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.

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.

### 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.

### 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.

<table>
<thead>
<tr>
<th>Rate</th>
<th>Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>Applied to all charges or fees payable to banks or non-banks financial institutions, including for money transfer (introduced in 2014)</td>
</tr>
<tr>
<td>TZS 7 – 7000</td>
<td>Applied to electronic mobile money transfer and withdrawal transactions, varies depending on the amount withdrawn (amended in 2021)</td>
</tr>
<tr>
<td>10%</td>
<td>Applied to fees for money transfer and payment service payable to telecommunication service providers (introduced in 2014)</td>
</tr>
<tr>
<td>10%</td>
<td>Applied to commissions paid to money transfer agents, commercial bank agents, or digital payment agents</td>
</tr>
<tr>
<td>18%</td>
<td>Applied to charges or fees payable to banks, non-bank financial institutions, or telecommunication service providers</td>
</tr>
</tbody>
</table>

### Digital Payments Taxation Factsheet: TANZANIA

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  - Applied to electronic mobile money transfer and withdrawal transactions, varies depending on the amount withdrawn (amended in 2021)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

### Access to financial accounts by the poor:

- **2011**: 9%
- **2017**: 37%

### Financial service use by the total adult (15+) population:

- Financial institution account: 43%
- Mobile money account: 21%

### Total population: 59.7 million

- Working age (15-64) population: 28 million

### Growth in mobile money usage

- Total subscribers (millions)
- Transaction values (in TZS millions)

#### Tax to GDP ratio 2018

- Tanzania: 11%
- EAC: 14%
- SSA: 15%

---

*a. Poorest 40% of the population*

*b. Only the “supply of financial services supplied free of charge” are exempt from VAT*
## 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)

Taxes on all money transfers contributed:

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

### This is the equivalent of:

- 3.4% of the education budget
- 5.5% of the health sector budget

## 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:

<table>
<thead>
<tr>
<th>Step 1: Depositing the cash</th>
<th>Step 2: Transfer to mother’s account</th>
<th>Step 3: Mother withdraws cash</th>
<th>Total cost and taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Free</strong></td>
<td><strong>Scenario 1</strong></td>
<td></td>
<td><strong>TZS 2248 cost</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Mobile to mobile</strong></td>
<td><strong>TZS 270 fee</strong></td>
<td><strong>TZS 861 tax</strong></td>
</tr>
<tr>
<td></td>
<td><strong>TZS 80 tax on fee</strong></td>
<td><strong>TZS 333 tax on fee</strong></td>
<td><strong>TZS 36% of cost</strong></td>
</tr>
<tr>
<td></td>
<td><strong>TZS 224 tax on transfer</strong></td>
<td><strong>TZS 224 tax on withdrawal</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total = TZS 574</strong></td>
<td><strong>Total = TZS 1674</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Scenario 2</strong></td>
<td></td>
<td></td>
<td><strong>TZS 4374 cost</strong></td>
</tr>
<tr>
<td>Free</td>
<td><strong>Bank to mobile</strong></td>
<td><strong>TZS 1117 fee</strong></td>
<td><strong>TZS 1177 tax</strong></td>
</tr>
<tr>
<td></td>
<td><strong>TZS 2080 fee</strong></td>
<td><strong>TZS 333 tax on fee</strong></td>
<td><strong>TZS 27% of cost</strong></td>
</tr>
<tr>
<td></td>
<td><strong>TZS 620 tax on fee</strong></td>
<td><strong>TZS 224 tax on withdrawal</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total = TZS 2700</strong></td>
<td><strong>Total = TZS 1674</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Scenario 3</strong></td>
<td></td>
<td></td>
<td><strong>TZS 2423 cost</strong></td>
</tr>
<tr>
<td>Free</td>
<td><strong>Bank to bank</strong></td>
<td><strong>TZS 1001 fee</strong></td>
<td><strong>TZS 729 tax</strong></td>
</tr>
<tr>
<td></td>
<td><strong>TZS 693 fee</strong></td>
<td><strong>TZS 290 tax on fee</strong></td>
<td><strong>TZS 30% of cost</strong></td>
</tr>
<tr>
<td></td>
<td><strong>TZS 224 tax on transfer</strong></td>
<td><strong>TZS 224 tax on withdrawal</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total = TZS 1123</strong></td>
<td><strong>Total = TZS 1300</strong></td>
<td></td>
</tr>
</tbody>
</table>

### Data sources:
5. All government revenue data: Tanzania Revenue Authority (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)