EFFECTIVENESS OF REVENUE COLLECTION IN LOCAL GOVERNMENT IN TANZANIA: A CASE OF TEMEKE MUNICIPAL COUNCIL
EFFECTIVENESS OF REVENUE COLLECTION IN LOCAL GOVERNMENT IN TANZANIA: THE CASE OF TEMEKE MUNICIPAL COUNCIL

By
Charles A. Olomi

A Dissertation Submitted in Partial fulfilment of the Requirements for the Degree of Masters of Science in Accounting and Finance (MSC-A&F) of Mzumbe University

2013
CERTIFICATION
We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University a dissertation entitled, Effectiveness of Revenue Collection in Local Government in Tanzania: The Case of Temeke Municipal Council, in partial fulfilment of the requirements for the Degree of Masters of Science in Accounting and Finance of Mzumbe University.

.................................................................
Major Supervisor

.................................................................
Internal Examiner

.................................................................
External Examiner

Accepted by the Board of.................................

.................................................................................................................................

CHAIRPERSON, FACULTY/DIRECTIRATE BOARD
DECLARATION
AND
COPYRIGHT

I, Charles. A. Olomi, hereby declare that this dissertation is my own original work and that it has not been presented to any other university for a similar or any other degree award.

Signature

Date

©
No part of this work may be reproduced by any means in full or in part, except for short extracts in fair dealings, for research or private study, critical scholarly review or discourse with an acknowledgment, without the written permission of Mzumbe University, on behalf of the author.
ACKNOWLEDGEMENT

A number of people and institutions provided me with abundant support, morally, materially, giving me encouragement, constructive ideas and criticisms during the period of my study. I wish to express my heartfelt thanks to them all. However, special thanks go to Mr Mzee Saburi for his tireless efforts in providing me guidance, constructive advice and good cooperation throughout the study. He spent a lot of time reading the manuscript, correcting and advising on the way forward. In fact more has been learnt to widen my knowledge to a great extent as compared to before the study. Also much thanks to my relatives Dr. Donath Olomi and Hilda Y. Olomi for giving accommodation, tuition fees and other small items during the period of my study.

I also wish to thank the management of Mzumbe University, Dar es Salaam Business School and my MSC-A&F colleagues for their contributions and cooperation that I enjoyed in the course of my studies. Special thanks also go to the Management of Temeke Municipal Council and the entire staff of Finance Department for their support, encouragement and understanding of the situation during my study.

I remain highly indebted to my lovely father Anthony Nicolausi Olomi and my lovely mother Maria Anthony Olomi for their encouragement and support during my entire course. And Lastly I owe much to my sisters Gaudensia Anthony Olomi and Janeth Anthony Olomi.
DEDICATION
I dedicate this work to my entire family who encouraged me against all odds for my academic success. Apart from the difficulties encountered, I really appreciate and value their trust in me and wish them a very healthy and long life.
**LIST OF ABBREVIATIONS**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAO</td>
<td>Food and Agriculture Organization</td>
</tr>
<tr>
<td>REPOA</td>
<td>Research on Poverty Alleviation</td>
</tr>
<tr>
<td>CAG</td>
<td>Controller and Auditor General</td>
</tr>
<tr>
<td>TRA</td>
<td>Tanzania Revenue Authority</td>
</tr>
<tr>
<td>LGAs</td>
<td>Local Government Authorities</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Science</td>
</tr>
<tr>
<td>DC</td>
<td>District Commissioner</td>
</tr>
<tr>
<td>LGFA</td>
<td>Local Government Finance Act</td>
</tr>
<tr>
<td>USDT</td>
<td>Unit Nation Department of Treasury</td>
</tr>
<tr>
<td>ESRF</td>
<td>Economic Social Research Foundation</td>
</tr>
<tr>
<td>PPP</td>
<td>Public Private Partnership</td>
</tr>
<tr>
<td>PMO-RALG</td>
<td>Prime Minister Office, Regional and Local Government Authority</td>
</tr>
<tr>
<td>LGRP</td>
<td>Local Government Reform Programme</td>
</tr>
<tr>
<td>FY</td>
<td>Financial Year</td>
</tr>
<tr>
<td>EFDs</td>
<td>Electronic Fiscal Devices</td>
</tr>
<tr>
<td>PAYE</td>
<td>Pay as You Earn</td>
</tr>
</tbody>
</table>
ABSTRACT

The research sought to study effectiveness of revenue collection in local government in Tanzania local governments with Temeke municipal council, being the case study. This was in response to persistence problems such as using untrained and insufficient staffs incapable of supervising tax collection. Other selected problems in tax collections were coercive and extortive collection practices by some local government tax collectors widespread corruption and collusion with taxpayers leading to evasion and resentment among taxpayers. All these added, resulted into low revenue collection, indicating an ineffective revenue collection system, fuelling this research. Three objectives were used; there were, to determine the indicator of effective LGA revenue collection, to evaluate the effectiveness of LGA revenue collection system and to examine the reason for ineffective revenue collection.

These findings were tax payers’ delay to pay taxes due to the fear to evade and avoid altogether. Other challenges are lack of voluntary tax compliance habit; ringleaders among the business community who make a hobby of tax evasion, and traders who are yet to clamber aboard the Electronic Fiscal Devices 'train' using same to record their day-to-day business transactions. Others are the great number of informally-conducted businesses; failure to register business that need to be registered; lack of full or accurate business records, and abuse of statutory tax exemptions. All the foregoing lead to difficulties not only in arriving at more accurate tax collection estimates, but also at collecting the full taxes as due from the taxpaying communities. Coupled with this background, the challenges faced by Temeke are similar to the ones identified above. Notably, lack of personal will to pay taxes, illiteracy in most people not knowing how to use the electronic machines in making tax returns.

Nevertheless, to avert this ineffective system in Temeke, a number of recommendations have been suggested. These are local revenue autonomy for all local governments; local tax law should satisfy the principles of transparency, equity, efficiency and fairness.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>CERTIFICATION</td>
<td>i</td>
</tr>
<tr>
<td>DECLARATION AND COPYRIGHT</td>
<td>ii</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>iii</td>
</tr>
<tr>
<td>DEDICATION</td>
<td>iv</td>
</tr>
<tr>
<td>LIST OF ABBREVIATIONS</td>
<td>v</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>vii</td>
</tr>
<tr>
<td>LIST OF APPENDICES</td>
<td>xii</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>x</td>
</tr>
<tr>
<td>CHAPTER ONE</td>
<td>1</td>
</tr>
<tr>
<td>INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>1.1 Background to the Problem</td>
<td>1</td>
</tr>
<tr>
<td>1.2 Statement of the problem</td>
<td>2</td>
</tr>
<tr>
<td>1.3 Research questions</td>
<td>3</td>
</tr>
<tr>
<td>1.4 Specific objectives</td>
<td>4</td>
</tr>
<tr>
<td>1.5 Significance of the study</td>
<td>4</td>
</tr>
<tr>
<td>1.6 Scope of the study</td>
<td>5</td>
</tr>
<tr>
<td>1.7 Limitations of the study</td>
<td>5</td>
</tr>
<tr>
<td>1.8 Delimitations of the study</td>
<td>6</td>
</tr>
<tr>
<td>1.9 Organization of the study</td>
<td>6</td>
</tr>
<tr>
<td>CHAPTER TWO</td>
<td>7</td>
</tr>
<tr>
<td>LITERATURE REVIEW</td>
<td>7</td>
</tr>
<tr>
<td>2.1 Introduction</td>
<td>7</td>
</tr>
<tr>
<td>2.2 Background information on Temeke Municipal Council</td>
<td>7</td>
</tr>
<tr>
<td>2.3 Local Government System in Tanzania</td>
<td>7</td>
</tr>
<tr>
<td>2.3.1 Local Government Laws</td>
<td>9</td>
</tr>
<tr>
<td>2.3.2 Local Government Revenue Collection System</td>
<td>10</td>
</tr>
<tr>
<td>2.3.3 Sources of Local Government Revenue</td>
<td>13</td>
</tr>
<tr>
<td>2.4 Local Government Authority in Uganda</td>
<td>19</td>
</tr>
</tbody>
</table>
2.5 Local Government Authority in Kenya ................................................................. 21
2.6 Empirical Studies ................................................................................................. 24
  2.6.1 Major Problems in Tax Collection .................................................................. 25
  2.6.2 Ineffective Tax Collection ................................................................................ 26
  2.6.3 How to Improve the Tax System ...................................................................... 27
2.7 Knowledge Gap .................................................................................................... 28
2.8 Conceptual Framework ......................................................................................... 28

CHAPTER THREE ........................................................................................................ 30
RESEARCH METHODOLOGY .................................................................................. 30
  3.1 Introduction ........................................................................................................ 30
  3.2 Research design ................................................................................................. 30
  3.3 Area of the study ............................................................................................... 30
  3.4 Study population ............................................................................................... 31
  3.4.1 Sample and sampling techniques .................................................................. 31
  3.4.2 Sampling procedures ..................................................................................... 32
  3.5 Expected results ............................................................................................... 33
  3.6 Source of data and collection methods ............................................................. 33
    3.6.1 Primary data ............................................................................................... 33
    3.6.2 Secondary data ........................................................................................... 34
  3.7 Data collection methods and tools ..................................................................... 34
    3.8.1 Questionnaire ............................................................................................ 34
    3.8.2 Documentary review .................................................................................. 35
  3.9 Data analysis and presentation .......................................................................... 35
  3.10 MEthical and moral issues ................................................................................ 36
  3.11 Test for reliability and validity ....................................................................... 36

CHAPTER FOUR .......................................................................................................... 37
PRESENTATION, INTERPRETATION AND DATA ANALYSIS ................................ 37
  4.1 Introduction ....................................................................................................... 37
  4.2 What are the indicators of an effective revenue collection system? ............... 37
    4.2.1 Tax revenue performance .......................................................................... 38
4.2.2 Tax structure ........................................................... 38
4.2.3 Tax administration ................................................... 38
4.2.4 Economic indicators ................................................. 40
4.2.5 Laws and policies indicators ...................................... 41
  4.2.5.1 The Local Government Finance Act No. 9, 1982 .......... 41
  4.2.5.2 Decentralization of Financial Autonomy of Local Governments .... 43
  4.2.5.3 Other laws and by-laws ........................................ 46
  4.2.5.5 Loop holes in the revenue collection laws ................ 47
4.3 How effective is the LGA Revenue Collection System at TMC? ... 51
  4.3.1 Whether taxes are paid on time ................................ 55
  4.3.2 Whether the Municipal has a Revenue Collection System .... 55
  4.3.3 Reasons for delay in paying taxes .............................. 57
4.4 What are the reasons for Ineffective Revenue Collection .......... 59
  4.4.1 Attributes of Good Revenue Collection System ............. 61

CHAPTER FIVE ................................................................. 63
CONCLUSIONS AND RECOMMENDATIONS .............................. 63
  5.1 Introduction .................................................................. 63
  5.2 Summary of findings ................................................... 63
  5.3 Conclusions ............................................................... 64
  5.4 Recommendations ...................................................... 66
REFERENCES ....................................................................... 68
APPENDICES ..................................................................... 75
LIST OF TABLES

Table 3.1: Determination of Sample Size (Primary data) ........................................ 32
Table 3.2: Determination of Sample Size (Secondary data) ...................................... 32
Table 4.1: Is there any importance for including outsiders (agents) in collecting revenue? ................................................................................................................. 39
Table 4.2: Are there laws and policies guiding the revenue collection process in your council ........................................................................................................................................ 41
Table 4.3: Is there a Need to Decentralize Financial Autonomy of Local Governments? ........................................................................................................................................ 45
Table 4.4: Are there any loop holes associated with these laws and policies? .......... 47
Table 4.5: Revenue Collection from Government sources ........................................ 52
Table 4.6: Revenue collection from own sources in Tshs. ........................................ 53
Table 4.7: Total Revenue Collection in Tshs.............................................................. 54
Table 4.8: Do the taxpayers pay their tax on time? .................................................. 55
Table 4.9: Do you have Revenue Collection System ............................................... 56
LIST OF FIGURE

Figure 2.1: Conceptual Framework................................................................. 29
LIST OF APPENDICES

Appendix I: Questionnaires................................................................. 75
Appendix II: Permitted Local Government Taxes and Revenue Sources.......... 77
CHAPTER ONE
INTRODUCTION

1.1 Background to the Problem

Over the past years, the government of Tanzania has continued to raise revenue to fund a number of projects. Local Government Authorities (LGAs) act on behalf of the government to collect taxes at the lower levels of village, council, municipal and district. They form an integral part of public sector finances with the duty to deliver key government services such as primary education and basic health care. They collect roughly five percent of all public revenues and are responsible for about twenty percent of public spending. Every five shillings spent in the public sector are spent at the local government level. This being the case, a sound legal framework for local government finance is a key factor in assuring that the public sector delivers quality public services (Framework for the Financing of Local Government Authorities in Tanzania, 2006).

On finance, Local Government Authorities collect revenues from a wealth of sources. They collect revenue from property, signs and billboards, city levy, market dues, business licenses, fines and penalties. Others are fees including taxi registration, bus stands, forestry products, valuation, scaffolding, inoculation and ambulance, licenses including road, liquor property taxes and rents, hire of vehicles, markets, fines, sale of assets and recovery of public fund (Local Government Finance Act (LGFA), 2003). They also receive subsidies from government which amount to around 72% of the entire local authority budget. In 2001/2002 budget the aggregate revenue for local government was Tshs 251.8 billion (Temeke Municipal council, 2011).

Despite the heavy reliance on these sources of revenue, the local government revenue system is arguably the weakest of Tanzania’s local government finance system. The weaknesses of the current system include low-yielding taxes arising from the least popular and politically unacceptable revenue sources, fragmentation of the local tax system causing horizontal inequities and inefficiency (Local Government Financial Memorandum, 2010). No regulatory framework exists which consistently defines the
taxable base for the permitted local revenues, or in which local jurisdictions these taxes should be paid. Likewise, little or no assistance is provided to local authorities in transforming their previous revenue structures to be consistent with any new approach. Local revenues are hard to administer and enforce, while compliance costs for local taxes are unnecessarily high (Framework for the Financing of Local Government Authorities in Tanzania, 2006). These drawbacks could be solved by decentralizing some of the activities pertaining to revenue collection. Decentralization for revenue collection alone will not solve the entire setback, but a proper management and application of best practices so as to avoid revenue loss is required (Local Government Financial Memorandum, 2010).

Taking Temeke Municipal Council (TMC) as a case for this study, the overall revenue collection has been below budgeted revenue. In the year 2005/2006 total revenue collection from both government grants and municipal own sources amounted to Tshs. 16.17 billion which was 80 percent of the budgeted amount. The amount rose in the year 2006/2007 to 91 percent but it then fell in the subsequent years of 2007/2008 and 2008/2009 to 71 and 73 percent respectively. The amount rose to 85 percent in the year 2009/2010(Temeke Municipal council, 2011). However these are not good indicators since overall revenue collections have never exceeded nor matched with the budgeted amounts. In this regard, it can be argued that, revenue is not effectively collected at Temeke Municipal Council and various social services and economic activities cannot effectively be implemented due to inadequacy of fund to meet the budgeted activities

1.2 Statement of the problem

Over the years, local governments have been ineffective in raising enough revenue for service delivery. Despite the revenue raised by the local government, infrastructure, social services, and other social amenities are still a far cry in local government authorities (Kitula, 1990). Local government authorities face problems of using untrained and insufficient staffs incapable of supervising tax collection. Several taxes perceived as nuisance by the taxpayers, coercive and extortive collection practices by some local government tax collectors, widespread corruption
and collusion with taxpayers have led to evasion and resentment among taxpayers, lack of reliable records on a numbers of expected tax payers are cited some of the chronic problems in tax collection (REPOA, 2004). This has raised questions as to whether the current system of revenue collection among Local Government Authority (LGA) is effective. According to a study by FAO (2011), decentralization is the only way where a local government can raise a relatively large share of its revenues locally. This can also be done through diversification of the tax system so that the burden of tax collection is shifted to lower bodies and entities. In such a case, local governments will tend to remain overly dependent on the goodwill of the central government to finance them (REPOA, 2004).

Kelly et al (2001), Schroeder et al (1998), (Crook, 2003; Semboja, 2001 & Therkildsen1995. have conducted studies on revenue collection in local government authorities. Common problems experienced by local government authorities were low level of revenue and tax education to most revenue collectors, non-adherence to financial rules and regulations, low application of simplified technology in billing and revenue collections. Different studies conducted in different municipal councils pointed at challenges facing these councils specifically. However, these challenges may differ from one municipal to the other depending on the nature of activities in the given municipal or district council. But no single study identified the effectiveness of revenue collection based on a given set of laws or guidance as this research hoped to achieve. There was need therefore to examine the effectiveness of revenue collections in Local Government Authorities in Tanzania.

1.3 Research questions

1.3.1 Main research question.
How effective is revenue collection in local government authorities in Tanzania?

1.3.2 Specific research questions.
The study assessed the effectiveness of revenue collection in local government authorities based on the following research questions;

i). What are the indicators of an effective revenue collection system?
ii). How effective is the LGA revenue collection system?

iii). What are the reasons for ineffective revenue collection?

1.4 Research Objective
1.4.1 General Objective.
The study assessed the effectiveness of revenue collection in local government authorities in Tanzania.

1.4.2 Specific objectives
The study focussed on the following specific objectives;

i). To determine the indicators of an effective revenue collection system

ii). To evaluate the effectiveness of LGA revenue collection system

iii). To establish the causes of ineffective revenue collection

1.5 Significance of the study
This study is significant as it assessed the effectiveness of revenue collection in local government authorities. The research findings will help to understand whether revenue collection system at Temke Municipal Council is effective. Furthermore the research explores the prime benefit of setting effective up development strategies on revenue collection.

The findings of the study are vital to Local Government decision makers, especially at Temke Municipal Council in the formation of appropriate revenue collection strategies.

The study also is important in improving the financial management in Local Authorities with possible solutions adopted to make financial management reforms better in Tanzania.

This research may initiate yet another study on the effectiveness of revenue collection in areas which are not adequately addressed by this research. This is important in broadening the knowledge on various matters related to revenue
collection. At the end of it more researches can be undertaken

It may also influence and serve as an input to the policy makers and planners in the finance sector and local Government development in particular. They will understand the magnitude of the problem and design appropriate policies. The end result will be enhancement of the revenue collection methods in Local Government Authorities based on the detailed empirical studies.

1.6 Scope of the study
The study was conducted in Dar es Salaam area with the main focus being Temeke Municipality Council. Temeke Municipal has diverse sources of government revenues and the likelihood of improper revenue collection, loop holes and other impediments to realistic revenue collection is high, attested to by the research findings described in chapter four. Therefore the results of this proposed study, may not be representatitive of all Government institutions (LGAS) in Tanzania. This study was conducted within a period of eight months. It was thus restricted to a period of eight months.

1.7 Limitations of the study
In this research, the researcher faced the following limitations;
Lack of motivation from respondents in answering questionnaires was the first limitation. The reason could have been due to the fact that most Council Directors have many responsibilities to attend to, or that other respondents feared giving classified information. This affected the validity if data given. Others could also have been afraid to protect their status fearing the information given could backfire against them.

The time allocation for the academic study was not enough to exhaust the subject matter to its highest level possible. Sometimes relevant information’s could not be collected quickly.

Availability of financial data limited the academic reach of the study as the research
was to rely on such financial data. Only financial information from 2005 to 2010 was made available.

The existence of financial problems on the side of the researcher was another problem. Funds were not sufficient enough to facilitate the research activities as the researcher was not sponsored by anybody/organization. There were costs such travelling expenses, follow-up questionnaires, printing and binding the different reports which affected the free flow of the research process.

1.8 Delimitations of the study
To avoid the problem of lack of motivation from respondents in answering questionnaires, the researcher used questionnaire to those who cooperated. This helped the researcher to get enough information even from those who were not ready to fill the questionnaires themselves. Also the researcher distributed the questionnaires early to give the respondents enough time to answer them.

In order to avoid the problem of Municipal management not giving out their classified information, the researcher conducted himself as a normal trainee doing his practical (field work) and not like he was to be required to write a report. By doing that the researcher was in a position to gain a lot from the council.

In order to mitigate financial problems, the researcher requested a soft loan from relatives who responded by giving a partial sponsorship. Plus savings, the researcher was able to finish the research successfully within the budget as outlined in Appendix 11, attached at the back of this research booklet.

1.9 Organization of the study
The research report consists of five chapters; chapter one represents a background to the problem. Review of related literature to the problem is presented in chapter two. Chapter three contains research procedures and methodology. Research findings, analysis and discussion are in chapter four, while in chapter five are summary of findings, conclusions and recommendation.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This part discusses various literatures relating to the effectiveness of revenue collection in local government authorities, with Temeke Municipality taken as a case study. This section also overviews the local government systems in both Uganda and Kenya for comparison purposes with the local authorities in Tanzania. It covers both theoretical and empirical reviews. Key to the reviews are areas touching on the sources of revenue collection, the need for local government to raise revenue, the local Government system, revenue collection system, Local Government laws, application of by-laws and other procedures in revenue collections, loop holes in the taxation policy, conceptual frame work shown with the underlying variables. The chapter ends with the research gap identified in the various researchers identical to the study area.

2.2 Background information on Temeke Municipal Council
Temeke was established as a district in 1972 following the introduction of the Decentralization Policy in Tanzania. Prior that time Dar es Salaam City and Coast Region constituted a single region known as Coast Region which constituted Mzizima, Kilwa, Rufiji, Kisarawe Bagamoyo and Coastal districts. Later on, the region was further subdivided into two Regions namely Coast (Pwani) and Dar es Salaam. The coast has Kisarawe, Bagamoyo, Rufiji, Mafia, Mkuranga and Kibaha districts, and Dar es Salaam comprised of Ilala, Kinondoni and Temeke districts. Temeke Municipal Council covers 631 kilometres square area, 30 Wards and 180 streets. By 2002 the estimated population stood at 768,451 inhabitants with an annual growth rate of 4.6%. The present population by preliminary figures released by 2012 census shows a population of above 1.2 million people (Kagimbo, 2010).

2.3 Local Government System in Tanzania
In the beginning of the 1970s, Tanzania under the one-party rule of the Tanganyika African National Union (TANU) opted for a policy of deconcentration at district and regional levels, and abolished the elected local governments in 1972–1973. The
power of the regions was substantially strengthened as senior level central
government staff members were transferred to the regions and the directors of the
regional administrations, the Regional Commissioners, were granted ministerial
status. The elected local governments were reintroduced in 1976–1982. Two
important legislations passed in 1982, the Local Government (District Authorities)
Act No. 7 and Local Government (Urban Authorities) Act No. 8, introduced a
comprehensive system of local government authorities in rural and urban
areas (Steffensen et al. 2004).

The district authorities that may be established according to the Local Government
(District Authorities) Act No. 7 of 1982 include district councils, village councils,
township authorities, and vitongoji. The urban authorities that may be established
according to the established by Local Government (Urban Authorities) Act No. 8 of
1982 consist of city, municipal and town councils (often referred to as urban
councils), and mtaas. The Local Government Acts also provide for the establishment
of Ward Development Committees, which are administrative units with no elected
members. The composition of the councils differs, ranging from only elected
members (both directly and indirectly) to councils consisting of elected and
appointed members and Members of Parliament. The extent of the executive
authority prescribed to the local government authorities varies between different
rural and urban local government authorities. The higher level authorities of district,
city, municipal and town councils have more authority to manage public affairs in
their area of jurisdiction than the lower level local authorities. The lower level local
government authorities consisting of village councils, township authorities, vitongoji
and mtaas have to submit many of their decisions to the approval of the higher level
local government authorities (Steffensen et al. 2004).

The local government authorities regulate and manage many public affairs within
their area of jurisdiction, but they execute many essential aspects of their authority in
the supervision or with the approval of the Minister responsible for local
government. For example, the by-laws and the budgets prepared by the higher level
local government authorities have to be submitted to the Minister responsible for
local government for his/her approval. The Local Government Acts provide the Minister responsible for local government substantial powers to regulate the powers and functions of the local government authorities. In addition, in the five national priority sectors of primary education, basic health, agriculture extension and livestock services, and local public works, the local government authorities are responsible for delivering the services, but the central government remains responsible for the policy-setting and financing the local delivery of the services through intergovernmental transfers, which clearly limits the extent of local self-government in Tanzania. For the purpose of this research, local Government system being referred here is Temeke Municipal Council (Steffensen et al. 2004).

2.3.1 Local Government Laws

Law is a term which does not have a universally accepted definition. Few definitions from different authorities, shade some light. According *Oxford Dictionary of law 7th Ed.*, (2013 (p. 316), the term 'law' is the system of rules which a particular country or community recognizes as regulating the actions of its members and which it may enforce by the imposition of penalties. Shivji (2004, is an obligatory rules of conduct imposed or recognised and enforced by the state. In Salwan and Narang (2008) extracted from the Academic's legal dictionary, legislative pronouncements of the rules which should guide one's actions in society; the body of principles recognised and applied by the state in the administration of justice; and a rule of action to which human being's conduct must conform. Law shapes politics, economics and society in countless ways and serves as a social mediator of relations between people. Local government laws govern cities, villages, counties, and towns. Laws that regulate LGAs collection of revenue are enshrined in the Local Government Finance Act. The Local Government Finances Act, 1982, used to date incorporates all the amendments made to it since its enactments in 1982 up to 30th June, 2000 and is printed under the authority of section 18 of the Interpretation of Laws and General Clauses Act, 1972.

This Act makes provision for sources of revenue and the management of funds and resources of Local Government Authorities and for matters connected or incidental
to securing the proper collection and sound management of finances in the local government system. It applies to all local government authorities established under the Local Government (District Authorities) Act and the Local Government Act No. 8 (Urban Authorities) Act. of 1982. The Act has powers over funds and resources of local government authorities, making and collection of rates, management of finance and resources, local government loans board and miscellaneous provisions.

The Local Government Finance Act No. 9, 1982 defines the revenue sources of local government authorities. The Local Government Finance Act provides that the revenue sources consist of the main categories of local government authorities’ own revenue sources, shared taxes, central government grants, and donor funding. The Act has been amended several times, and for example some of the own revenue sources that used to be provided by the Act, such as the development levy, have been abolished during years 2003–2004. In addition to the amendments to the Act, the revenue sources of the local government authorities are also regulated by regulations made by the Minister responsible for local government. For example, the Minister can, after consultations with stakeholders, make a regulation specifying the distribution of resources of revenue among various levels of local government authorities

2.3.2 Local Government Revenue Collection System

“Revenue” can be defined differently under various contexts. For a company, revenue is defined as the total amount of money received by the company for goods sold or services provided during a certain time period. It includes all net sales, exchange of assets; interest and any other increase in owner's equity and is calculated before any expenses are subtracted. Net income is calculated by subtracting expenses from revenue. In terms of reporting revenue in a company's financial statements different companies consider revenue to be received, or "recognized". For example, revenue could be recognized when a deal is signed, when the money is received, when the services are provided, or at other times (Web finance, Inc. 2011).

In business, revenue is the income that a company receives from its normal business activities, usually from the sale of goods and services to customers. Revenue may
refer to business income in general, or it may refer to the amount, in a monetary unit, received during a period of time, as in "Last year, Company X had revenue of 50 million. Profits or net income generally imply total revenue minus total expenses in a given period. In accounting, revenue is often referred to as the "top line" due to its position on the income statement at the very top. This is to be contrasted with the "bottom line" which denotes net income (Williams, 2008). For non-profit organizations, annual revenue may be referred to as gross receipts. This revenue includes donations from individuals and corporations, support from government agencies, income from activities related to the organization's mission, and income from fundraising activities, membership dues, and financial investments such as stock shares in companies (US Department of Treasury, 2006).

In general usage, revenue is income received by an organization in the form of cash or cash equivalents. Sales revenue or revenues is income received from selling goods or services over a period of time. Tax revenue is income that a government receives from taxpayers. In more formal usage, revenue is a calculation or estimation of periodic income based on a particular standard accounting practice or the rules established by a government or government agency. Two common accounting methods, cash basis accounting and accrual basis accounting, do not use the same process for measuring revenue. Corporations that offer shares for sale to the public are usually required by law to report revenue based on generally accepted accounting principles or International Financial Reporting Standards. In a double entry bookkeeping system, revenue accounts are general ledger accounts that are summarized periodically under the heading Revenue or Revenues on an income statement. Revenue account names describe the type of revenue, such as "Repair service revenue", "Rent revenue earned" or "Sales"(US DT, 2006). Revenue collection systems in Temeke are enshrined in the financial laws and Local Authorities Act. This can be taken as legally binding. Based on this explanation, TMC uses the twin systems legal provisions with either municipal employees collecting revenue or tax payers going to pay the taxes themselves, or use of selected agents.
(i) **Legal Provision in Revenue Collection System**

Financial laws (Miscellaneous Amendments) Act of 2008, section 31(A) (1)-(6), without prejudice to the provision of section 31, states that the Tanzania Revenue Authority (TRA) in consultation with the respective Local Government Authorities (LGA), shall evaluate, assess, collect and account for property tax imposed by the authorities. Section 31(a) (3) states that in the performance of its function under the Act, the TRA shall be indemnified by the local government authorities in relation to any cost incurred, loss suffered or action brought by reason of performance of such function, property. Property tax can be therefore be considered to have the potential of being among the leading revenue sources in financing local authorities, this is because the buildings are visible and immovable, hence its collection being easier. The revenue collection system can therefore be said to be made possible through the numerous legal provisions empowering the TRA and the local authorities to collect taxes in their areas of jurisdictions.

Other types of taxes permitted by local Government authority include services levy, Guest house levy, vehicle license fees, fishing license vessel fees, Advertising /billboards, property tax and other sources which involve the following revenue; hire of hall, tender application fees, sales of motor vehicles, market dues and stalls rent, medical examination fees, fines, penalty and forfeitures, dividend from Dar es salaam community Bank, revenue from renting of assets, interest, land rent, meat inspection charges, land survey fees, abattoir slaughter service fees, livestock dipping service levy, hotel levy, fishing licenses, bus stand fees, clean water service fees, Health facility user charges, refuse collection service fees.

Also other sources of revenue includes cesspit emptying service fees, revenue from sale of building plans, building valuation service fees, parking fees, revenue from renting of assets, intoxicating liquor license, crop cess(maximum 5% of farm gate pass), plying permit fees, tax license, fishing vessel license fees, building materials extraction license fees, Health cost sharing and others.
(ii) Agency in Revenue Collection

The use of agents is sometimes called ‘outsourcing’, which means any operation or process that could be or would usually be performed in house by an organisation’s employees is sub-contracted to another organisation for a substantial period. The outsourced tasks can be performed on site or off-site. Outsourcing often achieves the twin objectives of increasing revenues and reducing costs associated with its administration. By paying a private company fees tied to revenue, meaning it would be incentivised to maximise collections, the Municipal’s real property tax income would increase. It would also still earn around 95 per cent of whatever was collected (Hartnell, 2013)

Revenue collections outsourced to a range of different types of agents within and across the councils studied. For example in Dar es salaam, Kinondon Municipal Council outsourced the collection of property taxes in certain areas to a private consultancy firm specialised in providing tax advice to the private sector in the period 2004-2005, whereas in Kilosa (Morogoro) and Kisarawe (Pwani) outsourced the collection of forest levies (until they were abolished n 2005) to a firm principally engaged in the operation of private schools. For market dues, collection is mainly outsourced to market associations and co-operatives operating in the respective markets. In Mwanza, for instance, the collection of fish market fees is outsourced to a fish dealers’ organisation, and the collection of fees at the central market s contracted to a vegetable cooperative operating at the market. Temeke also outsources revenue collection and other services to privates firms.

2.3.3 Sources of Local Government Revenue

According to the Local Government Finances Act, 1982 incorporating all the amendments made to it since its enactments in 1982 up to 30th June, 2000 and printed under the authority of section 18 of the Interpretation of Laws and General Clauses Act, 1972), the sources of revenue for urban, town, district and village authorities are explained.
Revenue of an Urban Authority

The revenues, funds and resources of an urban authority shall consist of the following sources, given under different sections and sub section.

- All assets vested in the urban authority;
- All moneys derived from any trade, industry, works, services or other undertaking carried on or owned by the urban authority;
- All fees for licences granted within the area of the urban authority under the Auctioneers Act;
- All moneys derived from the registration of taxi-cabs and commuter buses plying within the area of the urban authority;
- All the fees for licences granted under the Business Licensing Act, in respect of business premises for business other than businesses of a national or international character situated within the area of jurisdiction of an urban authority;
- Such proportion as the Minister may, with the approval of the Minister responsible for finance, determine, as the revenue collected by the Government under the Road Traffic Act, in respect of vehicles which are ordinarily housed or kept within the area of the urban authority, or such amount in lieu of that sum as the Minister may direct;
- All fees for licences granted within the area of the urban authority under the Intoxicating Liquors Act.
- All fees for licences in respect of theatres or other places of public entertainment within the area of the urban authority, granted under the Films and Stage Plays Act;
- All moneys derived from fees for licences, permits, dues or other charges payable pursuant to the provisions of any by-law made by the urban authority;
- All moneys derived from fines imposed by, or the value of all things and articles forfeited as a result of an order of any court in consequence of a contravention of any provision of the Act, this Act or any by-law of the urban authority in relation to markets, animals pounds or recreation halls within the area of the authority;
– All moneys derived from rents or fees collected for renting or use of public houses or buildings owned by the urban authority;
– All moneys derived from the urban development levy imposed by the urban authority pursuant to this Act;
– All moneys derived from fees paid in respect of rents of shop, butcheries, market stalls, user charges, service charges and entertainment taxes;
– All moneys realised from the sale or other disposition of things and articles of the urban authority;
– All moneys derived from rates;
– All moneys payable under the Entertainment Tax Act, and collected within the boundaries of the urban area;
– All moneys payable under the Hotel Levy Act, by the proprietor of guest houses within the boundaries of the urban area;
– All the fees derived from meat inspection and abattoir use;
– Twenty percent of all the moneys collected by the central Government as land rent under the Land Act;
– All moneys derived from any cess payable at source on any agricultural or other produce produced in the area of the urban authority imposed under this Act or any other written law except major ex-port crops whose produce cess shall not exceed five percent of the farm-gate price shall as well be payable at source;
– All monies derived from the service levy payable by corporate entities at the rate not exceeding 0.3 percent of the turnover net of the value added tax and the excise duty.

An urban authority may charge fees or dues in respect of services provided by it and, moneys derived from fees or dues chargeable in respect of those services, activities and programmes shall be collected by Local Government.
Other laws derived by an urban authority from any other source not expressly specified in subsection (1) or (2) shall be and form part of the revenues, funds and resources of the urban authority.

All revenues of an urban authority shall be paid into the general fund of the urban authority.

**Revenue of a District Council**
The revenues, funds and resources of a district council shall consist of

- All assets vested in the district council by virtue of section 5;
- All moneys derived from any trade, industry, works, service or undertaking carried on or owned by the district council;
- All moneys derived from the development levy imposed by the district council under this Act;
- All moneys from rents collected for renting public houses or buildings owned by the district council;
- All moneys derived from any rate imposed by the district council under or in pursuance of this Act or any other written law;
- All fees for licences granted within the area of the district council under the intoxicating Liquors Act, subject to this Act;
- All moneys derived from any cess payable at source of any agricultural or other produce produced in the area of the district council, imposed under this Act or any other written law except for the major export crops whose produce cess shall range between zero and five percent of the farm gate price shall be payable at source;
- All moneys derived from fees charged for the registration of marriages contracted within the area of the district council;
- All moneys derived from fees for licences granted under the Business Licensing Act, in respect of business premises situated within the area of the district council;
- One-half of all fines imposed by, and one-half of the value of all things and articles forfeited as a result of an order of, any magistrates’ court within the area of the district in consequence of a contravention of any provision of the Act, this Act or any other written law relating to local government affairs;
- All moneys derived from licences, permits, dues, charges or fees specified by any by-law made by the district council;
- All moneys paid in respect of licences granted under the Arms and Ammunition Act for the possession of muzzle-loading guns in the district;
- Moneys payable to the district council under the provisions of any other written law;

- All revenue accruing to the district council from the Government, any public or statutory corporation or international organization as contributions, grants-in-aid, endowments or other manner of payment;
- Any particular public revenue which may be lawfully assigned to the district council;
- Interest on any of the funds of the district council invested by it, except where special provision is made in regard to them under this Act or any other written law;
- Interest on funds of the district council deposited with the Board for investment, except where special provision is made in regard to any of them under this Act or any other written law;
- All moneys derived from fees for forest produce and licences accruing to the district council under section 10 of the Forests Act.
- All moneys derived from fees for the registration of vehicles under the Road Traffic Act;
- All moneys payable under the Entertainment Tax Act, and collected within the boundaries of the district council;
- All moneys payable under the Hotel Levy Act, by the proprietor of guest houses and collected within the boundaries of the district council;
– Twenty percent of the moneys derived from hunting fees charged under the Wildlife Conservation Act;
– Ten percent of all the money collected by the central Government in respect of registration of private hospitals under the Private Hospitals (Regulation) Act;
– All the fees derived from meat inspection and abattoir use;
– Twenty percent of all the moneys collected by the central Government as land rent under the Land Act.

All monies derived from the service levy payable by corporate entities at the rate not exceeding 0.3 percent for the turnover net of the value added tax and the excise duty.

Any other moneys lawfully derived by a district council from any other source not expressly specified in subsection (1) shall be and form part of the revenue, funds and resources of the district council. Subject to subsection (4), all revenues of a district council shall be paid into the general fund of the district council. Any receipt derived from any trade, industry, works, service or other undertaking carried on or owned by a district council either in whole or in part may, be paid into a separate fund to be maintained by the district council for the purposes of the trade, industry, works, service or undertaking, as the case may be, from which the receipt is derived.

- Revenue of a Township Authority

The revenue, funds and resources of a township authority shall consist of-
– All assets handed over to the township authority pursuant to the provisions of section 5;
– All fees for licences granted within the township under the Auctioneers Act;
– All fees received in respect of licences granted within the township area under the Films and Stage Plays Act or in respect of theatres or other places of public entertainment;
– All moneys derived from licences or permits issued by the township authority under the provisions of this Act or any subsidiary legislation made under it;
- Moneys payable to township authority under the provisions of any other written
  law;
- All fees, charges, dues and rents recoverable by the township authority or to
  which the township authority is entitled under this Act or any other written law;
- All receipts derived from any trade, industry, works, service or undertaking
  carried on or owned by the township authority either in whole or in part;
- All moneys representing the proceeds of by-products sold by the township
  authority;
- Any particular public revenue which may be lawfully assigned to the township
  authority;
- All interest upon moneys invested by the township authority except where special
  provision is made in regard to any of it under this Act or any other written law;
- All revenue accruing to the township authority from the Government, the district
  council in whose area the township authority is situated or any public or statutory
  corporation or international organization as contributions, grants-in-aid,
  endowments or any other manner of payment.
- All moneys payable under the Hotel Levy Act, by guest houses and collected
  within the boundaries of the township;
- All moneys payable under the Entertainment Tax Act, and collected within the
  boundaries of the township.

The provisions of subsections (2), (3) and (4) of section 7, which relate to the sources
of revenue of district councils shall apply mutatis mutandis in relation to the sources
of revenue of township authorities as if references to a district council in those
provisions were references to a township authority.

### 2.4 Local Government Authority in Uganda

Chapter 11, Article 176 (1) of the Constitution of the Republic of Uganda provides
for a system of local government. Uganda is a republic with a unicameral
parliamentary system. The president is directly elected as the head of state and head
of government with executive powers, for a term of five years. There are five tiers of local authority. The primary unit is the district council, which contains within its boundaries between one and five second-tier county and municipal councils. These in turn contain third-tier sub-county and town councils which are sub-divided into fourth-tier parish councils. At the lowest, fifth-tier, level of local government are found village (rural) or ward (urban) councils.

Local governments in Uganda can levy taxes and receive non-tax revenue as prescribed by parliament. The graduated tax was formerly the most important source of revenue, constituting more than 80% of the discretionary resources for local government, but was abolished in 2005. Until a replacement is found, local government bodies are being compensated for this loss of revenue from the national budget. An Act to replace the graduated tax with a local service tax and hotel tax was passed. In rural areas, the district councils set taxes and the sub-county councils collect tax and non-tax revenues on behalf of the various tiers of local government. In urban areas the municipal town councils set their own taxes which are then collected by divisions of the city council and by town councils. Locally raised revenue is, by law, shared between district councils (35%) and sub-county councils (65%). In the city and municipal councils, the divisions retain 50% and remit the other 50% to the higher local government. On a monthly basis, the city and municipal authorities are required to send back a minimum of 30% of what they receive from divisions, based on a prescribed formula which takes into account population, school-going age and land area. The sub-county and town councils are required by law to send 25% and 10% of the revenue to villages and wards respectively.

The Local Government Finance Commission (LGFC) advises the president on the financial position and needs of local government bodies. It is made up of seven members, four of whom are nominated by local governments. The LGFC advises the president on all matters concerning the distribution of revenue between central and local government, and the allocation to each local government out of the
consolidated fund. The three forms of grants made by central to local government are the conditional grant, the unconditional grant and the equalisation grant.

The unconditional grant is the minimum grant for financing decentralised services, allocated according to a formula provided for in the constitution. In 2008/2009 it accounted for 12.3% of central government transfers to local governments. Conditional grants are given to local authorities to finance central government-agreed programmes. The conditional grants contribute up to 81.5% of overall income for local governments. These grants are ring-fenced and are all within central government priority programme areas including: universal primary education, feeder roads, primary healthcare, agricultural extension and rural water supply. Equalisation grants are paid to local governments based on the degree to which an individual local government lags behind the national average for a particular service. The LGFC is responsible for advising the president on how equalisation grants should be calculated and allocated to individual local governments. In 2008/2009, the equalisation grant constituted 0.3% of transfers to local government.

2.5 Local Government Authority in Kenya

One of the key reforms of the Kenya constitution that came into effect in March, 2013, is the establishment of devolution through the country’s government. Devolution is the transfer of powers from the central government to local units (Local Authority) Kenya is divided into 47 counties. Devolution entails the ceding (legal act giving) of power from a Central Authority to Local Authority, the state powers of revenue collection and expenditure among others. In Kenyan case the current Centralized System Government headquartered in the Capital City of Nairobi will transfer power to the 47 Counties listed on the First Schedule of Constitution of Kenya (CoK) 2010. Each of these Counties forms the County Governments comprising of the County Assemblies and County Executives with State powers of legislature – law making and Executive – Implementing the Laws and Policies respectively (Lubale, 2012). In the CoK, there is a president, ministers, senator, governor, and members of parliament, all are directly elected by the people. Article 174 of CoK, recognizes the right of communities to manage their own affairs and
further their development. This gives the people a sense of identity and self-empowerment. There is therefore a total of 47 political and administrative Counties (listed in the First Schedule of the New Constitution), under a limited devolved system of government. These County boundaries are to a large extent, what were known as Districts, circa 1993. This devolution are three-pronged: Administratively, the County executive government originates and implements local priorities; Politically, every County has a cabal of elected officials to allow for strong political representation in both the local and national levels in County Assemblies and in an expanded bicameral legislature, respectively; And Fiscally, to independently administer budgets and to raise resources locally.

Every County is expected to establish a government bureaucracy made up of an executive and a legislative arm: The county executive committee is in-charge of formulating and implementing local policies, and those from the national government in conjunction with a restructured Provincial Administration. The county assembly exercises oversight on the executive committee besides making local laws. Under the Financial Aspect of Devolution, there are principles that apply and funds received or generated by counties must follow the following ideologies according to the current Kenyan Constitution; A county can generate revenue through taxation article 209(3). It may impose property rates, entertainment taxes and any other tax that it is authorized to impose by an Act of Parliament. In order to borrow, a county government may borrow only if the national government guarantees the loan and with the approval of the county government’s assembly. This is according to article 212.

In the new constitution, it is unclear how revenue generated is collected. Administration of revenue involves the collection of taxes once they have been determined. Under the old constitutional system, local authorities were supposed to collect their own taxes. Experience indicates that many of them had no capacity to discharge this function. With the new constitution, it is still a subject of debate whether the Kenya Revenue Authority (KRA) collects revenue on behalf of the counties or whether it assists the counties in building their own capacities to collect their own revenue. The county governments can raise and spend what they raise. But
what the national government rises is shared among the two levels of government. Article 202 provides for the concept of equitable shares. The article requires that revenue raised be shared equitably between the national and county governments. The county governments may also be given additional allocations from the national government’s share of revenue. These additional revenues may be given conditionally or unconditionally. Article 203 provides a detailed criterion to be followed in vertically determining the equitable shares of both the national and county governments on the one hand; and horizontally among the 47 counties. This criterion incorporates the principles of financial equalization which must be followed when determining the shares

- **Comparisons of the three LGAs**

In the three government structures looked at (Tanzania, Kenya and Uganda), there is the existence of local government at all levels. Power is vested with the local authorities to collect and spend the taxes. A constitution is the supreme law of the land that organizes and manages governance and state power. It defines, distributes and constrains the use of state power and provides a power map for the construction of the society and the running the affairs of state (Lubale, 2012). The local authorities are also accountable for the management and use of the county resources.

In all, the functions and hierarchy of the local government are the same, raising revenue for the interests of the local area under jurisdiction. The difference is that in Tanzania, LGAs are more powerful in revenue collection, and have various sources of income unlike in Kenya and Uganda which have fewer sources, and less powerful without enough financial independence. The problem with Tanzania however, is their system of revenue collection system which are put into question, i.e. not effective. The survival of LGAs in Uganda and Kenya depend more on subsidies and transfers from the central government.

In all three, revenues are categorised under three major sources of funding: own revenues, central government transfers, and development aid (Fjeldstad, 2003). In addition, user charges and various forms of self-help activities contribute to the running and maintenance of public services such as primary schools and health facilities. Although data on the extent of user charges and self-help activities is not
available, some studies from the late 1990s indicate that these contributions are significant and increasing (Crook, 2003; Semboja, 2001 & Therkildsen1995). Local governments’ own revenues represented less than 6% of total national tax revenues in Tanzania in 2002. This share had then been almost unchanged since 1996. However, the share dropped substantially in financial year 2003 following the rationalization of local taxes, including the abolishment of development levy (URT, 2006). Own generated revenues in district councils are mainly used to finance operational costs, in particular salaries for the lower cadre of local government employees and sitting allowances for councillors. The lion’s share of the operational costs in district councils, however, is funded by central government transfers.

2.6 Empirical Studies

A study conducted by REPOA (2010) on, “The capacity of local government authorities in Tanzania with respect to financial management and revenue enhancement, and analyses trends in financial accountability and efficiency for the period 2000–2006/07” shades some light on issues of ineffective revenue collection in district councils. The study covered six councils in Tanzania: Bagamoyo District Council, Ilala Municipal Council, Iringa DC, Kilosa DC, Moshi DC, and Mwanza City Council. Data were collected using a combination of quantitative and qualitative methods, including two rounds of a survey of citizens’ perceptions in the case councils in 2003 and 2006. The themes covered were: (a) the degree of fiscal autonomy; (b) methods of revenue collection; (c) financial management, including budgeting, accounting and auditing; (d) transparency in fiscal and financial affairs; and (e) tax compliance and fiscal corruption. Based on the evidence collected, the study concluded that the process of decentralisation by devolution under the Local Government Reform Programme has contributed to improving local government capacity for financial management. However, the reforms have reduced the fiscal autonomy of local government authorities. The central government currently contributes to the bulk of local government revenues through transfers and still largely determines local budget priorities. Although local government authorities are responsible for 20% of government spending, on average they only collect roughly 7% of total LGA revenues. Typically, own revenues only account for 5-6% of total
funding in rural local governments, less so after the rationalisation of taxes in 2003 and 2004.

Municipal councils collect significantly more own revenue than rural councils, especially after the tax reform. For example, the four local government authorities in Dar es Salaam (out of 115 LGAs nationally) accounted for around 35% of all own revenue collections in 2005/06.11 This percentage share was the same in 2006/07 out of 122 LGAs. Rural councils have depended upon central transfers since local government authorities were reintroduced in Tanzania in the early 1980s. While Iringa and Kilosa generated over 20% of their revenues from own sources in 2000, this share was reduced to about 2% in 2005/06 and 2006/07. Urban councils have also become increasingly dependent on transfers. While Ilala generated 58% of its revenues from own sources in 2000, this share was reduced to 28% in 2005/06 and, thereafter, increased slightly to 34% in 2006/07(REPOA, 2010).

2.6.1 Major Problems in Tax Collection
The most serious problem hampering revenue collection, according to citizens’ views in 2003, was that taxes collected were not spent on public services. More than 58% of respondents held this view. In 2006, however, it reduced to 36% suggesting that respondents’ perceived that their terms of trade with the government had improved, reflected in better public services. In 2003, ‘too high taxes/fees’ (48% of respondents) and ‘dishonest collectors’ (46%) were also perceived to be major problems. In particular, the data suggest that citizens in 2006 had more trust in the governments’ ability and/or motivation to provide services, although substantial differences were noted between the six councils. For instance, while 65% of the respondents in Bagamoyo DC in 2003 believed that taxes collected were not spent on public services, the corresponding figure for 2006 was 40%. For Ilala MC the corresponding figures were 63% (2003) and 24% (2006). Moreover, while 51% of respondents in Bagamoyo DC in 2003 perceived tax collectors to be dishonest, 43% held this view in 2006. In Iringa DC, however, there was only a minor change from 2003 (33%) to 2006 (32%) with respect to citizens’ perceptions of the honesty of tax collectors (REPOA, 2010).
2.6.2 Ineffective Tax Collection

Tax collectors were those most frequently blamed (54% of respondents). This view cut across all case councils, although the share of respondents who blamed tax collectors was lower in Iringa DC than the average for the other councils. While council employees were ranked second among those most frequently blamed in the 2003 survey (49%), they were ranked third (36%) in the 2006 survey after local government elected leaders (44%). In both surveys, only around 20% of respondents agreed with the statement that taxpayers were most to blame. Distrust in revenue collectors is documented in previous studies (Tripp, 1997; Fjeldstad & Semboja, 2001; Kelsall, 2000).

In particular, before 2003, the collection of the development levy often led to conflicts and tensions between collectors and citizens. Since the 2003 survey was carried out only a few months after the abolition of development levy, citizens’ perceptions of tax collectors were likely to reflect their recent experiences with development levy collectors. However, in the two urban councils, Ilala MC and Mwanza CC, the development levy was not an important revenue base. In these councils the poll tax mainly covered public and formal sector employees, whose payment of the levy was deducted from their salaries by the employer with limited contact between collectors and taxpayers. Hence, taxpayers’ low trust in collectors in Ilala MC and Mwanza CC in the 2003 survey was most likely related to other factors than the now abolished development levy. The situation in 2006, more than three years after the abolition of development levy. One explanatory factor is the simple fact that tax collectors are rarely well regarded by citizens, though this is hardly the full explanation.

Schroeder et al (1998) identified some findings on Malawi as reasons for ineffective revenue collection in Malawian local authorities. He noted weak Administration. On this he says revenue base information is incomplete, collections are low, and enforcement is virtually non-existent. Statistics on actual collection rates are difficult to identify since information on actual revenue collections is difficult to assemble and is usually compared based on tax collection targets not on billed liabilities or potential revenues. To date, local assemblies rely mostly on individual persuasion to
mobilize revenues rather than utilizing the various enforcement mechanisms available through the Local Government Act. Kelly et al (2001) discovered lack of apparent political will. Mobilizing political will requires education and incentives to those involved in the revenue mobilization effort. Another factor was poor local facilities. He argues that people are always more willing to pay taxes and fees if in return they receive some tangible benefits or services. Lack of education on tax responsibility became another key issue.

2.6.3 How to Improve the Tax System

In a series of questions, the citizen surveys addressed the issue of how to improve the tax system, including matters such as where respondents thought public revenues were least likely to be misused, and actions to be taken to reduce misuse of revenue collected. While as many as 27% of all respondents in 2003 thought that misuse of funds were unavoidable, only 10% held this view in 2006. This may reflect higher trust in the authorities, which is consistent with the finding that people were more satisfied with law and order in 2006 compared to three years earlier. Moreover, increasing trust in lower levels of government was recorded. In 2006, almost 35% of respondents suggested that misuse of funds was least likely at the village level, compared with only 15% in 2003. Especially in the three rural councils, Iringa, Kilosa, and Moshi, this view was strong. More than 40% of respondents in each of these councils held this view in 2006. The kitongoji leader and the village/mtaa chairperson are also the persons whom people consider to be least likely to misuse public funds.

In contrast, peoples’ trust in the Tanzania Revenue Authority (TRA) seems to have eroded over time. When asked what actions would reduce the misuse of tax revenue, more than 40% of the respondents in 2003 said it would not help to report this to the village authorities, the ward and council offices, or to the police. In the 2006 survey, only between 14% and 18% of respondents held this view. More than 70% of respondents in 2006 said it would help to report such misuse to the village authorities (compared to less than 50% in 2003), reflecting higher trust over time in the lower level authorities. However, almost 80% of all the respondents in the 2006 survey
(compared to 64% in 2003) suggested that reporting the misuse of tax revenue to a journalist would help reduce this form of corruption. Citizens’ relatively high trust in journalists is also reported in other studies, for instance, ESRF and FACEIT (2003).

2.7 Knowledge Gap
Several studies (Kelly et al (2001), Schroeder et al (1998), (Crook, 2003; Semboja, 2001 & Therkildsen 1995) conducted discovered problems of low level of revenue and tax education to most revenue collectors, non-adherence to financial rules and regulations in district councils. However, these challenges are not universal to all municipal or district councils. No single study identified the effectiveness of revenue collection based on a given set of laws or guidance. Temeke municipal council, located within the capital city, Dar es Salaam was used as a benchmark to be applied in the entire country.

2.8 Conceptual Framework
The conceptual framework assumes that when there are policy development, policy implementation, Ethics, Qualified staffs, System development, System operation, infrastructure etc (independent variables) are in place and the challenges the results will always be revenue turn over (Dependent variables), making proper delivery of services, improvement in living standard etc. Challenges such as corruption, and untrained revenue government employees etc affect effective revenue collection. With all the factors constant as per the diagram, there result of an effective revenue collection system are likely to be a higher degree of fiscal autonomy; good methods of revenue collection and financial management, including budgeting, accounting and auditing. The end result is also transparency in fiscal and financial affairs and tax compliance.
Figure 2.1: Conceptual Framework

Independent Variable

- Policy Development
- Policy Implementation
- Ethics
- Qualified Staff
- System Development
- System Operation
- Infrastructure

Dependent Variable

- Polices
- Employees
- Budget
- Revenue Collected
- -Service delivery
- -Job performance
- -Fiscal autonomy
- -effective methods of revenue collection
- -effective financial management
- -transparency in fiscal and financial affairs

Source: Own compilation
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This part discusses research design, area of the study, study population (sample size and sampling techniques), data collection, management and analysis. In this study a combination of methods was used in collecting data and henceforth analysis.

3.2 Research design
The research design is defined as a plan for collecting data and utilizing data so that the desired information can be obtained (Kothari, 2004). A case study was selected for this research. In a case study research design, research interest involves a range of variables, but the unitary nature of the unit of inquiry is always maintained. In this case, the research delved on the effectiveness of revenue collection system in TMC. Data was collected from the research participants at a single point in time (Adam & Kamuzora, 2008). Moreover, such a design enabled the researcher to use the little financial resources put aside for the research purpose. In addition, a case study research design created a conducive environment for the use of questionnaire tool, and to conduct an in depth inquiry of the phenomenon (Meyer, 2001).

3.3 Area of the study
The study was conducted at Temeke Municipality in Dar es Salaam region. The institution was considered relevant to the study because first, Temeke Municipal Council is amongst other district councils which have been affected by the decision of problems of revenue collection (CAG report, 2012). Dar es Salaam was selected because the researcher is a student at Mzumbe University Dar es salaam Campus. It would save the costs of transport at the same time, bring the researcher within close proximity to his supervisor who also resides in the city. Most importantly, Temeke is one of the largest in terms of population in what make the city of Dar es salaam, with Ilala and Kinondoni being the others. It is a council that raises the highest revenue collection based on its superior population. The problem is that its actual amount of revenue raised in subsequent years falls behind the expected collections.
3.4 Study population
A population is generally a larger collection of individuals or objects that is the main focus of a scientific inquiry. A sample is subset of the entire population (Adam & Kamuzora, 2008). The study population comprised of all the district councils in Tanzania. There are one hundred thirty eight (138) local councils (cities, Municipals, Town and District councils) in Tanzania.

3.4.1 Sample and sampling techniques
The study conducted at Temeke Municipality in Dar es Salaam Region because first, Temeke Municipal Council is among other district Councils which are bedevilled by problems of Revenue collection (Controller and audit General Report (CAG), 2012). Second, no similar research has been conducted on the problems of revenue collection at Temeke Municipal, and whether their system of revenue collection is effective. Thirdly, Revenue sources available in the council do not match with the public services being offered to the residents of Temeke. From Temeke Municipal, the study looked at respondents who could provide the data sought for. Table 3.1 highlights the respondents that were necessary in the research. Secondary data was determined based on the different data sources shown in table 3.2. Researchers cannot collect all data from every single individual from their population of interest, since this would be extremely expensive and take a very long time. Purposeful sampling technique was used to select respondents for questionnaires as indicated in table 3.1. The choice of the respondent was based on specialist knowledge of the research issue, capacity and willingness to participate in the research (Jupp, 2006).

The sample was chosen from the population. Researchers use purposeful sampling techniques to select the participants for their sample – these techniques help to minimise cost whilst maximising generalisability (Kothari 2004). In case, of financial data systematic sampling technique was adopted to select data from revenue department, where by financial data of 2005 to 2010 was selected. Purposeful sampling is a form of non-probability sampling in which decisions concerning the individuals to be included in the sample are taken by the researcher, based upon a variety of criteria which may include specialist knowledge of the
research issue, or capacity and willingness to participate in the research. Documentary review sampling technique was adopted for this technique, where the
documents relating to revenue collections from 2006 to 2010 were reviewed. Some
types of research design necessitate researchers taking a decision about the individual
participants who would be most likely to contribute appropriate data, both in terms of
relevance and depth (Jupp, 2006).

Table 3.1: Determination of Sample Size (Primary data)

<table>
<thead>
<tr>
<th>Category of respondents</th>
<th>Expected respondents</th>
<th>Actual respondents</th>
<th>% of Actual respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal director</td>
<td>1</td>
<td>1</td>
<td>100%</td>
</tr>
<tr>
<td>Municipal Treasurer</td>
<td>1</td>
<td>1</td>
<td>100%</td>
</tr>
<tr>
<td>Municipal Trade Officer</td>
<td>1</td>
<td>1</td>
<td>100%</td>
</tr>
<tr>
<td>Municipal Planning Officer</td>
<td>1</td>
<td>1</td>
<td>100%</td>
</tr>
<tr>
<td>Head of Sections/Units</td>
<td>5</td>
<td>3</td>
<td>60%</td>
</tr>
<tr>
<td>Revenue Accountants</td>
<td>2</td>
<td>2</td>
<td>100%</td>
</tr>
<tr>
<td>Ward Executives Officer</td>
<td>6</td>
<td>6</td>
<td>100%</td>
</tr>
<tr>
<td>Revenue collectors</td>
<td>5</td>
<td>5</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22</strong></td>
<td><strong>20</strong></td>
<td><strong>96%</strong></td>
</tr>
</tbody>
</table>

*Source: Study Findings, 2013*

Table 3.2: Determination of Sample Size (Secondary data)

<table>
<thead>
<tr>
<th>Sample</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Collection from Government sources</td>
<td>2005-2010</td>
</tr>
<tr>
<td>Revenue collection from own sources</td>
<td>2005-2010</td>
</tr>
<tr>
<td>The Local Government Finances Act</td>
<td>1982</td>
</tr>
<tr>
<td>The Local Government District Authorities and Urban Authorities Acts</td>
<td>1982</td>
</tr>
<tr>
<td>The Local Government Finance Act No. 9</td>
<td>1982</td>
</tr>
<tr>
<td>CAG Report</td>
<td>2005</td>
</tr>
<tr>
<td>CAG Report</td>
<td>2012</td>
</tr>
<tr>
<td>The Local Government Laws (Miscellaneous Amendments) Act No. 6</td>
<td>1999</td>
</tr>
<tr>
<td>The Local Government Laws (Miscellaneous Amendments) Act No. 13</td>
<td>2006</td>
</tr>
<tr>
<td>The Local Government Finance Act No. 9</td>
<td>1982</td>
</tr>
<tr>
<td>The Public Procurement Act No. 7</td>
<td>2011</td>
</tr>
<tr>
<td>The Local Government Laws (Miscellaneous Amendments) Act No. 13</td>
<td>2006</td>
</tr>
</tbody>
</table>

*Source: Study Findings, 2013*

### 3.4.2 Sampling procedures

Purposive stratified sampling technique was used in answering the questionnaire
because it helped in selecting key informants whose information was relevant to the
study. The choice of participants depended on the researcher’s perception of their ability to increase improvement of data likely to enhance the quality of the study results based on their knowledge, skills and experiences on local Government in Tanzania. So the strata was based on knowledge and related department of the subject area-revenue collection.

3.5 Expected results
The expected result of this study was that, the revenue collection at Temewe Municipal Council may be Effective or Not Effective. Temewe Municipal Council is among other district Councils in Tanzania affected by problems of revenue collection shortfalls (Controller and audit General Report (CAG), 2012), sources of prediction. Therefore, the study was expected to achieve its objectives by coming up with practical and strategic recommendations to improve revenue collection, accountability and financial management in local government authorities and to overcome identified shortcoming in revenue collection process. The results were expected to be reliable and valid and reflected the reality in the current situation and for the future reference.

3.6 Source of data and collection methods
Both primary and secondary data collection methods were used in the research. In primary data analysis the individuals who collect the data also analyze it; in secondary data analysis individuals who were not involved in the collection of the data analyze the data. Secondary data analysis may be based on the published data or it may be based on the original data. Secondary data analysis can also be based on the original data if the original data are available in an archive (Russell, 2001).

3.6.1 Primary data
The questionnaire was designed to capture relevant information from the field. It composed of closed-ended and open-ended questions. This offered respondents the opportunity to select appropriate answer at the same time a chance to express their views without any limitation. Thus, it provides quantitative measures, which have great precision and are easy for statistical manipulation (Kothari 2004:5). The choice
of using questionnaires in data collection was prioritised because of its advantages over the other methods. It is efficient, cost effective and has the ability to capture further information from the source. The study used same questionnaires to collect data from the respondents (Council staffs and average tax payers).

3.6.2 Secondary data
Secondary data was based on policies/laws, books, journals, reports, newspapers, magazines, periodicals etc (Adam & Kamuzora, 2008) to enrich the research. The researcher also used published data (secondary data) from Revenue department and Controller and Auditor General (CAG). It included Revenue collection report from 2006 to 2010; different rules and policies of revenue collection. This enabled the researcher to obtain information on estimates of Revenue and actual collection in order to assess the performance. Other data obtained was Revenue collection trends, Revenue budget and financial report.

3.7 Data collection methods and tools
Within each general research approach, one or many data collection techniques may be used. Typically, a researcher will decide for one (or multiple) data collection techniques while considering its overall appropriateness to the research, along with other practical factors, such as: expected quality of the collected data, estimated costs, predicted non response rates, expected level of measure errors, and length of the data collection period (Lyberg and Kasprzyk, 1991). It is of course possible that a given research question may not be satisfactorily studied because specific data collection techniques do not exist to collect the data needed to answer such a question (Kerlinger, 1986). The most popular data collection techniques include: surveys, secondary data sources or archival data, objective measures or tests, and interviews, questionnaires, and observations (Kothari 2004:5). For this research, questionnaires method was preferred.

3.8.1 Questionnaire
Questionnaire is a schedule of questions in which respondents fill in answers (Kothari 2004:5). Paper-pencil-questionnaires can be sent to a large number of
people and saves the researcher time and money. People are more truthful while responding to the questionnaires regarding controversial issues in particular due to the fact that their responses are anonymous. But they also have drawbacks. Majority of the people who receive questionnaires don't return them and those who do might not be representative of the originally selected sample (Leedy and Ormrod, 2001). Questionnaire was designed to fit the sampled population from TMC and tax payers in order to get different views from different stakeholders. The Questionnaire comprised of both open ended and closed questions. This method was used because a lot of information can be captured within a short time (Kothari 2004:5). The researcher used English as an official communication language, and where necessary, verbal translation was offered.

3.8.2 Documentary review
The researcher read various documents for the purpose of collecting secondary data, such as Council budget review estimates, financial reports, revenue collection procedure, revenue collection trends, transfers and grants from central government. The researcher was able to extract information for these documents. Data on revenue covered the years 2005-2010. Other data extracted for use in this study as classified as current data. The Researcher designed forms and tables for easier data collection and analysis. This was used to enrich the study findings.

3.9 Data analysis and presentation
Both Quantitative and Qualitative data were collected and analysed appropriately. Revenue Collection Amount from year 2006 to 2010 was analysed using Microsoft excel program to create data matrix of financial data from the Revenue department. The SPSS Software was used for analysis of qualitative data collected. Both coding and re-categorization was made using this software. The data was analysed into tabular form and charts showing the number of respondents, the valid percent and cumulative percent for each question of questionnaire. Microsoft excel was used to create tables showing the variables needed for mathematical computation.
3.10 Ethical and moral issues
The researcher adhered to ethical and moral issues by exercising appropriate behaviour in relation to the rights of those who become subject of this work, including right to know the true purpose of the research, to decide which question to answer and the right to withdraw from participation at anytime.

3.11 Test for reliability and validity
Reliability is defined as the extent to which a questionnaire, test, observation or any measurement procedure produces the same results on repeated trials. In short, it is the stability or consistency of scores over time or across raters. During the study, five questionnaires were administered to junior staff in the accounts department, and their results reflect the later findings (Leedy and Ormrod, 2001). This show, the research findings are reliable.

Validity is defined as the extent to which the instrument measures what it purports to measure. It is concerned with the ability to measure questions to make accurate predictions. Validity refers to whether the researchers actually measured what they wanted to measure (Leedy and Ormrod, 2001). In this case, the researcher focus was on the effectiveness of revenue collection in TMC. The study findings reflect that they are valid.
CHAPTER FOUR
PRESENTATION, INTERPRETATION AND DATA ANALYSIS

4.1 Introduction
This chapter presents the data gathered from the questionnaire which the researcher conducted in Temeke, Dar es Salaam, Tanzania in 2013. The general targeted population was one hundred thirty eight (138) local councils which included cities, Municipals, Town and District councils. Temeke Municipal Council was therefore selected as a case study.

The findings of the study are organized according to the following study Question;
(i) What are the indicators of an effective revenue collection system?
(ii) How effective is the LGA revenue collection system?
(iii) What are the reasons for ineffective revenue collection?

4.2 What are the indicators of an effective revenue collection system?
To answer this question, a number of documentary reviews and questions were considered. Indicators such as effectiveness and performance of a revenue collection system, tax structure and administration, economic indicators, law and policies were analyzed.

Revenue system should contain both qualitative and quantitative indicators that should its effectiveness and performance. It should contain performance and structural indicators about countries’ national tax systems. It should address how well a particular tax performs in generating revenues for the government, given its overall rate structure (REPOA, 2004). Among the performance indicators is also an indicator of how well the overall tax system produces revenues, given its costs. According to REPOA (2008), several revenue collection indicators are cited. The quantitative and qualitative indicators are tax revenue performance, tax structure, tax administrative structure, economic indicators, law and policies indicators
4.2.1 Tax revenue performance

Performance indicators define the measurement of important and useful information about the performance of a program or activity expressed as a percentage. Performance also provides several types of information, including information about inputs, activities, outputs and outcomes. These quantitative indicators provide a sense of how effectively the tax system produces revenues. (REPOA, 2008)

4.2.2 Tax structure

These quantitative indicators represent the substantive structure of tax law, in a simplified, comparative way. Reviews show different tax laws on the implementation of Indirect taxes, direct taxes (personal and corporate), trade taxes, and other Non tax revenues such fees and charges. Appropriate laws on these lead higher tax collections (Fjeldstad, 2001).

4.2.3 Tax administration

Tax administration measures both qualitative and quantitative indicators of the organization and size of the revenue collection is outsourced to a range of different types of agents. For example, the collection of property taxes in certain areas were collected by a private consultancy firm specialised in tax advice during 2004-2005; while the collection of market fees was outsourced to market associations or co-operatives operating in the respective markets. The situation in other district councils in Tanzania is the same. In Mwanza City Council, the collection of fish market fees was outsourced to a fish dealer organisation, while the collection of fees at the central market was contracted to a vegetable cooperative operating in the market (TMK, 2005).

In Kisarawe and Kilosa District Councils, the collection of forest levies (until they were abolished in 2005) was outsourced to a private firm whose main activity is the operation of private schools. Perhaps the opponents of the use of agents are informed by the arguments made by Odd-Helge Fjeldstad, Lucas Katera and Erasto Ngalewa (2008) where they penned that in their studies of several of the councils in Tanzania that some agents did not comply with their contracts, either by not
submitting revenues collected to the council, or by submitting less money than stipulated in the contract. In Kinondoni MC and Mwanza CC cited as examples, the problems were partly due to the agents' lack of experience, reflected in over ambitious bids, and partly because the agents in some cases did not pay their own collectors properly, which reduced their incentives to collect. In some cases the council brought the agents to court, which was a costly and time consuming exercise. On the other hand, the proponents of the use of agents could argue that use of agents (outsourcing) provides the municipal access to professional, expert and high-quality services. In this way, a municipal can have reasonable assurance that its tax returns are prepared in accordance with the latest tax rules and regulations, and are filed and paid on time (Clarissa R. Hornilla, 2013).

It was on this basis that the respondents were asked where they preferred agents to manage revenue collection in their municipality. All the same, in the results whose details are in table 4.1, 55 % (11 respondents) said they do not prefer agents, and 45 % (9 respondents) preferred agents. This implies that the use of agents is not encouraged in Temeke Municipal Council.

**Table 4.1: Is there any importance for including outsiders (agents) in collecting revenue?**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>11</td>
<td>55.0</td>
<td>55.0</td>
<td>55.0</td>
</tr>
<tr>
<td>No</td>
<td>9</td>
<td>45.0</td>
<td>45.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field data, 2013
Notwithstanding the fact that most revenue ontracts are benefiting collecting agents more than the Councils. The majority of the collecting agents normally fail to remit the collected amounts to the Councils, as reflected in the CAG,(2011). An increasing trend in the revenue not remitted by the collecting agents from TZS 0.22 billion in the FY 2005/06 to TZS 2.76 billion in the FY 2009/10 was also observed. It is also important to note here that in the same period, number of Councils involved in this anomaly increased from 14 to 43. Therefore, the LGAs normally do not sufficiently receive even the small share agreed in the revenue contracts. Worse enough, the attempts to remove the collecting agents were usually hampered by the court injunctions applied by them. As a result, the Councils have so many revenue collection related cases, a situation which depletes the Councils’ revenue even further through increased legal expenditures.

It was further observed that substantial amount of the collected revenues were retained by the collecting agents. For instance, in 2006, the collecting agent at Ubungo Bus Terminal in Dar es Salaam retained about 60% of the collected revenues (Fjeldstad, Katera, & Ngalewa, 2008). A similar situation was noted in Mwanza City Council where private collecting agents retained about 32 % of the collected revenue (Fjeldstad, et al., 2008). As a result, actual revenue collection by private collecting agents was higher than what was reflected in the revenue contracts. These monies, as Fjeldstad and Heggstad (2012) argued, were in the hands of the private collecting agents and their associates. Therefore, undervaluation of the revenue sources as noted in Tanzania District councils, had significantly affected the Councils’ revenue raising ability, which, in turn, affects the efficient delivery of public services such as education and primary health care.

4.2.4 Economic indicators

Economic indicators are based on the number of research projects as having important impact on the ability of tax systems to collect taxes. Economic structure of TMC shows a function of several economic projects. Reports available from TMC (2013) show the annual performance review of the implementation status of the Medium Term Plan and Budget Framework (MTEF) for the year 2007/08 – 2009/10.
It describes achievements and changes in improving service delivery during the year 2007/08. Significant achievements and changes in service delivery have been gained as a result of implementing annual targets for the year under review. Actual physical implementation was estimated to be 86%. Most of the annual targets under review were met. Higher performance was realized in secondary school classrooms construction; furnishing secondary schools; an increase of Prevention of Mother-to-Child Transmission of HIV (PMTCT) services; construction of roads; and construction of hospital wards and administration block; maintenance of roads. Others are drilling and construction of water boreholes; construction of an irrigation scheme; and construction of a dip – tank.

4.2.5 Laws and policies indicators

Respondents were also asked to state whether there are existing laws and policies guiding revenue collection process at the council. A greater majority of the respondents, i.e. the 100% (20 respondents) threshold of those sampled agreed there are laws and policies governing revenue collection at the council. The detail, raised through a spreadsheet chart as shown in table 4.2.

| Table 4.2 Are there laws and policies guiding the revenue collection process in your council |
|---|---|---|---|
| Yes | 20 | 100.0 | 100.0 |

Source: Field data, 2013

These were also supported by documentary reviews as indicated in The Local Government Finances Act of 1982 and other laws.

4.2.5.1 The Local Government Finance Act No. 9, 1982

The Local Government Finance Act No. 9, 1982 defines the revenue sources of local government authorities. The Local Government Finance Act provides that the revenue sources consist of the main categories of local government authorities’ own revenue sources, shared taxes, central government grants, and donor funding. The Local Government Finance Act 1982 has been amended several times, and for
example some of the own revenue sources that used be provided by the Act, such as the development levy, have been abolished during years 2003–2004. In addition to the amendments to the Act, the revenue sources of the local government authorities are also regulated by regulations made by the Minister responsible for local government. For example, the Minister can, after consultations with stakeholders, make a regulation specifying the distribution of resources of revenue among various levels of local government authorities. Reforms initiated within reform programmes such as the Local Government Reform Programme (LGRP) play an important part in defining the revenue sources base of the local authorities.

The revenue sources defined in the Local Government Finance Act 1982 differ for urban authorities, district councils, township authorities and village councils (see Sections 6–8 of the Local Government Finances Act). The own source revenues of local government authorities consist of various licences and fees, and different kinds of taxes. Some of the tax revenues the local government authorities are allowed to use themselves in full, but some tax revenues that the local authorities collect have to be shared with the central government. For example, the municipal councils and district councils are entitled to 20 per cent of the revenues collected by the central government as land rent under the Land Act. The revenues from the land rent (leases on commercial, industrial and residential land in areas occupied under non-traditional forms of tenure) are collected by the local government authorities, deposited in the bank account of the central Treasury, and finally returned in the ratio of 20 per cent to those areas where they were collected from. However, the system is unreliable. Steffensen et al. (2004) point out that the three municipal councils within Dar es Salaam did not receive any payments of land rent in the beginning of 2000s.

The local government authorities have powers to tax and set rates for levies, fees and charges by making by-laws prescribing them. The contents of the by-laws have to be set within the limits set by the Minister responsible for local government. The Minister can, after consultations with the Minister for Finance, make rules called rating rules, which prescribe the limitations and impose conditions upon which any local authority or category of local authorities may make legislation imposing rates.
In these rules the Minister may also provide for procedures that the local authorities have to follow in imposing and collecting rates in their respective areas.

The Local Government Finances Act of 1982 entitles the higher level local government authorities of district and urban councils as well as the lower level local government authorities of villages and townships to financial resources of their own. The 1999 amendments to the Local Government District Authorities and Urban Authorities Acts of 1982 introduced provisions that recognised the duty of the central government to provide sufficient resources for the district councils to exercise powers delegated to them by central or other local government authorities. The amendments also obligated the Minister responsible for local government to endeavour to ensure that there are available adequate financial and other resources for various sectors or aspects of local government so as to ensure the effective and efficient development of the local government system.

4.2.5.2 Decentralization of Financial Autonomy of Local Governments

The World Bank Group, (2001) defines decentralisation as the transfer of authority and responsibility for public functions from the central government to intermediate and local governments or quasi-independent government organizations and/or the private sector is a complex multifaceted concept. Different types of decentralization should be distinguished because they have different characteristics, policy implications, and conditions for success. But the three major forms of administrative decentralization as per that World Bank report (2001) are political, administrative, fiscal, and market decentralization. Given the options as to whether respondents prefer decentralising financial autonomy in the local government as opposed to waiting from the central government, the results were that 75% want to decentralised, and 25% disagreed with the notion of decentralising financial autonomy in the local government. This is shown in figure 4.6.

Those in agreement seem to agree with the benefits of decentralisation as argued by Rondinelli, et al. (1984), cited in the World Report(2001) on developing countries Indonesia, Morocco, Thailand, and Pakistan’s local government capacity increase
slightly in the years following decentralization. Rondinelli, et al. (1984) also adds that devolution in Papua New Guinea has increased popular participation in government and improved the planning, management, and coordination capacity of provincial administrators. In general, much of the evidence indicates that decentralization has increased local participation and hence local government leverage in gaining access to national resources and encouraged the development of public and private planning and management skill (World Bank report, 2001).

Decentralisation can also be hectic, and problematic in implementation as supplemented by the 25 % (5 respondents) who may argue that decentralization may not always be efficient, especially for standardized, routine, network-based services. It can result in the loss of economies of scale and control over scarce financial resources by the central government. Weak administrative or technical capacity at local levels may result in services being delivered less efficiently and effectively in some areas of the country. Administrative responsibilities may be transferred to local levels without adequate financial resources and make equitable distribution or provision of services more difficult. Decentralization can sometimes make coordination of national policies more complex and may allow functions to be captured by local elites. Also, distrust between public and private sectors may undermine cooperation at the local level (World Bank Decentralization Thematic Team, 2013). However, decentralization of financial autonomy has proven to the best, at least to the majority of the respondents, who comprise 75 % (15) respondents. Specific details are given in table 4.3.

The local government authorities have powers to tax and set rates for levies, fees and charges by making by-laws prescribing them. The contents of the by-laws have to be set within the limits defined by the Minister responsible for local government in consultation with the Minister for Finance. The budgets prepared by the local government authorities have to be submitted to the Prime Minister’s Office – Regional Administration and Local Government for approval. The share of the local government authorities’ own source revenues was very small, amounting only to 6.7 per cent in the fiscal year 2006-2007. The local government authorities rely to a large extent on formula-based recurrent sector block grants in their service provision in the
national priority sectors. In principle the formula-based sector block grants are no longer divided into personal emoluments and other charges, but the supposed autonomy at the local level in the employment of staff and balancing the personal emoluments and other costs is not realised in practice. Only the Local Government Capital Development Grants initiated in fiscal year 2005-2006 allow the local government authorities to use discretion and prioritise the use of the grants in line with local priorities for development expenditures. The 1999 amendments to the Local Government District Authorities and Urban Authorities Acts of 1982 introduced provisions that recognised the duty of the central government to provide sufficient resources for the district councils to exercise powers delegated to them by central or other local government authorities. The amendments also obligated the Minister responsible for local government to endeavour to ensure that there are available adequate financial and other resources for various sectors or aspects of local government so as to ensure the effective and efficient development of the local government system.

Table 4.3: Is there a Need to Decentralize Financial Autonomy of Local Governments?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Yes</td>
<td>15</td>
<td>75.0</td>
<td>75.0</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>5</td>
<td>25.0</td>
<td>25.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>20</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field data, 2013

According to PMO-RALG the rating rules prescribed in the Local Government Finances Act 1982 have not been developed or put in place. Instead, PMO-RALG and Ministry of Finance have periodically issued circulars or guidelines to direct the local government authorities in revenue practices. The lack of standardised rating rules and the irregularity of the instructions fail to provide a transparent and consistent local revenue administration process. For example, the village councils are accountable to the district councils (and in some cases to urban councils) and the mtaas to urban councils of all their revenue collections. Some revenues collected by
the local governments are subject to sharing with these lower level local governments (village councils and mtaas). In 1997 PMO-RALG directed local government authorities to share 20 per cent of local revenues with the village and mtaa level.

4.2.5.3 Other laws and by-laws
Other laws and by-laws governing revenue collection in Temeke stem from the ‘The Local government Finance Act, 1982(No.9 of 1982)’, selected various provisions in the laws states that fees and charges levied by the authority shall be payable in advance but not later than 30th April of each year, and any person who contravenes or fails to comply with any of these by-laws commits an offence and upon conviction is liable to a fine of fifty thousand shillings or to imprisonment for a term of twelve months or to both. The same laws made under section 13 and 15 with reference to (property rate) by-laws, 2001 states that;

Any person who is the owner of rateable property within the area of jurisdiction of the council pays a rate being equal to zero point five percent of the rateable value, provided the minimum property rate payable not less than the sum of ten thousand shillings.

Any owner of rateable property within the area of jurisdiction of the council whose property is not included in any valuable roll of the by-laws shall be liable to pay flat rate as specified in the schedule of these by-laws.

The rate charged under paragraph (1) and (2) of by-laws shall be payable to the council within thirty days of the date of such demand notice, commencement date being the 1st day of the fiscal year.

Where the rate remains unpaid after the date on which it becomes due and payable, interest at the rate of one percent per month or part thereof shall be charged in accordance with the provisions of section 47 of the urban Authorities (Rating) Act, 1983.
Any person who fails to pay the rate prescribed under these by-laws, whether such tax is legally demanded or not, shall be liable to a penalty of twenty five percent per annum or part thereof of the amount of tax in respect of which such person is in default, or to imprisonment for a term not exceeding twelve months, or to both that fine and imprisonment.

4.2.5.5 Loop holes in the revenue collection laws

A loophole is an ambiguity in a system, such as a law or security, which can be used to circumvent or otherwise avoid the intent, implied or explicitly stated, of the system. Loopholes are searched for and used strategically in a variety of circumstances, including taxes, elections, politics, the criminal justice system, or in breaches of security. A loophole in this case means a weaknesses in the tax laws that make revenue collection hampered leading to little revenue collection or other forms of weaknesses such as avoidance, evasion etc. Based on that criterion, Municipal officials were asked to state whether there are such loopholes in the revenue collection laws, a greater majority of 67 % (13 respondents) affirmed the question, and only 35 % (7 respondents) were of contrary opinion. This shows that belief and trust in the existing laws are low. Table 4.4 give the correct picture.

| Table 4.4: Are there any loop holes associated with these laws and policies? |
|-----------------------------|----------------|----------------|----------------|
|                            | Frequency | Percent | Valid Percent | Cumulative Percent |
| Yes                         | 13        | 65.0    | 65.0          | 65.0              |
| No                          | 7         | 35.0    | 35.0          | 100.0             |
| Total                       | 20        | 100.0   | 100.0         |                   |

Source: Field data, 2013

The loop holes are seen in both the Income Act level, and at the Municipal by-laws. The Income tax Act of 2004 and its amendments of 2006 and others provide that all income including professional income is subjected to taxation. Consultant services are subjected to withholding tax of 2%, 10% and 15 % depending on the sources of income (TRA, 2004). The law also provides that the employers or institutions who
consume the services are legally required acting as agents by withholding the income taxes revenue from the services providers and remitting to TRA. However, the legal practice in tax collection is that when an individual has a Tax Identification number (TIN), the service provider (e.g. consultant) is individually reliable to submit himself to the revenue authority for taxation but when the individual is not TIN holder, the paying institution has to deduct withholding tax, this is exception present a loophole for professionals not to pay their due tax.

It also provide a legal weakness and loophole for individuals and tax collection agents (institutions) not to comply with tax laws by collecting withholding tax revenue from the services providers. The other challenge related to this legal framework is the difficult to verify whether the services provider (consultant) has a TIN number or not, again whether the TIN number provided is correct or not. These questions are not easy to answer and prove with the current situation of absence of online data base of tax payers.

With the current situation of absence of online data base, this problem would have been averted by making sure all services receivers deduct withholding tax from services providers such as professional consultants irrespective of having TIN number or not. Alternatively all TIN numbers should be listed in an online data base that the tax collection agents can easy check. Some institutions do collect irrespective of individuals having TIN or not while others don’t collect from an individual without a TIN and so on. Again there are confusions as on how withholding tax has to be collected, i.e. from which services, when and how and by whom. As there are many types of services that withholding tax has to be collected and the law is not clear on how professional fees will be collected by who and how.

These questions present weakness in the law and confusions that cause loss of revenue collections, moreover this confusion in the law is not clear even to some TRA staff stationed at the Municipal Council. There is a need for the Revenue Authority to educate its staff and reform its tax laws to cope with changes taking place in the country and recognize that professional services are increasingly
becoming major sources of income of some skilled personnel especially the middle class and hence design ways to effectively Collect tax from this growing segment of tax payers (Apronius, 2013).

On the by-laws at the Municipal and as identified in the previous section 4.4.6, a number of loopholes were also identified as affecting the smooth and effective collection of taxes at Temeke Municipal Council. For instance, The Local government Finance Act, 1982(No.9 of 1982) were identified having those loopholes.

Introduction of penalties when a person fails to pay taxes will instead of solving the problem, scare away prospective tax payer. This is stated in section13 and 15 of the same Local government Finance Act, 1982.

Payment of taxes should not be given a time frame, but a lifelong process where a genuine tax payer can pay the taxes any time he feels provided his records and in the database of the municipality. The time frames limits, and encourages tax evasion leading to loss of revenues of the municipality.

There are many laws governing revenue collection in the council. These laws are sometimes conflicting leading to misinterpreting and failing to adhere to some of the provisions listed in them.

Involving of third parties in the collection may lead to loss of revenue as some agents may not be trust worthy and may unnecessarily charge higher charges, or lower charges as per the occasion.

Local government authorities’ own revenue collections have declined in recent years primarily because the Government of Tanzania rationalized the local government revenue system in 2003 and 2004. In this process various taxes, including the development levy which constituted the main tax in rural districts, were abolished. The Government also restricted local rate-setting discretion over the remaining local
revenue sources. Before these reformations the approach to local taxation was permissive, which resulted in a local revenue system that virtually lacked any sense of uniformity. The reform policies were set within the framework of the Local Government Reform Programme (LGRP) because of concerns about the efficiency and equity effects of the mixed local government revenue system.

As noted in the Local Government Fiscal Review 2007, the low degree of local revenue autonomy in Tanzania reveals a weak link between the benefits from local expenditures and the costs of these to local residents. As Tidemand (2005) points out, trust in the local government system, and in particular the proper use of locally collected tax rates is low. Local residents do not associate tax collection with service delivery. Instead several purpose specific collections are undertaken for example for the local school and water supply system. The government’s reforms are aimed at uniforming these patchy practices. The Government of Tanzania is trying to create a more viable local revenue system, which is recognized as being an important factor in enhancing the self-government and accountability of local government authorities (see e.g. PMO-RALG 2006b and PMO-RALG 2007).

The sources of local government funds are also problematic. Not only are the local government sources unreliable but also its revenue collection process is associated with a lot of problems. Semboja and Therkilden (1992:2) observe that collection of revenue as they are currently levied in faced with many problems in the majority of the council, the main problems are that most sources are inelastic because revenue does not follow growth in price as they are charged on fixed rates per unit; most sources are difficult to tap as they are mainly based on a peasant economy; lack of support from central government; lack of taxpayer enthusiasm, because of poor services provided by the council; and the council and cooperative union (with respect of produce cess) poorly administer collection.

In summary, the system adopted at TMC has proven to be ineffective in a variety of ways. One, the by-laws are not well understood by the tax collectors, and thus not being properly followed for effective tax collection. Two, auditing of the books of
accounts are not well handled, leaving room for many loop holes in revenue collection. There are also divergences in the revenue collection from one financial year to the other, and lastly, use of Village executive officer, Ward executive officer, Revenue collectors and Private collector to collect taxes has done more harm than good. These findings conflict with the empirical studies by REPOA(2010) that called for a higher degree of fiscal autonomy; transparent methods of revenue collection; good financial management, including budgeting, accounting and auditing; transparency in fiscal and financial affairs; and tax compliance together with a total reduction in fiscal corruption.

4.3 How effective is the LGA Revenue Collection System at TMC?
This is based on four tax revenue indicators; which are tax revenue performance, tax structure, tax administration and economic indicators. This is explained in the reviews and responses indicated below. To have a preview of the state of revenue collection in the previous years, statistics are given for comparison purposes from the years 2005 to 2010(performance indicators). The three year period is enough to ascertain the effectiveness of the system used in TMC. In a study by (Siasa, 2013) the majority of the Tanzanian Councils demonstrated major flaws in the administration of their own revenues. His two years’ research within the four LGAs in Mainland Tanzania revealed substantial inadequate controls related to the Councils’ revenue.

In all of the Councils visited, virtually all of the revenue related functions such as follow - up, recording, and maintenance of the cash collected, were done by few individuals. The shortage of competent staff existed at the Councils in general, and revenue section in particular, did not allow sufficient segregation of duties which is potential for the efficient monitoring of the Councils’ revenues. Also, unlike TRA which has put in place the revenue computerised systems, majority of the Councils do not have one. They maintain a list of the tax payers depending on the type of local taxes and they normally adjust accordingly whenever the payment is made. This, not only increases the administration costs to the Councils, but also runs a risk of inappropriate accounting for revenues.
Furthermore, most of the Councils’ revenue receipt books tend to be missing, and it is difficult to establish precisely whether the revenues related to those missed receipt books have been collected or not. For instance, in the FY 2010/11, a total of 948 revenue receipt books from 48 Councils were missing (CAG, 2011). Related to this is the alleged tendency of some of the dishonest revenue collectors who use other receipts in place of those given by the Councils. These anomalies as a whole have contributed to the low revenues (Siasa, 2013). The use of agents and not any other means is seen as adequate in the context of Temeke Municipal Council.

Another system is explained in the CAG report (2005) talks about a system of internal control that are adopted by councils given under order 9 through 11 of the Local Authority Financial Memorandum; 1997. The Order requires the finance committee to adopt written procedures for proper control of finances. In addition, the Director and the Treasurer should ensure there is assignment of specific responsibilities to individual officers, an organization chart of the Finance Department, division of responsibilities and periodic rotation of duties. Accountability of all areas of operations by the Director or his designated representative to check effectiveness of the control system is also mandatory. The Council is further required to employ its own Internal Auditor who reports directly to the Director. Similarly, the Public Procurement Act No.21 of 2004, Section 28 (1) requires the Council to establish a Tender Board and Sect.34 (1) provides for Establishment of Procurement Management Unit.

Records made available from TMC confirm the public perception of the ineffectiveness of revenue collection. The Table 4.5 indicates the level of revenue collected from the government and from own sources for the period 2005/06-2009/10. The values have been presented in Tanzania Shillings indicating comparison between budgeted revenue and actual collections.

**Table 4.5: Revenue Collection from Government sources**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>16,649,700,950</td>
<td>23,335,746,814</td>
<td>30,707,610,644</td>
<td>34,365,588,082</td>
<td>41,223,020,708</td>
</tr>
</tbody>
</table>
From Table 4.1 it is noted that, the flow of revenue from the central government to the Municipal Council has been below the budgeted amounts. In the year 2005/2006 a total of Tshs. 16,649,700,950 (nearly Tshs.16.65 billion) was budgeted to be allocated to Temeke Municipal Council but the records show that only 74 percent of the budgeted amount was received by the Municipal. The situation have been almost similar in the subsequent years where in the year 2006/2007 only 88 percent was received by the Municipal and the amount kept on declining in the following years where in 2007/2008 only 66 percent was received from the government. In 2008/2009 the Municipal received only 67 percent before the amount rose to 84 percent of the budgeted amount in the year 2009/2010.

This trend indicates that the government does not provide adequate financial resources to Municipal Councils to carry out various activities as per government decentralization policy. Low revenue collection by local governments entails failure to effectively execute their duties in the provision of social services to the community. Since the councils are the ones which are responsible for economic and social development of the areas under their jurisdiction including poverty reduction it is to be expected that the councils are facilitated to effectively implement those policies and strategies. Failure of the government to provide sufficient resources to local governments hampers government efforts in poverty reduction and overall economic development.

### Table 4.6: Revenue collection from own sources in Tshs.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>3,642,725,473</td>
<td>4,826,572,638</td>
<td>6,500,000,000</td>
<td>8,287,570,000</td>
<td>10,171,324,000</td>
</tr>
</tbody>
</table>

Source: Temeke Municipal Council, 2011
From Table 4.6 it is observed that the Municipal Council has managed to collect revenues in excess of the budgeted amount especially in the past years. In 2005/2006 the Council was able to collect Tshs. 3.89 billion which is 7 percent excess of the budgeted amount of Tshs. 3.64 billion. This trend however, declined in subsequent years, in 2006/2007 the Council managed to collect 5 percent in excess of the budgeted amount. In the year 2008/2009 the amount of revenue collection fell to 97 percent which is below the budgeted amount by 3 percent and in the year 2009/2010 the amount went on falling to 88 percent of the budgeted revenue collection. This is an indication of how the Municipal Council’s ability to effective collect revenue has been declining overtime. This in turn tends to affect performance of the municipal in providing services to the community.

### Table 4.7: Total Revenue Collection in Tshs.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>20,292,426,423</td>
<td>28,162,319,452</td>
<td>37,207,610,644</td>
<td>42,653,158,082</td>
<td>51,394,344,708</td>
</tr>
<tr>
<td>Collections</td>
<td>16,170,938,781</td>
<td>25,596,992,049</td>
<td>26,262,770,864</td>
<td>31,185,939,428.12</td>
<td>43,454,613,256</td>
</tr>
<tr>
<td>% of the Budget</td>
<td>80%</td>
<td>91%</td>
<td>71%</td>
<td>73%</td>
<td>85%</td>
</tr>
</tbody>
</table>

Source: Temeke Municipal Council, 2011

From table 4.7, it has been noted that overall revenue collection at Temeke Municipal council is below the budgeted revenue. In the year 2005/2006 total revenue collection from both government grants and municipal own sources amounted to Tshs. 16.17 billion which was 80 percent of the budgeted amounted. The amount rose in the year 2006/2007 to 91 percent but it then fell in the subsequent years of 2007/2008 and 2008/2009 to 71 and 73 percent respectively. The amount then rose to 85 percent in the year 2009/2010 however these are not good indicators since overall revenue collections have never exceeded nor matched with
the budgeted amounts. In this regard, it can be argued that, revenue is not effectively collected at Temeke Municipal Council and various social services and economic activities cannot effectively be implemented due to inadequacy of fund to meet the budgeted activities.

4.3.1 Whether taxes are paid on time
This measured tax administration. Responses from the respondents as well as secondary data obtained from secondary sources show how tax revenue is administered in TMC. The results, depicted in table 4.8 indicates that only 25% (5 respondents) of the respondents pay their taxes on time, with 75% (15 respondents) not paying the taxes on time. This illustration reinforces the generally held view of the reason for lack of poor or no basic services in Temeke Municipality as the taxes received always come outside the time frame. Such taxes cannot be planned, but rather either swindled by the officials or misallocated to other sectors.

Table 4.8: Do the taxpayers pay their tax on time?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>15</td>
<td>75.0</td>
<td>75.0</td>
<td>75.0</td>
</tr>
<tr>
<td>No</td>
<td>5</td>
<td>25.0</td>
<td>25.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

4.3.2 Whether the Municipal has a Revenue Collection System
A collection system of revenue implemented either manually or electronically measure tax structure indicator. TMC implements an electronic Revenue Collection System (RCS), which is a consolidated cashiering solution designed to be a centralized payment system/database for City and County Government to receipt all types of revenue whether they are Taxes, Utilities, Permits, Fees and Fines etc. It is a Windows application and runs on standard PCs operating in Ethernet or Token-Ring environment. The clients utilize the standard Windows 98/2000/ME, NT or XP operating system and the server operates under the Windows NT/2000/2003
Operating System utilizing the MS SQL database. The application is written in Visual Basic and .Net.

RCS allows users to easily create transactions that are automatically tracked and reported. A rich featured cash register system, RCS also allows non-cash register workstations to receipt batch data. Also, the system will accept many kinds of electronic files from other payment system like Mortgage, Lockbox, Remittance Processors, Internet or IVR systems etc. creating a consolidated payment database.

To support of the statement (table 4.9), respondents were asked to state whether the municipal has a revenue collection system, where the response confirmed by 90 %(18 respondents) and only 10 %(2 respondents) did say the Municipal does not have a revenue collection system.

<table>
<thead>
<tr>
<th>Table 4.9: Do you have Revenue Collection System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
</tr>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Field data, 2013

Manually, the system takes advantages of the various laws for effective tax collection level. On the ground, TMC uses agents, and its own officials to collect different levies, taxes and revenue within the Municipality. The frequent changes in the LGAs’ legal and regulatory framework are premised, among other things, on increasing the revenue for sustainable provision of the quality public services. The Local Government Finances Act No. 9 of 1982 was amended to suit the current operations of the Councils. Similarly, the new Public Procurement Act No. 7 of 2011 provides specific mechanisms on dealing with public procurement under Public Private Partnership (PPP) arrangement, which in this context, refers to the revenue outsourcing arrangements. The new Act also provides an effective institutional arrangement related to the composition, method of appointment, functions, powers and the procedures to be followed in a tender board. It is also apparent that the Councils’ regulations were sufficiently changed by the Local Government Laws
(Miscellaneous Amendments) Act No. 6 of 1999 and the Local Government Laws (Miscellaneous Amendments) Act No. 13 of 2006 to allow, among other things, the effective implementation of the decentralization by devolution policy (PMO-RALG, 2007). Also, the Government has reviewed other LGAs’ revenue related machineries including the Hotels Act which was amended in 2006.

On a positive note in relation to the local revenue, designing and implementing new revenue collection system was one of the sub-components of the local government reform agenda (PMO-RALG, 2008). Compared with the two, it is the latter that is most used in the council. Generally many systems are being used to increase the local tax base. And this includes the use of agents (outsourcing), municipal employees going direct to people or serving them at the Municipal head office. In other cases, people themselves know what they have to do; they pay themselves taxes without any physical or legal promptings.

### 4.3.3 Reasons for delay in paying taxes

Several reasons were given as to why people normally do not pay their taxes in time. Most of the points were repetitive, nevertheless a few were sampled. They are:

Plan to avoid and evade. According to Kessy (2011), tax avoidance is the practice and technique whereby one so arranges his business affairs such that he pays little or no tax at all but without contravention of the tax laws. Tax avoidance takes advantage of any loopholes and weaknesses, deficiencies and loose or vague clauses in the tax legislations to minimize or eliminate tax liability altogether.

Tax avoidance is not punishable in law. Where the tax authorities detect the practice, the only solution is to amend the law in order to plug the loopholes and weaknesses in the laws that allow the possibility of tax avoidance. It is for this reason that the practice of tax avoidance is sometimes considered as legally allowed. For example, the taxpayer who claims the maximum permissible deductions in any particular year(s) of income such as through acquisition of assets that allow the highest capital deductions (e.g. clearing or clearing and planting permanent or semi-permanent
crops, acquisition of class I or class 8 assets for depreciable allowances/wear and tear purposes etc.) constitute tax avoidance.

Similarly, there is no law that prevents anyone from changing his business organization from a sole proprietorship into a partnership or limited liability company. Whereas tax consideration may influence the change in the form of business organization, there may be other good reasons to justify the change such as the need to raise more capital for business expansion or attract necessary skills etc. It may also constitute legitimate tax planning where assets are leased instead of ownership because the higher lease rent is allowable over a shorter period instead of the smaller amount of depreciation allowance claims over a longer period of time. In all these cases there is no contravention of any law. The taxpayer merely looks at the existing legal framework to structure his business transactions to realize the maximum tax savings.

Tax evasion on the other hand involves a taxpayer’s deliberate contravention of the tax law(s) in order to minimize or eliminate tax liability altogether (pay no or little tax respectively by breaking the law). Tax evasion is the application of fraudulent practices in order to minimize or eliminate tax liability. Typical examples of tax evasion include making a false return of income by omitting or understating income or overstating expenses, making a false statement in a return affecting tax liability, giving false information on any matter affecting tax liability, preparation or maintenance of false books of accounts or records, application of fraud e.g. manipulation of stock sheets and valuation, destruction of or defacing of accounting records, non-issue of sales receipts etc. While a tax payer is deciding on either to evade or avoid the tax, delays may be experienced. On the all, to evade tax or assist another person to evade or avoid tax constitutes fraud or gross neglect, which is heavily punishable by law.

Rate of tax is another factor. Local government derive their taxes mainly from four sources; development levy (poll tax), crop cess, business licenses and sales taxes, market fees and charges (Semboja and Therkildsen,1992). Poor tax compliance is a
major problem regarding these taxes. It is not uncommon that half or more of the
taxes that should be collected are unaccounted for (Semboja and Therkildsen, 1992).
However, there are significant variations in collection rates between these tax bases.
There are also significant variations between councils in Tanzania. For example,
among the 82 district councils in Tanzania, the lowest collection rate, as a percentage
of potential tax revenues, was estimated to 26.4 per cent in 1989, and the highest
89.4 per cent (Tax Commission, 1991). When these rates are made to be high,
prospective tax payers are scared, thereby leading to late payment of taxes as they are
not too convinced on paying. This was also expresses by the respondents as having a
bearing on late payment of taxes.

Distance to the Bank affects the movement of the respondents. The Majority of
respondents interviewed claimed that the reason for late payment of taxes is due to
the distance between the payment centre (most cases TRA offices or Bank) and the
business location. Large taxes are paid through the bank. Small levies are ones that
are paid on the spot, depending in the item being taxed.

4.4 What are the reasons for Ineffective Revenue Collection
Based on the analysis of the indicators of revenue collection system, effectiveness of
LGA collection system, the following were identified as possible reasons for
ineffective revenue collection.

High tax rate in the council have a great impact in revenue collection. The finding of
the study found that 45% of respondents revealed that the high tax rate affect the
revenue collection. This is because the tax payer becomes tired with paying tax due
to high tax rate required to be paid by them. When there is high tax rate people tend
to avoid tax and hence the revenue collection tends to be ineffective.

In relation to high tax rate the citizen are reluctant to pay tax due to many taxes
imposed in the council. The tax payers do not see the direct benefit from the revenue
collected from the council sources. The finding of the study show 60% of
respondents who were in opinion that many taxes imposed and causes the problem in revenue collection.

Skills and knowledge is another problem in revenue collection. There is need to have skilled and experienced revenue collectors in the councils. Some private collectors, village executive officer and revenue accountant were used to collect revenue in the council, while they are not having the skills in revenue collection. The task ought to be offered to TRA staffs that deal with Tax collection and have the skills and knowledge in revenue collection. The research revealed that many people involved in revenue collection they don’t have skills and knowledge.

Dishonest of revenue collectors make revenue collected to be minimal, since some of revenue collected are misused and not seen completely in the books of account. Some receipts books are misplaced purposely by revenue collectors. Village executive officers and ward executive officers stay with receipts books for a long time and use the money collected for their own activities. This causes unrealistic revenue collected in the monthly report because the revenue required to be reported in the current month is reported in next month.

Lack of humble revenue collectors also causes the problem in revenue collection. The findings revealed 55% of the respondents perceive that harassment of revenue collectors affect the effectiveness of revenue collected.

Lack of motivation, high salaries and other social benefits cause corruption in the council. This has been conducted by reasonably well-organized network from the private revenue collectors and council officers. The council’s officers purposely bribe the private revenue collectors to collect revenue by using forged receipts. 60% of findings show that corruption affects the effectiveness of revenue collection.

The other problems are indifference attitude of politicians including councillors with regard to collection of revenue. Councillors are always reluctant to participate in the
revenue collection fearing of conflict of interest with the people who elected them into their seats.

Many authors recognise the presence of loopholes in revenue collection in Tanzania. For example, lack of voluntary tax compliance habit; ringleaders among the business community who make a hobby of tax evasion, and traders who are yet to clamber aboard the Electronic Fiscal Devices 'train' using same to record their day-to-day business transactions. Other challenges are high tax rate, often fuelled by the culture among customers of routinely not demanding receipts for the goods and services they purchase, without passing through the statutorily required Electronic Fiscal Devices (EFDs) (Matthew, 2011).

Other identified challenges in Matthew, (2011) are the great number of informally-conducted businesses; failure to register business that need to be registered; lack of full or accurate business records, and abuse of statutory tax exemptions. All the foregoing lead to difficulties not only in arriving at more accurate tax collection estimates, but also at collecting the full taxes as due from the taxpaying communities. Coupled with this background, the challenges faced by Temeke are similar to the ones identified above. Notably, lack of personal will to pay taxes, illiteracy in most people not knowing how to use the electronic machines in making tax returns. Others are limited culture in appreciated the role of tax in the fiscal and monetary regulation and transformation of the country.

4.4.1 Attributes of Good Revenue Collection System

Available literature does not give a clear parameter on the good attributes of a revenue collection system. However, looking beyond the Municipal, and thus the country, some writings have tried to shade some highlights on those attributes. For example, Apronius (2013) in his writings on Curbing Tax Evasion by Professional Service Providers in Tanzania indicates that in all EAC countries incomes from professional/technical fees is taxable and revenue collection is done by the tax collection agents at the source except in Tanzania where it is done for only none TIN holders. In Kenya withholding tax from professional services/technical or
consultancy services are collected by tax collection agents irrespective of the holder having Personal Identification Number (PIN) or not. At the same time in Kenya and Rwanda all tax payers have to posses PIN and TIN numbers and it is mandatory for every citizen to submit his/her tax returns to the revenue authority. In Uganda, Burundi and Tanzania it is a requirement for only business people. This may also reflect differences in tax laws enforcement in the member states that may affect revenue collection. The summation of this is the issue of revenue transparency. The level of revenue transparency in Tanzania is currently quite low. Tanzania have only recently begun to look at revenues generally—with a growing chorus of discontent over Tanzania's royalty rate and overall government take from mining—and at revenue transparency specifically. Under-collection of revenues in the extractive industries, including the forestry sector, is a significant challenge in Tanzania, and the government has announced plans to revise the legal and regulatory framework governing the sector in order to increase the government take (Revenue Watch Institute, 2013).

According to the respondents Temeke Municipal still lack a number of initiatives to make its tax system transparent and able to raise enough revenue to offer social service to the public. Compounded to this is the level of literacy on the numerous tax laws available in the Municipal. Apronius (2013) mentions misunderstanding the tax laws also contribute to the problem. His studies noted that some tax collection agents and even some of the Revenue authority staff are not aware of tax laws particularly on how withholding tax from professionals is supposed to be collected. The same study of Apronius (2013) noted that even some TRA staff thought that this category of tax is not supposed to be collected by employers while others did. While others thought that individuals with TIN were required to surrender their income to TRA, Others thought that employers were required to collect from services providers and others thought that they are not supposed to pay as they pay income through PAYE system. All in all, as per the CAG report (2005), the Internal Control set up of Temeke Municipal Council complies with this order and Procurement Act, but is lacking an internal auditor and Legal officer.
CHAPTER FIVE
CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
In the previous chapter, the results of the empirical study were tabled and the findings of the study were discussed in detail. This chapter provides an overview of the study, together with the conclusions drawn and the resulting recommendations. The chapter discusses the summary of the findings based on the research objectives and makes conclusions. Recommendations given help streamlining effective revenue collection strategy, and as a basis for further research.

5.2 Summary of findings
The findings were deducted from the study objectives which sought to determine the indicators of an effective revenue collection system; evaluate the effectiveness of LGA revenue collection system and cause for an ineffective revenue collection system. Using a sample of 20 respondents selected through purposeful sampling procedure, and using as many references as possible from secondary data sources the study discovered a number of indicators. Studies done by different scholarly writings, coupled with responses given by the respondents concluded the four basic characteristics of a good revenue collection system.

The findings of the study are organized according to the following study objectives;
(i) What are the indicators of an effective revenue collection system?
(ii) How effective is the LGA revenue collection system?
(iii) What are the reasons for ineffective revenue collection?

The indicators of a desirable revenue collection system outlined below represent a blend of both macroeconomic and microeconomic considerations. The study discovered tax revenue performance, tax structure, tax administration, laws and policies and economic variables as indicators of a good revenue collections system.
Use of agents is not welcomed in revenue collection since there is not proper revenue collection system in TMC. The system adopted at TMC has proven to be since the by-laws are not well understood by the tax collectors, and thus not being properly followed for effective tax collection. There are also divergences in the revenue collection from one financial year to the other. The findings conflict with the indicators outlined by REPOA(2010) that called for a higher the degree of fiscal autonomy; transparent methods of revenue collection; good financial management, including budgeting, accounting and auditing; transparency in fiscal and financial affairs; and tax compliance together with a total reduction in fiscal corruption.

Records made available from TMC confirm the public perception of the ineffectiveness of revenue collection. The records show annual drops in revenue collection from 2005, 2008. Most respondents also do not pay their taxes in time. Different reasons were advanced, but the likely ones are tax evasion and avoidance, which are all criminal reasons. To curve all these problems, decentralisation of financial authority at LGA is given as the best option.

The council’s revenue collections are low (ineffective) due to a number of reasons: High tax rate in the council have a great impact in revenue collection, lack of skills and knowledge in revenue collection, dishonest of revenue collectors causing unrealistic revenue collection, lack of humble revenue collectors also causes the problem in revenue collection, lack of motivation, high salaries and other social benefits cause corruption in the council. The other problems are indifference attitude of politicians including councillors with regard to collection of revenue. Councillors are always reluctant to participate in the revenue collection fearing of conflict of interest with the people who elected them into their seats.

5.3 Conclusions

Base on the above findings, it is without doubt that the effectiveness of revenue collection in local governments in Tanzania is still far from being achieved. All options, the overall operation of local governments in matters of financial independence still needs a lot to be desired. On the issues of local government
revenue structure, the policy stance of the Government of Tanzania has been somewhat vague. While there was a recognition that the local revenue system was substantially flawed, stakeholders within the central government lacked consensus on the way forward. On one hand, there was great concern over the impact of local taxation on economic development, spurring the Government to rationalize the local revenue system through a process of eliminating local revenue sources. On the other hand, government officials recognized the importance of local revenue autonomy, leading to hesitance to forcibly restrict revenue discretion at the local government level.

Given that both concerns are valid in the design of a local revenue system, the government’s policy stance should combine the desire for a clearly structured, transparent and efficient local revenue system on one hand with the desire for local revenue autonomy on the other hand in the context of a well designed local government revenue system. Broad agreement was reached that as a guiding principle in the transformation of the system of local government finance, the deficiencies in the local structure and local tax administration should not be addressed by eliminating local taxes without consideration of their revenue impact; rather, deficient local taxes should be transformed into sound revenue instruments.

In the shorter term, the goal should be to at least recover the level of self financing that local governments had before the “rationalization and harmonization” reforms that took place in 2003 and 2004. This would mean restoring local revenue collections to about 5 percent of national revenue collections or about 15-20 percent of total local government resources. In the longer term, revenue autonomy at the local level should be high enough to allow richer (fiscally better-off) local governments to self-finance their own expenditure responsibilities. The increased fiscal disparities that will inevitably accompany higher revenue autonomy, especially between rural and urban areas, should be addressed through a system of formula driven unconditional equalization grants.
5.4 Recommendations

The first step in the reform of the local tax system should be to clean and clarify the terminology and concepts currently being used. The interest of clarifying these concepts lies in making the system easier to understand for taxpayers and local government officials alike, thereby contributing to greater legitimacy of the system of local government revenues. Greater clarity and greater legitimacy should also help to improve the administration of local government revenues, improve taxpayer compliance, and also in facilitate the monitoring of the performance of local tax systems.

As a second step in transforming the local revenue system, local revenue autonomy should be pursued within the context of a “closed list” of local taxes in order to achieve both objectives (a standardized, more efficient framework for local taxation, as well as local revenue autonomy and flexibility). The existence of a “closed list” would ensure the overall legitimacy of the local government revenue system and would prevent onerous local taxes from re-emerging. Yet, the closed list approach would nonetheless provides local governments with the discretion to change local tax rates (within centrally established limits); the closed list approach should be defined in such a way that it provide flexibility to LGAs by allowing them to select from various different options of how to administer local taxes. As such, the reform of the local government tax system would allow for asymmetries in revenue assignments. For instance, the right to collect certain revenues might be subject to certain centrally-defined minimum conditions.

The reform should focus on the simplification of the current structure by combining several fragmented local taxes and levies in to a small number of broad-based local tax instruments with a more significant revenue potential; the prime sources of local revenue would be the Unified Local Business Tax and a Local Property Tax. Compliance costs and horizontal inequities would be further reduced by the introduction of a nationally standardized framework for local revenue administration, which would assure that taxpayers across the country would face the same administrative processes and procedures, including the same local tax form s.
Additional local revenues would also be collected from a number of Local Levies (local taxes with a specific tax base) as well as from User Fees.

The framework for local government revenues would further be tightened by clearly defining the role of Contributions in the local government finance system, and providing additional context for village-level revenues. In addition to the transformation of the current local revenue framework, the Government should also consider enhancing the fiscal space of local governments, which have the capability of providing considerable room for enhanced revenues and accountability at the local level. Possible new local revenue sources could include a “piggyback” Local Personal Income Tax Surcharge; the introduction of local excise taxes on utilities; or reassignment of annual Local Motor Vehicle registration fees to the local level. Based on the objectives and desirable elements of the local revenue system, the local government financing study considered measures that could be taken to optimize the revenues from local sources. The specific recommendations are organized into, first, the reforms of the current system of local taxation (immediately below) and second, possible new revenue options.
REFERENCES


Apronius Vitalis Mbilinyi (2013) CURBING TAX EVASION BY PROFESSIONAL SERVICE PROVIDERS IN TANZANIA.


Crook RC. (2003) Decentralization and Poverty Reduction Africa; the Polities of Local Central Relations, Public Administration and Development


Districts Information Portal www.dip.go.ug


German Foundation International Development Report on: *Role of Local Administration in National Development* follow up Seminar Held from 1-10 December 1980 in Bangkok, Thailand (December 1980).


Ihulu (2002) Advanced Auditing and Investigations, NBAA, Dare S Salaam (TZ)

IMF statistics www.imf.org/external/data.htm


Kitula A.J. (1990), towards achieving the objectives of Local Government System in Tanzania: Institute of Development Studies, UDSM.

Kothari C.R. (1990), Research methodology: Methods and Techniques, New Delhi Wilay Eastern Ltd.


Max, J.O (1991), The Development of Local Government in Tanzania, Dar es Salaam


Michael J. Miller, Ph.D., RELIABILITY AND VALIDITY, RES 600: Graduate Research Methods, Western International University.


Moore .M (1998), death without taxes democracy state capacity and aid dependence in the fourth world in the democratic developmental
Mushi S.S (1987), Popular Participation and Regional Development Planning In Tanzania
National government website, www.statehouse.go.ug
Ngware S.S (1993) research on analysis of revenue collection in Bukoba TOWN Council


REPOA (2004), Revenue Analysis, Intergovernmental Fiscal Relations and Local Revenue in Tanzania.


Russell M. Church (2001), The Effective Use of Secondary Data Brown University, Learning and Motivation


SULBIMN A.S (1995) research on analysis of revenue collection inn government department in in Zanzibar


Sustainable Development, A report to UNDP, Nairobi, Kenya


Tanzania Budget 2009/2010: Policy Brief 3.09


The Urban Authorities (Rating) Act, 1983 of the United Republic Of Tanzania.

Uganda election commission www.ec.or.ug

UNCHS (Habitat) (1998), Financing Cities for Sustainable Development: With Specific Reference to East Africa.
URT (1982), the Local Government Service Act
URT (2006). LOCAL GOVERNMENT SYSTEM IN TANZANIA
URT, The Local Government Finances Act, 1982
US Department of Treasury, (2006), Government Revenue, Internal Revenue Service Bureau, Department of Trasury
APPENDICES

Appendix 1: Questionnaires

QUESTIONNAIRES (COUNCIL STAFF)

To any Respondent, I would like to inform you that I am a student pursuing Masters Degree at Mzumbe University, Dar es Business School. The following are questionnaires which I request you to respond accordingly. The aim of questions is to improve revenue collection in Temeke Municipal Council. Your response will be treated as confidential.

Part I: Personal Particulars

Name……………………………………….Designation……………………………………
Department…………………………….Qualification……………………………………

Part II: Questions

A) How effective is the LGA Revenue Collection System?

Specific question to ask
1. (a) Taxes are the major sources of revenue in your council. Do the taxpayers pay their tax on time? (Please tick where appropriate)
   (i.) Yes
   (ii.) No
   (b) If No, explain why?

2. What are Challenges Facing Temeke Municipal council in Revenue Collections?

3. What are the practice and strategies that should be employed to improve revenue collection?

B) What are the Indicators of Revenue Collection System

Specific questions to ask
1. (a) Are there laws and policies guiding the revenue collection process in your council
   (i.) No
   (ii.) Yes

   (b) If yes, state the law(s)
2. Are there any loop holes associated with these laws and policies?
   (i.) No
   (ii.) Yes
   (b) If yes, state the loop holes
       ……………………………………………………………………………
       …………………………………………………………………………

3. Is there a Need to Decentralize Financial Autonomy of Local Governments?
   (i.) No
   (ii.) Yes

4. (a) Is there any importance for including outsiders (agents) in collecting revenue?
   (i.) No
   (ii.) Yes
   b) If yes, state why………………………………………

5. (A) Do you have revenue collection system (please tick where appropriate)
   (i.) No
   (ii.) Yes
   (b) If yes, how effective is the system
       ……………………………………………………………………………
       …………………………………………………………………………

6. What are the attribute of good revenue collection system?
       ……………………………………………………………………………
       …………………………………………………………………………

7. In Temeke municipal Council, revenue collection system is lacking what?
       ……………………………………………………………………………
       …………………………………………………………………………

8. What do you think are the causes of revenue loss in your council?
       ……………………………………………………………………………
       …………………………………………………………………………

C) What are the reasons for Ineffective Revenue Collection
       ……………………………………………………………………………
       …………………………………………………………………………
       …………………………………………………………………………
       …………………………………………………………………………

Thank you for your cooperation
Appendix II: Permitted Local Government Taxes and Revenue Sources

<table>
<thead>
<tr>
<th>List of permitted local government taxes and revenue sources</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taxes on property</strong></td>
</tr>
<tr>
<td>- Property rates</td>
</tr>
<tr>
<td><strong>Turnover Taxes</strong></td>
</tr>
<tr>
<td>- Service levy</td>
</tr>
<tr>
<td><strong>Taxes on Goods and Services</strong></td>
</tr>
<tr>
<td>- Crop cess</td>
</tr>
<tr>
<td>- Forest produce cess</td>
</tr>
<tr>
<td><strong>Taxes on Specific Services</strong></td>
</tr>
<tr>
<td>- Guest house levy</td>
</tr>
<tr>
<td><strong>Motor Vehicles, Other Equipment and Ferry Licenses</strong></td>
</tr>
<tr>
<td>- Vehicle license fees</td>
</tr>
<tr>
<td>- Fishing vessel license fees</td>
</tr>
<tr>
<td><strong>Business and Professional Licenses</strong></td>
</tr>
<tr>
<td>- Commercial fishing license fee</td>
</tr>
<tr>
<td>- Intoxicating liquor license fee</td>
</tr>
<tr>
<td>- Private health facility license fee</td>
</tr>
<tr>
<td>- Taxi license fee</td>
</tr>
<tr>
<td>- Plying (transportation) permit fees</td>
</tr>
<tr>
<td>- Other business licenses fees</td>
</tr>
<tr>
<td><strong>Other Taxes on the Use of Goods, Permissio n to Use Goods</strong></td>
</tr>
<tr>
<td>- Forest produce license fees</td>
</tr>
<tr>
<td>- Building materials extraction license fee</td>
</tr>
<tr>
<td>- Hunting licenses fees</td>
</tr>
<tr>
<td>- Muzzle loading guns license fees</td>
</tr>
<tr>
<td>- Scaffolding/Hoarding permit fees</td>
</tr>
<tr>
<td><strong>Administrative Fees and Charges</strong></td>
</tr>
<tr>
<td>- Market stalls/slabs dues</td>
</tr>
<tr>
<td>- Magalio fees</td>
</tr>
<tr>
<td>- Auction mart fees</td>
</tr>
<tr>
<td>- Meat inspection charges</td>
</tr>
<tr>
<td>- Land survey service fee</td>
</tr>
<tr>
<td>- Building permit fee</td>
</tr>
<tr>
<td>- Permit fees for billboards, posters or hoarding</td>
</tr>
<tr>
<td>- Tender fee</td>
</tr>
<tr>
<td>- Abattoir slaughter service fee</td>
</tr>
<tr>
<td>- Artificial insemination service fee</td>
</tr>
<tr>
<td>- Livestock dipping service fee</td>
</tr>
<tr>
<td>- Livestock market fee</td>
</tr>
<tr>
<td>- Fish landing facilities fee</td>
</tr>
<tr>
<td>- Fish auction fee</td>
</tr>
<tr>
<td>- Health facility user charges</td>
</tr>
<tr>
<td>- Clean water service fee</td>
</tr>
<tr>
<td>- Refuse collection service fee</td>
</tr>
<tr>
<td>- Cesspit emptying service fee</td>
</tr>
<tr>
<td>- Clearing of blocked drains service fee</td>
</tr>
<tr>
<td><strong>Administrative Fees and Charges (Cont’d)</strong></td>
</tr>
<tr>
<td>- Revenue from sale of building plans</td>
</tr>
<tr>
<td>- Building valuation service fee</td>
</tr>
<tr>
<td>- Central bus stand fees</td>
</tr>
<tr>
<td>- Sale of seedlings</td>
</tr>
<tr>
<td>- Insurance commission service fee</td>
</tr>
<tr>
<td>- Revenue from renting of houses</td>
</tr>
<tr>
<td>- Revenue from renting assets</td>
</tr>
<tr>
<td>- Parking fees</td>
</tr>
<tr>
<td><strong>Entrepreneurial and Property Income</strong></td>
</tr>
<tr>
<td>- Dividends</td>
</tr>
<tr>
<td>- Other Domestic Property Income</td>
</tr>
<tr>
<td>- Interest</td>
</tr>
<tr>
<td>- Land rent</td>
</tr>
<tr>
<td><strong>Fines, Penalties and Forfeitures</strong></td>
</tr>
<tr>
<td>- Stray animals penalty</td>
</tr>
<tr>
<td>- Share of fines imposed by Magistrates Court</td>
</tr>
<tr>
<td>- Other fines and penalties</td>
</tr>
</tbody>
</table>

*Source: Local Government Finances Act (Schedule), as adopted in 2003. Revenues are categorized as on the Ministry of Finance website (www.mof.go.iz).*