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## Beneficial Ownership Threshold now 5%

- Beneficial ownership percentage stipulated under the AML Act
- AML Act requires all reporting persons to conduct customer due diligence
- BRELA recognized as a regulator and reporting person
- Penalties for default in complying with BO disclosure accrues on daily basis
- Deadline to disclose due in 13 days

Following the requirement to disclose beneficial ownership (BO) information through the amendment of the Companies Act vide the Finance Act, No. 8 of 1 July 2020 and the subsequently-issued Regulations, there has been a dilemma regarding the threshold percentage of BO to be disclosed. At one point the Business Registrations and Licensing Agency (BRELA) issued a press release imposing an obligation to disclose a BO with shareholding and or voting rights of 25% and above whether held directly or indirectly. However, there have been questions regarding the legal basis relied upon by BRELA to prescribe the 25% of ownership/control for purposes of BO disclosure.

Unlike other Acts, the Anti-Money Laundering (Amendment) Act, 2022 (AML Act) provides for a fairly comprehensive definition of BO which includes ultimate ownership or control, voting rights or ownership interest and percentage of shareholding. According to the AML Act, the above are the key features used to determine BO.

Specifically, on the issue of percentage of shareholding for purposes of BO disclosure, the AML Act obliges legal entities to disclose their BO with shareholding percentage of 5% and above. With this express mention of percentage, the AML Act now clears the uncertainty as to the level of percentage that has to be disclosed. As a result of this clarity in the law, BRELA is now applying 5% of shareholding as a threshold for BO disclosure purposes as opposed to the initial 25%. Further and to reinforce this, the Finance Bill, 2022 proposes to amend the Companies Act in order to recognize the BO disclosure threshold as provided in the AML Act.

It is worth noting that, as a regulator and reporting person, section 15A of the AML Act requires BRELA to conduct customer due diligence which includes obtaining and verifying information on the ultimate BO of legal entities.

In so far as default in complying with BO disclosure requirements are concerned, the Finance Bill 2022 proposes to amend the Companies Act in order to repeal the default fine and substitute the same with a penalty of TZS 100,000 and an additional TZS 10,000 for every day during which the default continues.

Lastly, legal entities are required to disclose the BO information by 30 June 2022.

To read the AML Act, 2022 [click here](#).

To read the Finance Bill, 2022 [click here](#).

For further information on legal updates please contact:

E: [info@fbattorneys.co.tz](mailto:info@fbattorneys.co.tz)

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### FB Attorneys

8th Floor, Amani Place, Ohio Street  
P. O. Box 19813  
Dar es Salaam, Tanzania  
T: +255 22 2135994/5  
E: [info@fbattorneys.co.tz](mailto:info@fbattorneys.co.tz)  
W: [www.fbattorneys.co.tz](http://www.fbattorneys.co.tz)

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