

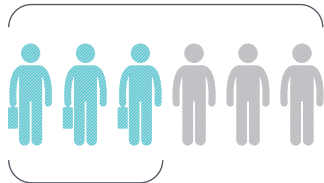
# Digital Payments Taxation Factsheet: TANZANIA



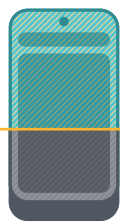
## 1 Why are digital payments important for Tanzania?

Digital financial services in Tanzania have increased the efficiency of service delivery and lowered the cost of financial transactions, thereby increasing the financial inclusion of the poor.

Total population: **59.7 million**



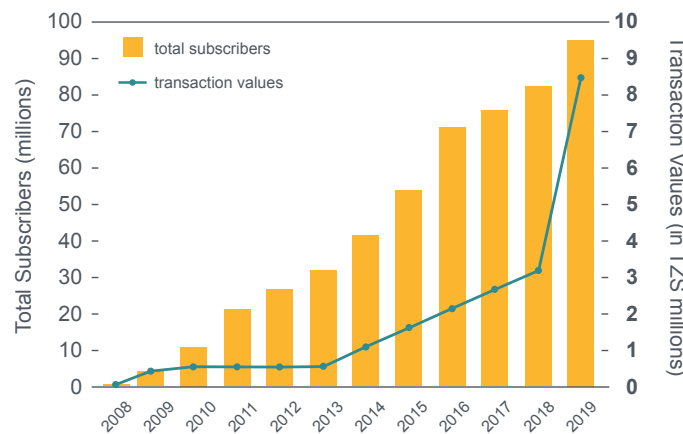
Working age (15-64) population: **28 million<sup>1</sup>**



**43%**

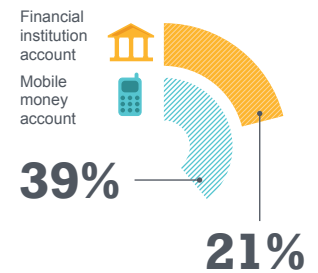
of adults are using digital payments

Growth in mobile money usage<sup>2</sup>

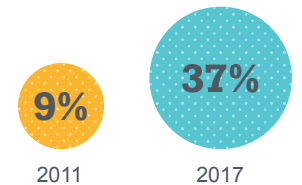


**In 2019, 23.9 million users conducted at least one mobile money transaction**

Financial service use by the total adult (15+) population<sup>3</sup>:



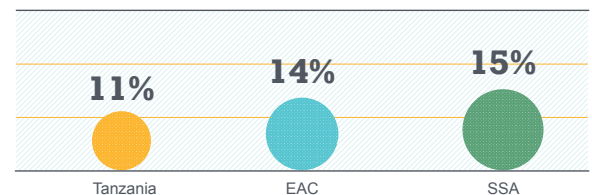
Access to financial accounts by the poor<sup>a</sup>:



## 2 How are digital payments taxed?

In 2015, the National Payment Systems Act was introduced. The legislation delegated the Bank of Tanzania as the overseer of mobile money activities and mandated non-discriminatory pricing for peer-to-peer (P2P) transactions.

Tax to GDP ratio 2018<sup>4</sup>



Rate

Tax



**10%**

Applied to all charges or fees payable to banks or non-banks financial institutions, including for money transfer (introduced in 2014)



**TZS  
7 – 7000**

Applied to electronic mobile money transfer and withdrawal transactions, varies depending on the amount withdrawn (amended in 2021)



**10%**

Applied to fees for money transfer and payment service payable to telecommunication service providers (introduced in 2014)



**10%**

Applied to commissions paid to money transfer agents, commercial bank agents, or digital payment agents



**18%**

Applied to charges or fees payable to banks, non-bank financial institutions, or telecommunication service providers<sup>b</sup>.

a. Poorest 40% of the population

b. Only the "supply of financial services supplied free of charge" are exempt from VAT

# 3

## What do these taxes contribute to government revenue?

Revenue from taxes can help fund social services, especially revenue for rural development and improvement of infrastructures in the education sector.

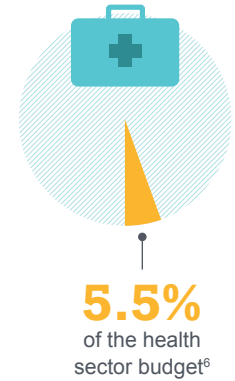
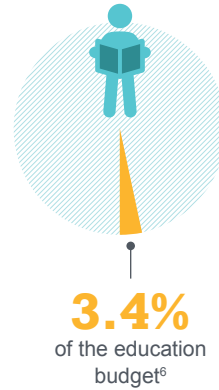
In 2019/2020 total revenue collected from all taxes was:

**TZS 17.6 trillion** (7.6 billion USD)<sup>5</sup>

Taxes on all money transfers contributed:

**TZS 99.8 billion** (0.57% of total revenue)

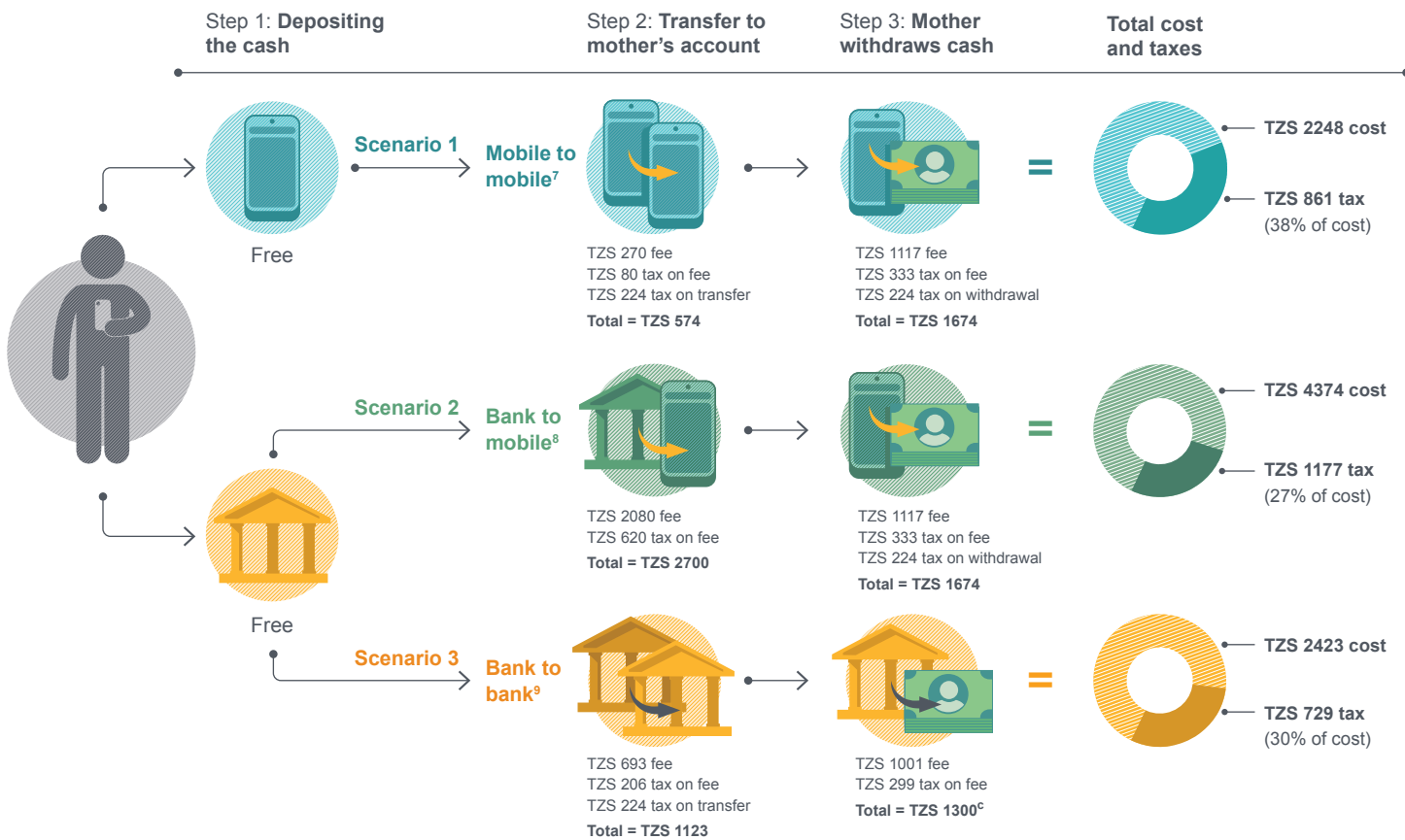
This is the equivalent of:



# 4

## What do these taxes mean in practice?

Emmanuel has just received his weekly wages and wants to send TZS 11,500 (5 USD) to his mother in the village for medical bills. He prefers to use digital payment methods because they are faster and more secure. But should he do a bank transfer or a mobile money transfer? He decides to compare the options:



c. The government levy is not applicable to ATM withdrawals

**Data sources:**

1. Population: World Bank World Development Indicators (2020)  
 2. Growth in mobile money usage: Bank of Tanzania Mobile Transaction Statistics (2019)  
 3. Financial services use in the total population: World Bank Global Financial Inclusion database (2017)  
 4. Tax to GDP ratio: ICTD/UNU-WIDER Government Revenue Database (2018)  
 5. All government revenue data: Tanzania Revenue Authority (2020)  
 6. Budget items: Tanzania Ministry of Finance and Planning's The Citizens' Budget (2019/2020)

7. Mobile to mobile tariffs: M-Pesa tariff from Vodacom (May 2021)  
 8. Bank to mobile: CRDB Bank tariffs for transfer to MNOs (May 2021)  
 9. Bank to bank: CRDB Bank tariffs for internet banking tariffs and ATM withdrawals (May 2021)