



Tanzania Finance Act Insights 2026/27

Expanding Tanzania's digital tax net: Key changes for non-resident electronic service providers

The Minister of Finance presented the National Budget on 12 June 2026; this was followed by the tabling of the Finance Bill, 2026 before the parliament and subsequently, the enactment of the Finance Act, 2026, which came into effect on 1 July 2026. The Finance Act, 2026 has introduced various amendments to Tanzania's tax laws, including significant changes to the taxation of non-resident electronic service providers in Tanzania.

Among the key changes introduced by the Finance Act, 2026 are the adoption of a deemed supplier rule for digital intermediaries, the expansion of the scope of electronic services, an increase in the digital services tax (DST) rate and the extension of excise duty obligations to non-resident electronic services providers. These measures reinforce Tanzania's approach to taxing the digital economy and enhance the compliance obligations of non-resident electronic service providers.

1. Introduction

The digital economy has transformed how businesses operate, allowing companies to earn revenue from customers in jurisdictions where they have no physical presence. To keep pace with these developments, Tanzania has continued to strengthen its tax framework to ensure that revenue derived from Tanzanian users remains within the Tanzanian tax net.

The changes introduced by the Finance Act, 2026 build on existing measures aimed at taxing the digital economy. These amendments expand the scope of taxation for non-resident electronic service providers and digital platforms, while also introducing additional compliance obligations for businesses with customers in Tanzania.



Value Added Tax, Cap 148 [RE 2023], (“the VAT Act”)

Deemed supplier rule for digital intermediaries

The Finance Act, 2026 amends section 51 of the VAT Act to introduce a deemed supplier rule for digital intermediaries and online marketplaces. Under the amended provision, where an electronic service is supplied to an unregistered person in Mainland Tanzania through a digital platform, the operator of that platform will be deemed to be the supplier of the electronic service for VAT purposes.

This amendment shifts the VAT obligation from the underlying non-resident electronic service provider to the digital intermediary or marketplace operator. As a result, platform operators facilitating transactions with Tanzanian consumers will be required to register for VAT in Tanzania and account for VAT on supplies made through their platforms.

Definition of digital intermediary

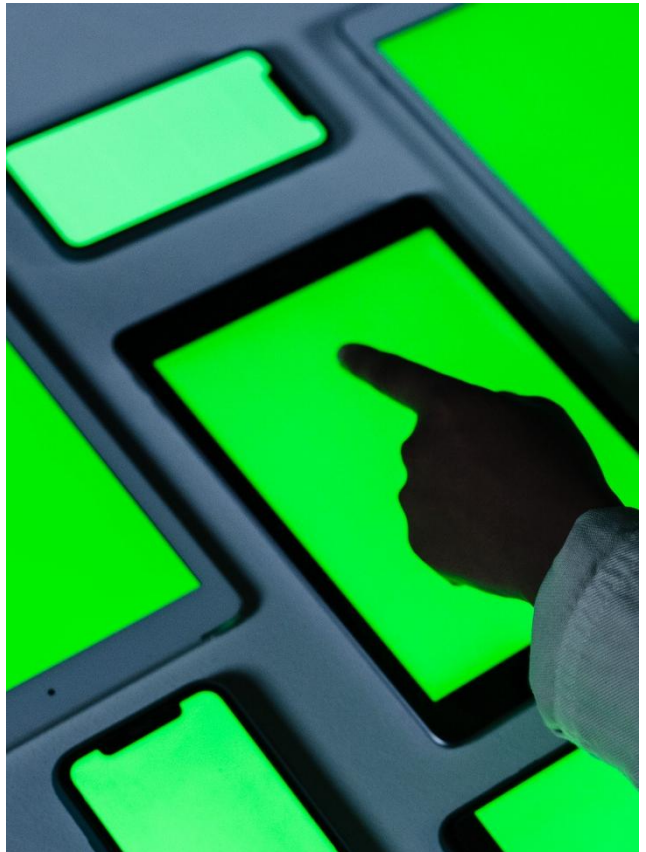
The Finance Act, 2026 amends section 51 of the VAT Act by introducing the definition of the digital intermediary. A digital intermediary services is defined as an electronic interface, including website, internet portal or application, online store or digital marketplace that facilitate interaction between users and service providers resulting in transactions concluded through the interface.

Expansion of scope of electronic services

The Finance Act, 2026 also expands the definition of electronic services under the VAT Act by including the wordings:

“*any other service of a similar nature delivered through the internet or a telecommunications network.*”

This amendment broadens the scope of electronic services by introducing a catch-all provision that can capture new and emerging digital business models. As a result, non-resident electronic services delivered through the internet or telecommunications networks may be subject to Tanzania's digital tax rules even if they are not specifically listed.

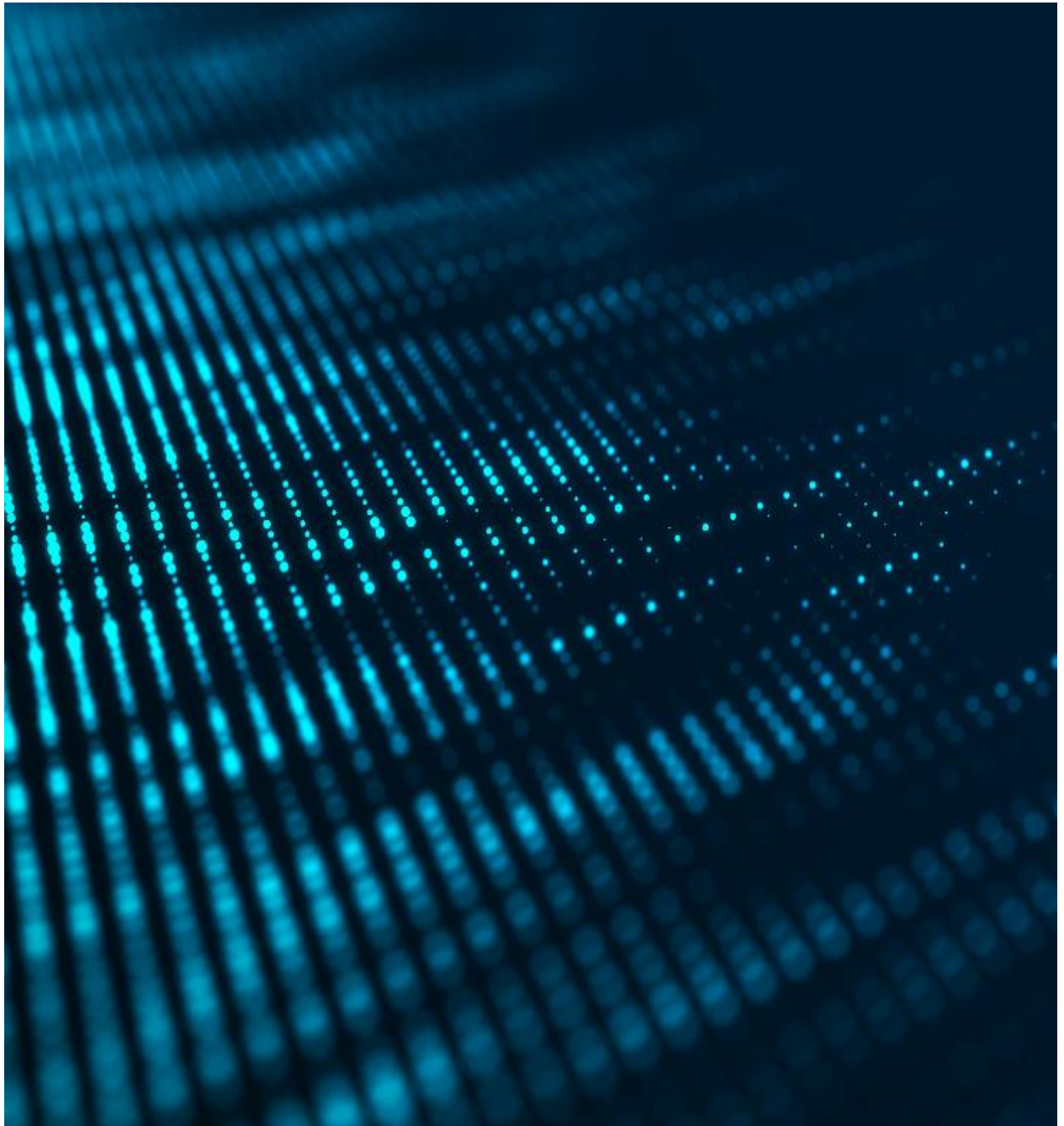


Income Tax Act, Cap 332 [R.E. 2023] (“the ITA”)

Increase in tax rate on electronic services

The Finance Act, 2026 amends section 116(1) of the ITA by increasing the digital services tax (DST) rate applicable to non-resident electronic service providers from 2% to 3% of gross payments (exclusive of VAT) derived from electronic services supplied to or attributable to Tanzanian individuals.

While the basis of taxation remains unchanged, non-resident electronic service providers will have a higher DST liability on income derived from electronic services supplied to, or attributable to Tanzanian individuals.



Excise (Management and Tariff) Act, Cap 147 [R.E. 2023]

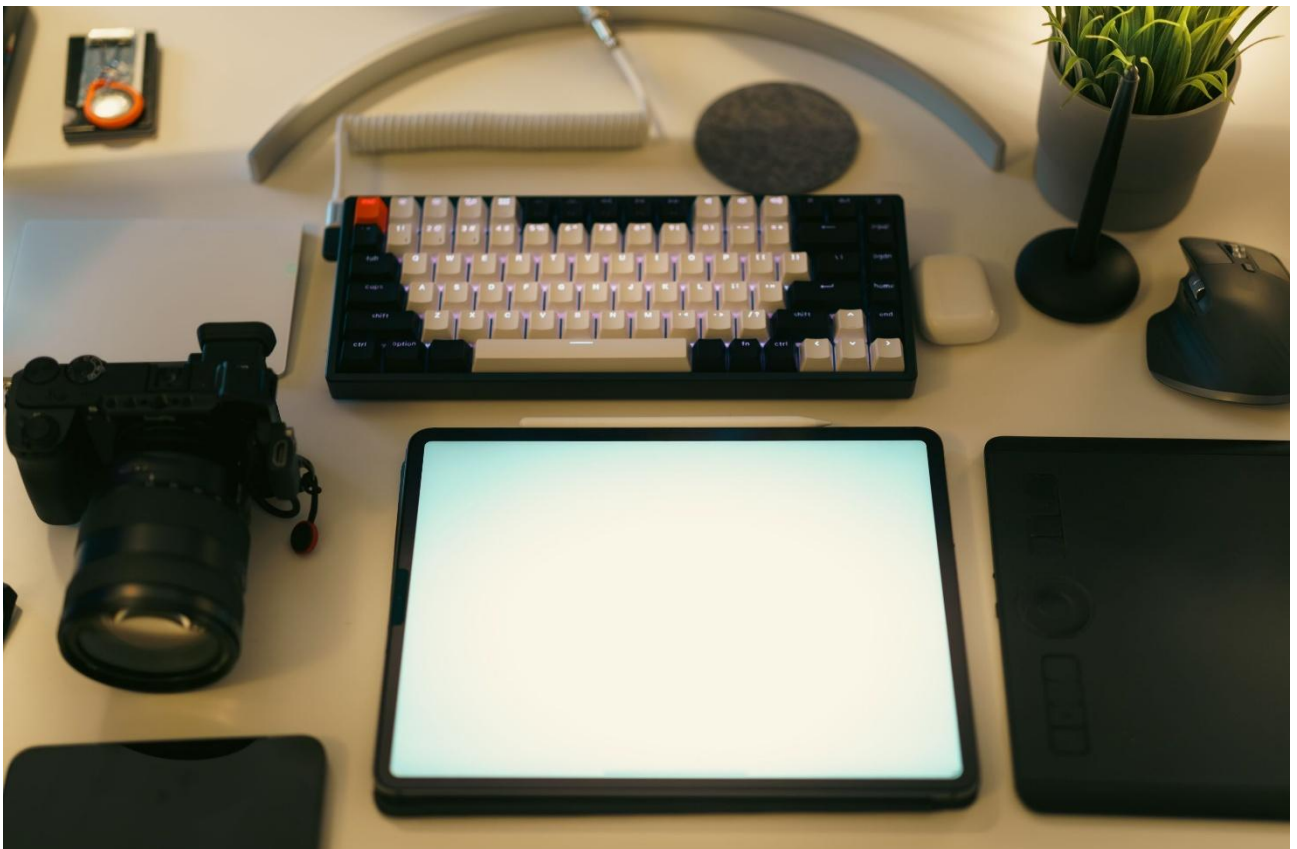
Introduction of excise duty on electronic services

The Finance Act, 2026 amends section 126 of the Excise Act by introducing excise duty at the rate of 17% on the dutiable value of electronic services supplied by non-resident electronic service providers. The excise duty applies where a non-resident person supplies electronic services to a resident individual who is not registered or not required to file tax returns.

For the purpose of excise duty on electronic services, the dutiable value is the total consideration charged to the consumer for the electronic service. This means that excise duty will be levied on the consideration received for electronic services supplied by non-resident providers.

The introduction of excise duty adds a further layer of taxation to digital services. Consequently, excise duty will be charged first on the value of the electronic service, with VAT subsequently applying on the value inclusive of excise duty.

As a result, non-resident electronic service providers will be required to register, file returns, and remit excise duty in Tanzania, further expanding their tax compliance purposes.



Excise (Management and Tariff) Act, Cap 147 [R.E. 2023]

Registration requirements

Non-resident electronic service providers are required to register with the Commissioner General in accordance with regulations and comply with the excise duty obligations similar to resident taxpayers.

Filing of returns and payment of the duty

Excise duty returns must be filed on or before the 25th day of the month following the month to which the duty relates. The same deadline applies on the duty payments.

Key takeaways

The Finance Act, 2026 introduces significant changes in Tanzania's digital taxation framework through the introduction of 17% excise duty on electronic services supplied by non-resident providers, the expansion of the definition of electronic services, the adoption of the deemed supplier rule, and the increase in the digital services tax (DST) rate from 2% to 3% of gross payments.

- The expanded definition of electronic services and the introduction of a catch-all provision broaden the scope of transactions that are subject to Tanzania's digital tax rules. As a result, a wider range of digital business models operating through internet, telecommunication network and online platforms, now fall within the ambit of VAT, DST, and the newly introduced excise duty.
- The new measures significantly increase the tax liabilities and compliance obligations for non-resident electronic service providers operating in the Tanzanian market. This is because, in addition to complying with VAT and DST requirements, affected providers are now also required to register, file returns, and remit excise duty in Tanzania.
- Businesses operating digital platforms or supplying electronic services to Tanzanian consumers should review their operating models, pricing structures and compliance processes to assess the impact of the new rules and ensure timely compliance with the increased tax obligations.

Contacts for this alert

Festo Barthalome

Tax & Legal Leader,
Deloitte East Africa
fbarthalome@deloitte.co.tz

Samwel Ndandala

Tax & Legal Partner
Deloitte East Africa
sndandala@deloitte.co.tz

Jacquiline Matiko

Tax & Legal Partner
Deloitte East Africa
jmatiko@deloitte.co.tz

Alexander Mapunda

Senior Manager, Tax
Deloitte East Africa
amapunda@deloitte.co.tz

Eric-Paul Mziray

Tax consultant , Tax
Deloitte East Africa
emziray@deloitte.co.tz

Monica Tesha

Senior Associate , Tax
Deloitte East Africa
mtesha@deloitte.co.tz

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