

5 September 2023



## Foreign Exchange Regulations Amended

- Some restrictions on dealings in foreign currency eased
- Certain penalties and fines reviewed
- Non registration of foreign loan penalty now flat TZS 4M from TZS 1M per day

In exercise of his power under section 6 of the Foreign Exchange Act, the Governor of the Bank of Tanzania had issued new detailed foreign exchange Regulations vide the Foreign Exchange Regulations, 2022 (the Regulations) which came into force on 13 May 2022.

The said Regulations cater for issues relating to, among others, foreign exchange limits for travelers; restrictions for residents to maintain bank accounts outside Tanzania; forex transactions through banks; requirement of payments by non-residents to be done through banks; limitations on dealing between affiliates; guidance on how to remit dividends to shareholders; requirements for capital and financial account transactions; conditions for outward direct investment and purchase of real assets by residents; Governor's powers to grant exemptions; and fines and penalties for contravention of the law.

On 1 September 2023, the Governor issued the Foreign Exchange (Amendment) Regulations, 2023 (the Amendments) vide Government Notice No. 622. The said Amendments are dedicated to two areas only, namely easing some restrictions on dealings in foreign currency, and penalties and fines.

In so far as dealings in currency are concerned, the Amendments have removed the requirement for an exporter to make a sale of foreign currency through a bank or financial institution where the said exporter maintains an account relationship. Also, the Amendments now allow a bank to buy foreign currency from an exporter with whom it has no account relationship. This implies that dealings by exporters are not mandatorily required to be done through banks that they are maintaining relationship with, which was not the case before the Amendments.

Further, in regards to foreign borrowing, the Regulations cemented the requirement that is provided for under the Foreign Exchange Circular, No. 6000/DEN/EX.REG/58 of September 1998, to register foreign loans that exceed a tenure of 365 days and to be assigned a Debt Registration Number. Upon receipt of foreign loans/proceeds and if banks fail to submit the required documents for registration with the Bank of Tanzania within 14 days, the Regulations imposed a penalty against the bank or the borrower of TZS 1M for each day that the loan remains unregistered.

The Amendments now replace the above penalties by applying a general punishment for contravening the provisions of the Foreign Exchange Regulations as stipulated under the Act. The said penalties are a fine of not more than TZS 4M or imprisonment for a term not exceeding 14 years or to both.

To read the Foreign Exchange Regulations, 2022 [click here](#)

To read the Foreign Exchange Regulations (Amendment) Regulations, 2023 [click here](#)

To read our previous update on Foreign Exchange Regulations, 2022 [click here](#)

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