TANZANIA BUDGET SPEECH 2025/2026

TAKE-AWAYS FOR INVESTORS

Macroeconomic Performance

01 In 2024, real GDP grew by an average of 5.5% compared to the target of 5.4%

02 Headline inflation from July 2024 to May 2025 averaged at 3.1%, within the medium term target of between 3.0% and 5.0%.

03 The deficit in the balance of trade narrowed to USD 5,157.2 million in 2024 from USD 6,032.3 million recorded in 2023.

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Macroeconomic Targets & Debt Sustainability Profile

Target Area	2024/25 Estimate	2025/26 Target
Real GDP Growth Rate	5.50%	6.00%
Inflation Rate (Medium Term)	3.0% – 5.0% (avg)	3.0% – 5.0% (avg)
Domestic Revenue (% of GDP)	15.80%	16.70%
Tax Revenue (% of GDP)	12.80%	13.30%
Fiscal Deficit (incl. Grants, % GDP)	3.40%	3.00%
Foreign Exchange Reserves	⩾ 4 months of imports	⩾ 4 months of imports

Indicator	Value / Status	Threshold / Benchmark	Remarks
Total Public Debt Stock	TZS 107.70		As of April 2025
– External Debt	TZS 72.94 trillion		67.7% of total public debt
– Domestic Debt	TZS 34.76 trillion		32.3% of total public debt
PV of Public Debt to GDP	40.30%	55%	Within sustainable limits
PV of External Debt to GDP	23.60%	40%	Low risk of distress
PV of External Debt to Exports	123.80%	180%	Within acceptable range

KEY EFFECTS

Ref	Budget speech	Finance Bill	Effect on Government Revenue	Counter/sector	Effect
140 xviii	Reduced VAT rate to 16% on B2C online purchases, conditional on correct invoice issuance.	S 125, 5(6) sets the 16% rate for sales to an unregistered buyer who pays through a bank or e-payment channel, effective 1 September 2025.	-32,312.57 million	Banks and Telecom	Banks, mobile-money platforms firms gain a 2% price edge.
141 iii	Introduced 10% withholding tax on retained earnings after six months.	Definition of "capitalisation of profits" expanded to capture undistributed earnings held beyond six months; Objects & Reasons confirm 10% charge.	+130,624 million	General	Higher tax expense, reduced distributable profits Pushes companies toward earlier dividend distribution or reinvestment. Near-term cash-flow drag for high-growth issuers, but may lift dividend yields
141 ix	Raised AMT from 0.5% to 1% for loss-making firms over 3 years.	First Schedule rate doubled to 1%	+222,583.8 million	General	Doubles floor tax for persistent loss-makers, incentivising operational turnaround or exit. Little effect on main-board companies, more weight on struggling SMEs.

KEY EFFECTS

Ref	Budget speech	Finance Bill	Effect on Government Revenue	Counter/sector	Effect
143 ii	Cut duty on undenatured ethyl alcohol to TSh 5,000 imported and TSh 4,000 local per litre.	Schedule revises HS 2207.10.00 to those exact rates.	-38.4 million	TBL	Reduces raw-spirit cost for local beverage and pharma producers. Margin tail-wind for TBL's spirits line.
147 x	Exempted cement clinker imports from 10% industrial development levy.	Schedule no longer lists HS 2523.10.00—effectively exempting clinker—and s.18A now captures EAC goods.	Not specified	TPCC, TCPLC	Cuts input cost for non-integrated cement makers (Tanga Cement), slightly erodes cost moat for vertically-integrated Twiga.
169 i	Raise excise duty per litre: beer + TSh 20, wine + TSh 30, spirits + TSh 50.	Revised rates in HS 22.03, 22.04, 22.05 and 22.08 reflect those increases.	Not specified	TBL	Producers likely pass higher duty through, protecting margins. Consumption elasticity is low-to-moderate, so revenue rise should materialise. Proceeds earmarked for HIV & Health Funds.
169 ii	Increased excise duty on electronic communication services from 17% to 17.5%.	Section 126(4) substitutes 17.5% for 17%	Not specified	VODA	Adds 0.5 ppt to telecom tax load. Operators can spread over broad subscriber base; EBITDA impact small but watch ARPU sensitivity.

COMMENTARY FROM OUR EXPERTS

HEMED MASUMAI
HEAD OF CAPITAL MARKETS
CRDB PLC

"By realigning tariffs, the government is creating a more enabling environment for local enterprises to scale and formalize.

This directly supports capital accumulation, enhances investable deal flow, and lays the groundwork for deeper participation in domestic capital markets"

KEY EFFECTS

Ref	Description	Finance Bill	Effect on Government Revenue	Sector	Effect
140 ii	Exempt VAT on re-insurance transactions between insurance companies and re-insurance companies to promote sector growth and disaster risk mitigation.	Amended Schedule to grant exemption on re-insurance premium in order to reduce the cost of re-insurance and ensure fairness between foreign and local insurance companies.	Neutral	Insurance, Financial Services	Cuts frictional cost of local risk transfer, bolsters capital for insurers and NIC. Insurers' solvency ratios improve, supporting any future listing ambitions.
140 x	Exempt VAT on natural gas sold to Compressed Natural Gas stations for motor vehicles to incentivize green investments and reduce oil dependency.	Schedule Part I, item 35 exempts piped gas destined for CNG conversion for motor-fuel use from 1 July 2025 to 30 June 2028.	Neutral/Negative	Energy, Transport	Improves project IRRs for planned CNG roll-outs, especially around Dar. Neutral to listed market today but supports future mid-stream listings.
140 xvii	Include non-resident online payment platforms using third-party infrastructure in the scope of financial intermediaries to broaden the tax base.	Section 51(2)(h) now expressly covers "payment services platform"	Positive	Financial Services	Levels tax treatment between foreign and domestic gateways. Compliance burden rises for offshore processors; domestic PSPs gain competitiveness.
141 vii	Increase withholding tax on insurance and re-insurance premiums paid to non-resident companies from 5% to 10%.	First Schedule change raises the rate from 5% to 10%	178,988.6 million TZS (increase)	Insurance, Financial Services	Makes foreign cover pricier, nudging business to local underwriters.
143 xiii	Introduce 30% excise duty on imported and locally manufactured parts and liquids for electronic cigarettes.	Schedule adds 30 % rate to HS 8543.90.00 and HS 2404.12.00	3,322.2 million TZS (increase)	Health, Manufacturing	Raises retail price, discouraging uptake. Revenue impact modest, limited listed exposure.

KEY EFFECTS

Ref	Description	Finance Bill	Effect on Government Revenue	Sector	Effect
143 xiv	Introduce carbon excise of 22,000 TZS per metric ton of carbon from coal and natural gas.	Section 126(17) introduces the flat TSh 22,000 rate.	374,159 million TZS (increase)	Energy, Environment	Adds measurable carbon cost. Cement and power producers face higher input bills; investors will watch for pass-through ability and ESG scorecards.
143 xviii	Introduce 10% excise on non-financial and non-telecom money transfer/payment system providers.	Section 126(12)(d) brings such operators into scope; subsection (6) hikes their duty rate from 5% to 10%.	220,055.7 million TZS (increase)	Digital Payments, Financial Services	Closes tax arbitrage with banks and telcos. Smaller fintechs may feel margin compression; sector consolidation likely.
145 i	Reduce service levy rate from up to 0.3% to a flat 0.25% of gross revenue.	Sections 6, 7 and Schedule updated to 0.25%	95,412 million TZS (decline)	Local Government, Business Environment	Lighter levy improves cash flow, especially for high-turnover, low-margin firms.
145 ii	Reduce hotel levy rate from 10% to 2%.	Sections 6, 7 cut the rate to 2%	9,779.3 million TZS (decline)	Tourism, Hospitality	Direct relief for hospitality players. Supports room-rate competitiveness and tourism rebound.
146	Amend Insurance Act to introduce mandatory travel insurance for non-EAC, non-SADC foreigners entering Tanzania.	New s.134A sets mandatory cover at TSh equivalent of USD 44, exempts EAC and SADC residents.	Positive (unspecified)	Insurance, Tourism	Creates a fresh premium stream, delivered via NIC and partner insurers. Slight cost uptick for visitors: positive for insurance sector income.

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IMANI MUHINGO
SENIOR MANAGER: SECURITIES BROKERAGE SEVICES
CRDB PLC

"The tax relief on natural gas for vehicles represents a strategic policy alignment aimed at reducing import dependence and improving energy cost efficiency.

The intended outcome is poised to strengthen investor sentiment, catalyse foreign capital inflows, and accelerate domestic capital circulation, supporting broader macroeconomic stability and investment growth"

Budget Financing for FY 2025/26

Category	Amount (TZS Trillion)	% of Total Budget	Breakdown / Notes
Total Budget	**56.49**	**100%**	Revised ceiling for 2025/26
→ Domestic Revenue	40.47	71.60%	Main source of financing
- Tax Revenue	32.31	57.20%	Collected by TRA
- Non-Tax Revenue	6.48	11.50%	Includes fees, charges, dividends
- LGAs' Own Sources	1.68	3.00%	Local Government Authorities
→ Grants	1.07	1.90%	From Development Partners
→ Loans (Total)	14.95	26.50%	Covers the financing gap
- Domestic Borrowing	6.27	11.10%	Through government securities
- External Borrowing	8.68	15.40%	Concessional and semi-concessional

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LWITIKO MBILINYI
MANAGER, TRADING AND OPERATIONS
CRDB PLC

The reduction of VAT to 16% on B2C online purchases, conditional upon proper invoice issuance.

“A commendable step towards promoting a cashless economy.

Banking sector and telecom as primary beneficiaries of this amendment remain stocks worth monitoring”

Government expenditure for 2025/26

Expenditure Category	Amount (TZS Trillion)	% of Total Budget	Remarks
Total Government Expenditure (2025/26)	**56.49**	**100%**	Revised expenditure ceiling
→ Statutory Payments & Pension Contributions (Central Govt)	9.17	16.20%	Includes salaries, pensions, mandatory obligations
→ Procurement of Goods and Services	5.58	9.90%	Operational government spending
→ Interest Payments on Public Debt	6.49	11.50%	Debt servicing (interest only)
→ Subsidies & Transfers to SOEs, Institutions, and LGAs	22.17	39.30%	Largest expenditure share
→ Principal Repayments (Domestic and External Loans)	7.72	13.70%	Redemption of maturing debt
Remaining / Other Expenditures	5.36	9.50%	Residual for development projects, contingencies,

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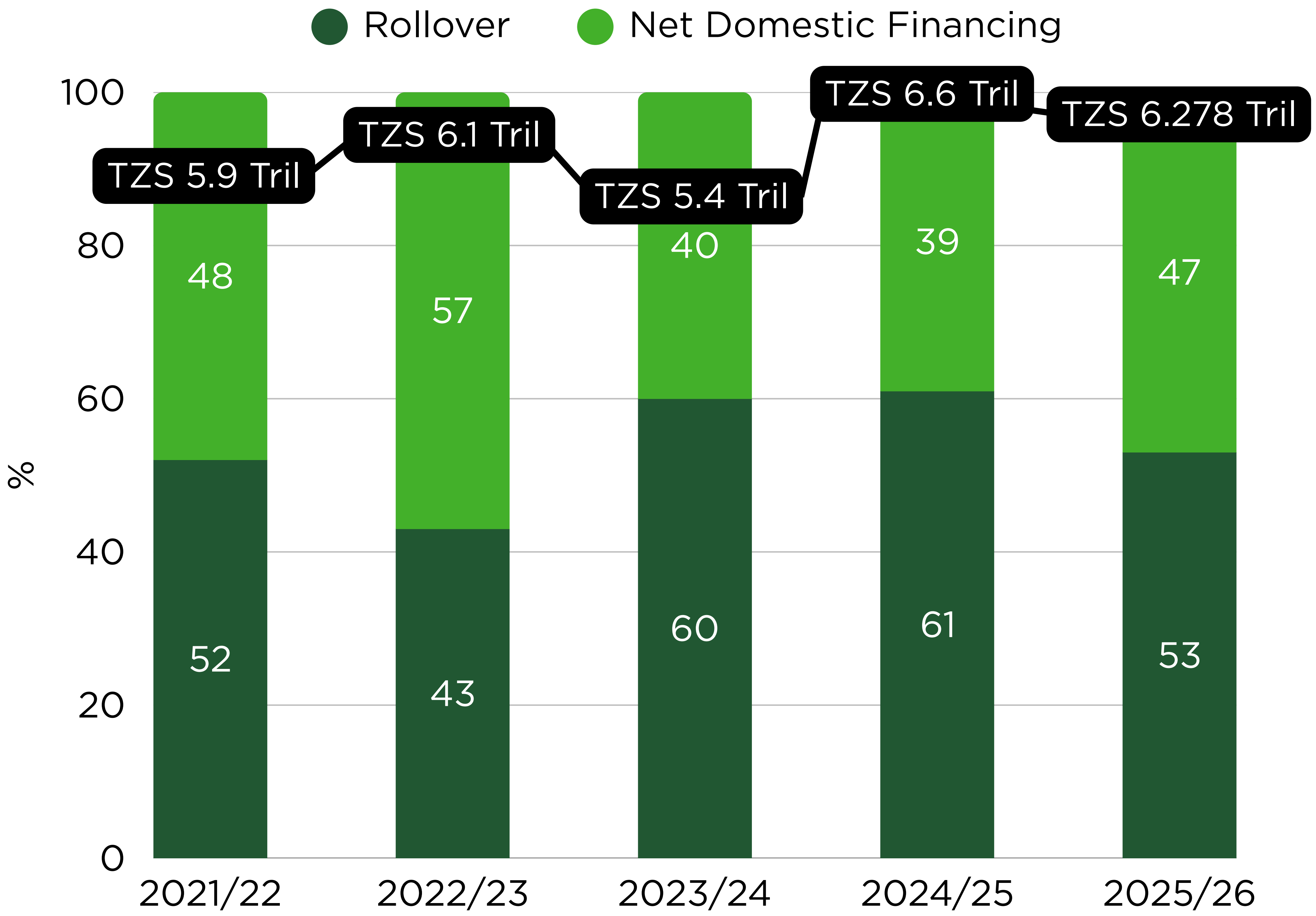
AMMI MWAMUNYI
MANAGER, CORPORATE FINANCE AND ADVISORY
CRDB PLC

The removal of the 10% levy on clinker imports introduces healthy competition into Tanzania's cement sector.

"Lower input costs for some will test pricing discipline across the board. The real question?

How much volume gets pushed, and who blinks first? This is a moment for smart players to rethink cost, scale, and strategy and for dealmakers to start watching the M&A radar"

Domestic Borrowing Trend



Domestic borrowing trend

- Domestic borrowing has grown at a 2.6% compound annual rate over the past four budgets.
- The net new borrowing has fluctuated between 2.1 trillion and 3.5 trillion shillings as the government balances between domestic and external funding sources.

What it means for yields

- The planned additional net issuance is 2.95 trillion shillings, a 13.5% increase from the previous year, which may not cause a drastic change in bond yields.

Risks to monitor

- Rate shock: A faster US tightening cycle could force higher local yields to keep foreign investors in the book.
- FX depreciation: Depreciation in the TZS will weigh on external debt service.

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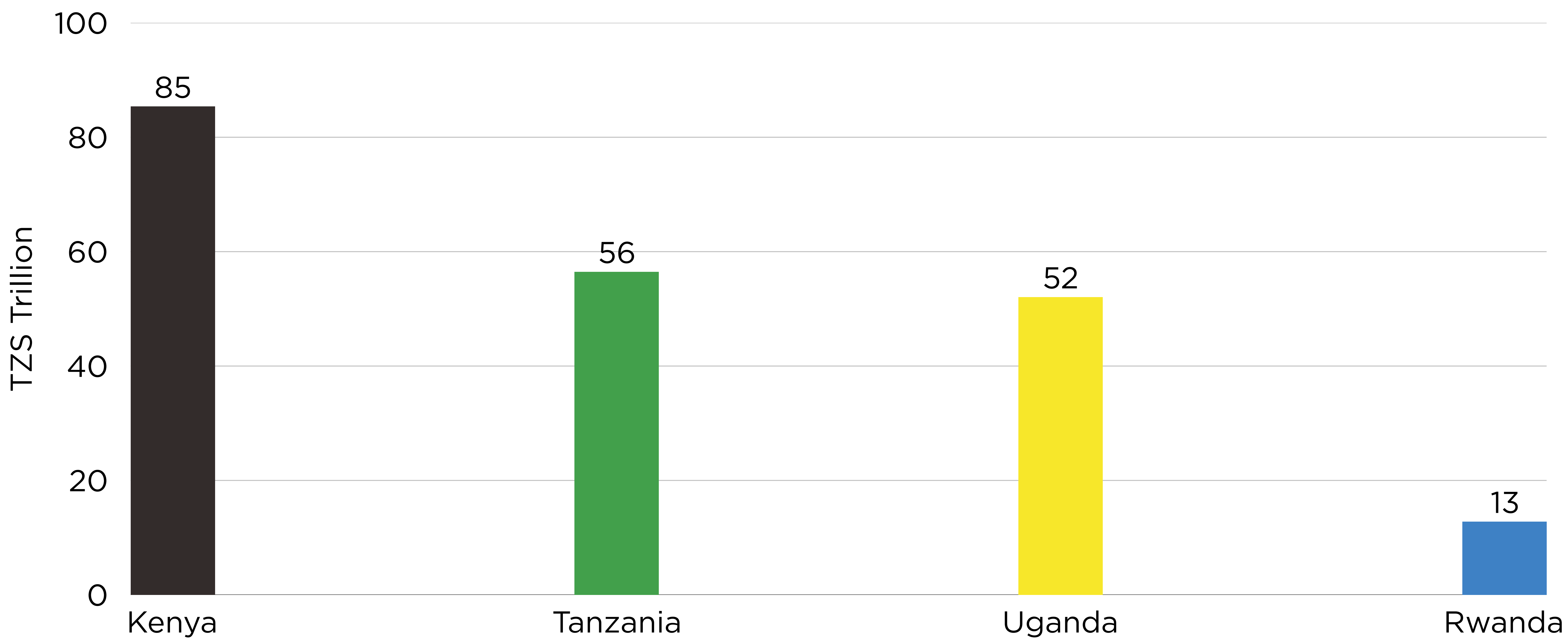
IBRAHIM ZACHARIA
MANAGER, MARKET RESEARCH AND FINANCIAL ANALYTICS
CRDB PLC

"Removing VAT on reinsurance unlocks capital for local insurers, giving them room to underwrite bigger infrastructure deals.

This exemption also levels the playing field, letting domestic carriers keep more premium onshore and price risk more competitively."

EAC NATIONAL BUDGETS 2025/26



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