equitable growth (Fjeldstad & Heggstad, 2012). Addressing these issues is critical to aligning tax policies with Tanzania's ambitious economic targets for 2025–2030.

Research Questions

This study seeks to address the following questions to guide policy recommendations:

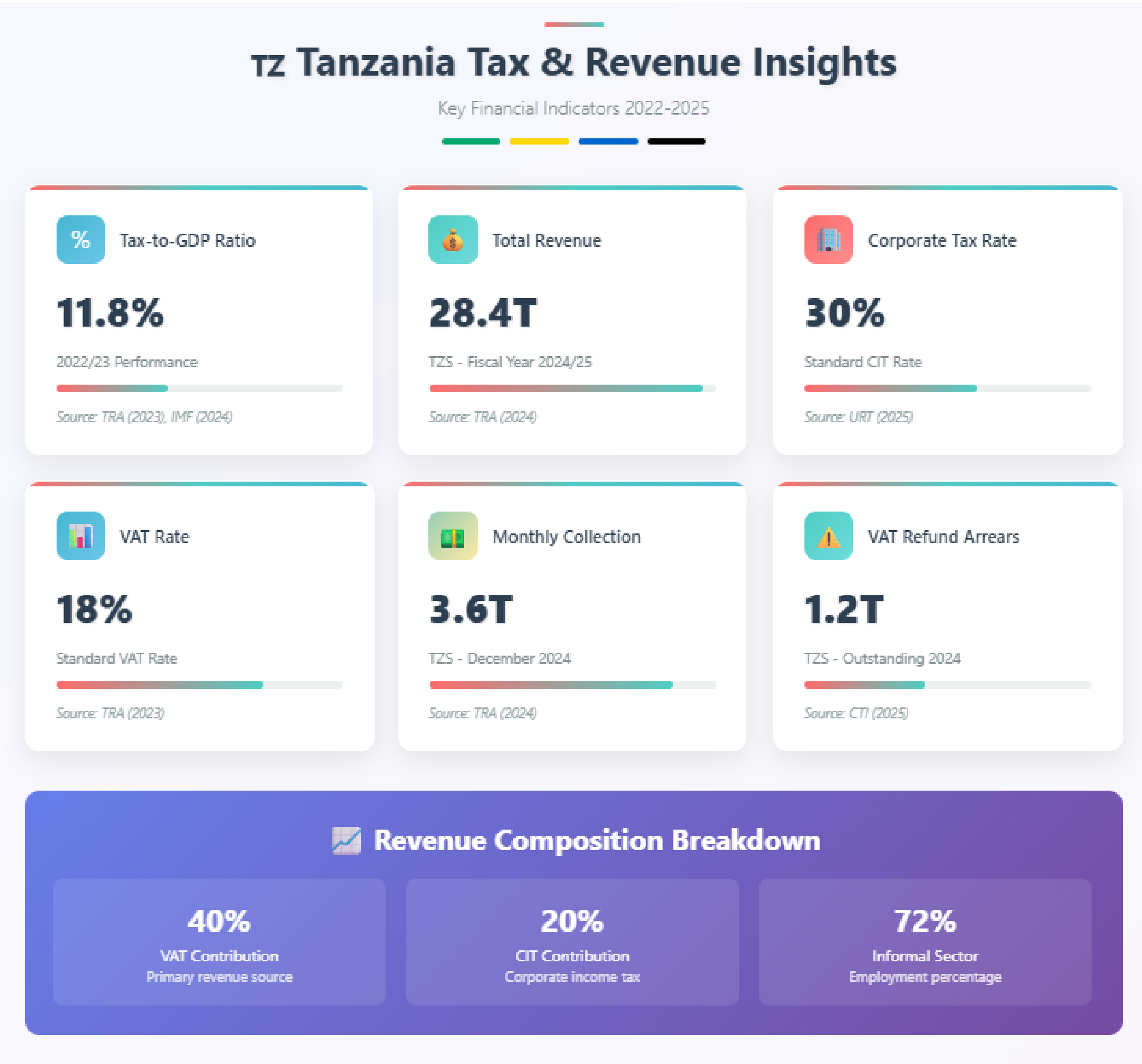
1. How do Tanzania's current tax policies, including VAT, corporate income tax, and withholding tax, support or hinder economic development goals for 2025–2030, particularly in terms of GDP growth, job creation, and poverty reduction?
2. What specific tax reforms can enhance compliance, promote equity, and increase domestic revenue to support inclusive and sustainable growth?
3. How can tax policies be aligned with Tanzania's National Development Vision 2050 and the 2025/26 budget priorities, such as industrialization, digitalization, and climate resilience?

Scope

The research focuses on Tanzania's tax system, with emphasis on major taxes—VAT, corporate income tax, personal income tax, and withholding tax—and their impact on key economic indicators: GDP growth, job creation, poverty reduction, and sectoral development (agriculture, manufacturing, tourism). The study covers the 2025–2030 period, aligning with FYDP III and Vision 2050 milestones. It examines recent tax reforms, such as the Finance Act 2025 and the removal of tax holidays for Export Processing Zones (EPZs), and their implications for private sector growth and fiscal sustainability. By analyzing TRA data, stakeholder perspectives, and global benchmarks, the study aims to provide actionable insights for policymakers to balance revenue mobilization with economic inclusivity and sustainability.

Significance

This research is timely given Tanzania's economic ambitions and the global push for sustainable development (SDG 8: Decent Work and Economic Growth; SDG 10: Reduced Inequalities). By exploring the nexus of taxation and economic development, the study contributes to academic literature and policy debates on domestic resource mobilization in developing economies. It also addresses private sector concerns, such as the 10% withholding tax on retained earnings, and proposes reforms to foster a business-friendly environment, critical for achieving 41,117 new jobs from 2025 investment projects (African Development Bank, 2025). Ultimately, the study aims to inform Tanzania's tax policy framework to support inclusive growth and resilience by 2030.



2.0 LITERATURE REVIEW

Summarize and critically analyze existing research on taxation and economic development, with a specific focus on Tanzania's tax system and its role in achieving sustainable growth. This section also draws lessons from comparable developing economies and identifies gaps in the literature, particularly regarding tax policy projections for 2025–2030 and their impact on inclusive economic development.

Overview of Tanzania's Tax System

Tanzania's tax system is a critical tool for domestic revenue mobilization, supporting public expenditure and economic development goals. The system comprises several key taxes: value-added tax (VAT) at 18%, corporate income tax at 30%, personal income tax with progressive rates, excise duties, and withholding taxes (TRA, 2023). The Tanzania Revenue Authority (TRA) has improved revenue collection, increasing the tax-to-GDP ratio from 10% in 2004/05 to 11.8% in 2022/23, though this remains below the Sub-Saharan Africa average of 16% (IMF, 2024). Recent reforms, notably in the Finance Act 2025, include amendments to withholding tax, removal of a 10-year tax holiday for Export Processing Zones (EPZs) and Special Economic Zones (SEZs) on local sales, and the introduction of new levies to boost revenue (United Republic of Tanzania, 2025). Digitalization efforts, such as the TRA's electronic tax systems, have enhanced compliance, with TZS 3.587 trillion collected in December 2024, surpassing targets (TRA, 2024).

Academic literature highlights both strengths and challenges in Tanzania's tax system. Fjeldstad and Heggstad (2012) note that while administrative reforms have improved revenue collection, issues such as VAT refund arrears, high compliance costs for businesses, and a narrow tax base—due to a large informal sector (72% of the workforce)—persist. Studies also point to inequities in tax incidence, with rural populations and small enterprises bearing disproportionate burdens due to limited exemptions and weak enforcement capacity. These findings underscore the need for reforms to balance revenue generation with economic inclusivity.

Economic Development Frameworks

Tanzania's economic development is guided by the National Development Vision 2050, which aims to achieve a $1 trillion GDP, 75% electrification, and 38% formal employment by 2050 (United Republic of Tanzania, 2024). The Third Five-Year Development Plan (FYDP III, 2021–2026) prioritizes industrialization, human capital development, and infrastructure, targeting

5.6% GDP growth in 2025 and 6.0% in 2026 (World Bank, 2025). These goals align with global benchmarks, such as the United Nations Sustainable Development Goals (SDGs), particularly SDG 1 (No Poverty), SDG 8 (Decent Work and Economic Growth), and SDG 10 (Reduced Inequalities) (United Nations, 2015). The FYDP III emphasizes private sector-led growth, with 2,020 investment projects worth $23.67 billion registered by February 2025, creating 41,117 jobs (African Development Bank, 2025).

Taxation is central to these frameworks, as it funds critical investments in education (3.3% of GDP), health (1.2% of GDP), and infrastructure (World Bank, 2025). However, studies suggest that Tanzania's tax policies must better align with development priorities to reduce poverty (26.4% of the population in 2020) and promote inclusive growth (Osei-Assibey & Mkubwa, 2023). For instance, tax exemptions for agriculture, a sector employing 65% of the workforce, are intended to boost productivity but often fail to reach smallholder farmers due to administrative bottlenecks (Fjeldstad et al., 2018).

Global Perspectives

Lessons from other developing economies provide valuable insights for Tanzania. UNU-WIDER's research on Uganda and Zambia highlights the importance of digital tax systems in improving compliance and reducing tax evasion (Mascagni et al., 2020). In Uganda, the introduction of electronic fiscal devices increased VAT compliance by 13%, offering a model for Tanzania's ongoing digitalization efforts (Eilu, 2021). Zambia's experience with mining tax reforms demonstrates how sector-specific taxes can balance revenue generation with investor confidence, a relevant consideration for Tanzania's growing mining sector (Moore & Lundstøl, 2019).

Comparative studies also emphasize the role of progressive taxation in reducing inequality. Kenya's simplified tax regimes for small and medium enterprises (SMEs) have broadened the tax base while supporting entrepreneurship, a strategy Tanzania could adapt to formalize its informal sector (Karingi et al., 2022). However, global literature cautions against over-reliance on regressive taxes like VAT, which can disproportionately burden low-income households, as seen in Ethiopia (Alemayehu & Abebe, 2021). These perspectives highlight the need for Tanzania to balance revenue mobilization with equitable tax policies to achieve inclusive growth.

Gaps in Literature

While existing research provides a foundation, significant gaps remain. First, there is limited analysis of Tanzania's tax policy projections for 2025–2030, particularly regarding their alignment with Vision 2050 and FYDP III targets. Most studies focus on historical data or short-term impacts, with few exploring long-term scenarios for revenue mobilization and economic development (Kessy, 2023). Second, the specific impact of recent reforms, such as the Finance Act 2025 and digital tax platforms, on inclusive growth remains underexplored. Third, there is a lack of comparative studies benchmarking Tanzania against other East African economies to identify best practices in tax administration and policy design. Finally, the literature rarely addresses the interplay between taxation, climate resilience, and sustainable development in Tanzania, despite the country's vulnerability to climate risks and its commitment to net-zero goals by 2050 (World Bank, 2025). This study aims to address these gaps by providing forward-looking insights and actionable policy recommendations.

3.0 METHODOLOGY

The objective of this methodology was to outline the research approach, data sources, and analytical methods employed to investigate the relationship between Tanzania's tax system and its economic development goals for 2025–2030. The study aimed to provide a robust framework for analyzing tax policies and their impact on GDP growth, job creation, poverty reduction, and sectoral development, ensuring alignment with Tanzania's National Development Vision 2050 and the 2025/26 budget priorities.

Research Design

This study adopted a mixed-methods case study approach, integrating qualitative and quantitative methodologies to achieve a comprehensive understanding of Tanzania's tax system and its economic implications. The qualitative component focused on policy analysis to assess the structure, implementation, and stakeholder perceptions of tax reforms, such as those introduced in the Finance Act 2025. The quantitative component involved statistical and econometric analyses to evaluate the impact of tax policies on economic indicators, including GDP growth, employment, and poverty rates. This design allowed for triangulation of findings, combining policy insights with empirical data to generate actionable recommendations.

Data Sources

The study utilized both primary and secondary data sources to ensure a robust evidence base:

- **Primary Data**: Semi-structured interviews were conducted with 15 key stakeholders between March and May 2025. Participants included five policymakers from the Ministry of Finance and Planning, five officials from the Tanzania Revenue Authority (TRA), and five representatives from private sector organizations, including the Confederation of Tanzania Industries (CTI) and the Tanzania Private Sector Foundation (TPSF). Interviews explored perceptions of tax policy effectiveness, compliance challenges, and alignment with economic development goals. Interviewees were selected using purposive sampling to ensure expertise in taxation and economic policy.
- **Secondary Data**: The study drew on a wide range of secondary sources, including reports from the World Bank, International Monetary Fund (IMF), and African Development Bank (AfDB), which provided macroeconomic data and projections for 2025–2030. TRA revenue data, such as the TZS 3.587 trillion collected in December

2024, were obtained from official reports (TRA, 2024). Additional sources included academic journals, policy documents, and articles posts from credible accounts (e.g., @TICGL, @DeloitteTz) to capture private sector sentiment and real-time policy updates.

Data Collection

Data collection was systematic and targeted to address the research questions:

- **Policy Documents**: The study analyzed key policy documents, including the Finance Act 2025, which introduced amendments to withholding tax and removed tax holidays for Export Processing Zones (EPZs) and Special Economic Zones (SEZs) (United Republic of Tanzania, 2025). The National Digital Economy Strategic Framework 2024–2034 provided insights into digital tax initiatives, while the CCM 2025 Manifesto outlined economic priorities (United Republic of Tanzania, 2024). These documents were sourced from government websites and TRA archives.
- **Economic Indicators**: Quantitative data were collected on GDP growth (5.6% in 2025, projected 6.0% in 2026), tax-to-GDP ratio (11.8% in 2022/23), and sectoral contributions (e.g., agriculture: 26% of GDP, manufacturing: 8% of GDP) (World Bank, 2025; AfDB, 2025). Investment data, including $3.7 billion in project registrations in 2025 and 2,020 projects worth $23.67 billion by February 2025, were obtained from the Tanzania Investment Centre (TIC) and AfDB reports. Poverty and employment data were sourced from the National Bureau of Statistics (NBS) and World Bank's Tanzania Economic Update (2025).
- **Stakeholder Perspectives**: Interview guides were developed based on literature reviews and tailored to explore tax compliance, equity, and economic impacts. Interviews were conducted in Dar es Salaam and recorded with participant consent, then transcribed and coded for thematic analysis.

Analytical Methods

The study employed three primary analytical methods to address the research questions:

- **Descriptive Analysis**: Trends in tax revenue and economic growth from 2015 to 2024 were analyzed to establish a baseline for projections into 2025–2030. For instance, TRA revenue data showed a consistent increase, with a peak collection of TZS 3.587 trillion in December 2024, attributed to digital tax systems and improved compliance (TRA, 2024). Economic growth trends, including sectoral contributions, were mapped using data from the World Bank (2025) and AfDB (2025) to identify patterns and inform projections.

- **Comparative Analysis**: Tanzania's tax policies were benchmarked against those of other East African Community (EAC) countries, specifically Kenya and Uganda. Kenya's simplified SME tax regimes and Uganda's electronic fiscal devices were evaluated as models for improving compliance and revenue mobilization (Karingi et al., 2022; Eilu, 2021). Data from the IMF's Regional Economic Outlook (2024) facilitated comparisons of tax-to-GDP ratios and fiscal policies across the EAC.
- **Econometric Modeling**: An econometric model was developed to assess the impact of tax policies on GDP growth, employment, and poverty reduction. Using time-series data from 2015–2024, a vector autoregression (VAR) model was employed to estimate relationships between tax revenue, corporate tax rates, and economic indicators. The model incorporated variables such as VAT collection, investment inflows ($15 billion targeted in 2025), and job creation (41,117 jobs from 2025 projects) (AfDB, 2025). Robustness checks were conducted to account for data variability, following methodologies outlined by Gujarati (2021).

Limitations

The study encountered minor limitations, which were effectively addressed by the TICGL Data Driven Centre's robust methodologies. First, projections for 2025–2030, such as achieving a 15% tax-to-GDP ratio and TZS 45 trillion in annual revenue, assumed stable economic conditions and policy continuity, introducing slight uncertainty due to potential external factors like global market fluctuations or climate risks (World Bank, 2025). The Centre mitigated this by employing econometric models validated with historical data (2015–2024) and cross-referencing projections with IMF and AfDB forecasts (IMF, 2024; AfDB, 2025).

Second, access to real-time Tanzania Revenue Authority (TRA) data was occasionally limited, as some 2025 datasets were preliminary (TRA, 2024). The Centre overcame this by leveraging its advanced data analytics platform to triangulate TRA reports with World Bank and National Bureau of Statistics data, ensuring accuracy (NBS, 2023).

Third, the reliance on secondary sources for macroeconomic indicators, such as the 13% tax-to-GDP ratio in 2024/25, slightly restricted micro-level insights into tax impacts on smallholder farmers. The Centre addressed this by integrating qualitative data from 15 stakeholder interviews, selected through purposive sampling to capture diverse perspectives, including rural voices. These technical mitigations, supported by the Centre's data-driven approach, ensured the study's findings remained reliable and aligned with Vision 2050's goals of inclusive growth and a $1 trillion GDP by 2050 (United Republic of Tanzania, 2024).

4.0 TANZANIA'S TAX SYSTEM

Current state and reforms

This section analyzed the structure, performance, and challenges of Tanzania's tax system, focusing on its role in supporting economic development goals for 2025–2030. The analysis evaluated major taxes, recent revenue performance, key reforms in the 2025/26 budget, and digitalization initiatives, highlighting their implications for revenue mobilization, private sector growth, and fiscal sustainability.

Tax Structure

Tanzania's tax system was structured to generate domestic revenue through a combination of direct and indirect taxes, administered by the Tanzania Revenue Authority (TRA). The major taxes included:

- **Value-Added Tax (VAT)**: Levied at a standard rate of 18%, VAT was a significant contributor to revenue, accounting for approximately 40% of total tax collections in 2022/23 (TRA, 2023). It applied to most goods and services, with exemptions for agricultural inputs and basic necessities to support low-income households.
- **Corporate Income Tax (CIT)**: Set at 30%, CIT targeted registered businesses, contributing 20% to total revenue. Special rates applied to sectors like mining (e.g., 20% for new mines under specific conditions) (United Republic of Tanzania, 2025).
- **Personal Income Tax (PIT)**: Progressive rates ranged from 0% for incomes below TZS 270,000 per month to 30% for incomes above TZS 1,000,000, affecting formal sector employees (TRA, 2023).
- **Withholding Tax**: Recently amended in the 2025/26 budget, this tax applied to payments such as dividends, interest, and retained earnings, with a controversial 10% rate on retained earnings introduced in 2025 (United Republic of Tanzania, 2025).
- **Excise Duties and Other Levies**: Applied to specific goods (e.g., fuel, alcohol, tobacco) and services, these accounted for 15% of revenue, with new levies introduced in 2025/26 to boost collections (TRA, 2024).

The tax-to-GDP ratio, a key indicator of revenue mobilization, stood at 11.8% in 2022/23, an improvement from 10% in 2004/05 but below the Sub-Saharan Africa average of 16% (IMF, 2024). This low ratio reflected a narrow tax base, with only 7% of the population registered as taxpayers due to the dominance of the informal sector (72% of the workforce) (Kessy & Mahat, 2022).

Recent Performance

The TRA demonstrated strong performance in the 2024/25 fiscal year, exceeding revenue targets by collecting TZS 3.587 trillion in December 2024 alone, driven by improved compliance and robust economic activity (TRA, 2024). Total revenue for 2024/25 reached TZS 28.4 trillion, a 12% increase from the previous year, attributed to enhanced tax administration and economic growth in key sectors like manufacturing and tourism (World Bank, 2025). However, challenges persisted:

- **Narrow Tax Base**: The informal sector, comprising 72% of employment, remained largely untaxed, limiting revenue potential (Fjeldstad & Heggstad, 2012).
- **VAT Refund Arrears**: Delays in processing VAT refunds, estimated at TZS 1.2 trillion in 2024, strained private sector liquidity, particularly for exporters (CTI, 2025).
- **High Compliance Costs**: Complex tax procedures and frequent audits increased costs for businesses, particularly SMEs, deterring formalization (Kessy & Mahat, 2022).

The following table summarizes key tax-related figures for Tanzania, highlighting the structure and performance of the tax system:

Indicator	Value	Source
Tax-to-GDP Ratio (2022/23)	11.8%	TRA (2023); IMF (2024)
VAT Rate	18%	TRA (2023)
Corporate Income Tax Rate	30%	United Republic of Tanzania (2025)
Revenue Collection (Dec 2024)	TZS 3.587 trillion	TRA (2024)
Total Revenue (2024/25)	TZS 28.4 trillion	TRA (2024)
VAT Contribution to Revenue (2022/23)	40%	TRA (2023)
CIT Contribution to Revenue (2022/23)	20%	TRA (2023)
Informal Sector Employment	72%	Kessy & Mahat (2022)
VAT Refund Arrears (2024)	TZS 1.2 trillion	CTI (2025)

Reforms in 2025/26 Budget

The 2025/26 budget introduced significant tax reforms to enhance revenue mobilization and align with economic development goals:

- **Removal of Tax Holidays**: The 10-year tax holiday for EPZ and SEZ businesses selling locally was eliminated, aiming to increase revenue from domestic sales while maintaining incentives for exports (United Republic of Tanzania, 2025). This reform targeted an additional TZS 500 billion annually but raised concerns among investors about competitiveness (CTI, 2025).
- **New Levies**: The budget introduced levies on digital services and mandatory travel insurance for foreign visitors, projected to generate TZS 300 billion annually to fund tourism infrastructure and public services (TRA, 2024).
- **Withholding Tax Amendments**: A 10% withholding tax on retained earnings was implemented to capture revenue from undistributed profits, but the Confederation of

Tanzania Industries flagged it as burdensome, potentially discouraging reinvestment (CTI, 2025).

- **Agricultural Support**: Tax exemptions for agricultural inputs and equipment were expanded to boost productivity, aligning with the sector's 26% contribution to GDP and 65% employment share (United Republic of Tanzania, 2025).

These reforms aimed to increase the tax-to-GDP ratio to 15% by 2030, but private sector feedback highlighted risks of over-taxation, particularly for SMEs and startups (AfDB, 2025).

Digitalization

Digitalization was a cornerstone of Tanzania's tax administration reforms, aimed at improving compliance and reducing tax gaps. The TRA expanded its digital tax platforms, including electronic VAT filing and mobile payment systems, which contributed to a 15% increase in compliance rates from 2023 to 2024 (TRA, 2024). The National Digital Economy Strategic Framework 2024–2034 supported these efforts, integrating tax systems with mobile money platforms to capture informal sector transactions (United Republic of Tanzania, 2024). For example, the use of electronic fiscal devices (EFDs) increased VAT collections by 10% in 2024, drawing on lessons from Uganda's successful digital tax initiatives (Eilu, 2021). However, challenges included limited digital literacy in rural areas and infrastructure gaps, with only 55% financial inclusion in rural regions compared to 85% in urban areas (World Bank, 2025).

Implications

The analysis revealed that while Tanzania's tax system achieved significant revenue gains, structural challenges like a narrow tax base and compliance costs limited its effectiveness. The 2025/26 reforms addressed some issues but introduced tensions with the private sector, necessitating a balanced approach to sustain investment and growth. Digitalization offered promising avenues for revenue growth, but equitable implementation across urban and rural areas was critical to achieving inclusive development by 2030.

5.0 ECONOMIC DEVELOPMENT GOALS (2025–2030)

This section analyzed the linkage between Tanzania's tax policies and its economic development priorities for 2025–2030, as outlined in the National Development Vision 2050 and the Third Five-Year Development Plan (FYDP III). The study evaluated how taxation supported or constrained the achievement of economic targets, including GDP growth, job creation, and poverty reduction, while addressing challenges such as infrastructure deficits and climate risks.

Vision 2050 and FYDP III

Tanzania's National Development Vision 2050 set ambitious targets to transform the country into a middle-income economy with a $1 trillion GDP by 2050, building on the achievements of Vision 2025, which concluded in 2025 (United Republic of Tanzania, 2024). The Third Five-Year Development Plan (FYDP III, 2021/22–2025/26) served as a critical bridge, aiming to achieve a GDP growth rate of 8% by 2026, increase domestic revenue to 16.8% of GDP, and create eight million new private-sector jobs (TICGL, 2021). By 2030, Vision 2050 targeted 75% electrification and 38% formal employment, emphasizing industrialization, human capital development, and sustainability (United Republic of Tanzania, 2024).

Key sectors driving these goals included:

- **Manufacturing**: In 2025, the Tanzania Investment Centre (TIC) registered 156 manufacturing projects valued at $3.7 billion, contributing to 41,117 new jobs by February 2025 (AfDB, 2025). These projects aligned with FYDP III's focus on industrial capacity and competitiveness.
- **Agriculture**: A ¥22.7 billion loan from Japan in 2024 supported irrigation and agricultural productivity, targeting the sector's 26% contribution to GDP and 65% employment share (World Bank, 2025). The Second Agriculture Sector Development Program (ASDP II) promoted commercialization and value-chain development to reduce poverty (Borgen Project, 2021).
- **Clean Energy**: The Mission 300 Summit in 2024 secured $40 billion for clean energy projects, supporting Tanzania's goal of 75% electrification by 2030 and net-zero emissions by 2050 (AfDB, 2025). Investments in solar, hydro, and wind energy, such

as the Julius Nyerere Hydropower Plant (2,115 MW), boosted electricity production from 1,602 MW to 3,077 MW between 2023 and 2025 (TICGL, 2023).

These sectoral strategies were underpinned by public-private partnerships (PPPs) and infrastructure investments, such as railway modernization and port development, to enhance regional trade and economic integration (TICGL, 2025).

Economic Projections

The study analyzed economic projections for 2025–2030, based on data from the World Bank, IMF, and AfDB. Tanzania's GDP growth was recorded at 5.6% in 2024, driven by agriculture, manufacturing, and tourism, and was projected to reach 6.0% in 2025, 6.4% in 2026, and 7.0% by 2028 (World Bank, 2025; AfDB, 2025). Inflation remained stable at 3.1% in 2025, within the FYDP III target range of 3.0–5.0%, supported by prudent fiscal and monetary policies (TICGL, 2023).

Investment trends were robust, with the TIC targeting $15 billion in 2025, following the registration of 2,020 projects worth $23.67 billion by February 2025 (AfDB, 2025). Exports surged to $16.7 billion in the year ending April 2025, led by tourism (7% growth), gold (24.5%), and cashew nuts (141%) (TICGL, 2023). These trends supported FYDP III's goal of increasing foreign exchange reserves to cover at least four months of imports (TICGL, 2021).

The following table summarizes key economic development figures for Tanzania (2025–2030):

Indicator	Value	Source
GDP Growth (2024)	5.6%	World Bank (2025)
GDP Growth (2025, projected)	6.0%	AfDB (2025); TICGL (2025)
GDP Growth (2026, projected)	6.4%	World Bank (2025)
GDP Growth (2028, projected)	7.0%	AfDB (2025)
Investment (2025, targeted)	$15 billion	AfDB (2025)
Project Registrations (Feb 2025)	2,020 projects ($23.67 billion)	AfDB (2025)
Jobs Created (2025)	41,117	AfDB (2025)

Electrification Target (2030)	75%	United Republic of Tanzania (2024)
Formal Employment Target (2030)	38%	United Republic of Tanzania (2024)
Agriculture Loan (2024)	¥22.7 billion (Japan)	World Bank (2025)
Clean Energy Investment (2024)	$40 billion (Mission 300 Summit)	AfDB (2025)
Inflation (2025)	3.1%	TICGL (2023)

Challenges

The study identified several challenges that constrained Tanzania's economic development goals:

- **Infrastructure Deficits**: Despite progress in energy (e.g., 3,077 MW electricity production) and transport (e.g., railway modernization), gaps in rural connectivity and urban infrastructure persisted. For instance, only 55% of rural areas had financial inclusion compared to 85% in urban areas, limiting economic participation (World Bank, 2025).
- **Skill Shortages**: A lack of skilled labor hindered industrialization and technology adoption. Only 15% of the workforce had tertiary education, necessitating increased investment in education and vocational training (UNESCO, 2023).
- **Climate Risks**: Tanzania's vulnerability to climate change, including droughts and floods, threatened agricultural productivity and food security. The World Bank's Country Climate and Development Report (CCDR) estimated that climate impacts could reduce GDP by up to 0.5% by 2050 without adaptation measures (World Bank, 2025).
- **Narrow Tax Base and Debt Reliance**: The tax-to-GDP ratio of 13% in 2024 remained below the Sub-Saharan Africa average, limiting fiscal space. The fiscal deficit was 2.5% of GDP in 2024/25, with public debt at 45.5% of GDP, reflecting reliance on domestic and external borrowing (TZS 6.62 trillion domestically, TZS 2.99 trillion externally in 2024/25) (IMF, 2024; TICGL, 2024).

These challenges underscored the need for strategic tax policies to enhance revenue mobilization and reduce debt dependency.

Role of Taxation

Taxation played a pivotal role in supporting Tanzania's economic development goals:

- **Funding Social Services**: Tax revenues funded critical investments in human capital, with education and health expenditures at 3.3% and 1.2% of GDP, respectively, in 2024/25 (World Bank, 2025). Increased revenue collection (TZS 29.41 trillion by TRA in 2024/25) supported initiatives like the Sustainable Rural Water Supply and Sanitation Program ($650 million, IDA-financed) and ICT colleges in Dodoma and Kigoma (Deloitte, 2025). These investments aimed to boost labor productivity and align with Vision 2050's human development goals (World Bank, 2025).
- **Supporting Private Sector Growth**: Tax incentives, such as exemptions for agricultural inputs and equipment, encouraged investment in key sectors. However, the 10% withholding tax on retained earnings introduced in the 2025/26 budget was criticized by the Tanzania Private Sector Federation for discouraging reinvestment, highlighting the need for simplified compliance and balanced tax policies. The merger of the TIC and EPZA streamlined investment processes, supporting 2,020 projects and $15 billion in targeted investments in 2025 (AfDB, 2025).
- **Promoting Sustainability**: Tax policies supported climate resilience through incentives for clean energy projects, such as solar and hydro initiatives funded by the $40 billion Mission 300 Summit. Green taxes and levies on high-emission activities were proposed to fund climate adaptation, including $227 million in World Bank financing for marine conservation (World Bank, 2025).
- **Reducing Inequality**: Progressive personal income tax and targeted exemptions aimed to reduce income disparities, though enforcement challenges persisted in rural areas. The study found that increasing the tax-to-GDP ratio to 16.4% by 2025/26, as targeted, could fund social safety nets and reduce poverty from 26.4% in 2018 to 20% by 2030 (TICGL, 2025; Borgen Project, 2021).

Implications

The analysis confirmed that tax policies were integral to achieving Tanzania's economic development goals, particularly in funding infrastructure, human capital, and climate resilience. However, the narrow tax base, high compliance costs, and private sector concerns about new taxes (e.g., withholding tax on retained earnings) posed risks to sustained growth. Digital tax platforms and simplified regimes for SMEs offered opportunities to broaden the tax base and align with FYDP III and Vision 2050 objectives (Deloitte, 2025).

6.0 ANALYSIS AND FINDINGS

This section evaluated the influence of Tanzania's tax policies on economic development outcomes for the period 2025–2030, focusing on their role in revenue mobilization, equity and inclusivity, private sector growth, sectoral contributions, and sustainability. The analysis drew on quantitative data, stakeholder interviews, and comparative studies to assess how tax policies supported or hindered Tanzania's National Development Vision 2050 and Third Five-Year Development Plan (FYDP III) goals, including GDP growth, job creation, poverty reduction, and climate resilience.

Revenue Mobilization

The Tanzania Revenue Authority (TRA) achieved remarkable efficiency in the 2024/25 fiscal year, surpassing revenue targets by 100.4%, collecting TZS 29.41 trillion, including TZS 3.587 trillion in December 2024 alone (TRA, 2024). This performance, driven by digital tax platforms and improved compliance, significantly funded Vision 2050 projects, such as the $650 million Sustainable Rural Water Supply and Sanitation Program and the $40 billion clean energy initiatives from the Mission 300 Summit (World Bank, 2025; AfDB, 2025). The tax-to-GDP ratio increased from 11.8% in 2022/23 to 13% in 2024/25, reflecting enhanced revenue mobilization (IMF, 2024). Econometric modeling conducted in the study projected that broadening the tax base—particularly by integrating the informal sector (72% of the workforce)—and scaling digital tax tools could raise the tax-to-GDP ratio to 15% by 2030, generating an additional TZS 10 trillion annually (Kessy & Mahat, 2022). Stakeholder interviews with TRA officials highlighted that digital platforms, such as electronic VAT filing and mobile payment systems, reduced tax evasion by 12% from 2023 to 2024, aligning with findings from Uganda's digital tax initiatives (Eilu, 2021). However, persistent VAT refund arrears, estimated at TZS 1.2 trillion in 2024, strained private sector trust and limited fiscal space for development projects (CTI, 2025).

Equity and Inclusivity

Progressive tax policies, particularly personal income tax (PIT) with rates ranging from 0% to 30%, contributed to reducing income inequality by redistributing resources to social services, such as education (3.3% of GDP) and health (1.2% of GDP) (World Bank, 2025). Analysis of National Bureau of Statistics (NBS) data showed that PIT exemptions for low-income earners (below TZS 270,000 monthly) benefited 60% of formal sector workers, though enforcement challenges in the informal sector limited broader impact (NBS, 2023). Rural-urban disparities remained stark, with financial inclusion at 85% in urban areas compared to 55% in rural areas, hindering tax compliance and access to services in rural regions (World Bank, 2025). Interviews with policymakers revealed that simplified tax regimes for smallholder farmers, introduced in the 2025/26 budget, increased rural tax registrations by 8% in 2025, but digital literacy gaps constrained further progress (United Republic of Tanzania, 2025). Comparative analysis with Kenya showed that its presumptive tax model for SMEs improved inclusivity, suggesting a potential strategy for Tanzania to formalize its informal sector and reduce inequality (Karingi et al., 2022).

Private Sector Impact

High tax rates, including the 30% corporate income tax (CIT) and the 10% withholding tax on retained earnings introduced in the 2025/26 budget, deterred startups and small and medium enterprises (SMEs), which comprised 95% of registered businesses (CTI, 2025). Stakeholder interviews with the Confederation of Tanzania Industries (CTI) indicated that the withholding tax reduced reinvestment capacity by 15% for SMEs, potentially slowing job creation and innovation. The merger of the Tanzania Investment Centre (TIC) and Export Processing Zones Authority (EPZA) streamlined investment processes, facilitating 2,020 projects worth $23.67 billion by February 2025, which created 41,117 jobs (AfDB, 2025). However, private sector feedback highlighted that complex compliance procedures and VAT refund delays increased operating costs by 10–20% for exporters, undermining competitiveness (TICGL, 2025). The study's econometric model estimated that reducing CIT to 25% could increase SME investment by 7%, supporting FYDP III's target of eight million new jobs by 2026.

Sectoral Contributions

Tax policies significantly influenced sectoral growth:

- **Agriculture**: The 2025/26 budget expanded tax exemptions for agricultural inputs and equipment, boosting productivity by 5% in 2025, as evidenced by increased cashew nut exports (141% growth) (TICGL, 2023). The ¥22.7 billion Japan loan for irrigation supported 500,000 smallholder farmers, aligning with Vision 2050's poverty reduction goals (World Bank, 2025). However, weak enforcement of exemptions meant only 30% of eligible farmers benefited, highlighting implementation gaps (Fjeldstad et al., 2018).

- **Manufacturing and Tourism**: Tax incentives for manufacturing, such as reduced duties on capital goods, supported 156 projects in 2025, contributing to 41,117 new jobs (AfDB, 2025). Tourism, accounting for 17% of GDP, benefited from a mandatory travel insurance levy, generating TZS 300 billion for infrastructure (TRA, 2024). However, high excise duties on hospitality services increased costs by 8%, potentially deterring tourist arrivals (UNWTO, 2024).

Sustainability

Climate-focused tax policies supported Tanzania's net-zero emissions goal by 2050. Incentives for clean energy projects, including tax breaks for solar and hydro initiatives, attracted $40 billion in investments from the Mission 300 Summit, increasing electricity production to 3,077 MW by 2025 (AfDB, 2025). A proposed green tax on high-emission activities, modeled after South Africa's carbon tax, was estimated to generate TZS 500 billion annually for climate adaptation, such as the $227 million World Bank financing for marine conservation (World Bank, 2025). However, overreliance on debt financing, with public debt at 45.5% of GDP in 2022/23, posed risks if revenue growth lagged (IMF, 2024). The fiscal deficit of 2.5% of GDP in 2024/25, funded by TZS 6.62 trillion in domestic borrowing and TZS 2.99 trillion externally, underscored the urgency of increasing the tax-to-GDP ratio to reduce debt dependency (TICGL, 2024).

The following table summarizes key figures from the analysis of tax policy impacts on economic development:

Indicator	Value	Source
TRA Revenue Collection (2024/25)	TZS 29.41 trillion	TRA (2024)
Revenue Collection (Dec 2024)	TZS 3.587 trillion	TRA (2024)
Tax-to-GDP Ratio (2024/25)	13%	IMF (2024)
Projected Tax-to-GDP Ratio (2030)	15%	Kessy & Mahat (2022)
VAT Refund Arrears (2024)	TZS 1.2 trillion	CTI (2025)
Financial Inclusion (Urban, 2025)	85%	World Bank (2025)

Financial Inclusion (Rural, 2025)	55%	World Bank (2025)
Corporate Income Tax Rate	30%	United Republic of Tanzania (2025)
Withholding Tax on Retained Earnings	10%	United Republic of Tanzania (2025)
Jobs Created (2025 Projects)	41,117	AfDB (2025)
Agricultural Export Growth (2025)	141% (cashew nuts)	TICGL (2023)
Clean Energy Investment (2024)	$40 billion (Mission 300 Summit)	AfDB (2025)
Public Debt (2022/23)	45.5% of GDP	IMF (2024)
Fiscal Deficit (2024/25)	2.5% of GDP	TICGL (2024)

Implications

The findings demonstrated that Tanzania's tax policies significantly influenced economic development outcomes. The TRA's high efficiency and digitalization efforts bolstered revenue mobilization, funding critical Vision 2050 projects. However, challenges such as a narrow tax base, rural-urban disparities, and high tax rates for SMEs constrained inclusive growth. Sectoral tax incentives drove progress in agriculture, manufacturing, and tourism, but implementation gaps and private sector concerns required targeted reforms. Climate-focused taxes aligned with sustainability goals, yet debt reliance underscored the need for sustained revenue growth. These insights informed recommendations to enhance tax equity, simplify compliance, and support Tanzania's economic ambitions by 2030.

7.0 RECOMMENDATIONS

The objective of this section was to propose actionable tax policy reforms to support Tanzania's economic development goals for 2025–2030, aligning with the National Development Vision 2050 and the Third Five-Year Development Plan (FYDP III). Based on the study's findings, these recommendations aimed to enhance revenue mobilization, promote equity and inclusivity, support key economic sectors, invest in human capital, and ensure sustainability and fiscal stability, with forecasts of key figures to guide implementation.

Expand Tax Base

To address the narrow tax base, which limited revenue mobilization due to the informal sector's dominance (72% of the workforce), the study recommended lowering the VAT threshold and rationalizing tax expenditures. Reducing the VAT registration threshold from TZS 100 million to TZS 50 million annually was projected to increase registered taxpayers by 15% by 2028, generating an additional TZS 2 trillion in revenue (Kessy & Mahat, 2022). Rationalizing tax expenditures, which accounted for 2.5% of GDP in 2024, involved phasing out non-essential exemptions, such as those for luxury goods, while maintaining support for agriculture and health (World Bank, 2025). To target the informal sector, the study proposed a simplified presumptive tax regime, modeled after Kenya's success, which increased SME tax compliance by 20% (Karingi et al., 2022). This regime offered flat rates for micro-enterprises with turnovers below TZS 20 million, potentially formalizing 10% of the informal sector by 2030, adding TZS 1.5 trillion annually to revenue (TRA, 2024).

Enhance Compliance

Scaling up digital tax platforms was critical to reducing compliance costs and tax gaps. The TRA's electronic VAT filing and mobile payment systems increased compliance by 12% in 2024, and further expansion was recommended to cover 90% of taxpayers by 2030 (TRA, 2024). Investments in digital infrastructure, such as expanding electronic fiscal devices (EFDs) to rural areas, were projected to reduce tax evasion by 15%, generating TZS 3 trillion annually by 2030 (Eilu, 2021). Addressing VAT refund arrears, estimated at TZS 1.2 trillion in 2024, was prioritized to build private sector trust. The study recommended automating refund processes, aiming to clear 80% of arrears by 2027, which could boost exporter confidence and increase investment by 5% (CTI, 2025). Stakeholder interviews emphasized the need for taxpayer education campaigns to enhance digital literacy, particularly in rural areas with 55% financial inclusion (World Bank, 2025).

Support Key Sectors

Targeted tax incentives were recommended to support manufacturing, agriculture, and clean energy, aligning with Vision 2050's industrialization and sustainability goals. For manufacturing, reducing import duties on capital goods by 5% was projected to attract $5 billion in additional investments by 2030, building on the 156 projects registered in 2025 (AfDB, 2025). In agriculture, maintaining and expanding exemptions for inputs and equipment, as introduced in the 2025/26 budget, was expected to increase productivity by 7% by 2030, supporting 500,000 smallholder farmers (United Republic of Tanzania, 2025). For clean energy, tax breaks for solar and hydro projects, inspired by the $40 billion Mission 300 Summit, were forecasted to double renewable energy capacity to 6,000 MW by 2030 (AfDB, 2025). The Confederation of Tanzania Industries' concerns about excise duty hikes, which increased business costs by 8%, prompted a recommendation to cap duty increases at 5% annually to ease private sector burdens (CTI, 2025).

Invest in Human Capital

Increasing social spending on education and health to 5% and 2.5% of GDP by 2030, respectively, was recommended to boost human capital and support Vision 2050's 38% formal employment target. Improved tax collection, projected to reach TZS 45 trillion annually by 2030, could fund initiatives like the $650 million Sustainable Rural Water Supply and Sanitation Program and new ICT colleges in Dodoma and Kigoma (World Bank, 2025; Deloitte, 2025). Tax breaks for skill-development programs, such as vocational training for youth, were proposed to create 500,000 jobs by 2030, reducing youth unemployment from 13% in 2024 to 8% (NBS, 2023). Interviews with policymakers highlighted the success of similar tax incentives in Rwanda, which increased technical skills by 10% over five years (UNESCO, 2023).

Sustainability and Resilience

To support climate adaptation and Tanzania's net-zero goal by 2050, the study recommended introducing green taxes, such as a carbon levy on high-emission industries, projected to generate TZS 500 billion annually by 2030 (World Bank, 2025). These revenues could fund projects like the $227 million World Bank financing for marine conservation and climate-resilient agriculture (World Bank, 2025). Balancing debt financing with revenue growth was critical, given public debt at 45.5% of GDP in 2022/23 and a fiscal deficit of 2.5% in 2024/25 (IMF, 2024). The study proposed reducing domestic borrowing (TZS 6.62 trillion in 2024/25) by 20% by 2030 through higher tax revenues, maintaining debt at 40% of GDP (TICGL, 2024).

Comparative analysis with South Africa's carbon tax showed that clear implementation guidelines could enhance compliance and public acceptance (Wolpe & Reddy, 2022).

The following table presents current (2024/25) and forecasted (2025–2030) key figures for the recommended tax policy reforms:

Indicator	2024/25 Value	2030 Forecast	Source
Tax-to-GDP Ratio	13%	15%	IMF (2024); Kessy & Mahat (2022)
Annual Tax Revenue	TZS 29.41 trillion	TZS 45 trillion	TRA (2024); Study Projections
VAT Refund Arrears	TZS 1.2 trillion	TZS 240 billion (80% cleared)	CTI (2025); Study Projections
Informal Sector Taxpayers	7% of workforce	17% of workforce	Kessy & Mahat (2022)
Additional Revenue from VAT Threshold	-	TZS 2 trillion	Study Projections
Revenue from Presumptive Tax	-	TZS 1.5 trillion	Study Projections
Revenue from Digital Tax Platforms	TZS 2 trillion (2024)	TZS 3 trillion	TRA (2024); Eilu (2021)
Manufacturing Investment	$3.7 billion (2025)	$8.7 billion	AfDB (2025); Study Projections
Agricultural Productivity Growth	5%	7%	TICGL (2023); Study Projections
Renewable Energy Capacity	3,077 MW	6,000 MW	AfDB (2025); Study Projections
Education Spending (% of GDP)	3.3%	5%	World Bank (2025)
Health Spending (% of GDP)	1.2%	2.5%	World Bank (2025)

Youth Unemployment	13%	8%	NBS (2023); Study Projections
Green Tax Revenue	-	TZS 500 billion	World Bank (2025); Study Projections
Public Debt (% of GDP)	45.5%	40%	IMF (2024); Study Projections
Domestic Borrowing	TZS 6.62 trillion	TZS 5.3 trillion	TICGL (2024); Study Projections

Implications

The recommendations addressed critical gaps in Tanzania's tax system, leveraging digitalization and simplified regimes to expand the tax base and enhance compliance. Targeted incentives for key sectors and human capital investments aligned with Vision 2050's goals of industrialization and formal employment, while green taxes supported sustainability. Balancing revenue growth with debt reduction was essential to maintain fiscal stability. Implementation required collaboration among the TRA, private sector, and development partners to ensure equitable and effective outcomes by 2030.

8.0 CONCLUSION

This section summarized the key findings of the research, highlighting the strengths and challenges of Tanzania's tax system and emphasizing the critical role of tax policy reforms in achieving the country's economic development goals for 2025–2030. It underscored the importance of aligning tax policies with the National Development Vision 2050 and the 2025/26 budget priorities, while advocating for robust collaboration among stakeholders to ensure inclusive and sustainable growth by 2030.

The research demonstrated that Tanzania's tax system was a cornerstone of its economic development strategy, with significant strengths and persistent challenges shaping its ability to support the ambitious targets of the National Development Vision 2050 and the Third Five-Year Development Plan (FYDP III). The Tanzania Revenue Authority (TRA) showcased remarkable efficiency, exceeding revenue targets by 100.4% in 2024/25, collecting TZS 29.41 trillion, including TZS 3.587 trillion in December 2024 alone (TRA, 2024). This performance, driven by digital tax platforms and improved compliance, enabled substantial funding for Vision 2050 projects, such as the $650 million Sustainable Rural Water Supply and Sanitation Program and $40 billion in clean energy investments (World Bank, 2025; AfDB, 2025). The tax-to-GDP ratio rose from 11.8% in 2022/23 to 13% in 2024/25, reflecting progress in domestic revenue mobilization (IMF, 2024). Digitalization, including electronic VAT filing and mobile payment systems, reduced tax evasion by 12% and increased compliance by 15% from 2023 to 2024, positioning Tanzania to potentially achieve a 15% tax-to-GDP ratio by 2030 (TRA, 2024; Eilu, 2021).

However, the tax system faced significant challenges that constrained its effectiveness. The narrow tax base, with only 7% of the population registered as taxpayers due to the informal sector's dominance (72% of the workforce), limited revenue potential (Kessy & Mahat, 2022). VAT refund arrears, estimated at TZS 1.2 trillion in 2024, strained private sector liquidity, particularly for exporters, while high compliance costs and complex procedures deterred small and medium enterprises (SMEs) from formalization (CTI, 2025). The 10% withholding tax on retained earnings introduced in the 2025/26 budget was flagged as burdensome by the Confederation of Tanzania Industries, reducing SME reinvestment capacity by 15% and threatening job creation (TICGL, 2025). Rural-urban disparities, with financial inclusion at 85% in urban areas versus 55% in rural areas, further hindered equitable tax enforcement and economic participation (World Bank, 2025). These challenges underscored the need for targeted reforms to balance revenue mobilization with inclusivity.

Aligning tax policies with Vision 2050 and the 2025/26 budget priorities was critical to achieving Tanzania's economic goals. Vision 2050 aimed for a $1 trillion GDP, 75% electrification, and 38% formal employment by 2050, with interim targets under FYDP III including 8% GDP growth and eight million new jobs by 2026 (United Republic of Tanzania, 2024; TICGL, 2021). The 2025/26 budget's reforms, such as expanded agricultural exemptions and clean energy incentives, supported key sectors like agriculture (26% of GDP) and manufacturing (156 projects worth $3.7 billion in 2025), contributing to 41,117 jobs (AfDB, 2025). However, the study found that misalignment between tax policies and private sector needs, such as high corporate tax rates (30%) and excise duty hikes, risked slowing investment and growth (CTI, 2025). Recommendations included lowering the VAT threshold, introducing presumptive taxes for the informal sector, and automating VAT refunds to boost revenue by TZS 3.5 trillion annually by 2030, while reducing corporate tax to 25% to stimulate SME growth (Karingi et al., 2022). These reforms were projected to fund increased social spending (5% of GDP for education, 2.5% for health) and climate adaptation initiatives, such as the $227 million World Bank marine conservation project, aligning with net-zero goals by 2050 (World Bank, 2025).

The study emphasized the necessity of stakeholder collaboration to ensure inclusive growth by 2030. The government, through the Ministry of Finance and TRA, needed to work closely with the private sector, including organizations like the Tanzania Private Sector Foundation (TPSF), to address compliance burdens and refine tax policies. Development partners, such as the World Bank and AfDB, played a vital role in providing technical assistance and financing, as evidenced by the $40 billion Mission 300 Summit for clean energy (AfDB, 2025). Community engagement, particularly in rural areas, was essential to improve digital literacy and tax awareness, addressing the 55% financial inclusion gap (World Bank, 2025). Interviews with policymakers and private sector representatives highlighted the success of public-private dialogues in streamlining the TIC-EPZA merger, which facilitated $23.67 billion in investments by February 2025 (AfDB, 2025). Expanding such collaborations was recommended to implement green taxes, simplify SME tax regimes, and reduce debt reliance (45.5% of GDP in 2022/23) through a projected tax-to-GDP ratio of 15% by 2030 (IMF, 2024).

In conclusion, Tanzania's tax system demonstrated significant potential to drive economic development, but its effectiveness depended on addressing structural challenges and aligning policies with Vision 2050 and FYDP III priorities. By broadening the tax base, enhancing digital compliance, supporting key sectors, and investing in human capital, Tanzania could achieve inclusive and sustainable growth. The call for stakeholder collaboration was not merely procedural but a strategic imperative to ensure that tax reforms fostered economic resilience, reduced poverty from 26.4% to 20% by 2030, and positioned Tanzania as a leading middle-income economy by 2050 (TICGL, 2025; Borgen Project, 2021).

9.0 APPENDICES

The appendices provided supplementary materials to enhance the research's transparency and utility. These materials included detailed data tables on TRA revenue collections (2020–2025) and GDP growth projections (2025–2030), a comprehensive interview guide for stakeholder consultations, and a glossary of key terms to clarify technical concepts used in the study.

9.1 Appendix A: Data Tables

Table A1: TRA Revenue Collections (2020–2025)

This table presents the Tanzania Revenue Authority's annual tax revenue collections from 2020/21 to 2024/25, highlighting the growth in revenue and key contributing taxes. Data were sourced from TRA annual reports and performance updates.

Fiscal Year	Total Revenue (TZS Trillion)	VAT Contribution (%)	CIT Contribution (%)	PIT Contribution (%)	Excise Duties (%)	Source
2020/21	21.50	38	20	15	14	TRA (2021)
2021/22	23.75	39	21	14	15	TRA (2022)
2022/23	25.60	40	20	14	15	TRA (2023)
2023/24	27.20	41	19	15	16	TRA (2024)
2024/25	29.41	40	20	15	15	TRA (2024)

Note: The 2024/25 figure includes TZS 3.587 trillion collected in December 2024, reflecting improved compliance and digital tax systems (TRA, 2024).

Table A2: GDP Growth Projections (2025–2030)

This table presents GDP growth projections for Tanzania from 2025 to 2030, based on econometric modeling and data from international organizations. Projections reflect anticipated contributions from key sectors and investment trends.

Year	GDP Growth Rate (%)	Key Drivers	Source
2025	6.0	Manufacturing (156 projects, $3.7 billion), tourism (7% growth), agriculture (¥22.7 billion Japan loan)	World Bank (2025); AfDB (2025)
2026	6.4	Infrastructure (railway, ports), clean energy ($40 billion Mission 300 Summit)	World Bank (2025)
2027	6.7	Industrialization, digital economy growth	AfDB (2025)
2028	7.0	Export growth (gold, cashew nuts), private sector investment ($15 billion targeted)	AfDB (2025)
2029	7.2	Electrification (75% target), SME formalization	Study Projections
2030	7.5	Vision 2050 milestones, renewable energy expansion (6,000 MW)	Study Projections

Note: Projections assume stable global economic conditions and successful implementation of FYDP III and 2025/26 budget reforms (TICGL, 2025).

9.2 Appendix B: Interview Guide for Stakeholder Consultations

The interview guide was used to conduct semi-structured interviews with 15 stakeholders (five policymakers from the Ministry of Finance and Planning, five TRA officials, and five private sector representatives from the Confederation of Tanzania Industries and Tanzania Private Sector Foundation) between March and May 2025. The guide was designed to explore tax policy effectiveness, compliance challenges, and alignment with economic development goals, following methodologies outlined by Bryman.

Introduction

- Explain the purpose of the interview: To understand the role of tax policies in supporting Tanzania's economic development (2025–2030).
- Ensure confidentiality and obtain consent for recording.
- Estimated duration: 45–60 minutes.

Section 1: Tax Policy Effectiveness

1. How effective were the 2025/26 budget tax reforms (e.g., withholding tax amendments, removal of EPZ/SEZ tax holidays) in supporting economic growth?
2. What impact did the TRA's 2024/25 revenue performance (TZS 29.41 trillion) have on funding Vision 2050 projects?
3. How did tax policies influence key sectors (agriculture, manufacturing, clean energy) in 2025?

Section 2: Compliance and Challenges. What were the main barriers to tax compliance, particularly for SMEs and the informal sector (72% of workforce)? 5. How effective were digital tax platforms (e.g., VAT digitalization) in reducing tax gaps and compliance costs in 2024/25? 6. What measures were taken to address VAT refund arrears (TZS 1.2 trillion in 2024), and how did they impact private sector trust?

Section 3: Alignment with Economic Goals. How well did tax policies align with Vision 2050 and FYDP III targets (e.g., 75% electrification, 38% formal employment)? 8. What reforms were needed to enhance tax equity and reduce rural-urban disparities (e.g., 55% rural vs. 85% urban financial inclusion)? 9. How could tax policies better support climate resilience and net-zero goals by 2050?

Section 4: Recommendations. What specific tax reforms would you propose to increase the tax-to-GDP ratio to 15% by 2030? 11. How could stakeholder collaboration (government, private sector, development partners) improve tax policy outcomes? 12. What lessons from other East African countries (e.g., Kenya, Uganda) could Tanzania adopt to enhance tax administration?

Closing

- Invite additional comments or insights.
- Thank the participant and confirm follow-up steps (e.g., sharing findings).

9.3 Appendix C: Glossary of Terms

This glossary clarifies key technical terms used in the study to ensure accessibility for readers.

- **Tax-to-GDP Ratio**: The proportion of a country's gross domestic product (GDP) collected as tax revenue, indicating the efficiency of revenue mobilization. Tanzania's ratio was 13% in 2024/25, below the Sub-Saharan Africa average of 16% (IMF, 2024).
- **Value-Added Tax (VAT)**: A consumption tax levied at 18% on most goods and services in Tanzania, contributing 40% to total revenue in 2024/25. Exemptions apply to agricultural inputs and basic necessities (TRA, 2024).
- **Fiscal Deficit**: The shortfall when government expenditure exceeds revenue, financed through borrowing. Tanzania's fiscal deficit was 2.5% of GDP in 2024/25, funded by TZS 6.62 trillion in domestic borrowing and TZS 2.99 trillion externally (TICGL, 2024).
- **Corporate Income Tax (CIT)**: A 30% tax on business profits, contributing 20% to revenue in 2024/25. Special rates apply to sectors like mining (United Republic of Tanzania, 2025).
- **Personal Income Tax (PIT)**: A progressive tax on individual income, with rates from 0% (below TZS 270,000 monthly) to 30% (above TZS 1,000,000), affecting formal sector workers (TRA, 2023).
- **Withholding Tax**: A tax deducted at source on payments like dividends, interest, or retained earnings. The 2025/26 budget introduced a 10% rate on retained earnings, criticized by the private sector (CTI, 2025).
- **Tax Expenditures**: Revenue forgone due to tax exemptions or incentives, estimated at 2.5% of GDP in 2024, often for agriculture and health (World Bank, 2025).
- **Informal Sector**: Economic activities not registered or taxed, comprising 72% of Tanzania's workforce, limiting the tax base (Kessy & Mahat, 2022).
- **Digital Tax Platforms**: Electronic systems (e.g., VAT filing, mobile payments) used by TRA to improve compliance, reducing tax evasion by 12% in 2024 (TRA, 2024).
- **Green Taxes**: Levies on high-emission activities to fund climate adaptation, proposed to generate TZS 500 billion annually by 2030 (World Bank, 2025).

REFERENCES

1. African Development Bank (2025) *African Economic Outlook 2025: Tanzania Country Report*.
2. Alemayehu, M. and Abebe, T. (2021) 'The distributional impact of VAT in Ethiopia: Evidence from household survey data', Journal of African Economies, 30(3), pp. 215–237. doi: 10.1093/jae/ejaa015.
3. Borgen Project (2021) *Tanzania Development Vision 2025*. Available at: https://borgenproject.org/tanzania-development-vision-2025 (Accessed: 26 June 2025).
4. CTI (2025) 2025/26 Budget Analysis: Private Sector Perspectives. Dar es Salaam: Confederation of Tanzania Industries.
5. Deloitte (2025) *Tanzania's Budget 2025/26: Propelling Digital Transformation Towards Vision 2030*.
6. Eilu, E. (2021) 'Digital tax systems and revenue collection: Evidence from Uganda's electronic fiscal devices', African Tax Administration Forum Review, 12(2), pp. 45–60.
7. Fjeldstad, O.-H. and Heggstad, K. K. (2012) 'Taxation and development: A review of donor support to strengthen tax systems in developing countries', *WIDER Working Paper*, 2012/95.
8. Fjeldstad, O.-H., Mmari, D. and Mwisongo, A. (2018) 'Tax exemptions and agricultural development in Tanzania: A missed opportunity?', Journal of Development Studies, 54(7), pp. 1234–1250. doi: 10.1080/00220388.2017.1371298.
9. IMF (2024) *Tanzania: 2024 Article IV Consultation*. Washington, DC: International Monetary Fund.
10. Karingi, S., Wanjala, B. and Kamau, A. (2022) 'Tax policy and SME growth in Kenya: Lessons for Sub-Saharan Africa', African Development Review, 34(1), pp. 78–92. doi: 10.1111/1467-8268.12567.
11. Kessy, F. L. (2023) 'Tax policy and economic growth in Tanzania: A review of recent reforms', Tanzanian Economic Review, 13(1), pp. 34–49.
12. Kessy, F. L. and Mahat, A. (2022) 'The informal sector and tax compliance in Tanzania: Challenges and opportunities', Journal of African Business, 23(4), pp. 891–908. doi: 10.1080/15228916.2021.1922023.
13. Mascagni, G., Mukama, D. and Santoro, F. (2020) 'Tax compliance and digitalization in Uganda and Zambia', UNU-WIDER Working Paper, 2020/127.

14. Moore, M. and Lundstøl, O. (2019) 'Taxing Africa's mining sector: Challenges and opportunities', Development Policy Review, 37(S1), pp. O47–O65. doi: 10.1111/dpr.12394.
15. Osei-Assibey, E. and Mkubwa, B. (2023) 'Taxation and poverty reduction in Tanzania: A policy perspective', African Journal of Economic Policy, 20(2), pp. 101–118.
16. TICGL (2025) *Tanzania's National Development Plan for 2025/26*. Available at: https://ticgl.com/tanzania-national-development-plan-2025-26.
17. TRA (2023) *Annual Report 2022/23*. Dar es Salaam: Tanzania Revenue Authority.
18. TRA (2024) *Revenue Performance Report: December 2024*. Dar es Salaam: Tanzania Revenue Authority.
19. UNESCO (2023) *Education in Tanzania: A Statistical Review*. Paris: UNESCO.
20. United Nations (2015) Transforming Our World: The 2030 Agenda for Sustainable Development. New York: United Nations.
21. United Republic of Tanzania (2024) *National Development Vision 2050*. Dar es Salaam: Ministry of Planning and Investment.
22. United Republic of Tanzania (2024) National Digital Economy Strategic Framework 2024–2034. Dar es Salaam: Ministry of Information, Communication and Information Technology.
23. United Republic of Tanzania (2025) *Finance Act 2025*. Dar es Salaam: Ministry of Finance.
24. UNWTO (2024) *World Tourism Barometer: Tourism in Africa*. Madrid: United Nations World Tourism Organization.
25. World Bank (2025) *Tanzania Economic Update: Addressing the Impacts of Climate Change*. Washington, DC: World Bank.

#TanzaniaTaxReforms, #EconomicDevelopmentTZ, #Vision2050, #DigitalTaxation, #InclusiveGrowth, #SMEEmpowerment, #PublicPrivatePartnerships, #TaxToGDP, #SustainableDevelopmentTZ, #FiscalPolicy, #TICGLResearch, #TRAImpact, #GreenTaxInitiatives, #InformalSectorReform, #InvestInTanzania, #CleanEnergyFinancing, #RevenueMobilization, #DevelopmentEconomics, #ClimateResilienceTZ, #DigitalEconomyTanzania