policy forum

International Budget Partnership

TAXING TANZANIA'S WEALTHIEST: EARLY RESULTS AND NEXT STEPS

POLICY BRIEF

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What it is About?

Taxation of High Net Worth Individuals (HNWIs) is a fairly new area. Countries are still experimenting with various approaches, with the main reform action in African countries being the establishment and operation of a dedicated unit within the structure of the respective countries' tax administrations for the management of the tax affairs of the HNWIs (ICTD, 2024). Discussions in various circles highlight possible and further reforms in future around introducing special tax rate(s) or a special tax (with the ideas pointing to a net wealth tax) targeted at HNWIs. The major concerns motivating the reform actions and discussion agenda in African countries are centered on two major points. The first point is the need to enhance government revenue collections and increase the respective governments' capacity to fund provision of public serviced and financing of sustainable development. The second point is to tackle increasing inequality around the world, the ultimate goal being to have everybody pay their fair share of taxes. Tanzania (with a Gini coefficient of 0.413) is no exception to all of the above.

Why It Matters

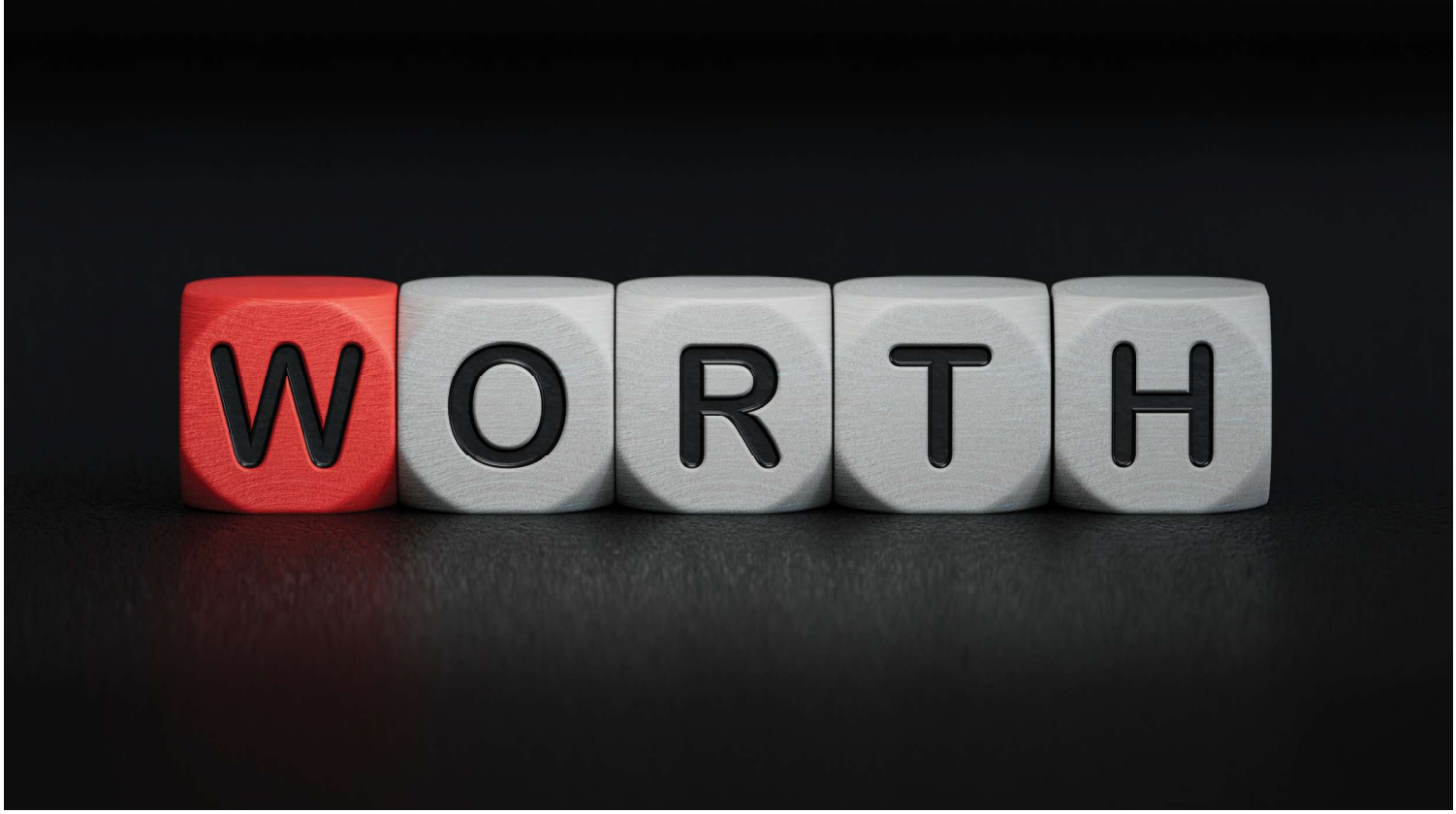
- According to the Africa Wealth Report (2022), Tanzania has around 2,400 individuals with investable wealth of USD 1 million and above. This population represents potential for individuals qualified as High Net Worth Individuals (HNWIs), a group of taxpayers which in turn offers prospects for increasing government revenue while presenting significant challenges to existing tax systems.

- The challenges of dealing with HNWIs are associated with the complexity of their affairs (which include cross-border arrangements and international mobility) and their access to sophisticated tax planning schemes.

- The challenges are reflected in Tanzania's dependency on indirect taxes (contributing 65%, on average, to the total tax revenues); and the dominance of corporate income tax and PAYE (contributing 35% and 34% respectively to total direct taxes), which reflects low contribution of individuals outside the PAYE system.

- In its first 12 months (October 2024 – September 2025), the new TRA High-Net-Worth Individuals (HNWI) Unit registered more than 100 HNWIs and collected TZS 14 billion (USD 5.4 million) — 75 % above target and roughly the same first-year revenue Uganda achieved a decade earlier.

- With sustained investment, the segment could significantly increase its contribution to government revenue and help make the tax system more progressive.



What Tanzania Has Done Right

- Established a dedicated HNWI Unit under the Large Taxpayers Department (Oct 2024) — fully aligned with best practice in Uganda, South Africa, Kenya, Rwanda, and Nigeria.

- Adopted a pragmatic, country-specific HNWI definition based on shareholding, turnover, listed securities, and senior public office.

- Used a service-oriented, high-visibility approach that produced rapid voluntary compliance gains.

Remaining Gaps

1. Information asymmetry: Banks and other institutions still resist sharing data; foreign assets largely invisible.

2. Narrow platform for international exchange of information and assistance in the collection of taxes (with only 9 tax treaties so far; and not yet party to the Multilateral Convention).

3. No lifestyle audits, no automatic third-party reporting, and no higher tax bands or wealth tax yet under consideration.

4. No concerted efforts (not even discussions) towards possible special tax rate(s) or special tax (such as a net wealth tax) targeted at HNWIs.

PRIORITY POLICY ACTIONS (2025–2028)

Timeline	Action	Expected Impact
Immediate (2025–2026)	1. Increase the size and budget of the HNWI Unit (target 25–30 specialist staff + data analytics team) 2. Sign MoUs for automatic bulk data from BRELA, Lands Registry, BOT, TCAA, Immigration, and banks 3. Ratify the Multilateral Convention on Mutual Administrative Assistance in Tax Matters	Faster identification, higher compliance, lower evasion risk
Short term (2026–2027)	4. Introduce mandatory automatic reporting by banks for accounts above TZS 2 billion 5. Launch pilot lifestyle audits (20–30 cases per year) 6. Widen HNWI definition to explicitly include private-company directors and politically exposed persons	Additional TZS 30–50 billiob/year within 3 years
Medium term (2027–2030)	7. Begin stakeholder consultation on: • New top PIT rate or • Modest annual net-wealth tax (say 0.5–1 %) above TZS 15–20 billion 8. Create a progressive rate systems for property tax.	Structural progressivity and increased revenue

Bottom Line

Tanzania has taken the correct first step by creating a dedicated HNWI Unit and has already seen impressive early revenue results. The next 24 months are critical: heavy investment in people, technology, and information exchange will determine whether the country captures tens or hundreds of billions of shillings that are currently missing — and whether the tax system is seen as fair by ordinary citizens.

The opportunity is real, the model is proven regionally, and the first-year results are encouraging. Now is the time to scale aggressively.