

TANZANIA LEGAL INSIGHT

Impact of 2025 Foreign Currency Usage Regulations in Tanzania

After nearly a year of anticipation, the Bank of Tanzania (**BoT**) has officially released the Bank of Tanzania (Use of Foreign Currencies) Regulations, 2025 on 28 March 2025 (the **Regulations**). These long-awaited regulations reaffirm the Tanzanian Shilling (**TZS**) as the primary currency for all transactions within Tanzania, while also setting out specific exceptions where foreign currencies may still be used.

This alert summarises the Regulations and highlights the key requirements for immediate compliance. Notably, the Regulations are currently available only in Swahili. Our analysis is based on the broad wording of the text, and we recommend verifying these interpretations against the official English version once published.

A. Permitted Foreign Currency Transactions

Under the Regulations, foreign currency transactions are permitted only in the following cases:

- (a) **Government of Tanzania Membership Contributions to Regional Bodies** – While the Regulations do not specify examples, these likely include regional organisations formed under integration frameworks, such as SADC, AU, and EAC.
- (b) **Transactions Involving Embassies and International Organisations**, including:
 - foreign embassies, consulates, and diplomatic missions operating in Tanzania; and
 - payments to recognised international organisations or international corporation operating in Tanzania.

The Swahili text of the Regulations leaves some ambiguity regarding whether the exemption applies to payments made to both international organisations and international corporations. Until the English version is available, a reasonable interpretation suggests:

- (i) **For international organisations:** Based on principles of international law, including the Vienna Convention on the Law of Treaties and the International Law Commission, these organisations are likely typically established by treaty or other instruments governed by international law, and which possess international legal personality to act independently under international law, including the ability to conclude agreements and enjoy immunities. Therefore, these would include organisations such as United Nations agencies (for example, WHO, UNICEF), the World Bank Group, and the International Monetary Fund.
- (ii) **For international corporations:** these may refer to companies that conduct business and maintain operations across multiple countries, rather than being focused solely on their home country. They are likely companies that engage in international trade, production, and investment, and are typically large organisations with significant resources and a global reach.
- (c) **Foreign currency loans and financial services** provided by licensed banks and financial institutions in Tanzania.
- (d) **Payments for goods and services at authorised duty-free shops** (for example, at airports, ports, or designated zones).

Additional exceptions may be granted only with approval from the Minister of Finance in consultation with the BoT.

Further, we are of the view that the Regulations arguably do not apply to import payments, because these transactions involve suppliers and goods located outside Tanzania and are therefore exempt.

B. Mandatory Use of TZS for Domestic Transactions

The Regulations define a “**Transaction**” as any activity involving quoting, advertising, publishing, setting prices, or making and receiving payments for goods or services in Tanzania. All transactions within Tanzania must be conducted in TZS unless specifically exempted.

Conducting transactions in currencies other than Tanzanian Shillings constitute an offence and the Regulations expressly prohibit:

- (a) forcing, participating in, assisting, or facilitating the setting of prices for goods or services within Tanzania using foreign currencies;
- (b) quoting, advertising, displaying, or publishing prices for goods or services within Tanzania using foreign currencies;
- (c) forcing or facilitating payments for goods or services within Tanzania in foreign currencies;
- (d) refusing to accept payment for goods or services within Tanzania in Tanzanian Shillings; and
- (e) accepting foreign currencies as payment for goods or services within Tanzania.

C. Impact of Existing Contracts

All existing contracts, including employment contracts, that specify foreign currency must be amended to reflect payments in TZS within one (1) year of the effective date of the Regulations (i.e., by end of March 2026). Failure to amend contracts within the deadline will render them void. While businesses may apply for an extension from the Minister of Finance, the extension cannot exceed the original contract’s duration.

D. Key Changes for Non-Resident Payments

The Regulations mark a departure from previous BoT notices, which allowed non-residents to make certain payments in foreign currencies, including tourism services (for example, accommodation, travel, and tours) and border and transit-related services (for example, airport fees, visas, cargo handling).

Now, all payments for goods and services within Tanzania—regardless of the payer’s residency—must be made in TZS. This shift aligns with the Minister of Finance’s 2024 budget directive, which various sectors have already begun implementing. For instance, in January 2025, the Ministry of Natural Resources and Tourism issued new regulations mandating that all tourism-related fees be denominated and paid in TZS, including those paid by non-residents.

E. Implications for Businesses

While the Regulations strengthen monetary sovereignty and economic stability, they also pose challenges, particularly for investors operating in Tanzania.

Key concerns include:

- (a) **Increased Costs** – Currency conversion fees and fluctuating exchange rates may raise operational costs for businesses that transact internationally.
- (b) **Reduced Flexibility in Cross-Border Trade** – Many global contracts are priced in USD or EUR. Requiring TZS for transactions may complicate financial planning and create inefficiencies in international trade.
- (c) **Contract Disruptions** – Businesses with foreign currency-denominated contracts must renegotiate terms—a process that could trigger disputes and deter investment.
- (d) **Increased Compliance Burden for Banks** – Banks and financial institutions must enhance due diligence and: review supporting documents for foreign currency transactions as well as verify compliance with the TZS pricing requirement, except where an exemption applies.

F. Immediate Actions for Businesses

To ensure compliance, businesses will need to prioritise various actions, including:

- (a) **Reviewing contracts** – Identify and amend foreign currency clauses to TZS before the deadline and seek legal advice to avoid disputes.
- (b) **Engaging with banks** – Clarify documentation requirements for exempt transactions and foreign currency financing.
- (c) **Updating billing systems** – Ensure invoices, advertisements, and POS systems display TZS-only pricing.
- (d) **Training staff** – Raise awareness about the mandatory TZS requirement to avoid penalties.
- (e) **Working with industry groups** – Explore potential exemptions for critical sectors and industries and monitor updates from the Ministry of Finance and BoT.

Managing Currency Risks

To mitigate exchange rate volatility, businesses will also need to consider implementing additional currency risk management strategies, such as:

- (a) Hedging strategies to manage fluctuations.
- (b) Operational safeguards, including local currency accounts.
- (c) Regular foreign exchange reviews to adjust pricing models.

Conclusion

We strongly urge businesses to consult legal and financial advisors immediately to mitigate compliance risks. Additionally, businesses should actively engage with industry groups and government authorities to seek clarifications on, among other things, pricing policies, exemptions, dual pricing (that is, whether displaying both TZS and foreign currency prices is permitted), and whether TZS payments can be dollar currency pegged.

We will continue to provide commentary on this matter when there are further developments.

CONTACTS

Should you require more information, please do not hesitate to contact:



Shemane Amin

Country Partner

shemane.amin@aln.africa.co.tz



Geoffrey Dimoso

Partner

geoffrey.dimoso@aln.africa.co.tz

Contributor

Samiath Mohamed – Senior Associate

The content of this alert is intended to be of general use only and should not be relied upon without seeking specific legal advice on any matter.