IMPACT OF EXEMPTED PROPERTY WITH RESPECT IN
REVENUE COLLECTION: A CASE OF ILALA MUNICIPAL
COUNCIL

By
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A Dissertation Submitted in Partial Fulfillment of the Requirements for the
Award of the Degree of Master of Science in Accounting and Finance
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2014
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by Mzumbe University, a dissertation entitled: **Impact of Exempted Property with respect in revenue collection: A Case of Ilala Municipal Council**, in partial fulfillment of the requirement for award of the Master of Science degree in Accounting and Finance of Mzumbe University.

Major Supervisor

Internal Examiner

Accepted for the Board of .........................................................

______________________________
CHAIRPERSON, FACULTY/DIRECTORATE BOARD
DECLARATION

I Exaveria Mtweve hereby declare that this is my original work and has never been presented for any academic award in any University.

Signed…………………………………..

Date: ……………………………………….

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It is almost impossible to list down the names of all those who in one way or another contributed to the success of this research study. However, special thanks should go to my almighty God, my mother Angella Mwajombe, my husband Sija Kungu Kadogosa, my daughters Doreen, Paskazia, Nancy, and other family members as a whole for sponsoring me for all the period of study at the Mzumbe University.

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DEDICATION

I dedicate this work to my late beloved father whose value of decency and dignity will always be an inspiration.

Special dedication to all Mtweve family members, and my beloved husband Sija Kungu Kadogosa for their calmness, patience and moral efforts which they put on me just to initiate the idea of providing primary views on this topic.

My sincerely dedication goes to all staff of Ilala Municipal council that terribly encouraged me by providing all the moral and material incentives which enabled me to enjoy my studies all along.
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>AO</td>
<td>Administrative Officers</td>
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<td>CAG</td>
<td>Controller and Auditor General</td>
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<td>CSL</td>
<td>City Service Levy</td>
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<td>EPZA</td>
<td>Export Processing Zones Authority</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>IDA</td>
<td>Industrial Development Agencies</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>KRA</td>
<td>Kenya Revenue Authority</td>
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<td>LGAs</td>
<td>Local government Authorities</td>
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<td>LGFA</td>
<td>Local Government Finance Act.</td>
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<td>MD</td>
<td>Municipal Director</td>
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<td>MUB</td>
<td>Manufacture Under Bond</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>PAC</td>
<td>Public Accounts Committee</td>
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<td>RCD</td>
<td>Revenue Collection Department</td>
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<td>SPSS</td>
<td>Software Package for Social Sciences</td>
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<td>STAR</td>
<td>School Tax Relief</td>
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<td>TRA</td>
<td>Tanzania Revenue Authority</td>
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<td>TREO</td>
<td>Tax Remission Export Office</td>
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<td>UN</td>
<td>United Nation</td>
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<td>URT</td>
<td>United Republic of Tanzania</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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ABSTRACT:
The study is about the impact of exempted property with respect in revenue collection in local government in Tanzania, a case study of Ilala municipal council. The study was looking for the sources available for revenue collection, methods used in revenue collection, extent of exempted properties available in Ilala Municipal Council and impediments facing valuation personnel in Ilala municipal council. The study shows that, the Ilala Municipal council has fifteen (15) own sources of revenue, namely: city service levy; advertising and billboard fees; property tax; business licences; action mart and tender fees; bus terminal fees; abattoirs and slaughter fees; motor vehicle parking fees; market dues and stall rent; medical service fees; hostel levy; city building rent; town bus licences; intoxicating liquor and sell of fish, however, Little emphasis is put in property tax collection by most local governments besides the glaring fact that it is a good and stable source of revenue and vital in their resource mobilization strategy. Strategies aimed at raising revenue collection in Ilala council of taxes, namely, outsourcing strategy, selling of properties of tax defaulters and involvement of local leaders.

Although Ilala Municipality applied three strategies to improve tax collection but this objective/aim was not attained. It was observed in the study that, the suggested strategies were very good; unfortunately the applications of these strategies were very poor resulting to poor performance. This has led to Ilala Municipality to a large degree to depend on the grants from the Central Government. Unfortunately the grants have not been adequate to finance the envisaged council’s expenditure in the last four years or so, especially on provision and maintenance of local infrastructure. Also the study reveals that, tax exemptions have reached exorbitant heights and most of the people said that, they result in large loss of revenues that are severely needed for service delivery. As shown in the study, valuation personnel have difficult working environment with low remuneration, few qualified valuers, and lack adequate property cadastral maps.

It is here by recommended that, the government of Tanzania should Strengthening real estate taxes, but with potential to transform local government finance in the
longer-term, Should have more realistic assessment of the revenue potential before outsourcing this will provide an important check to counter potential corruption in the tender process, eliminate exemptions that forego revenue to little useful end. Local Government Authorities have to put a structured payment to local leaders and other incentives for better performance in revenue collection.
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CHAPTER ONE
PROBLEM SETTING

1.1 Introduction
Exempt property, under the law of property in many jurisdictions, is a property that can neither be passed by will nor claimed by creditors of the deceased in the event that a decedent leaves a surviving spouse or surviving descendants. (Franzsen, . & McCluskey, 2005).

Exempting some properties from the property tax base is a common practice in every country. Exemption may be granted by the national or sub national government and in some countries exemptions are granted at local level. There are also cases where exemptions are granted at both government levels. Exemptions or reduction of taxes on certain properties may be based on ownership (such as properties used for charitable purposes), or may be based on personal circumstances of the owner or occupier (such as age or disability), (Bird & Slack 2002).

Various tax systems grant a tax exemption to certain organizations, persons, income, property or other items taxable under the system. Tax exemption may also refer to a personal allowance or specific monetary exemption which may be claimed by an individual to reduce taxable income under some systems. Tax exempt status may provide a potential taxpayer complete relief from tax, tax at a reduced rate, or tax on only a portion of the items subject to tax. Examples include exemption of charitable organizations from property taxes and income taxes, exemptions provided to veterans, and exemptions under cross-border or multi-jurisdictional principles. Moreover, international duty free shopping may be termed "tax-free shopping". In tax-free shopping, the goods are permanently taken outside the jurisdiction, thus paying taxes is not necessary. Tax-free shopping is also found in ships, airplanes and other vessels traveling between countries (or tax areas). Tax-free shopping is usually available in dedicated duty-free shops. However, any transaction may be duty-free given that the goods are presented to the customs when exiting the country (or tax
area). In this case, a sum equivalent to the tax is paid, but then reimbursed on exit. This is common in Europe.

1.2 Background of the problem
Property tax exemptions vary in different countries and jurisdictions but the common property types that are often exempted from property taxation include educational buildings, churches and cemeteries, government buildings, public hospitals, public roads, libraries, foreign embassies and property owned by international organizations. (Urban Authorities (Rating) Act, 1983)

However a common situation involving exempt property is where a home owner has failed to keep up with mortgage payments. If the debt gets serious enough, the lender may file a lawsuit against the borrower in attempts to possess their assets for the debt repayment. In such a suit, the creditor can’t collect exempt property (which usually includes household items and the house itself). On the other hand, they may be able to place a lien on the non-exempt items. (Kelly, 2002).

Although property tax is considered to be the backbone of local authority revenue, the data in the United Republic of Tanzania indicates that it has not been well utilised. Partly this is because of lack of valuation rolls, problem of the administration, exemption of some properties, and general lack of tax payment enforcement within local authorities in the United Republic of Tanzania. (Silyo, 2001) Various tax systems grant a tax exemption to certain organizations, persons, income, property or other items taxable under the system. Tax exemption may also refer to a personal allowance or specific monetary exemption which may be claimed by an individual to reduce taxable income under some systems. Tax exempt status may provide a potential taxpayer complete relief from tax, tax at a reduced rate, or tax on only a portion of the items subject to tax. Examples include exemption of charitable organizations from property taxes and income taxes, exemptions provided to veterans, and exemptions under cross-border or multi-jurisdictional principles. Tax exemption generally refers to a statutory exception to a general rule rather than the mere absence of taxation in particular circumstances (i.e., exclusion). Tax exemption
also generally refers to removal from taxation of a particular item or class rather than a reduction of taxable items by way of deduction of other items (i.e., a deduction). Tax exemptions may theoretically be granted at any governmental level that imposes taxation, though in some broader systems restraints are imposed on such exemptions by lower tier governmental units.

1.3 Statement of the problem
The aim of the study was to find out the impact of exempted properties on revenue collection in Ilala Municipal Council. The amount of money Tanzania gives away in tax exemptions has always been substantial but has increased rapidly in the middle of this decade. At its peak growth, tax exemptions almost doubled in one year, rising from TZS 459 billion in 2004/05 to TZS 772 billion in 2005/06. In 2009/10 tax exemptions amounted to TZS 695 billion. This amount is more than half the TZS 1.3 trillion the Government plans to borrow from commercial sources for infrastructure financing in 2010/11.

This is according to annual General Reports of the Controller and Auditor General on the Audits of the Financial Statements of the Central Government for the years ending 30th of June, 2011. Had it been collected, it would have provided 40 percent more resources for education or 72 percent more resources for health in 2009/10. One reason Tanzania continues to rely heavily on foreign aid is because it fails to raise sufficient revenue. However, by comparing amounts of exemptions granted each year with grants received to fill the resource gap in the budget, it is evident that dependence on aid could be reduced significantly if exemptions were granted more prudently. At its peak in 2005/06 and 2006/07 the ratio of exemptions to foreign budgetary grants was more than 70 percent.

There has been a decline since then mainly as a result of a sharp rise in foreign grants rather than a decline in exemptions. In 2009/10 tax exemptions were estimated to be at 33 percent of the budgetary grants. By reducing the exemptions by 50 percent, the Tanzania Government could reduce its dependence on foreign grants by roughly 16 percent. In terms of public finances, such a reduction would be an impressive
accomplishment. (CAG report, 2011) Tax exemptions are privileges permissible by law. It means that before exemptions can be granted or claimed a law is needed to identify which categories of individuals, organizations or products are exempts from taxes. Once in place, these privileges are hard to revoke as the beneficiaries are likely to lobby for their continuity. Recent attempts by the Government of Tanzania to do so have shown how difficult it is to undo existing tax exemptions. Examples, during 2009/10 an attempt to revoke VAT special relief to charities, religious organizations and NGOs, citing its abuse to back up the proposed measure, was heavily criticized by religious leaders, leading to a media outcry and eventual rejection by Parliament.

In 2009/10 the Government made a change in the tax laws to revoke the practice of classifying certain goods intended for use in specific investments as “deemed capital goods” for the purpose of claiming tax relief by investors. In 2010/11, the practice was reinstated. In 2009/10 the Government introduced changes in tax laws to revoke Government Notice No. 99 of 2005 that granted partial fuel levy exemptions to mining companies. Still it had to enter into negotiations with some investors before the revoked law could be applied on them since their Mining Development Agreements with the Government included specific provisions to grant them such exemptions. TRA revenue reports show that a wide range of items and organizations are tax exempt. Three groups gain most of the exemptions. These are companies with certificates of incentives provided under the Tanzanian Investment Act and Zanzibar Investment Promotion Act; recipients of Value Added Tax exemptions under Cap. 220, 223 and 224; and mining companies under the Mining Act. At the bottom of the list of beneficiaries are purchases made at duty free shops and import related exemptions granted to religious institutions.

According to the speech by the Minister for Finance William Mgimwa during the 2013/14 Budget Speech, in Financial year 2011/12, tax exemptions in Tanzania have reached exorbitant heights and the government recognises that they result in large loss of revenues that are severely needed for service delivery., tax exemptions amounted to 4.3% the Gross Domestic Product and the target in the medium term is to reduce them to 1.2%. To achieve this, however, will require drastic measures
because as the trend shows, exemptions increasing over the years. According to Michael (2003) collected revenue is normally utilized by central government and local government in accomplishing various functions to the general public interalia, namely provision of education, development of infrastructure, meeting administration cost and eventually national security. Tax stands out to be the general tool to use regulating the national economy. Therefore exempted property reduces revenue in Local government in which is a backbone of local authority revenue.

1.4 Research Questions

1.4.1 General Research Question

What are the impacts of exempted property tax on revenue collection in Ilala Municipal Council?

1.4.2 Specific Research Question

i. What are the sources of revenue available in Ilala municipal council?

ii. What are the methods being used in revenue collection in this study area?

iii. To what extent the exempted properties available in Ilala Municipal Council?

iv. What are the impediments facing the valuation personnel in the study area?

1.5 Objective of the study

1.5.1 General Objective

To examine the impacts of exempted property tax on revenue collection in Ilala Municipal Council

1.5.2 Specific objectives

i. To determine the source of revenue available in Ilala Municipal Council

ii. To identify the methods used in revenue collection in the study area

iii. To check out the extent of exempted properties available in Ilala Municipal Council.

iv. To determine the impediments facing the valuation personnel in the study area.

1.6 Justification of the study

In the context of Tanzania, there are few studies that have observed the impact of exempted property tax on revenue collection in Local government authorities.
Friedman, 2006). The common property types that are often exempted from property taxation include educational buildings, churches and cemeteries, government buildings, public hospitals, public roads, libraries, foreign embassies and property owned by international organizations. From those items a lot of money are going away, which can be used for various development. Hence there is a need to conduct a research based on impact of exempted properties with respect in revenue collection.

1.7 Significance of the study
1. The findings of this study provide useful information about the impact of exempted property tax on revenue collection in local government authorities in Tanzania. Findings from this work will be used as inputs by the government, non-governmental organizations, police maker’s, planners and implementers when deciding, planning and implementing different programs or intervention concern with taxation affairs in the country.

2. This study adds knowledge to the present literatures on the impact of exempted property tax on revenue collection in local government authorities in Tanzania.

3. This research enables a researcher to be awarded a Master Degree and become a good ambassador when it comes to knowledge sharing in taxation.

4. Finally this research work promotes a better theoretical understanding and recognition of the complexities associated with overall performance of revenue collection in local government authorities in Tanzania.

1.8 Limitation of the study
The study was conducted at Ilala Municipal Council; the following are some limitation the researcher encountered during the study:
i. The respondents were not willing to give information. Reluctant of the respondents was a problem to researcher; other was demanding to be paid for responding on questionnaires.

ii. Time constraints was a problem, Considering the nature of information required and the fact that people are often very slow in responding to self-administered questionnaires it was necessary to take the respondents through the questionnaire. Nonetheless a few individuals opted to fill the questionnaires at their own convenient time and these were collected at a later date.

iii. Fund to support the study was also a problem. Necessary facilities for running a field such as transport, computers, writing materials and food, needs some money for buying those stuffs. Also money was used in Printing and bindings. A researcher was required to move within the field areas so as to keep track of all activities related to the study, while a researcher does not have with transport facilities to enable such movements. Instead a researcher depends on public transport, some time hiring a taxi or motor cycle when conducting field visits.

1.8.1 Delimitations of the study
By looking on the impact of exempted property tax with respect to revenue collection in local authorities, due to time and financial constraints, This study is limited to assessing own source of revenue in Ilala municipal council by investigating the property own (buildings) as tax payer with respect to strategies used in valuation and collecting such revenue.

1.9 The Organization of the Research report
This research report has five chapters, each chapter constitutes various parties as follows; chapter one is an introduction of this study, the chapter is divided into nine different parts which are background to the study, statement of the problem, research questions, objectives, justification of the study, significance of the study,
limitation of the study and delimitations of the study. Other part includes organization of the study.

In chapter two, various literatures related to this study are reviewed in order to incorporate other people’s ideas to this study and identify literature gap. Both theoretical and empirical literatures regarding the subject matter are reviewed. In the part of theoretical literature review, main theories of taxation are elaborated. These theories are the base for argument as accentuated by Rahul (2008) that, for any research field to advance it has to have its own ‘core’ theory and a set of reference disciplines it draws on and contributes to. In empirical literature review the current literatures related to this study are reviewed. As a whole this chapter lays the theoretical ground for the study.

Chapter three describes the research design and methodology that were used to gather and analyze the data collected. Very specifically this part presents research design, area of the study, population of the study, sample and sampling procedure, data collection methods, validity and reliability of the study, ethical issues and lastly data analysis used in the study.

Chapter four describes the Introduction of the chapter, discussion of the findings, analysis and presentation of the findings of the study.

Chapter five describes introduction of the chapter, summary of the findings, conclusion of the study and recommendation to the community or the government
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction
The rationale of conducting a research activity is to come up with the new or additional knowledge. Rwegoshora (2006) argues that, any meaningful research activity should be able to generate or expand knowledge; this can be possible by identifying the knowledge gap. Thus, the knowledge developed can fill the gap identified in the statement of the problem. In this chapter, basically various literatures related to this study are reviewed in order to identify the knowledge gap.

Theoretical and empirical analysis of the study

2.2 Conceptual Definitions of Key Terms
Assets
Something valuable that an entity owns, benefits from, or has use of, in generating income. Accounting: Something that an entity has acquired or purchased, and that has money value (its cost, book value, market value, or residual value). An asset can be (1) something physical, such as cash, machinery, inventory, land and building, (2) an enforceable claim against others, such as accounts receivable, (3) right, such as copyright, patent, trademark, or (4) an assumption, such as goodwill. Assets shown on their owner's balance sheet are usually classified according to the ease with which they can be converted into cash. See also intangible assets and tangible assets (Kelly, 2002)

Charitable organizations
Incorporated or non-incorporated tax exempt body which (1) is created and operated for charitable purposes, (2) employs all its resources to those charitable activities that are under its direct control, (3) does not distribute any part of the income generated for the benefit of any trustee, trustor, member, or other private individual, and (4) does not contribute to or associates with political organizations. (Kayuza, 2006)
Creditors
A creditor is a party (e.g. person, organization, company, or government) that has a claim on the services of a second party. It is a person or institution to whom money is owed.[1] The first party, in general, has provided some property or service to the second party under the assumption (usually enforced by contract) that the second party will return an equivalent property and service. The second party is frequently called a debtor or borrower. The first party is the creditor, which is the lender of property, service or money. (Chanda, 2008)

Exempt property tax
Exempt property tax is a transfer of public resources that is achieved by reducing tax obligations with respect to a benchmark tax, rather than by a direct expenditure”. Kraan (2004), i.e., the tax reduction for taxpayers (or a reduction of revenue for a government) and the deviation from a benchmark tax structure. Exempt property, under the law of property in many jurisdictions, is property that can neither be passed by will nor claimed by creditors of the deceased in the event that a decedent leaves a surviving spouse or surviving descendants. (Kayuza, 2006). Taxable property is exempted from property tax liability in accordance with the provisions of both the Local Government Finances Act, 1982 and the Urban Authorities (Rating) Act, 1983.

International duty free shopping
Duty-free shops (or stores) are retail outlets that are exempt from the payment of certain local or national taxes and duties, on the requirement that the goods sold will be sold to travelers who will take them out of the country. Which products can be sold duty-free vary by jurisdiction, as well as how they can be sold, and the process of calculating the duty or refund the duty component. (Kelly, 2002)

Taxes
A tax (from the Latin taxo; "rate") is a financial charge or other levy imposed upon a taxpayer (an individual or legal entity) by a state or the functional equivalent of a state such that failure to pay is punishable by law. Taxes are also imposed by many
administrative divisions. Taxes consist of direct or indirect taxes and may be paid in money or as its labour equivalent. (Mwasumbi, 2001)

**Valuation Personnel**
Personnel that are engaged in valuation practice (hereinafter referred to as valuators) relating to the development, resolution and reporting of issues involving tangible personal property valuations and similar valuation issues. Valuators must be able to reasonably justify any departure from guidelines. Personnel do assessment in the valuation of property for taxation. The basis of property tax is the market value of a building or where the market value cannot be ascertained, the replacement cost of the building as determined by a qualified valuer. Besides, the rating legislation provides for self-assessment. (Kayuza, 2006)

**2.3 Theoretical Literature**

**2.3.1 Principal-Agent theory**
Agency theory explains social relations involving a delegation of authority (by a principal to an agent) and starts from the observation that the relationship generally results in problems of control. The most important problem emanates from difficulties in motivating an individual or organization to act on behalf of another. Moreover the problem of motivation is a result of difficulties associated with the inability of the principal to observe and control the actions of the agent.

Milgrom and Roberts (1992:240) assert that: “Principal-agent problems are situations in which one party (the principal) relies on another (the agent) to do work or provide services on his or her behalf. When agent’s actions cannot be easily monitored and their reports easily verified, the agents have greater scope to pursue their interests rather than the principal’s. Then, to provide incentives for the agents to behave in the principal’s interests, it is necessary to arrange for them to bear some responsibility for the outcomes of their actions and therefore to bear more risk than would otherwise be desirable”
Relating to taxation the approach has been used in theoretical tax compliance studies. One example is a study by Sanchez and Sobel (1993) in which a model was designed to demonstrate the conflict between the government, which has the responsibility of selecting a tax policy, and the auditor, who has the job of enforcing the policy. One of the conflicts shown from the study is the auditor’s divergent incentive from those of the government. The government would want to control the budget so that less is spent on auditing and more on social welfare, but the auditor’s interest would be to spend more on auditing.

In this study the principal-agent theory is used to help the understanding of relationships among the key actors in taxation. The tax practice presents relationships of central government, local authority, tax administration system and taxpayers at different levels. Given the situation of tax in this study how can the current situation be changed under a principal-agent framework? The principal-agent framework is not only of interest for understanding the relation between various administrative levels within the taxing authority but is also useful for the understanding the relation between citizens (business owners) and the political leaders. How can the citizens create incentives so the leaders act in accordance with the wishes of the citizen? In this study political leaders at the grass root play an important role in taxation.

The agent’s behaviour under the principal-agent relationship represents what is called a moral hazard problem. A moral hazard is described as a misbehaviour that arises because actions that have efficiency consequences are not freely observable such that the person taking them may choose to pursue his or her private interests at the other’s expense (Milgrom & Roberts, 1992). For instance employees may shirk their responsibilities at the expense of the employer, or managers may opt to advance their interests in place of the organization’s owner’s interests.

Monitoring and incentive contracts are ways suggested addressing the problem of moral hazard. The monitoring approach involves monitoring behaviour of employees through increasing resources devoted to monitoring strategies and verification of their actions. The results of monitoring are then used as a basis for rewarding good
behaviour and instituting penalties for inappropriate behaviour. With incentive contracts the employer needs to observe outcomes and to provide incentives for good behaviour through rewarding good outcomes. Rewards may be in form of pay tied to output or bonus schemes. However, it is worth noting that under certain situations increasing resources alone may not be effective in motivating behaviour. Hence incentives may also be required to compliment the monitoring strategy to motivating behaviour change. (Milgrom & Roberts, 1992).

2.3.2 Game Theory

Game theory is a decision making tool that has wide application in making decisions in various complex situations that confront legal persons and organizations as well as natural persons. A game represents a situation involving players with at least partly opposing interests and where each player is assumed to act from their own interests. (Davis, 1983)

In a tax environment there are distinct set of goals representing the tax authority on one side and the taxpayer on the other. In this study tax compliance was partly viewed as game involving interactions of a tax authority and a taxpayer, each selecting strategies with the view of winning as rounds are played. Putting principle-agent problems aside, in a tax game the tax authority is seeking to maximize net tax revenue while a taxpayer seeks to minimize expected tax payments and therefore maximize his net income. Each of the players adopts different strategies in accomplishing the intended motive. The taxpayer takes advantage of the information he/she possesses about his/her income and might evade taxes at the declaration stage. (Davis, 1983)

On the other hand the tax authority uses the taxpayer’s tax return to get acquainted with the taxable income. Since the tax authority happens not to know the taxpayer’s true income it adopts an audit system to verify the taxable income. Out of auditing the tax return, the tax authority learns the true income of the taxpayer. Where cheating is detected tax evasion penalties are instituted to the taxpayer. Thus if evasion is not detected the outcome is a gain to the taxpayer because his expected tax
payments will be lower, associated with high net income. Conversely the outcome is a loss to the taxpayer if he is found guilty of evasion and is punished as his expected tax payments increases plus penalties and subsequently receives lower net income. This reflects one feature of payoffs in a game where a player gains when the opponent loses and vice versa. In this case the taxpayer gains when he cheats and is not caught, but the tax authority loses. On the other hand if cheating is detected and punished the tax administration gains in form of the payable taxes plus penalties and the taxpayer loses. Tax compliance can be viewed as a repeated game because tax returns are filled each year. Where cheating has been detected and taxpayer convicted of evasion, the taxpayer’s decision about tax evasion in future is likely to take into account the consequences of the previous evasion. It is presumed that taxpayers who have been convicted of evasion will become more compliant in the subsequent periods of the game due to the threat of being detected and punished.

Another look into a tax compliance game indicates existence of both competitive and cooperative elements. According to Davis (1983), this kind of a game portrays a situation where the interests of the players are opposed in some respects and complementary in others. The interests are opposed in the sense that the tax agency play strategies intended to generate more revenue while the taxpayers employ strategies aimed at seeking to pay less than required. In this study the game theory was used for understanding both the relation between the tax-authority and the taxpayers, and the relation among different taxpayers. Especially if there are views about fairness the probability that a certain individual will pay his or her tax might depend upon what the individual believes about the probability that other people will pay their taxes. The conceptualized relationship among the key actors in tax system in Ilala Municipal Council is presented.

**Concepts on discussion**

**2.4.1 Sources of revenue available in Ilala Municipal**

However Local government authorities in Tanzania are authorized to generate revenue from an array of sources provided in the Local Government Finance Act
(No. 9) of 1982. But powers to raise their own revenues are subject to the approval of the Ministry responsible for Regional Administration and Local Government. Thus, despite the sources of revenue being listed in the legislation, a local authority can only utilize a source from the list after approval by the Minister responsible for local government. The sources of revenue for Ilala Municipal Council are broadly categorized as internal (or own) and external. Internal sources of revenue include all local taxes and miscellaneous receipts while external sources constitute central government grants and borrowing. Previously the Local Government Finance Act, 1982 provided for fifty six revenue sources from which a local authority may choose to exploit. At present Ilala Municipal Council has less revenue sources at their disposal following the abolition of sources identified as nuisance taxes. Hence the Ilala Municipal council has fifteen (15) own sources of revenue, namely: city service levy; advertising and billboard fees; property tax; business licences; action mart and tender fees; bus terminal fees; abattoirs and slaughter fees; motor vehicle parking fees; market dues and stall rent; medical service fees; hostel levy; city building rent; town bus licences; intoxicating liquor and sell of fish.

In many countries, especially developing ones, central government grants are often the largest source of revenue for most local authorities. However, it has been argued that over-dependence on central government grants encourages a “beggar attitude” (Kelly & Musunu, 2000) and is likely to erode the sense of responsibility and accountability and above all the autonomy of the local government authorities (Max, 1991). Another potential source of revenue is the user charges where local governments provide services and appropriate user charges employed. Kelly (1999) argues that whenever possible, local public services should be charged for property rather than give away.

Nevertheless user charges should be used in situations where the specific beneficiaries of the infrastructure can be identified and non-payers excluded (Slack, 2005). User fees are appropriate to pay for water, sewers and garbage collection services since it possible to identify the beneficiaries. Conversely user fees are unsuitable for services like local roads, storm water drainage, police protection and
parks for the reason that it is not easy to identify the beneficiaries and exclude people from consuming the services. (Kelly & Musunu, 2000).

Other taxes such as excise taxes, payroll taxes, corporate income taxes, retail sales taxes and value added taxes might be considered as sub-national government sources of revenue. But in most developing and transitional countries these are not local taxes because they are levied by central governments. (Ellis, 2003), however, the fiscal relationship between local and central government determines to a large degree local taxes levied by local government authorities.

2.4.2 Methods used in revenue collection in Ilala Municipal

2.4.2.1 Outsourcing taxes collection method

In recognition of the problem experienced in tax collection in Ilala Municipal Council, it was decided to contract out this function of tax collection to agents. The aim of doing so was based on the arguments’ of Fjeldstad et al., (2009) who maintain that outsourcing was envisaged to cut down costs of administering tax collection on one hand and increase revenue collection levels on the other hand. The agents were paid between 20 and 25 percent of the collected revenue. The IMMA Consulting firm was contracted to collect taxes from taxpayers in Upanga, Kariakoo and Kisutu wards which was formed as a pilot project. This contracted agent worked with ward collectors in a form of a team in distributing demand notice to taxpayers who were required to pay their taxes through the banks. At its initial stage, the strategy proved to be effective but after a short period it did not work well.

At group discussion with respondents the following were pointed out as weaknesses of this strategy.

- Very few taxpayers paid their tax bills through the bank in time
- When some taxpayers received their demand notices they were very unhappiness because their areas have no roads, drainages, water and other social services although they have been paying taxes for a considerable number of past years.
- Taxes collection agent experienced little cooperation with valuation officers and other officials of Ilala municipality.
• When the tax collection agent was distributing demand notices to taxpayers, it was found that some of the taxpayers had already paid their taxes to their local leaders who issued false receipts and the money collected by local leaders never reached the Municipal authority. In the long run, this strategy proved failure.

2.4.3 Exempted properties available in Ilala Municipal

Exempted properties are not valued by Municipality and therefore the Ilala Municipality cannot determine their rateable value and subsequent the amount of tax to be paid is excluded from tax revenue. Apart from the exemptions which derived from the Urban Authorities Rating Act of 1983, another exemption order was introduced in accordance with the Urban Authorities Finance Act of 1982 by Prime minister in 1987 which became enforce from January 1998. Under this Act, business properties have been granted exemption of tax on ground that they are used for public purposes but in reality they are profit making entities. Example of Aga khan hospital which belongs to Aga khan Foundation, this is a big private business hospital. It was exempted from property tax by president’s order. Thus very few who can afford to pay the high medical fees go to this hospital due to its expensively. Apart from that, majority of the patients who go to this hospital have medical insurances’. It is one of the few big hospitals which make good business under this system.

Museum, Nyumba ya Sanaa and Friendship Textile Mill in Ilala Municipality are also good examples of properties which have been exempted from property tax liability. People are extremely unhappy with some private business properties which have been exempted from property tax. Good examples are private primary and secondary schools. It was not intended to discuss the qualification for exemption from property tax rather to point out the widening area of exemption from property tax in Ilala Municipality and the inconsistencies embedded within different from property tax.
2.4.4 Impediments facing the valuation personnel in Ilala Municipal

The inadequate records have contributed to the inefficiency of the property tax system since many taxable units are not known and therefore it becomes difficult for the taxing authorities to collect property tax.

Despite the lack of adequate property information including cadastral maps, house numbers and street names valuers have the obligation to identify and value the rateable property within the respective tax jurisdiction. Hence the use of local leaders in property identification has been adopted as a strategy to address the problem of lack of information and cope with the prevailing circumstances. Apart from the inability to carry out new valuations, Municipal Valuers are not able to conduct supplementary valuation, which is necessary for the maintenance of the valuation roll. For effective property taxation, the identification and valuation functions should be continuous activities of property tax administrators (Dillinger, 1992). New properties must be identified and valued for inclusion in the roll. Also changes of ownership and character of the properties should be reflected in the roll. Even though the practice now is to outsource the valuation function to private valuation firms the tax base coverage is still very low with considerable number of properties yet to be captured in the rolls. Thus valuation output in terms of new properties valued is very low and maintenance of the roll is a non-existent activity.

Furthermore necessary facilities for running a rating valuation office such as transport, office space, and computers that are capable to handle massive data which are generated for property taxation are inadequate. While valuers are required to move within the rating areas so as to keep track of all activities related to property taxation, the valuation units are not allocated with transport facilities to enable such movements. Instead they depend on public transport when conducting field visits. But given the state of public transport in Ilala valuers can only perform the minimum functions
Linked to the difficult working environment is the low remuneration to the municipal valuers. As also noted by McCluskey, et al (2003), the municipal valuers are paid low salaries and this impact negatively upon their morale to work. Thus the valuers have less incentive to work for accomplishing the municipal council’s goals. This is likely to encourage the Valuers to engage in other valuation assignments for other purposes on private arrangements. As a result of the low performance of the valuation component the Municipal Councils are experiencing smaller numbers of rateable properties captured on the roll, many properties taxed on flat rate basis and also an unknown sizeable portion of the tax base which is not subjected to property tax liability.

2.5 Empirical Literature Review

2.5.1 Property Tax Exemptions in New York State

Exempt property is not evenly distributed throughout New York State, either geographically or by type of local government. Since different properties may be exempted by various levels of government. New York’s cities are often county seats, with a fair number of government buildings. As business centers, cities also tend to have a relatively large proportion of non-profit tax-exempt entities, such as hospitals, religious organizations, universities, and charitable organizations.

The area of the real property tax that affects both local governments and taxpayers is the issue of property tax exemptions. As the name implies, exemptions exclude all or a portion of a property’s assessed value from the tax base. In 2012, the full market value (“full value”) of all real property in New York State was estimated at $2.5 trillion dollars. Of this, about $826 billion was exempt from one or more types of local government or school district taxes. About $680 billion, or nearly 27 percent of full value, was exempt from municipal (county, town and city) real property taxes, although the proportion of exempt property ranged from less than 10 percent in several municipalities to more than 60 percent in others. (Slack, 2013)

Since local government real property taxes are levied only on taxable property, the more tax-exempt property there is in a jurisdiction, the greater the tax rate generally
is on the owners of taxable property. In turn, high tax rates put pressure on officials to reduce costs (often along with needed services) or to find alternative funding options. This report explores what tax exemptions are, where they are most prevalent, and what avenues local governments may use to minimize their impact. (Friedman, 2006)

Although most government properties are tax-exempt, there are some limits and exceptions. For example, certain State-owned lands are taxable, the most notable being those in the Adirondack and Catskill forest preserves. County, city, town or village real property is exempt from taxation when it is “held for public use” (for example, a park or public building) within the municipality’s own boundaries. Similarly, property owned by a special district is exempt when located within its boundaries and used for the purpose for which the district was established. (Slack, 2001), Normally, property owned by public authorities and industrial development agencies (IDAs) is tax-exempt as well; however, much of it is categorized as industrial or commercial by the Department of Taxation and Finance

Residential property exemptions make up the vast majority of exemptions in number: 4.1 million of the 4.6 million exemptions in New York are residential. But most of these are partial exemptions, and thus they account for only $224 billion, or 27 percent, of the total value of exempt property. The most prevalent residential exemption is for School Tax Relief (STAR), which exempts a portion of the value of a taxpayer’s primary residence for school tax purposes only. Unlike most other exemptions, STAR puts no direct additional burden on taxable property, since the school tax on the exempt amount is reimbursed by the State. (Slack, 2013)

2.5.2 Tax exemptions in East Africa (Kenya)

During the Budget Speech for 2005/06, the Finance Minister proposed that milk and maize flour be VAT zero rated. This was meant to allow the input tax deduction thus making these essential basic food items more affordable at retail prices, especially to the poor. Sanitary pads were zero rated, which was a welcome move in response to calls by various women’s right organizations that this was a necessity for ensuring
the girl child does not miss school and would also impact positively to the household budget; more so to those who were already buyers of sanitary towels before VAT was zero rated. To date, sanitary pads have since then remained zero rated. (KRA, 2012)

**Exempt supplies**

Exempt supplies are business transactions on which the VAT is not chargeable at either the zero rate or other rates. This means that, under this category, goods and services are not taxable. Persons dealing with such supplies are not required to register for VAT. However, if a trader deals with both exempt (non-taxable) and taxable supplies, the trader should be registered for VAT if eligible on taxable supplies. Therefore, any persons dealing exclusively in exempt supplies cannot claim input tax on these supplies. From the 2nd Schedule of VAT Act, 2010, some items are exempt from VAT, including some agricultural produce such as tomatoes and onions; animal products such as live goat, cell phone, among other items. The list of exempt services is reflected in the 3rd Schedule of the VAT Act and this includes: insurance, medical and veterinary services, among others. Any service that is outside this list is treated as a taxable service. Interestingly, kerosene which is currently zero rated, is proposed to be re-listed in the exemption list of goods in the VAT Bill, 2012. (KRA, 2012)

Further, Parliamentary Budget Office (2010) study indicated that, over the period 2003/04 - 2005/06 the total amount of revenue forgone over the three-year period was Ksh.109.2 billion, of which investment-related incentives accounted for 84% while export related incentives accounted for 16%. On average, Ksh.30.4 billion was forgone annually in the three-year period. Trade-related incentives accounted for Ksh.18 billion forgone. In this category, Tax Remissions Export Office TREO-related exemptions accounted for 53% followed by Export Processing Zones Authority EPZA, which accounted for 40%, and Manufacture Under Bond (MUB) 7%. (KRA, 2012).
2.5.3 Challenges Faced by Developing Countries Using Tax Incentives (Tanzania)

A recent report to the G-20 Development Working Group and made by the International Monetary Fund [IMF], Organisation for Economic Co-operation and Development [OECD], United Nation [UN] and the World Bank (2011, D12:24) indicates that tax exemptions aimed at FDI – largely to multinational enterprises domiciled in G-20 countries – are an especially important form of tax expenditure in many developing countries, in many cases significantly undermining their tax revenue base.

According to the report, developing countries sometimes believe – often correctly – that an attempt to hold the line against multinationals negotiating for “necessary” tax breaks will simply drive the investment in question into a neighbouring country. This sort of bargaining frequently results in a “race to the bottom” in which countries in a region are made collectively worse off, to the benefit of the multinational investors. In 2001, a World Bank Paper on using tax incentives to compete for foreign investment (C26) was already highly critical of such a method, widely used in developing countries. The paper argued that, by providing benefits as soon as a company begins earning income, tax holidays benefited primarily short-term investments, typical of “footloose” industries in which companies could move quickly from one jurisdiction to another. Tax intensives were also viewed as rewarding the founding of a company rather than investment in existing companies, and discriminating against investments that rely on long-lived depreciable capital.

The study made for the G-20 Development Working Group (D12) also suggests that tax-driven investment does not provide a stable source of investment in the recipient country.

The OECD (2010, D7:14) recalls that tax incentives have been a serious concern of budget and tax analysts for almost half a century. In particular, many specialists are of the view that tax expenditures may have ill effects on both budget and tax policy, and that both political and policy-making considerations may make tax expenditures
easier to enact, and less likely to undergo rigorous review and repeal, than equivalent but more straightforward spending programs.

However Zitto Kabwe, who chairs Tanzania’s parliamentary public accounts committee and is shadow finance minister, in 2012, said, the main problem is that the exemptions, which amount to a tenth of the government’s annual budget, are often opaque. It is unclear who is receiving them and how much they are worth. The consequences, Mr Kabwe argues, are worth fighting for. He points out that, the $1.1bn granted in tax exemptions is “the same as the amount Tanzania borrowed from China to build a 500km gas pipeline. So it’s a big issue. We really need to know who is enjoying these exemptions.” He believes many exemptions are given not only to public officials. “just because they’re powerful” but also to private sector players in what he says is the erroneous hope that it will secure investment into the country. Also according to a 2012 report on regional tax competition from lobbyists Tax Justice Network-Africa and campaign group ActionAid. East African countries are losing $2.8bn in revenues a year to exemptions.

In June, 2012, Controller and Auditor General (CAG) Ludovick Utouh said all tax exemptions offered by the government shall be subjected to special audit by the National Audit Office of Tanzania, he said that the major objective of subjecting all tax exemptions is to determine their merits. According to the report of National Audit Office of Tanzania and CAG in 2013 said that, the government loss a lot of money due to exemption. Due to this report, CAG and PAC, said that all beneficiaries of tax exemptions shall be made public, and also the Public Accounts Committee (PAC) commented on the move, saying the decision shall help identify people, companies and institutions that legally deserved tax exemptions not just offering.

In 2013 the Tanzania Revenue Authority said in a presentation and it argued that tax exemptions do not top the list of reasons why companies invest in the country. Also according to Mosioma, a director of Tax Justice Network-Africa, who is pushing for the removal of tax exemptions for Tanzania’s gold mining sector said
that “When you look at the top 10 reasons given by investors as enabling factors you find they mention things like rule of law, human resources capacity, infrastructure and so many other issues that are all more influential and significant than just tax incentives,” He argues that global organisations are sending mixed messages on the subject. On the one hand the IMF is urging Tanzania to reduce its tax exemptions, while on the other, the World Bank’s annual global ranking of business environments rewards countries that offer such incentives.

2.6 Conceptual Framework
According to Ndunguru (2007), conceptual framework refers to an assembled set of research concepts cum variables together with their logical relationships often presented in form of diagrams, charts, graphs, pictographs, flow charts, organogram or mathematical equations. Ndunguru continues to argue that conceptual framework unveils a studied phenomenon of conceptual cum variables into simple set of relationship that can be easily understood, modeled and studied. However, this conceptual framework seeks to describe research concepts cum variables as isolated but in a unified system of relationships. The following figure is the conceptual framework of this study.
2.6.1 Relationships in taxation

The performance of a tax system depends upon a supportive relationship of the components of the relationship framework. The framework represents the interaction of i) central government (ii) municipal council as a taxing authority, iii) tax administration system and iv) the taxpaying public.

2.6.2 Central government

The central government makes policies that guide taxation. Thus central government provides policies and designing the most suitable mechanisms for effective LGA revenue collection processes. Also it provides, tax base, assessment procedures, tax rates, exemption from tax liability and enforcement procedures. The policies have
influence on the functioning of the tax system and also on responses of the taxpayers. (Kayuza, 2006).

2.6.3 Municipal Council
The municipal council as the taxing authority generates tax revenue through the tax administration system. Of interest here is how the two components relate. Does the taxing authority facilitate the tax system so as to generate the desired tax revenue? The ability to generate tax revenue is largely influenced by resources and incentives available to the tax administration system. Tax administration involves several functions that demand considerable amounts of resources. Property identification, valuation, taxes collection and enforcement are crucial processes in levying property tax. It follows therefore that the tax authority must make available sufficient resources for the tax administrative system to perform such functions to the desired efficiency (Kayuza, 2006).

2.6.4 Tax administration system
The tax administration system is charged with various functions of tax administration. However efficiency in performing such functions is largely influenced by facilitation from the municipal authority. On the other, side cooperation from the taxpaying public impacts upon the revenue collection function. While the tax administration system interacts with taxpayers in the processes of identification and valuation of rateable properties; and collection of taxes, it has no authority to influence on service delivery to the taxpayer. This is because it is not involved in making decisions concerning the generated tax revenue. (Bird & Slack 2002)

2.6.5 The taxpaying public
Taxpayers are an important component for the functioning of the tax system. The taxpayers’ acceptance of the tax enhances revenue generation on the part of the tax system but this is considerably influenced by the flow of revenue back to the taxpaying community in form of services. The relationship framework is intended to
show relations among the key actors in taxation and how their relationship together with their decisions impact upon revenue performance of the tax system under investigation (Kayuza, 2006)
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction
Research methodology is a scientific and systematic way of solving research problems (Kothari, 2004). This chapter consist a research design, area of the study, population of the study, sample size and sampling techniques, data collection methods and data analysis.

Therefore this chapter presents how research was conducted, the techniques used to organize information and trend of the response rate. Also this chapter shows how data was analyzed using different techniques like statistical techniques such as frequency tables, charts, and software package for social sciences (SPSS). Both Quantitative and qualitative methods of data analysis were applied. The researcher used random and purposive sampling to pick respondents to be included in the study. The sample size of 50 respondents was included in this study. The validity and reliability test were emphasized to ensure collection of valid and reliable data.

3.2 Research design
This study employed a case study as a research design. (Burns & Grove, 2003) The design is preferred due to its flexibility of data collection and analysis. It is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context (Yin, 2009) and it seeks to describe a unity in detail and is explorative by nature. It is a fairly exhaustive method which enables the researcher to study deeply and thoroughly different aspects of phenomenon (Adam & Kamuzora, 2008). Burns & Grove, (2003: 195) define a research design as a blue point for conducting a study with maximum control over factors that may interfere with the validity of the findings. It provides a plan on how, where and when data are to be collected and analyzed. Therefore this study focused on a single area and allows variety of data collection methods such as interview, questionnaire and observation used in the field and the data findings generalized to solve problem.
A researcher used a case study as a research design. According to Kothari (2004), this design deals with “a programme that guides the investigator in the process of collecting, analyzing and interpreting observations. It is a logical model that allows the researcher to draw inferences concerning causal relations among the variables under investigation” for the given study. In this work all necessary items needed to ensure production of good final report that included accomplishing the study

3.3 Justification of the study area (Area of study)

Ilala municipal council has been chosen to be a study because it has many government buildings for exemption; In addition no studies have been done concerning the impact of exempted property tax on revenue collection in Ilala Municipal Council. Ilala Municipal council is one of three councils in Dar es Salaam, Tanzania. The area is 273 km². The Municipality is bordered by the Indian Ocean on its Eastern part with distance of about 10 kilometers. On the southern part it is bordered by Temeke Municipality, whereas on its Northern is bordered by Kinondoni Municipality. Its altitude that ranges between 0 and 900 meters above sea level influences the ecological characteristics of the Municipality. Thus the Municipality consists of a larger lowland area and a small part forming the upland zone.

The lowland areas start where the municipality borders with the Indian Ocean (Kivukoni ward) and extends up to Segerea, Ukonga and Kitunda wards. Beyond these wards, the small upland areas emerge as small hills or plateaus of Pugu, Kinyerezi, Chanika and Msongola wards. Whereas most of the lowland areas constitute the urban part of the Municipality, the upland areas are predominantly agricultural and rural in character. The soil type in these areas consists of sand, clay and loam properties. Ilala is commonly referred to as ’Downtown Dar’, where much of the commerce, banking, and national offices are located.

There are many unique features that can be found in Ilala, the history and being the original capital of this country and the major commercial city of Tanzania. The Municipal has many features that may be of interest to historians, tourists and
together with investors. These range from man-made features like buildings and other infrastructures to natural sites some of which are Dar es salaam harbour, State House, Askari Monument, Clock Tower, Uhuru Torch, Republic Fountain, Karimjee Hall, Mwalimu Nyerere House, Museum, Nyumba ya Sanaa, Railway Station since 1800's and Zingiziwa Zoo. Ilala Municipal is divided administratively into 26 wards, but only five (5) wards will be included into the study, namely, Upanga Magharibi, Upanga Mashariki, kisutu, Kariakoo, and Jangwani.

3.4 Target Population (Sampling Design and Procedure)
Population can be defined as a group which the researcher is interested in gathering the information from, as well as drawing conclusion on (Crowl, 1993). Target population in this study includes sampled business men and women, Valuers, tax collectors and some residents in Ilala Municipal Council. It is impractical to involve all mentioned above in the area of study; hence proposed sample of 50 respondents through purposive and randomly sampling were employed.

3.5 Sampling procedure
Sampling may be defined as the selection of some parts of an aggregate or totality on basis of which judgments or influence about the aggregate or totality is made. In other words, it is the process of obtaining information about an entire population by examines only a part of it, (Kothari, 2004). In the case of sampling procedure, two sampling methods were used, namely purposive sampling method and random sampling method.
3.5.1 Purposive (judgmental) Sampling
The purposive/judgmental sampling was used in this study. This method was chosen to be used due to the nature of the study which demands in some cases collection of data from respondents involved in the exercise of revenue collection. Director, 5 Councilors, and 5 ward executive officers. They were involved directly because of their knowledge and position.

3.5.2 Random Sampling
The researcher randomly selected some respondents from different categories. The objective was to get representation of samples from different categories. Such categories are 19 personnel’s from financial department in Ilala Municipal, 20 residents in which 08 of them were business men and women. Random sampling is a method where by a selection of individuals to be included in the sample does not affect other individuals from being selected in the sample. Hence this technique provides a room for every individual to have equal chance of being selected in the sample.

3.6 Sample size
A sample is a set of objects from a parent population that includes all such objects that satisfy a set of well-defined selection criteria. (Kothari, 2004). From the Sample size determination formula; the size of sample to be used in this work is 50 representatives. Bellow there is calculation driven towards obtained sample size
The Sample size determination formula;

\[ n = \frac{N}{1+N} (e) \]

Where;

\[ n = \text{Sample size}, \]
\[ N = \text{Population of the study}, \]
e= Standard error (5-10%)

In regards to this research, “n” will be obtained by, N=3000, e= 10%

\[ n = \frac{3000}{(1+3000)(10\%)^2} \]

\[ = \frac{3000}{3001(0.01)^2} \]

\[ = \frac{30000}{60.02} \]

\[ = 49.98 \approx 50 \]

The Table 3.1 Shows The Distribution Of Respondents.

<table>
<thead>
<tr>
<th>RESPONDENTS</th>
<th>NUMBER</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Director</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>2 Councilors</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>3 Five ward Executives</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>4 Financial department</td>
<td>19</td>
<td>34</td>
</tr>
<tr>
<td>5 Residents</td>
<td>20</td>
<td>44</td>
</tr>
<tr>
<td>6 Total</td>
<td>50</td>
<td>100</td>
</tr>
</tbody>
</table>

Researcher, 2014

3.7 Data collection methods
A researcher was collecting data by using two data collection methods which are primary data and secondary data collection. Primary data was collected through interviews, using Questionnaires, and observation, while Secondary data collected through different documentary sources.

3.7.1 Primary data collection sources
According to Elhouse cited in Rwegoshora (2006), primary data are those which are collected for the time and are thus original in character. In this study both questionnaire interviews and observation as the major data collection instruments
3.7.1.1 Interviews
This method was used in collection of primary data from both respondents who are able and unable to read and write or Interview method is the best techniques to be used in collecting primary data, especially for those respondents (Residents and Business people) who cannot read and write. Interview also used to test the attitude and correctness of the subject (Rwegoshora, 2006). This method can be used through personal interviews and if possible through telephone interviews. The structured interviews supplemented questionnaire during the exercise of gathering data. In this style interviews were supposed to read out questions exactly and in the same order as they are printed on the schedule (Bryman, 2008). This technique have its advantages, as more and detailed information can be obtained, but again the interviewer can control who can answer questions depends on what information he/she wants together. In this study, interview was the main source of data collection as the detailed information collected through this technique.

3.7.1.2 Questionnaires
Questionnaires were used in primary data collection from the respondents who know how to read and write (written form). This is among of the best tools in data collection because; it was easy to administer to a large number of people. Also respondents being confidently with their anonymity. (Kothari, 2004). In this study Questionnaire were used to capture overviews and general information revenue collection. This technique has various advantages, it has the nature of inclusiveness as well as the ability to collect large amount of data in short period of time, but also it covers the wider geographical area, it gives respondents great freedom to express their views the way they want hence the chance of being bias is very minimal. This method minimizes costs and the similar data which is collected can be interpreted and compared hence the possibility of getting the accurate and reliable data is high. However as pointed out by Kothari, this method has its shortcomings low rate of
return of the dully filled in questionnaires, possibility of ambiguous replies as well as
difficult to know whether willing respondents are truly representatives.

3.7.1.3 Observation
It was used to collect primary data through observing the real situation of the lively
hood of the revenue collection. Observation is the active acquisition of information
from a primary source. Hence a researcher discovered different behaviors and reality
of the phenomenon. Observation method enables the researcher to test the validity
and reliability of the information through the observation.

The availability of services in a locality enhances property values and subsequently
with high property values the tax liability for individual properties increases. This
leads to more revenue for a local authority. On the other hand where infrastructure
facilities and services are provided in the locality property owners would be more
willing to comply with their property tax liability. It has also been argued that people
are always more willing to pay taxes if in return they receive some tangible benefits
or services (Kelly & Montes, 2001). Thus availability of public services influences
acceptability of property tax by the taxpaying public, in that services are to a great
extent an indicator of proper use of the taxpayer’s money.

Given the services deficit in many parts of the Ilala municipal, many residents are not
happy with the operation of the municipal council. More importantly most property
owners show resistance to paying local taxes because they feel that the municipal
council is not responsive to the citizen’s demands for municipal services.
Conversely, the municipal council is losing a lot of revenue as a result of taxpayer’s
unwillingness to pay local taxes. Also property values are affected by inadequate
services and therefore reducing the individual property tax liability. In line with this
dissatisfaction with the local authorities’ services has been reported in a recent study
conducted by the government which revealed that 60 percent of the people sampled
were not happy with delivery of services to the public by local government (The
Guardian, 10th September, 2013).
The reasons which force the researcher to use this method is that, the method eliminates unnecessary bias. Also the method relates to what is currently happening. Either observation is independent from the respondent willingness and also is not interrupted with the past behavior.

Direct observation method was adopted for collecting evidence that was captured without necessarily asking a respondent. However it is important to note that direct observation is different from participant observation in which a researcher is not only a passive observer but may assume roles and participate in the events being studied. Observations also were used to compliment or confirm some of the respondent’s responses on certain aspects.

3.7.2 Secondary data sources

Secondary data means the data that are already available, the data which have already been collected and analyzed by someone else (Kothari, 2004). They are not original because they have already been processed by others. These may either be published or unpublished materials. One of the major sources of secondary data is documentary review; this method entails the use of various relevant documents. In this study documents like various reports patterned to this study were consulted. Apart from relevant reports, other documents like files, publications, journals, magazines, various government reports and newspapers and other office records were reviewed.

3.8 Data analysis

After data being collected, the first stage was data editing. This procedure was done purposely to detect errors so as to omit and correct those errors. The completed questionnaires were carefully scrutinized so as to be assured with the accurate, consistent, uniformly and completed so as to be ready for the arranged coding and tabulation.

After editing process be completed the following process was coding. According to Kothari (2008), Coding refers to a process of assigning numerals or other symbols to answers so as responses can be put into a limited numbers of categories or classes.
Coding allows efficient analysis and through it several replies may be reduced to small numbers which contain the critical information required for analysis. Classification of data follows after data being coded, this is because data collected are the raw one so they have to be reduced into homogeneous groups so as to bring meaning relationships. Data of the same or common characteristics were arranged into groups or classes. Classification of data was focused on the same attribute or class interval.

In this research the quantitative data collected were analyzed by using Statistical Package for Social Sciences (SPSS). For categorical variables, simple frequency analysis and cross tabulations were deployed. On the other hand, for continuous variables descriptive analysis involving computation of mean, medium and mode was used. The presentations of findings are in form of tables, figures, text descriptions, diagrams, Bar chart and Pie charts for easier interpretation and understanding.

3.9 Validity and Reliability
Internal validity relates to establishing causal relationships whereby certain conditions are shown to lead to other conditions. The study addressed the issue of internal validity by use of multiple sources of evidence in trying to establish the causal relationship between the phenomena being studied and the identified factors. The case study data were collected from Ilala Municipal Council, five wards of which two valuation firms and one Municipal Treasurer were used. In addition, four methods were deployed in data collection.

External validity on the other hand is concerned with the problem of knowing whether findings from the study are generalisable beyond the immediate case study area., case studies rely on analytical generalizations in which particular set of results are generalisable to some broader theory (Bids, 2008). Thus for case study results to provide support for the theory, it entails that the theory is tested by replicating the findings in a number of case studies. Furthermore, in order to ensure the quality of data, a researcher established a common understanding of the questions in the
instruments, which were translated from English to Kiswahili language. The translation was compelled because some of the respondents use Kiswahili for communication.

3.9.1 Ethical Issues
The standards were applied in order to protect the privacy of research participants. Almost all research guarantees the participants’ confidentiality, they assured that, identifying information were made available to anyone who is not directly involved in the study. Respondents were not writing their names of identification. The stricter standard is the principle of anonymity which essentially means that the participant remains anonymous throughout the study, even to the researchers themselves. Clearly, the anonymity standard is a stronger guarantee of privacy. The researcher reported the data and results honestly since all methods and procedures were selected according to nature of the study, also the participants’ gender was observed.
CHAPTER FOUR

FINDINGS AND DISCUSSION

4.1 Introduction
This chapter presents a discussion and findings of the research study. The main purpose of the study was to gain an in-depth understanding of the common major impact of exempted property with respect in revenue collection of fifteen (15) sources of revenue in Ilala Municipality.

4.2 Sources of revenues

<table>
<thead>
<tr>
<th>NO:</th>
<th>SOURCES OF REVENUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>City Service Levy</td>
</tr>
<tr>
<td>2</td>
<td>Advertising and billboard fees</td>
</tr>
<tr>
<td>3</td>
<td>Property Tax</td>
</tr>
<tr>
<td>4</td>
<td>Business licences</td>
</tr>
<tr>
<td>5</td>
<td>Auction mart and tender fees</td>
</tr>
<tr>
<td>6</td>
<td>Bus terminal fees</td>
</tr>
<tr>
<td>7</td>
<td>Abattoir and slaughter fees</td>
</tr>
<tr>
<td>8</td>
<td>Motor vehicle parking</td>
</tr>
<tr>
<td>9</td>
<td>Market dues and stall rent</td>
</tr>
<tr>
<td>10</td>
<td>Medical Service Fees</td>
</tr>
<tr>
<td>11</td>
<td>Hotel levy</td>
</tr>
<tr>
<td>12</td>
<td>City Buildings Rent</td>
</tr>
<tr>
<td>13</td>
<td>Town bus licenses</td>
</tr>
<tr>
<td>14</td>
<td>Intoxicating liquor</td>
</tr>
<tr>
<td>15</td>
<td>Sale of fish</td>
</tr>
</tbody>
</table>

Source: Municipal Treasurer Report, 2013
From table 4.1 the most important ones in terms of revenue they generate in Ilala Municipal Council are City Service Levy (CSL), Advertising and billboard fees and Property Tax.

However Local government authorities in Tanzania are authorized to generate revenue from an array of sources provided in the Local Government Finance Act (No. 9) of 1982. But powers to raise their own revenues are subject to the approval of the Ministry responsible for Regional Administration and Local Government. Thus, despite the sources of revenue being listed in the legislation, a local authority can only utilize a source from the list after approval by the Minister responsible for local government. The sources of revenue for Ilala Municipal Council are broadly categorized as internal (or own) and external. Internal sources of revenue include all local taxes and miscellaneous receipts while external sources constitute central government grants and borrowing. Previously the Local Government Finance Act, 1982 provided for fifty six revenue sources from which a local authority may choose to exploit. At present Ilala Municipal Council has less revenue sources at their disposal following the abolition of sources identified as nuisance taxes. Hence the table NO: 03 above, illustrates some of the revenue sources for Ilala Municipal Council.

In many countries, especially developing ones, central government grants are often the largest source of revenue for most local authorities. However, it has been argued that over-dependence on central government grants encourages a “beggar attitude” (Kelly. & Musunu, 2000) and is likely to erode the sense of responsibility and accountability and above all the autonomy of the local government authorities (Max, 1991). Another potential source of revenue is the user charges where local governments provide services and appropriate user charges employed. Kelly (1999) argues that whenever possible, local public services should be charged for property rather than give away.

Nevertheless user charges should be used in situations where the specific beneficiaries of the infrastructure can be identified and non-payers excluded (Slack,
User fees are appropriate to pay for water, sewers and garbage collection services since it is possible to identify the beneficiaries. Conversely user fees are unsuitable for services like local roads, storm water drainage, police protection and parks for the reason that it is not easy to identify the beneficiaries and exclude people from consuming the services. (Kelly & Musunu, 2000).

Other taxes such as excise taxes, payroll taxes, corporate income taxes, retail sales taxes and value added taxes might be considered as sub-national government sources of revenue. But in most developing and transitional countries these are not local taxes because they are levied by central governments. (Ellis, 2003), however, the fiscal relationship between local and central government determines to a large degree local taxes levied by local government authorities.

Table 4.2: Most important sources of revenue for Ilala Municipal Council

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>2010 Amount (000)</th>
<th>2010 %</th>
<th>2011 Amount (000)</th>
<th>2011 %</th>
<th>2012 Amount (000)</th>
<th>2012 %</th>
<th>2013 (budgeted) Amount (000)</th>
<th>2013 (budgeted) %</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Service Levy</td>
<td>472,373</td>
<td>38.7</td>
<td>600,646</td>
<td>34.4</td>
<td>949,051</td>
<td>39.1</td>
<td>1,000,000</td>
<td>31.2</td>
</tr>
<tr>
<td>Advertising and billboard fee</td>
<td>253,848</td>
<td>20.8</td>
<td>555,716</td>
<td>31.9</td>
<td>839,234</td>
<td>34.5</td>
<td>1,001,384</td>
<td>31.3</td>
</tr>
<tr>
<td>Property Tax</td>
<td>494,365</td>
<td>40.5</td>
<td>588,154</td>
<td>33.7</td>
<td>642,062</td>
<td>26.4</td>
<td>1,200,000</td>
<td>37.5</td>
</tr>
<tr>
<td>Total Own Revenue</td>
<td>1,220,586</td>
<td>100</td>
<td>1,744,516</td>
<td>100</td>
<td>2,430,347</td>
<td>100</td>
<td>3,201,384</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Municipal Treasurer Report, 2013

From table 4.2 we learn that the most important sources of revenue in terms of total amount collected in the last four years are city service levy, advertising and billboard fee and property tax.
4.3 Demographic characteristics of 50 sampled respondents

4.3.1 Age of sampled respondents
N=50

Table 4.3: shows the age of sampled taxpayer respondents

<table>
<thead>
<tr>
<th>AGE RANGE IN YEARS</th>
<th>NUMBER</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>19-24</td>
<td>03</td>
<td>5.8</td>
</tr>
<tr>
<td>25-30</td>
<td>08</td>
<td>15.8</td>
</tr>
<tr>
<td>31-36</td>
<td>11</td>
<td>20</td>
</tr>
<tr>
<td>37-42</td>
<td>16</td>
<td>26.7</td>
</tr>
<tr>
<td>43-48</td>
<td>11</td>
<td>17.5</td>
</tr>
<tr>
<td>49-54</td>
<td>04</td>
<td>7.5</td>
</tr>
<tr>
<td>55-60</td>
<td>02</td>
<td>4.2</td>
</tr>
<tr>
<td>61 and above</td>
<td>01</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Data, 2014

From table 4.3 we observe that, majority of tax payers sampled in the study area were aged between 37 and 42 years old. Out of 50 sampled respondents, 32 (26.5%) were aged between 37 and 42 years followed by 24 (20%) respondents aged between 31 and 36 years old and then 21 (17.5%) of respondents aged between 43 and 48 years old. It is important to note that, majority of sampled respondents who were business and taxpayers aged between 31 and 48 years old. This is a range of young able females and males. Sampled respondents aged between 19 and 24 years old formed minority. In total they were only 7 (5.8%), equally important, those aged between 25 and 30 years old, 49 and 54 years old, 55-66, 61 years old and above formed minority.
4.4 Methods of revenue collection used in Ilala municipal

A questionnaire was administered to a sample of revenue collectors in Ilala Municipal. The questionnaire was composed of questions that were structured with intent to obtain the views about the type of methods used by the Municipal Council in revenue collection. The questionnaire was administered to a population sample of 23 (46%) personnel in financial department in the Ilala Municipality. Considering the nature of information required and the fact that people are often very slow in responding to self-administered questionnaires it was necessary to take the respondents through the questionnaire. Nonetheless a few individuals opted to fill the questionnaires at their own convenient time and these were collected at a later date. Hence, the following were mentioned as strategies which were applied by Ilala Municipality in order to improve revenue collection, namely:

1. Outsourcing tax collection method
2. Selling of properties of tax defaulters as per by Law of 1997
3. Involvement of Local leaders in tax collection exercise.

4.4.1 Outsourcing taxes collection method

In recognition of the problem experienced in tax collection in Ilala Municipal Council, it was decided to contract out this function of tax collection to agents. The aim of doing so was based on the arguments’ of Fjeldstad et al.,(2009) who maintain that outsourcing was envisaged to cut down costs of administering tax collection on one hand and increase revenue collection levels on the other hand. Through group discussion it was learnt that in 2004 Ilala municipality engaged agents to collect taxes on their behalf. The agents were paid between 20 and 25 percent of the collected revenue. The IMMA Consulting firm was contracted to collect taxes from taxpayers in Upanga, Kariakoo and Kisutu wards which was formed as a pilot project. This contracted agent worked with ward collectors in a form of a team in distributing demand notice to taxpayers who were required to pay their taxes through the banks. At its initial stage, the strategy proved to be effective but after a short period it did not work well.
At group discussion with respondents the following were pointed out as weaknesses of this strategy.

- Very few taxpayers paid their tax bills through the bank in time. At the end the IMMA agent used more money for collection while having few revenues collection. At the long run their objectives failure.
- When some taxpayers received their demand notices they were very unhappiness because their areas have no roads, drainages, water and other social services although they have been paying taxes for a considerable number of past years. Due to this other tax payers stated to evade from paying tax.
- Taxes collection agent experienced little cooperation with valuation officers and other officials of Ilala municipality. This was due to difference of interest among them; hence the IMMA faced difficulties in collecting such revenues up to the point of failure.
- When the tax collection agent was distributing demand notices to taxpayers, it was found that some of the taxpayers had already paid their taxes to their local leaders who issued false receipts and the money collected by local leaders never reached the Municipal authority. Lack of structured pay to local leaders and lack of other incentives demoralized the efforts of local leaders. Money economy dominates the system. The local leaders were not ready to do the work without any kind of pay. In the long run, this strategy proved failure.

4.4.2 Selling of some properties of tax defaulters
The Urban Authorities Rating Act of 1983 and the Dar es Salaam city commission (property Rate) by laws of 1997 give legal authority to councils to sell properties of tax defaulters in order to get money to pay their taxes. This strategy was also implemented in Kinondoni Municipal Council with the aim of collecting taxes from tax defaulters. The Ilala Municipal Council used the Court Broker. During our group discussions, the sampled respondents admitted that the very exercise was very effective. When the court Broker advertised the intention to sell the properties of tax defaulters, most of them turned up and paid their tax arrears. It was estimated that
about 15% of all tax defaulters did not pay because they were out of the country. When they came back they immediately paid their taxes. It is unfortunate that, this measure was a temporary one.

4.4.3 Involvement of local leaders in tax collection

Through the Interview guide the Municipal Council Valuers was asked to Why they have been involving local leaders in the distribution of property tax bills. They said that, the sub-ward leaders played a very important role in guiding the data collectors to the earmarked properties. Since a property formed the basis of taxation, then it was necessary to identify the owner using the property, hence holding interviews at the respective rateable houses.

This enabled also data collectors to observe the physical characteristics of properties with their surroundings. In settlements where properties are not registered on the valuation roll identification of properties and names of earmarked respondents was done at the sub-ward office and from there, the local leader together with the researchers moved to the houses where interviews were held. Upon reaching the earmarked property the sub-ward leader accompanying researchers explained to the owner the purpose of the visit while the researcher explained the purpose of the study, the mode of interviewing as well as what was expected of the respondent. In due consideration of the role of local leaders at community level, Local Government Authorities have extensively involved local leaders in matters related to tax revenue collection. Ilala Municipal council adopted this system too. It was pointed out at our group discussion that local leaders have been working closely with valuers of Ilala Municipality to facilitate identifications of retable properties, their owners and in preparation of property tax registers. Each sub ward office has to keep a property register of all properties found within the sub ward. Lack of structured pay to local leaders and lack of other incentives demoralized the efforts of local leaders. Money economy dominates the system. The local leaders were not ready to do the work without any kind of pay.
4.5 Exemption from tax liability

4.5.1 Status of property tax payment
As an attempt to establish whether the respondents have been paying property tax, the question was structured for each property owner participating in the field to indicate the years in which one received a property tax demand notice and paid the bill. Nevertheless the City Commission focused on valued properties registered on the roll and high value properties (even though not valued) especially those located in planned areas. From 2000 the municipal councils extended the levying of property tax to properties in informal settlements. For instance as an attempt to recover the previous unpaid tax amounts, Ilala Municipal Council in 2000 served property tax demand notices that included the preceding tax bills for 1998 and 1999 years. A property owner was required therefore to provide evidence for the previous payments made to the taxing authority. Table 4.4 shows the number and the percentage of property owners served with property tax demand notices while Table 4.5 indicates the level of compliance over the period between 2008 and 2013 for the study areas.

Table 4.4: Property owners served with property tax demand notice: 2008 – 2013

<table>
<thead>
<tr>
<th>Response</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bill ed</td>
<td>08</td>
<td>09</td>
<td>12</td>
<td>16</td>
<td>19</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>46%</td>
<td>47%</td>
<td>55%</td>
<td>81%</td>
<td>91%</td>
<td>83%</td>
</tr>
<tr>
<td>Not bill ed</td>
<td>12</td>
<td>11</td>
<td>08</td>
<td>02</td>
<td>01</td>
<td>02</td>
</tr>
<tr>
<td></td>
<td>54%</td>
<td>53%</td>
<td>45%</td>
<td>19%</td>
<td>9%</td>
<td>27%</td>
</tr>
<tr>
<td>N</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field Data, 2014

Table 4.5: Compliance with property tax liability by billed property owners

<table>
<thead>
<tr>
<th>Response</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid</td>
<td>19</td>
<td>17</td>
<td>18</td>
<td>18</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>90%</td>
<td>81%</td>
<td>85%</td>
<td>80%</td>
<td>73%</td>
<td>32%</td>
</tr>
<tr>
<td>Did not pay</td>
<td>01</td>
<td>03</td>
<td>02</td>
<td>03</td>
<td>04</td>
<td>04</td>
</tr>
<tr>
<td></td>
<td>10%</td>
<td>19%</td>
<td>15%</td>
<td>20%</td>
<td>27%</td>
<td>17%</td>
</tr>
<tr>
<td>Total billed</td>
<td>20</td>
<td>20</td>
<td>21</td>
<td>21</td>
<td>20</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field Data, 2014
From Table 4.4 it can be observed that in 2008 and 2009 more than 50% of the respondent property owners had not been served with property tax demand notices. Nonetheless the number of billed property owners increased from 55% in 2010 to 83% in 2013. Similarly a gradual increase in property taxpayers complying with their tax liability over the period is noticeable in Table 4.5. Although the proportion of taxpayers who complied among the billed property owners appears to be reasonably high, it is important to note that a considerable size of the potential property taxpayers escaped the tax liability, since they were not served with property tax demand notice. This is especially evident when the number of property taxpayers who did not pay property tax is considered as a proportion of the aggregate of the billed and non-billed property owners (see Table 4.6). Thus compliance level measured in terms of all respondents as potential taxpayers was less than 50% in the three years (2008 – 2010) but rose to 65% in 2011 and 67% in 2012 and dropped again to 27% in 2013. The empirical investigation has shown that a sizeable population of potential property taxpayers does not pay property tax partly because they are not billed while some of the billed taxpayers decide not to comply.

### Table 4.6: Compliant taxpayers as a proportion of all respondent property owners.

<table>
<thead>
<tr>
<th>Response</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08</td>
<td>08</td>
<td>08</td>
<td>09</td>
<td>16</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>41%</td>
<td>42%</td>
<td>47%</td>
<td>65%</td>
<td>67%</td>
<td>04</td>
<td>27%</td>
</tr>
<tr>
<td>Did not pay</td>
<td>13</td>
<td>12</td>
<td>11</td>
<td>05</td>
<td>06</td>
<td>16</td>
</tr>
<tr>
<td>59%</td>
<td>58%</td>
<td>53%</td>
<td>35%</td>
<td>33%</td>
<td>73%</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>21</td>
<td>20</td>
<td>20</td>
<td>21</td>
<td>21</td>
<td>20</td>
</tr>
<tr>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Data, 2014

### 4.5.2 Proportion of exempted properties from property tax liability in Ilala Municipal

Interview guide was administered to the Ilala Municipal valuers, the guide questions were administered to a population sample of 19 (34%) personnel in financial department in the Ilala Municipality. Hence the 19 valuers were responded on proportion or examples of the exempted properties from property tax liability. Thus the following examples were mentioned. (See table 4.7)
Table 4.7: Exempted properties in Ilala Municipality

<table>
<thead>
<tr>
<th>PROPERTY EXEMPTED</th>
<th>EXAMPLES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residents of the President</td>
<td>Residents of late President Mwl. Nyerere</td>
</tr>
<tr>
<td>Public Utility Undertaken</td>
<td>Mnazi mmoja playing ground</td>
</tr>
<tr>
<td>Property of Religious Institutions</td>
<td>Kivukoni Catholic Church and Mosques</td>
</tr>
<tr>
<td>Public Libraries and Museums</td>
<td>Museum, Nyumba ya Sanaa</td>
</tr>
<tr>
<td>Cemeteries and Crematoria</td>
<td>Ilala Crematoria</td>
</tr>
<tr>
<td>Civil and Military aerodromes</td>
<td>Upanga Camp (NGOME)</td>
</tr>
<tr>
<td>Educational and Sports grounds</td>
<td>Bunge Primary School</td>
</tr>
<tr>
<td>Railway ground</td>
<td>Railway property (STATION), Baharini</td>
</tr>
</tbody>
</table>

Source: Field Data, 2014

From table 4.7 above, it shows some of properties which have been exempted from being taxed, It was noted that some of people evade taxes through exemption system. Exempted properties are not valued by Municipality and therefore the Ilala Municipality cannot determine their rate able value and subsequent the amount of tax to be paid is excluded from tax revenue.

Apart from the above exemptions which derived from the Urban Authorities Rating Act of 1983, another exemption order was introduced in accordance with the Urban Authorities Finance Act of 1982 by Prime minister in 1987 which became enforce from January 1998. Under this Act, business properties have been granted exemption of tax on ground that they are used for public purposes but in reality they are profit making entities. The sampled respondents gave an example of Aga khan hospital which belongs to Aga khan Foundation. This is a big private business hospital. It was exempted from property tax by president’s order. The respondents said that, this hospital provides medical service to very few people because their medical services are too expensive. Thus very few who can afford to pay the high medical fees go to this hospital. Apart from that, majority of the patients who go to this hospital have medical insurances’. It is one of the few big hospitals which make good business under this system.
Museum, Nyumba ya Sanaa and Friendship Textile Mill in Ilala Municipality are also good examples of properties which have been exempted from property tax liability. These are only two examples of many others which have been exempted from the property tax.

In addition to that majority of respondents were extremely unhappy with some private business properties which have been exempted from property tax. Good examples are private primary and secondary schools. It was not intended to discuss the qualification for exemption from property tax rather to point out the widening area of exemption from property tax in Ilala Municipality and the inconsistencies embedded within different from property tax.

Table 4.8: Shows tax Exemptions Trend

<table>
<thead>
<tr>
<th>FINANCIAL YEAR</th>
<th>2010-2011</th>
<th>2011-2012</th>
<th>2012-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exemptions</td>
<td>680,667,900,000</td>
<td>1,016,320,300,000</td>
<td>1,806,203,559,827</td>
</tr>
<tr>
<td>Proportion of exemptions to actual collection</td>
<td>15%</td>
<td>18%</td>
<td>27%</td>
</tr>
</tbody>
</table>

Source: (CAG Report, 2013)

According to the table above, tax exemptions in Tanzania have reached exorbitant heights and most of the people said that, they result in large loss of revenues that are severely needed for service delivery. According to the speech by the Minister for Finance William Mgimwa during the 2013/14 Budget Speech, in FY 2011/12, tax exemptions amounted to 4.3% the Gross Domestic Product (GDP) and the target in the medium term is to reduce them to 1%. To achieve this, however, will require drastic measures because as the trend shows, exemptions increasing over the years (see table above) from Tshs. 680m/- in the FY 2010/11 to Tshs. 1.8tri in FY 2012/13, which stood at about 21.6% of the Tshs. 8.3tri that was collected in the same financial year.
4.6 Impediments facing the valuation personnel in different Ilala Municipality

According to the interview guide, the Ilala Municipal valuers responded to the question about, the problems they encounter in administering the whole rating valuation process? The study has shown that the process of administering the whole rating valuation in Ilala Municipal is affected by several setbacks that render it a difficult venture for the property tax administrators. Cadastral maps that are appropriate for property taxation ought to contain vital information including plot size, location and identifiers such as plot and block numbers, name of streets, subdivision and administrative jurisdictions. But such maps are lacking from the property tax environment in Ilala and the ones available have inadequate information to enable identification of taxable property. However, problems of inadequate land information for property taxation have been noted to be a common feature of property tax systems in developing countries (Kayunza, 2006). Apart from maps, property ownership information like physical address, property owner’s address is also not readily available. Such information is very fundamental for identification of both tax objects and tax subjects and in the absence of that data a property tax authority will experience difficulties in levying property tax. Subsequently the inadequacy and to some degree absence of such important information have had considerable impact on the identification of rateable property in Ilala Municipal.

In the absence of maps showing the necessary information for property taxation purposes the Municipal Valuation Offices in Ilala have been relying on data generated from field. Rate able properties, and owners’ names and addresses are identified at the time of physical inspection of the properties being valued. Thus database for properties captured in the valuation roll have been built from data generated from the field. Identification of properties that have not been valued is identified at sub-ward level with the help of local leaders and the identified properties are listed in property tax registers. However, information on property ownership is in many instances outdated for the reason that it is rarely updated. As an example property information captured in the valuation roll for Dar es Salaam prepared under Phase I and II Rating Valuation in the early 1990s has not been updated since. This is because no revaluation has taken place since the completion of
the Phase I and II rating projects, except for a small section of the city centre where properties were valued in 2003 (ten years later) with intent to capture the extensive high value developments that have replaced the most rundown properties in Kariakoo area. On the other hand, once a property has been listed in the property tax register, the information is rarely updated. Even though the rating law requires taxable properties to be valued every five years, the rating authorities have not been able to do so due to inadequate resources and technical capacity.

Good and effective property taxation practice requires that the valuation roll is maintained after it has been established. Hence property identification and valuation should be ongoing and not one-time processes. Maintenance of valuation roll involves identification of new properties not in the roll and valuing those that have undergone changes. In order to include the new properties and reflect such changes a supplementary roll need to be prepared. But the practice with the municipal valuation offices shows that once the valuation contractor prepares the valuation roll no maintenance is done to it. As a result property values remain low over time whereas new properties that are not included in the valuation roll escape liability to property tax.

In general the inadequate records have contributed to the inefficiency of the property tax system since many taxable units are not known and therefore it becomes difficult for the taxing authorities to collect property tax. Despite the lack of adequate property information including cadastral maps, house numbers and street names valuers have the obligation to identify and value the rateable property within the respective tax jurisdiction. Hence the use of local leaders in property identification has been adopted as a strategy to address the problem of lack of information and cope with the prevailing circumstances.

4.5.2 Property valuation for rating
With ad valorem property taxation, value assessment of rateable properties is one among the key components of an effective property tax administration system. The study results show that the valuation offices with the Municipal Council in Ilala have
limited capacity to handle the valuation of all properties in the city as well as maintenance of the valuation rolls in place.

It has been shown that property tax coverage is small as only about 21 percent of the estimated 340,000 potential rate able properties have been valued and registered on the roll. This is attributed to a small number of valuers who are responsible for all valuation works at the Municipal Valuation Offices as well as property tax administration functions. There are less than five qualified valuers at Ilala Municipal. The Municipal valuers are responsible for all valuations including rating valuation, billing processes and collection of property tax. The extensive amount of work which the Municipal Valuation Offices are required to handle results in a relatively smaller number of properties on the valuation roll leaving larger number taxed on flat rate basis.

Apart from the inability to carry out new valuations, Municipal Valuers are not able to conduct supplementary valuation, which is necessary for the maintenance of the valuation roll. For effective property taxation, the identification and valuation functions should be continuous activities of property tax administrators (Dillinger, 1992). New properties must be identified and valued for inclusion in the roll. Also changes of ownership and character of the properties should be reflected in the roll. Even though the practice now is to outsource the valuation function to private valuation firms the tax base coverage is still very low with considerable number of properties yet to be captured in the rolls. Thus valuation output in terms of new properties valued is very low and maintenance of the roll is a non-existent activity.

Furthermore necessary facilities for running a rating valuation office such as transport, office space, and computers that are capable to handle massive data which are generated for property taxation are inadequate. While valuers are required to move within the rating areas so as to keep track of all activities related to property taxation, the valuation units are not allocated with transport facilities to enable such movements. Instead they depend on public transport when conducting field visits. But given the state of public transport in Ilala valuers can only perform the minimum functions
Linked to the difficult working environment is the low remuneration to the municipal valuers. As also noted by McCluskey, et al (2003), the municipal valuers are paid low salaries and this impact negatively upon their morale to work. Thus the valuers have less incentive to work for accomplishing the municipal council’s goals. This is likely to encourage the Valuers to engage in other valuation assignments for other purposes on private arrangements. As a result of the low performance of the valuation component the Municipal Councils are experiencing smaller numbers of rateable properties captured on the roll, many properties taxed on flat rate basis and also an unknown sizeable portion of the tax base which is not subjected to property tax liability.

4.5.3 Property Tax Collection

The tax base identification and valuation components of the property tax administration system are basically preparatory functions for efficient property tax revenue collection. The identification and valuation processes largely determine performance in property tax revenue collection. Where rateable properties have not been identified and valued the taxing authority would experience difficulties in collecting property tax revenue as the taxable objects and the tax subjects would be unknown. Likewise if the identification and valuation processes are poorly done the collection of revenue will suffer. Hence success in revenue collection relies on proper identification and valuation of the potential taxable properties.

While property identification and valuation have vital contribution to efficient revenue performance, procedures of revenue collection are also crucial. The practice with the Municipal Councils of Ilala is such that the taxpayer is supposed to pay the tax bill at the council cash office or at the ward office within thirty days after receipt of the tax bill. But given the difficulties in delivering bills in time, many property owners fail to adhere to the time limit stipulated in the demand notice. Besides, settlement of a property tax bill is not accorded the right priority among many taxpayers and for some of them the payment has to wait for reminder tax bills or threats by the municipality authorities.
To a large extent the collection of revenue is left to the will of the taxpayer in that a revenue collector waits for the taxpayer to call at the collection point to pay the tax. These demands close follow up after the tax bills have been distributed. But valuers who have the duty to ensure tax bills are delivered and follow up payments are all the time engaged in numerous activities of the Municipal Valuation office. As a result follow-ups on property tax payments are done sporadically, mostly when the revenue inflows are at critical levels. These are the times when valuers would be compelled to suspend other activities and devote more time to closely follow up property tax payments especially from big taxpayers. Findings from the study have indicated that Municipal Council in Ilala have not been collecting sufficient revenue from property tax. Even though records on property tax collection presented in the Council’s financial reports depict high collection efficiency levels.

The actual property tax revenue sums collected are very low if the collection figures are compared with the potential revenue that would be generated from the estimated number of all rateable properties found in Ilala. It may also be reasonable to speculate that considerable property tax sums are in delinquency despite the fact that data about the potential revenue based on property captured in the property tax database is lacking. Given that the valuation office issues the demand notices while a different section receives payment it is somewhat difficult to keep track of the compliant taxpayers and those in arrears. In addition a direct link in terms of a record keeping system that could automatically inform both the cash receiving office and the valuation office on property tax payments is lacking. For this reason it is not easy for the valuation office to establish the extent of compliant taxpayers out of those billed and the delinquent ones.
CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the details about the study on the impact of exempted property tax with respect in revenue collection in Local government in Tanzania. Ilala Municipality as a case study represented the councils in Tanzania. As, Ilala is the largest urban centre as well as a commercial capital for Dar es Salaam in Tanzania, factors that make the council assume strategic significance in the national economy and subsequently command high influence on the possible effectiveness of a number of policy measures. Moreover its unique metropolitan features and complexity offers opportunities for learning important lessons that could be applicable elsewhere in Tanzania. As put by Kironde (2002), whatever happens in the City of Dar es Salaam has an impact on the whole direction of governance in the Republic.

5.2 Summary of the findings

In the last four years (2011-2014) the Ilala Municipal council had fifteen (15) own sources of revenue, namely: city service levy; advertising and billboard fees; property tax; business licences; action mart and tender fees; bus terminal fees; abattoirs and slaughter fees; motor vehicle parking fees; market dues and stall rent; medical service fees; hostel levy; city building rent; town bus licences; intoxicating liquor and sell of fish, but out of these 15 sources of revenue only 3 (20%) had a sound or a good total sum of money collected in four years period. These three (3) sources of revenue were city service levy; advertising and billboard fees; and property tax. Out of 15 sources of revenue 12 (80%) had low total sum of money collected in the form of taxes in last four years by Ilala Municipality.
Equally important, the measure undertaken in the form of strategies aimed at raising revenue collection in form of taxes, namely, outsourcing strategy, selling of properties of tax defaulters and involvement of local leaders i.e. the ten cell leaders, in tax collection activities did not meet the desired aim of raising the total sum of money collected in the form of money due to lack of structured pay to local leaders and lack of other incentives that demoralized the efforts of local leaders.

It seems here that, although local government authorities in Tanzania are authorized to generate revenue from an array of sources provided in Local Government Finance Act (No. 9) of 1982 and that the powers to raise their own revenues are subject to the approval of the Ministry for Regional Administration and Local Government.

Ilala Municipality had fifteen (15) sources of revenue approved by the very ministry but most of these have not been effectively used in the tax collection. According to this study, the core problem is the inadequate capabilities of Ilala Municipality as a legitimate public authority in tax collection which also limits the municipality to provide better social services to its people.

In addition, once the tax collectors become corrupt abusers of positions of public authority and when the very public authority is faced with corrupt tax collectors, individual taxpayers will better off, because they will pay a bribe rather than refuse or try to join other taxpayers in protective joint political action.

Although Ilala Municipality applied three strategies to improve tax collection but this objective/aim was not attained. It was observed in the study that, the suggested strategies were very good; unfortunately the applications of these strategies were very poor resulting to poor performance. This has led to Ilala Municipality to a large degree to depend on the grants from the Central Government. Unfortunately the grants have not been adequate to finance the envisaged council’s expenditure in the last four years or so, especially on provision and maintenance of local infrastructure. Thus, the best alternative for Ilala Municipality is to put more efforts to increase their tax revenue from its own local sources to cover its expenditure.
It is important to note that most of properties notably buildings both commercial and residential, are not contributing adequately to tax revenue. Although the law spells it clearly that property tax has to be collected and that the TRA is mandated to collect, collection effort in this category of taxes has been too low. It may be due to difficulties involved in making a follow up of the tax payers, and political influences, which means it is likely that collection cost is high. But the payers can be easily motivated to pay property tax by making sure that while they are forced to pay, there is also provision of noticeable social services, which in a way, reflects the use of the collected proceeds. For instance, in the residential areas of urban centres, compliance can be enforced strictly while in the same time; roads cleanliness and the removal of garbage are provided. This kind of two-way demands can become an effective incentive for the payers to comply.

Tax exemption is like a dessert; it is good to have, but it does not help very much if the meal is not there” After all, researches such as those conducted by the African Department of the IMF continue to show that tax incentives are not the leading factor for foreign investors when deciding to invest in a country. Good infrastructure, low administrative costs in running businesses, a stable political situation and predictable macroeconomic policy are more significant considerations for investors. Investment tax incentives may not be the best option to choose especially where investors have an opportunity to harness the grace period of the relief and then change the business or quit. There are many other ways investment incentives can be granted instead of tax holidays. For instance, improvement in the aspects of investment climate like the time one takes to open or close the business, the extent of licence bureaucracy, promptness of legal processes in resolving commercial disputes, and so forth. Tax incentives have the potential for abuses and also become disincentive to the other good tax payers.

The country cannot completely go without tax incentives, however, but these must be minimised to the lowest possible level. It is not a matter of mentioning outright which relief must be cancelled, but the government has got a room to evaluate all its relief grants to see which ones can be reversed. If a large foreign investor is
welcomed to the country to use domestic non-renewable natural resource, for example, it makes no sense to grant him a tax exemption. The advantages to this investor would be the opportunity to use such scarce resources with relative ease, nonetheless, while paying a tribute (tax in this case) to the locals (owners).

The study reveal that, the inadequate records have contributed to the inefficiency of the property tax system since many taxable units are not known and therefore it becomes difficult for the taxing authorities to collect property tax. Despite the lack of adequate property information including cadastral maps, house numbers and street names valuers have the obligation to identify and value the rateable property within the respective tax jurisdiction. Hence the use of local leaders in property identification has been adopted as a strategy to address the problem of lack of information and cope with the prevailing circumstances.

Also the necessary facilities for running a rating valuation office such as transport, office space, and computers that are capable to handle massive data which are generated for property taxation are inadequate. While valuers are required to move within the rating areas so as to keep track of all activities related to property taxation, the valuation units are not allocated with transport facilities to enable such movements. Instead they depend on public transport when conducting field visits. But given the state of public transport in Ilala valuers can only perform the minimum functions.

Linked to the difficult working environment is the low remuneration to the municipal valuers. As also noted by McCluskey, et al (2003), the municipal valuers are paid low salaries and this impact negatively upon their morale to work. Thus the valuers have less incentive to work for accomplishing the municipal council’s goals.

5.3 Conclusion and recommendation
Although property tax is seen as the most important autonomous revenue source in local governments, it is highly under-utilized in most local governments. Little emphasis is put in property tax collection by most local governments besides the
glaring fact that it is a good and stable source of revenue and vital in their resource mobilization strategy. As a mainstay of local finance source of revenue property taxes are besieged by a host of problems in the country; like low yield and stagnancy and inconsistently. Significant additional revenue can be raised in Local Governments in Tanzania by established methods, adapted in emphasis and sequencing to countries’ circumstances. Therefore the following might be the sum of hints to follow in order to increase revenue status in Local governments in Tanzania.

- Implementing a broad-based VAT with a fairly high threshold (the turnover level at which registration for the tax becomes compulsory)—in lower-income country like Tanzania, where VAT performance is weakest, base broadening and improved compliance might raise something in the order of an additional 2 percent of GDP;

- Strengthening real estate taxes, but with potential to transform local government finance in the longer-term; and

- Developing capacity for tax expenditure and wider policy analysis impressive

- The system of outsourced revenue collection needs to meet procedural criteria that ensure that private contractors accomplish a reasonable return to the local government authority; hence, there is an urgent need to put in place a system to generate a more realistic assessment of the revenue potential before outsourcing. Sensitization or capacity building, a high priority among donors and others, is unlikely to resolve this problem. A more effective solution could be to move the responsibility for revenue assessment out of council administrations by establishing an independent body responsible for such assessments. Moreover, a properly assessed revenue potential will provide an important check to counter potential corruption in the tender process.

- In due consideration of the role of local leaders at community level, Local Government Authorities have extensively involved local leaders in matters
related to tax revenue collection, due to lack of structured pay to local leaders and lack of other incentives demoralized the efforts of local leaders. Money economy dominates the system. Hence the Local Government Authorities have to put a structured payment to local leaders and other incentives for better performance in revenue collection.

- Building administrations that effectively limit incentives and opportunities for rent seeking and inappropriate behavior, and are capable of implementing the voluntary Compliance needed to extend the tax base, including by risk management (allocating resources where the risks to revenue are greatest) and taxpayer segmentation (tailoring intervention and services to the distinct challenges posed by different groups, starting with a large taxpayer office)

- The Government should either limit exemptions to 5% of the total collected revenues or do away with granting tax exemptions which benefit able people and companies which should pay tax.

- Tax incentives being administered by TIC should be abolished or harmonized with TRA and other government agencies.

- The government should curb tax loopholes including tax exemptions and illicit transfer pricing amongst multinational companies

- The Municipal should increase number of valuers since are responsible for all valuation works at the Municipal Valuation Offices as well as property tax administration functions. At the moment there are less than five qualified valuers at Ilala Municipal. The Municipal valuers are responsible for all valuations including rating valuation, billing processes and collection of property tax. The extensive amount of work which the Municipal Valuation Offices are required to handle results in a relatively smaller number of properties on the valuation roll leaving larger number taxed on flat rate basis.

- Linked to the difficult working environment is the low remuneration to the municipal valuers. They have to be given more incentive to work for accomplishing the municipal council’s goals. This is likely to encourage the
Valuers not to engage in other valuation assignments for other purposes on private arrangements and other corruptions.
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APPENDIX ONE

QUESTIONNAIRES

MZUMBE UNIVERSITY

PRACTICAL FIELD QUESTIONNAIRES TO THE ILALA MUNICIPAL COUNCIL

Dear respondents,

These questionnaires are designed to collect the information required for the purpose of the study which is the part of my academic requirement at Mzumbe University for the award of the Masters Degree of Accounting and Finance. Particular data that will be obtained will assist the researcher in critical analysis the impacts of information technology on the employee’s performance to the management of the organization.

I request therefore, your corporation in answering the question here under. The loyalty of your time in filling these questionnaires will be highly appreciated.

Tick on the correct answers

Q1. Does the organization has revenues collection (RC) department?
   a) Yes
   b) No

Q2. To whom does the head of Revenues Collection (RC) department report?
   a) General Director
   b) Revenues Collection Incharge

Q3. How many workers or employees in the Revenue Collection (RC) department?
   c) Less than ten
   d) more than ten

Q4. Are the Revenue Staffs of the organization technically competent and independent?
   a) Yes
   b) No

Q5. Do the organization sponsor the Revenue staffs for higher learning institution?
   a) Yes
   b) No
Q6 Are the Revenues Collection reports circulate to relevant officials timely?
   a) Yes  
   b) No

Q7. Do the Revenue Collection staff implement the Revenues Collection recommendations on time?
   a) Yes  
   b) No

Q8 Are there any fringe of benefits to employees apart from salary?
   a) yes  
   b) No

Q9 If yes in 8 above, are those fringe received on time?
   a) yes  
   b) No

Q10. Are there job training/seminars to Revenues Collection staffs?
   a) yes  
   b) No

Q11. For how long the Revenue Collection Staffs attend the professional courses or training?
   a) Less than one year  b) one year  c) three years  d) More than three years

Q12. To what extent the scope and objective of the RC department ensure the effectiveness to organization...
Q13. How does the management ensure the effectiveness of RC department?

Q14. To what extent does the RC department depend substantially on staffing and training?

Q15. Are there any problems you experience in your department?

Q16. What do you think the organization should do so as to make the RC department successful/efficient?
APPENDIX TWO

Questionnaire for property owners/taxpayers

Ward……………………….. Questionnaire Number……………..
Occupation…………………………..Formal Education level………………………
Marital status……………… Sex………………Age……………………
Date of Interview…………………

Property Identity
1. Plot No.……………………Block……………………………..
2. Property Tax Number…………………………………………………………
3. Municipality……………………………………………………………………
4. Owner………………………………………………………………………….
5. Ownership evidence ……………………………………………………………

Tenure
1. Rented……………………………………………………………….………..
2. Owner occupied……………………………………………………………..
3. Partly rented, partly owner occupied……………………………………

Q.01 What is public revenue……………………………………………………………. and how do you pay tax?………………………………………………

Q 02. Is the mode of payment convenient to you?
   1. Yes
   2. No (go to question No. 3)

Q 03. What mode of payment do you think would be more convenient to you?
…………………………………………………………………………………………

Q 04 Have you had problems in paying your property tax bill?
   1. Yes (Go to question 05)
   2. No (Go to question 06)

Q 05. What problems do you face in paying your property tax bill?
…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………

Q 06 where do you pay your property tax dues?
   1. At Municipal Council Offices   2. At the Bank  3. At the Post Office
   4. Collected by local leaders from home  5. At the Ward/Mtaa office

Q 07 The Municipal Council has been demanding property rates from property owners.
Q.08 Do government strategies on revenue collection participatory? why

Q.09 What are the importance of public revenue (Tax) to the Community

Q .10 What in your opinion should the Municipal Council do to motivate taxpayer’s compliance?

Q 11..Generally, what are your views about revenues taxation?
APPENDIX THREE

Interview guide: Municipal Council Valuers

<table>
<thead>
<tr>
<th>Topic</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax base and taxpayers identification</td>
<td>• What proportion of the tax base is exempted from property tax liability?</td>
</tr>
<tr>
<td>Real Property Valuation and rate assessment</td>
<td>• What problems do you encounter in administering the whole rating valuation process?</td>
</tr>
</tbody>
</table>
| Billing and Collection                                              | • What methods do you employ in property tax collection?  
• Would you know what proportion of the property tax revenue collected goes to service delivery and local expenditure beneficial to the taxpayer?  
• Can you give a detailed description of the problems you encounter in property tax collection?  
• What do you consider to be the most significant factors affecting property tax collection?  
• Why have you been involving local leaders in the distribution of property tax bills? |
| Compliance, appeals and enforcement                                  | • In following up non-compliance what reasons do taxpayers give for not paying property tax?                                                                                                                                                                                  |
| Municipal Authority and Taxpayer relationship                       | • What are the responses of property owners when you follow up payment of the tax bills?  
• What are the difficulties you encounter on revenue collection?                                                   |

Thank you