

INVESTING IN TANZANIA

With a view to meeting modern business demands, Tanzania has recently undergone a spate of significant legal reforms designed to clarify and ease the process by which investment can be made into the country. The two most common approaches of investors are to either incorporate a local subsidiary or establish a branch in Tanzania. In addition, in the event the investment meets certain criteria, investment incentives will be available.

Incorporation of a Local Subsidiary

Investors may wish to incorporate a local subsidiary as a limited liability company, which usually ensures that (except to the extent of any unpaid up share capital) there is no flowback of liability from the locally incorporated company to its parent – a good means of limiting an investor's exposure to risk and liability in its investment in Tanzania. In order to establish a local company, certain documents must be prepared, none of which are unduly onerous. The proposed business name will also need to be cleared by the Registrar of Companies, though the recent computerisation of the system has dramatically increased the speed with which this can be accomplished. In addition, a business licence will need to be granted by the Ministry of Trade and Industry.

Establishment of a Branch

Alternatively, an investor may choose to simply register a branch of their company in Tanzania. This will require a Certificate of Compliance from the Registrar of Companies, which provides the branch with legal recognition and the ability to carry on business in Tanzania. In order for the Certificate of Compliance to be issued by the Registrar of Companies, certain certified documents and information will need to be provided (e.g. certified copy of the Certificate of Incorporation the investor's company, list of the directors, names of persons resident in Tanzania who will represent the company, etc.). Again a business licence will be required, and obtained in the same manner as set out above.

Investment Incentives

Any person or entity investing in any of the priority sectors in Tanzania and whose investment exceeds US \$300,000 can apply for a certificate of approval from the Tanzania Investment Center. On the granting of the certificate, the holder is entitled to an array of significant investment incentives, including: a 100% capital allowance for expenditure on capital inputs for the approved enterprise; 5 year tax holiday from the operating date; 5 year carry over of business losses against future profits; deferment of VAT until commencement of production; zero rated VAT on manufactured exports; reduced import tariffs at 5% on project capital items for use in priority areas; 0% rating for capital items for use in a lead sectors (i.e. agriculture, infrastructure, mining, and investment in export processing zones, etc); and import duty drawback on raw materials.

In addition to the tax incentives, other non-tax benefits enjoyed include: unrestricted right to repatriate profits and dividends attributable to the investment; right to make payments in respect of foreign loan servicing; right to transfer funds for payment of royalties, fees or other charges; right to remit proceeds in the event of sale or liquidation of the investment; right to remit payments of emoluments or other benefits

of foreign personnel; protection against nationalization or expropriation by the Government (if acquisition by the Government under due process of law, fair, adequate and prompt compensation will be given); and protection against being compelled by law to cede any interest in the investment.

Estimated time for Incorporation

Regardless of which route an investor decides to take, once the documentation is prepared, the process of registering the company or branch (as applicable) usually takes no more than a week to finalise with the Companies Registry.