

Foreign Exchange

Regulations, 2022



Review of the Foreign Exchange Regulations, 2022



In safeguarding and control of the forex transactions in Tanzania, the Bank of Tanzania (BOT) has published new regulations to regulate foreign exchange in Tanzania. The Regulations which were published in the Government Notice no. 294 in the Government Gazette of 13th day May 2022 which revokes the Foreign Exchange Regulations, 1998 and the Foreign Exchange (Listed Securities) Regulations, 2003.

Below are the Key takeaways from the new Foreign Exchange Regulations:

01

LIMITATION TO PROCURE FOREIGN CURRENCY FOR A PERSON TRAVELING OUTSIDE TANZANIA

Any person travelling outside Tanzania can only buy foreign currency at an amount which does not exceed \$10,000 upon submission of his valid residence and travelling documents. *Regulation 3(2)*

03

FOREIGN CURRENCY DECLARATION

A person who enters or leaves the United Republic while in possession of foreign currency exceeding ten thousand United States dollars or its equivalent shall declare to the customs authorities at the time of arrival or departure as provided for under the Anti-Money Laundering (Cross Border Declaration of Currency and Bearer Negotiable Instruments) Regulations, 2016. *Regulation 4*

05

PROHIBITION DEALING WITH GOLD

Except with the permission of the Governor, no person other than a person authorized in accordance with the Act shall buy, borrow, sell, lend, hold or otherwise deal in gold. *Regulation 5*

02

IMPORT AND EXPORT OF FOREIGN CURRENCY

The Regulations allow import or export of foreign currency of any amount to countries bordering Tanzania as long as it is for the purpose of facilitating border trade. *Regulation 3(3)(b)*

04

PROHIBITION OF RESIDENTS (INDIVIDUALS/ENTITIES) TO OPERATE ACCOUNTS OUTSIDE TANZANIA

A resident Individual or Entity save for bank or Financial institution shall not operate a bank account outside Tanzania unless it is

- a) For settlement of Security in the prescribed territory; (EAC and SADC) or
- b) Permitted by the Governor

Regulation 3(5)(a)-(b)

06

PROHIBITION OF BANKS AND FINANCIAL INSTITUTIONS TO TRADE WITH INTERNATIONAL FOREIGN CURRENCY BROKERS

No bank or financial institution shall trade with International Foreign Currency Brokers. *Regulation 3(9)*



07 LIMITATION TO TRADE FOREIGN CURRENCY TO EXPORTER

An exporter can only sale foreign currency to the bank it has an account with and no bank or financial institution shall buy foreign currency from an exporter whom it does not have an account with.

Regulations 3(7-8).

09 PROHIBITION TO OFFSET

Exporter to ensure when dealing with affiliated companies, there shall be no offsetting of financial claims between them.

Regulation 11

11 IMPORT TRANSACTIONS

An importer is required by these regulations to make payment of goods and services through a bank or financial statement however, if the value of imports does not exceed \$10,000, he may use other means of payment.

Goods imported should be consigned to Tanzania within 90 days failure of which the importer must notify his bank or financial institution. Failure to notify the bank is obliged to report the importer to the Governor and to cease provision of foreign currency until the matter is resolved

Regulation 14(1)(a) and (2)

08 TIMELINES FOR EXPORT PROCEEDS

I. Export Foreign currency proceeds of goods or services shall be received in account through bank or financial institution in which the exporter is banking with, within 90 days.

II. The exporter to furnish export documents to the bank or financial institution within 7 days after completion of customs procedures

Regulation 7(1-4)

10 UNDERPRICING

The Regulations prohibit exporters to underprice exported goods or services. *Regulation 8.*

12 PRESUMPTION OF EXPORT

A declaration is made to the Authorized Customs Officer (ACO) accordingly or when a bill of lading, airway bill, consignment note, packing list or any other relevant documents is delivered to the ACO accordingly; or if by post, then at the time the relevant documents are delivered to ACO. *Regulation 9(1-2)*

13 EXPATRIATION OF LOCAL CURRENCY

Unless there is an approval from the Governor, no notes or coins (as Legal tender in Tanzania) shall be expatriated from Tanzania.

Regulation 12(3)

14 RECEIPT OF FOREIGN CURRENCY BY BANKS OR FINANCIAL INSTITUTION

A bank or financial institution intending to receive foreign currency shall notify the Governor in a prescribed form and comply with other regulatory authority as well.

15 OUTWARD REMITTANCE

A person can only remit funds outside Tanzania either through a bank, Financial institution or a mobile money operator. *Regulation 16(1)*



Below table provides requirements towards various kinds of remittance outside Tanzania:

SN	Type of remittance	Supporting documents (Requirements)
I.	Dividends and profit repatriation	Financial statements/Dividends notice Tax clearance certificates
II.	Payment on consultancy; Management services and royalty	Duly executed Contractual agreement, Invoices/fees notes and Tax clearance certificates
III.	Remittance by Expatriates	Employment contract and Work Permit
IV.	Interest and security to non-residents	Contract note/statement of holding or any other relevant document
V.	Insurance and reinsurance	Non-objection letter from the commissioner of insurance
VI.	Retirement Benefit	Employment contract and Pension award letter from Respective pension fund
VII.	Payments on Technology Transfer governed by Investment Institution	Documents from Bank/Financial institution Documents from Investment authority for the registration of the agreement
VIII.	Education and medical expenses	Letter/invoice from Educational facility or Medical facility
XI.	Living allowances	Identity card, relevant pages of the passport of the beneficiary in form of letter, email or Fax

Regulations 16(2-3)- 18

INVESTMENTS BY RESIDENTS AND NON-RESIDENTS

A resident may purchase, issue, sale, transfer security, coupon of participatory rights in a collective investment scheme to a resident of EAC or SADC

A resident can transfer or purchase security or coupon from a non-resident outside EAC and SADC if the said funds are acquired externally

A resident can transfer or purchase security or coupon from a non-resident outside EAC and SADC if the said funds are acquired externally

Non-resident may remit funds to purchase traded security of a listed company upon public notice by the issuer

Inward direct investment by non-resident shall be remitted through a bank or financial institution

Funds remitted for foreign direct investment in form of equity shall not be converted to loan;

A non-resident shall not purchase, sell or transfer government securities unless he is from EAC, SADC or Tanzania citizen in Diaspora;

Balance of held in the security settlement account may repatriated outside Tanzania

Regulations 19(1-8)

17

EXCEPTION TO MOBILE MONEY OPERATORS AND AUTHORISED FINANCIAL SERVICES PROVIDERS ON OUTWARD REMITTANCE

Mobile Money Operators or authorised financial service providers are allowed to make remittance outside Tanzania within the East African Community (EAC) and Southern Africa Development Community (SADC) without supporting documents, as long as such remittance does not exceed limit amount per transaction per day as prescribed by relevant authorities and reasons for such remittance thereto. *Regulation 16(3)*



18

PROCEEDS OF ASSURANCE POLICY OUTSIDE TANZANIA

The regulations allow any person to transfer to or from Tanzania a right to the sum assured by any policy outside Tanzania as long as servicing of such policy is realized from externally acquired funds. *Regulation 32*

19

EXCEPTION

Upon approval by BOT and compliance with regulation 28(1)(b-c) a resident may engage in direct Investment and acquisition of real estate or other real assets outside EAC and SADC. *Regulations 28(2)*

16 RESIDENTS' INVESTMENT AND ACQUISITION OF REAL ESTATE AND OTHER REAL ASSET

A resident may engage in direct investment or acquisition of real estate and other real assets outside Tanzania on the following conditions:

- The investment is within EAC or SADC;
- Remittance is done through Tanzania banks or financial institutions
- Other supporting documents under *Regulations 28(1-2)*



FOREIGN LOANS

1

A resident borrower to submit an attested copy of the loan agreement to the bank or financial institution within 14 days after signing the same;

2

Interest rate and charges on the foreign loan shall reflect the current prevailing market rate

3

Foreign loans payable in a tenure exceeding 365 days must be registered with the Bank of Tanzania. This means it is not a requirement to register foreign loan with less prescribed tenure. *Regulation 25(2)*

4

A bank or financial statement shall not facilitate foreign debt service before the foreign loan is assigned Debt Registration Number (DRN).

5

BOT shall not register foreign loan agreement with unfavourable and prohibited terms and conditions.

6

It is prohibited for foreign loan agreement to include a clause that a borrower shall open a foreign currency account outside Tanzania.



PROHIBITED TRANSACTIONS

Credit facility in favour of any non-resident;

· Outward portfolio investment, acquisition of real estate and outward direct investment outside EAC and SADC. *Regulation 37*

PENALTIES OF TZS 1 MILLION PER DAY FOR FAILURE TO REGISTER

If a bank fails to submit registration documents to BOT with 14 days after receiving the proceeds of foreign credit.

Where the borrower does not submit to the bank or financial institution all relevant documents for foreign loan registration within 14 days;

Where the loan proceeds are paid by way of supply of machinery, equipment or any other goods or service without involving a bank or financial institution in Tanzania;

Regulation 25(8)(a-b)



POWERS OF THE GOVERNOR/BOT

- Imposition of temporary restrictions when there is unfavourable financial situation;
- Monitoring and enforcement of compliance by banks, financial institution & individuals;
- Exemption of any obligation or prohibition on the provision of these regulations;
- Order a person to furnish evidence or information as deem fit securing compliance or prevention of evasion of the regulations;

Regulations 34 and 38



PENALTIES OF 10% OF THE EXTERNALIZED FUND TO BANKS AND FINANCIAL INSTITUTIONS

A bank or financial statement shall be penalized by 10% of the amount externalized if it services foreign debt before DRN is obtained. *Regulation (25)(12)*

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