Disclosure and WHT Requirement of Contractors and sub - contractor information

In Tanzania’s evolving tax landscape, contractor and subcontractor arrangements face growing scrutiny, making accurate disclosure and withholding tax compliance critical in ensuring compliance.

Contractor Disclosure Requirement & The Risk of Non-Compliance

Section 54 of the Tax Administration Act R.E 2023 requires companies in the extractive and construction sectors to disclose to the Commissioner General of the Tanzania Revenue Authority (TRA), details of all contractors and subcontractors engaged during performance of their duties or business or carrying out any projects.

Submission Timeline

Disclosure of the contractor and sub-contractor information must be made within 30 days from the date of executing the contract.

Mandatory Details

The disclosure should include the name of the person/entity, their TIN, the nature of the work, the estimated value of the contract and the expected duration of carrying out the contracted work.

Non-compliance penalties

Failure to disclose or delay in disclosure attracts a penalty of the greater of:

- 25% of the quantum payable under the project,
- 4,000 currency points (approx. TZS 80 million).

The disclosure can be made in a similar tabular manner to your respective Tax Region

Name of Employer	Name of Contractor/Sub-Contractors	TIN (if any)	Nature of work	Estimated Value of contract	Expected duration of work
XYZ Limited	ABC Limited	123-456-789	Construction	TZS 10,000,000	1 week

Withholding Tax (WHT) Implications & Compliance

WHT Obligations on Contractors

Payments to contractors and subcontractors in the extractive and construction sectors are subject to Withholding Tax (WHT) on service, technical, and construction-related costs.

For construction and mixed supply contracts, Where a service and material split is not available, WHT is commonly applied only on the deemed 40% service portion of the invoice, while the remaining 60% relating to materials is not subject to WHT.

Compliance Timelines and Documentation

Withholding Tax (WHT) must be remitted within 7 days after the end of the month of deduction, and the withholder must issue a WHT certificate to the contractor.

Applicable WHT Rates

Resident contractors are taxed 5% WHT on professional service fees, and 10% WHT on technical and management services in the extractive industry relating to mining, oil or gas.

Non-resident contractors are taxed 15% WHT on management, technical, and professional service fees.

Practical Company Compliance Steps

- ✓ Maintain a contractor register aligned with disclosure requirements,
- ✓ Ensure WHT is deducted at source before payment (Accrual basis),
- ✓ File and remit WHT within statutory deadlines,
- ✓ Reconcile disclosed contractors with WHT returns.

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