

**A POOR COLLECTION OF PROPERTY TAX: A CASE
OF MTWARA MIKINDANI MUNICIPAL COUNCIL**

**By
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**A Dissertation Submitted to Mzumbe University in Partial/Fulfillment of the
Requirements for Award of the Degree of Masters of Science in Accounting
and Finance (MSc, A&F) of Mzumbe University**

2013

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled **a poor collection of property tax, The case of Mtwara Mikindani Municipal Council, in partial/fulfilment of the requirements for award of the degree of Masters of Accounting and Finance of Mzumbe University**

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DEDICATION

To my wife Rebecca Mgema, our daughters Suzanah, Ester, sons Kelvin, Daniel and Prince, My brother Godfrey Safari Mgema and my mother Martha Kubunga Ndaki.

ABBREVIATIONS

LGA	-	Local Government Authorities
MDP	-	Municipal Development Programme.
MMMC	-	Mtwara Mikindani Municipal Council
UARA	-	Urban Authorities Rating Act
URT	-	United Republic of Tanzania
USEP	-	Urban Sector Engineering Project
USRP	-	Urban Sector Rehabilitation Programme
WEOs	-	Ward Executive Officer

ABSTRACT

The main objective of the study is to assess modalities /systems used in the valuation, billing and collection of property tax to LGAs with particular reference to Mtwara Mikindani Municipal council.

Property taxation is one of the most lucrative and promising, yet least tapped, sources of tax revenue to support urban government in Africa. Property taxation plays a major role in financing local governments throughout the world

In this study, The Mtwara Mikindani Municipal Council was the main unit of inquiry from which a sample of respondents were drawn. The sub-unit of enquiry were individuals whom selection was influenced by their knowledge and experience on property tax.

The level of services provided by a local authority to its residents could be an incentive for the latter to pay tax in a given period. This research made an investigation on the level of public services provided by council to the property owner and other people in the locality. Investigation of this study revealed that there is little relationship between the tax levied and the services provided by the council such as refuse collection, maintenance of roads and sewerage systems and streetlights and the majority of the people are not satisfied

Several factors have been identified for this state of affairs in this study. Among them, absence of property valuation, poor system of notification of tax payments, failure to take legal action against defaulters, lack of tax education and provision of inadequate quality services to the council Residents. The Municipal needs to take appropriate measures to address these issues.

Motivation to the tax collector and accounts department staff dealing with collection of property tax is very important, Failure to take legal action against defaulters was found to be one of the problems facing the council, tax awareness campaigns through newspapers, Television and Radio programs, Posters, advertisements, Seminars etc to educate taxpayers and local politicians especially councillors on the rationale and procedure for the property tax. Education efforts could increase the awareness of ratepayers and thus allow council to collect rates more easily.

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CHAPTER ONE

1.0 Introduction

This study is concerned with a poor collection of property Tax.

Property tax is appreciated as an attractive and promising option for financing local government operations and for providing local authorities with access to broad and expanding tax base.

Property Tax is a tax levied on property, as a mechanism of transferring wealth from private .to public sector. Unlike most of transfers money, which are furnished willingly property tax is compulsory paid.

Local authorities have powers to levy and collect taxes, fees and charges; indeed section 14 of the local government finance act No. 9 of 1982 requires urban Authorities in Tanzania to levy taxes and other types of revenues which will be sufficient for meeting approved expenditure.

The urban Authorities (rating) act No. 2 of 1983 and as amended in 1999 also provides for specific power to local authorities to levy rates on property in their area of jurisdiction within planned and unplanned settlements. The Act specifies procedures to be followed in the whole property taxation managements that is from appointment of valuation surveyor (section 4(1) method of valuation to be adopted (section 22(1)), public notification of the valuation roll (section 11(1)), collection and enforcements (section 25 and 26), establishment of rating valuation tribunal (section 33(1)) and objection and appeal procedures (section 42(1)).

Despite the extensive powers given to local authorities to generate revenue from several sources property tax inclusive, their performance in terms of revenue generation and collection has not been outstanding. Many Councils are not collecting sufficient revenue to finance recurrent and development activities in their areas consequently this results into poor performance in social services delivery as well as failure or non-completion of development programs

1.1 Background Information of a Poor Collection of Property Tax in Mtwara Mikindani Municipal Council

Tanzania is a United Republic made up of two formally independent countries, that is, Tanganyika and Zanzibar. These countries united in 1964. The country has two systems of government, the central government and the local government. The local authorities in Tanzania are established under the local government (District Authority Act of 1982) and the local government (urban authority) amended to enshrine in its local government authority as its permanent. Local Government authorities are organs established by Central Government for the purpose of channeling information to the people. According to section 146 (1-2) of the constitution of the United Republic of Tanzania of 1977, these organs have the following responsibilities:

To make sure that people are participating in economic planning and development activities.

- (a) To perform all Local Government activities in their area (Act No. 7 and 8 of 1982)
- (b) To make sure that laws and defense are maintained
- (c) Maintenance of democracy in their area and its application for development

Thus Local Government is a stage of authority, which is very close to the people and has the responsibility of solving problems in their area. Apart from that, Local Government Authorities are responsible for ensuring that people are participating in development and economic activities in the area concern, this helps in knowing exactly the needs of the people. Decentralized government administration in Tanzania Mainland dates back to the pre-colonial days when over 120 tribes found in the mainland conducted their affairs under the traditional leaders. It was however not until 1926 when the British colonial administration introduced the basic structures of the local government, as we know it today. Under the British colonial administration, a local government authority could only be established after ensuring that there was demand for it, that there were adequate resources to meet the cost of running it and there were staff required for effective delivery of services. After independence in 1961, the government established elected local government authorities in both urban

and rural areas with the purpose of accelerating the development.

The modern application of property Tax in Tanzania began in 1946 with the enactment of the municipalities' ordinance (Cap 105) that authorized Municipalities to exact a 10% levy on all buildings situated within the municipalities (Masunu and Rwechungura, 1995)

Then, in 1952, the colonial government passed the local government (Rating) Ordinance (Cap 317) that expanded the property tax base to include the unimproved site value of all properties held under long-term leases.

For many years since independence in 1961, there were no concrete pieces of legislation relating to property tax and the importance of property tax to local revenue diminished even further. Between 1961 and 1963 the government introduced the Urban and Municipal taxes to be paid by owners of properties situated in minor settlements.

In 1972, all local governments were abolished through a policy paradoxically known as decentralization. The Central government took over all public functions.

The abolition of local government eliminated all existing taxes on property. By 1974, Land rent and service charges were introduced as new forms of property tax. The 1974 land rent and service charge act were the relevant legislation governing the levying of this charge. The service charge was principally aimed at combining both the land rent and the site rate and was levied on land held under both short and long term rights of occupancy respectively.

By 1978, Tanzania was facing a crisis of rapidly deteriorating urban services. Hence local government were reintroduced and become full operational after the establishment of four pieces of legislation in 1982. The Local government Finance Act of 1982 gave new local government extensive powers to collect revenue from residents in their areas of operations. Thus local authorities raised revenue from sources such as development levy, business licenses, user charges livestock cess property tax and industrial cess.

Specifically, the local government finance act 1982 section 13 and 15 empowered local authorities to levy on property tax using flat tax system.

Due to the importance of the property tax the government in 1983 established a specific law solely for property tax .In 1983 the urban authorities (rating) Act was passed and repealed the 1974 act and reintroduced rating in Tanzania. Rates are however charged as a proportion of ratable value of improvements made on a piece of land (Masunu, 2001)

The urban authorities (rating) Act No. 2 of 1983 and as amended in 1999 provides for specific power to local authorities to levy rates on property in their area of jurisdiction within planned and unplanned settlements. The act provides the mechanism for carrying out the valuation, assessment, billing and collection of rate. It applies to urban authorities established under the Local government (Urban authorities) Act of 1982 and to township authorities established under the local government (district Authorities) Act of 1982.

In 1988 the central government assisted by funding rating exercises in several urban centres and districts. The exercises was undertaken in the following centres – Moshi, Arusha, Mwanza, Tabora, Iringa, Mbeya Morogoro, Songea, Mtwara Mikindani, Tanga and Dar es Salaam. Very little was done in terms of number of properties valued and the impact of the exercise in terms of revenue improvement could also not be realized as expected (Masunu, 2001).In 1993, the central government launched on Urban Sector Engineering Project (USEP). The USEP objective was to prepare nine urban centre's for a comprehensive infrastructure investment project by initiating municipal restructuring, improving urban financial management and revenue mobilization, and preparing engineering designs for priority infrastructure rehabilitation. The project enabled the enforcement of the provisions provided under the rating authorities (rating) Act 1983. An evaluation of revenue structure in Dar es Salaam suggested that property tax was being under utilized as a revenue source.

Further analysis by the USEP project identified the lack of valuation rolls as the primary obstacle to improved property revenue generation. During implementation, Dar es Salaam valuation roll phase 1 containing 30,000 properties with a total estimated value of Tshs 800,686, 920,000/= was prepared by the six valuation firms

which were contracted due to lack of in house valuation capacity within the city. (Masunu, 2001)

The urban sector rehabilitation project (USRP) succeeded the USEP in 1999. The USRP continued to place priority on property taxation as the revenue mobilization mechanism. In contrast to phase one where the private sector contractor were responsible for both the building inventory and the valuation ,phase two shifted the responsibility to the government valuation surveyors to identify and number all buildings to ensure a more complete information and determine building property values .

In 1999 rating valuation of 17,500 substantial properties was funded by USRP (phase II) for municipalities of Kinondoni, Ilala and Temeke. In the years 2000 and 2001 rating valuations for more than 26000 buildings were carried out in the other eight project towns of Tanga, Morogoro, Iringa, Dodoma, Mwanza, Tabora, Mbeya and Arusha. (Mc Cluskey, 2003). The aim of the rating exercise was to produce detailed and up to date Valuation Rolls showing the ratable value, name of legal owner and address of every substantial property for selected high value areas of the above mentioned project towns.(Geho,2001)

Despite all these effort, Local authorities have not been able to collect and enforce this source of revenue with ease. Preliminary indications are that there is large untapped potential lying in property tax as a stable and substantial source of Local revenue.

A study carried out in Tanzania by USRP established that the potential revenue from property taxes in Dar es Salaam and the other 8 eight project towns was Tshs. 11,078m/= in the year 2000 collection however, was just Tshs. 1910.89m/= representing 17.3% of the potential as shown by the table bellow

Table 1:0 estimated budget, revenue potential and actual collection from 2004-2007

Urban Area	2000 budget [Estimates]	Estimated revenue potential	Actual Amount collected 2004	Actual amount Collected 2005	Actual Collection record for 2006	Total amount Collected 2007
	Tshs m	Tshs m	Tshs m	Tshs m	Tshs m	Tshs m
Arusha	150.0	1200	79.67	97.10	119.9	145.00
Moshi	100.0	500	56.74	77.70	67.98	85.23
Morogoro	70.0	500	53.52	53.30	52.95	76.22
Tanga	200.0	750	85.34	85.00	104.43	77.37
Iringa	42.0	224	33.98	25.90	34.43	45.57
Mbeya	50.0	525	25.41	30.40	33.44	35.78
Mwanza	270.0	1350	105.36	163.50	203.00	167.54
Tabora	45.0	80	23.76	35.40	28.36	27.90
Sub Total	927.0	5128	473.75	568.30	644.5	660.61
Kinondoni	600.0	2700				494.06
Ilala	500.0	2000	1006	1134	1077	528.11
Temeke	375.0	1250				228.11
Subtotal	1475	5950	1006	1134	1077	1250.28
TOTAL	2402	11078	1479.75	1702.3	1721.5	1910.89

Source: USRP 2000 as for Mtwara Mikindani Municipal Council

Thus local authorities have a big challenge ahead of them of improving the realization of revenue from property taxes, more or so now, that a major source of their revenue, development levy has been abolished.

1.2 Statement of the Problem

The Local Government (Urban Authorities) Act of 1982 provides for the establishment, composition, functions and legislative power of the urban-based local government authorities (Urban Council) in Tanzania .The objects and functions of the urban authorities are provided for under section 54 of Act number 8 of 1982.

Some of these functions include promoting the social welfare and economic well being of the local community. Urban authorities are also expected to further the social and economic development of their areas.

All local government in Tanzania are accorded the status of government this means that each council should be able to raise funds for meeting the costs of delivery of services and for financing development projects.

The local authority finance Act No. 9 of 1982 stipulates the need for the local authorities to raise enough revenue to finance local development. Financial stability of the councils can only be attained if there is sustainable improvement on effective and stable revenue sources, strong and efficient local governance with property tax being one of the major sources of revenue.

Though property tax is generally accepted to be one of the major sources of revenue for the urban authorities and that it is potentially the easiest tax to administer due to the nature of the tax base, many urban local authorities Mtwara Mikindani Municipal council inclusive have failed to fully tap revenue from this source. This study therefore intends to assess the factors affecting the performance of LGA in the collection of property tax.

Society expects better services from central government through its local government, services like education, water supply, health centers, defense and reliable infrastructure. It is noted that what local government authorities incurs and the amount spent is of considerable interest to central government in its control of the economy as a whole. However, most of the local government authorities fail to meet their commitments and responsibilities to the public due to a number of problems, Poor collection of property tax being one among. Therefore, this study aimed at making an appraisal of the effectiveness of the collection of property tax as a control Tool to ensure that the users are provided with a more complete picture of the various sources and revenue arising during a particular period. Hence, property tax play much, also is an important role in economic and social systems

According to **Barnabas** (2001) who carried out a study on the determinants of effective collection of property tax within the Tanga Municipal council, the

contribution of property tax to the Tanga Municipal council revenue was low although the number of properties in the Municipality was significantly large. The study revealed several problems prevailed in Tanga Municipal Council which could easily lead to low collection of property tax. The problem found out were improper follow up of property tax debtors, poor education on property tax, poor debtors records and ineffective valuation method.

The Author recommended on the need for further study to look for the possibilities of introducing new methods on the problems so as to improve collection of property tax.

According to **Masanja** (2002) who carried out a study on the performance of LGA's in the collection of property tax the performance of Dodoma Municipal Council was not impressive in the period under review .The study revealed the poor performance to be attributed to a number of factors which among others is the lack of property valuation and the out of date property register. From the findings the author recommended on the need for further study so as to explore the potential of property tax in raising the revenue collection of the council from this revenue source.

So the gap between current researchers that have not studied is modalities /systems used in the valuation, billing and collection of property tax to LGAs

1.3.0 Research Objectives

The main objective of the study is to assess modalities /systems used in the valuation, billing and collection of property tax to LGAs with particular reference to Mtwara Mikindani Municipal council.

1.3.1 Main research objective

- (i) To find out their nature, source and causes of poor collection of property tax to the local governments authorities in Tanzania.
- (ii) To find out the contribution of management to poor collection on the property tax to the local authorities in Tanzania.
- (iii) To explain the scope and magnitude of poor property tax collection
- (iv) To analyze the effects of poor property tax collection to the community and government at large.

- (v) To provide the education knowledge to the relevant users the tax payers and tax correctors.

1.3.2 The specific objectives were as follows:

- a) To assess the modalities used in the valuation of properties within the MMMC.
- b) To identify the council property tax targets and achievement in the collection of property tax for the period of four years.
- c) To identify and assess factors which contribute to the non – realization of property tax as a potential source of revenue.
- d) To suggest/recommend ways of improving property tax collection.

1.4.0 Research Questions

1.4.1 Main Research Question

What factors contributing to the poor collection of property tax as potential sources of revenue?

1.4.2 Specific Research Question (Three Question 3)

In order to achieve the objectives the study is guided by the following research questions.

- (i) Which modalities /systems used in the valuation of property?
- (ii.)What systems are used in billing and collection of property tax?
- (Iii).What were the targets sets and actual collection of property tax and

What factors have contributed to the non – realization of property tax as a potential sources of revenue?

1.5 Significance of the Study

The study focused on the assessment of the factors affecting the performance of LGA’s in the collection of property tax as per valuation roll.MMMC was taken as a case for the study. The results of this study will be of importance to both central and local government in making policy decisions aimed at developing and adopting measures to improve property tax revenue collection in the country by eliminating or reducing any loopholes that exist to the current operating system.

The study has also established the MMMC strengths and weaknesses in collecting property tax and recommendations on how to improve property tax collection.

The findings also are expected to help other researchers as a starting point in further investigation of the same problem.

From academic point of view, the study enabled the researcher to integrate the theoretical training obtained with the practical situation.

The study is one of the requirements for successful completion of the third semester as well as to fulfill the requirement for award of Master of Science in Accounting and Finance.

1.6 Scope and Limitations of the Study

The study was on confined to the assessment of the factors causes' poor performance of MMMC in the collection of property tax. Therefore the limitations of the study can be looked from the methods to be employed for data collection, data for the past 4 years from 2008/2009 to 2011/2012 will be collected from the organization documents i.e. quarterly and annual physical and financial reports, and other records on property tax matters as kept by the Valuation section. Secondly, the nature and settings of the interviewee attitudes, feelings, commitment and other behavioural aspects may limit the study.

CHAPTER TWO

THEORETICAL LITERATURE REVIEW

2.0 Introduction

This chapter reviewed various literatures that provide information about the need of improvement of property tax collection to the management. The general orientations of this section is to review and critique the previous work in the relevant area reference and particularly quotations and findings will be obtained from primary sources that is the original research report.

Article 146(1) of the Constitution of the United Republic of Tanzania provides that the purpose of having local government authorities is “to transfer authority to the people”. Local government authorities have been given power to participate and to involve the people in the planning and implementation of development programmes within their respective areas and generally throughout the country. Every local government authority has a constitutional mandate and obligation: -

To perform the functions of local government in its area;

To ensure the enforcement of law and public safety of the people; and

To consolidate democracy within its area and to apply it to accelerate development of the people.

The local government acts no.7 and 8 of 1982 provides for the establishment of the rural and Urban authorities as autonomous organizations and they have important powers to carry out those functions established under the relevant acts. The basic functions Of the LGA’s are: -

- a) To maintain and facilitate the maintenance of peace, order and good governance within its area of jurisdiction.
- b) To promote the social welfare and economic well being of all persons within its area of jurisdiction
- c) Plan for rural and urban development and further the social and economic development of its area of jurisdiction
- d) To effectively perform the above functions LGA’s ought to have sound revenue base .One of the source of revenue for the LGA’s are transfers from the central government this is provided in section 10A (1) and (2) of the local

government finance Act no 9 of 1982. About 80 % of the funds for the current expenditure of LGA's are transfers from the Central Government, while the remaining part is funded from LGA sources (Mallya, 2000). Naturally, grants from the central government are dependent on the ability of the central government to pay. The implication is that in the event of central government experiencing budgetary constraints LGA's becoming extinct affected, thus jeopardizing their autonomy and they will definitely fail to perform the intended functions within their areas of jurisdiction. The government decision to rationalize and harmonize sources of revenue for the LGA's has left few sources of own revenue for the councils. Urban Authorities are now forced to concentrate on property tax which is the main source left but is not well tapped.

2.1 The concept of property tax

This chapter provides theoretical foundations within which property tax practice in Dar es Salaam is analysed. A theory is a collection of concepts, which together provide an understanding of how a phenomenon is built up; and how it can be classified and used (Lunderquist 1999). It follows that concepts central to the study were reviewed. These theoretical framework for analysing the property tax system under investigation. In addition the Principal-Agent and Game theories were reviewed and all of these are discussed with a view to providing a perspective for the analysis of the relations holding among the key players in the property taxation process.

2.2 Characteristic of a good tax system

Taxation involves transfers of money from individual to governments. The transfers are not voluntary but compulsory. Governments impose taxes on citizens as a means of addressing a variety of objectives that may be fiscal or regulatory. The major purposes of taxation (Lymer & Hancock, 2002; Stiglitz, 2002, James & Nobes, 2000) are:

- a) Generating revenue for public expenditure
- b) Redistribution of income and wealth in ways considered just and equitable.

- c) Correcting market system inefficiencies in the allocation of resources.
- d) Control of money in circulation in order to stabilise the economy.

Since government have varying objectives, different forms of taxes become necessary for the achievement of such objectives. Taxes may be categorised into those levied by the national governments and local taxes, which are levied and administered by local governments. Local taxes assigned to local government are to a large degree influenced by the central – local government fiscal relations. Nonetheless the discussion in this study focuses on real property tax as a local tax.

A number of considerations need be taken into account in designing or scrutinising a tax proposal. Economists have categorised economic concepts that can be used in evaluation of a tax system in different ways. However, most of the criteria used in evaluation a tax system are founded on the traditional Adam Smiths'(1776) four canons of taxation. The traditional four canons of taxation are:

- a) Equity, i.e fairness with respect to the tax contributions of different individuals;
- b) Certainty, i.e a lack of arbitrariness or uncertainty about tax liabilities;
- c) Convenience, i.e with respect to the timing and manner of payment;
- d) Efficiency, i.e a small cost of collection as a proportion of revenue raised, and the avoidance of distortionary effects on the behaviour of taxpayers (i.e. the principle of neutrality).

Overtime, varying criteria for scrutinising a tax system have come up. For instance James & Nobes (2000) considere efficiency, incentives equity, and macroeconomic considerations as important criteria, but argue that not all may be relevant in every situation. Nonetheless the criteria do provide a framework within which various tax system prosposals may be considred and can also be used as a checklist for improntant aspects that aought to be included. Stiglitz (2000) formulates five desirables characteristics for any tax system namely economic efficiency, administrative simplicity, flexibility, political responsibility and fairness. Along the

same line fairness., promotion of economic prosperity, simplicity and enforceability are considered as important features for a good tax system by Slemrod & Bakija (2001). However, the importance of the criteria for consideration may vary with different circumstances depending on the tax system are reviewed in the context of the concepts of economic efficiency, incidence and fairness, legitimacy, and administrative simplicity. These are considered as more important for the tax structure to satisfy.

2.2.1 Economic efficiency

A tax system is regarded as efficient if it causes little or no interference in the functioning of an economy. The assumed starting point is then a competitive economy where resource allocation is pareto-efficient. Allocation of resources is considered to be pareto-optimal if no rearrangement of resources could make one person better off without making someone else worse off. Apparently, the transfer of money to the government in form of taxes leaves a taxpayer with lower purchasing power and subsequently affecting his economic behaviour in various ways Stiglitz (2000). As a result of taxation individuals may either have to adjust the amount of work so as to earn more and sustain their consumption, pattern, or are compelled to cut down consumption to match the after tax income. Taxation results in what is termed as income effects and substitution effects.

When a commodity tax is imposed the relative cost of goods and services change, motivating consumers to switch from one product or activity to another. The act of switching from one product to another as a result of a tax, given a certain income level, leads to substitution effect interferes with consumer choice and subsequently leads to economic inefficiency. Taxes that affect relative prices and influence consumers to substituting consumption of the taxed commodity for another are also termed distortionary taxes and the substitution effect interferes with consumer choice and subsequently leads to economic inefficiency. Taxes that affect relative prices and influence consumers to substituting consumption of the taxed commodity for another are also termed distortionary taxes and the substitution changes the consumer's tax liability by working less.

However, in some cases the distortionary effect may be intended by the government in order to encourage the economy to move to a more desirable allocation of resources than the prevailing one. For instance a government may encourage people to invest in pension funds. Conversely consumption of certain commodities may be taxed higher than others in order to discourage consumption of such goods. Apart from effect on individual taxpayers, taxation affects also business companies. The effect of taxation can for example motivate a company to abandon investing in business and use the money in some other ways. Subsequently the shareholders will suffer a loss., individual members may lose jobs, production of good and services will be lost and in the end the government.

Given that taxes impact upon taxpayers spending power negatively, individuals attempt to lower their tax liability. The subsequent effect is a distortion in taxation since less revenue would be raised as a result of taxpayers attempts to reduce their tax liability. Distortionary taxes therefore result in economic inefficiencies in that resources are not used in a pareto-optimal way. It follows that by imposing distortionary taxes the economic loss to the community is greater than the revenue raised by the tax (Lymer and Hancock, 2002). An alternative to distortionary taxes would be to impose non – distortionary (which are also called fiscal neutral or lump-sum) taxes. Lump-sum taxes are fixed and taxpayers can do nothing to alter the tax liability. A lump-sum tax raises additional revenue leaving the taxpayer at the same utility level as for distortionary tax. Hence more revenue would be raised by a lump-sum tax without additionally affecting the taxpayer's welfare.

An ideal situation for governments would be to impose lump-sum taxes in order to avoid the inefficiencies resulting from distortionary taxes. However, in practice it is difficult to institute (a fair) lump-sum tax system because governments lack perfect information about the characteristics of each individual, which would be a requirement for lump-sum taxes (Stiglitz, 2000). Thus were individuals can only be observed imperfectly distortionary taxes are inevitable. With imperfect information about individuals taxes can only be based on observable variables such as income and expenditure, which in turn produce distortionary taxes.

While it is important for a government to institute a tax system that is efficient, requirements for such a system are hard to achieve. As noted by James & Nobes (2000), the conditions required for economic efficiency are unlikely to be found in what is referred to as the 'real world.'

In the light of the effects of a tax system on the economy, and that economic growth often has a high priority, it is often looked upon as especially important that the proposed tax structure should not provide incentives for people to work less. Likewise the tax should not be such that it will inhibit the growth of productive investment and savings.

2.2.2 Incidence and Fairness

Incidence

'Incidence of taxation' is a term used by economists to describe the effects of taxation on individual taxpayers. As previously noted, taxes are compulsory payments to the government and when imposed, individuals will find a way to avoid or shift it to others. The concern then is on who finally bears the tax burden. The tax burden represents the difference between real incomes before and after the tax is imposed. Practically the burden of taxes is not necessarily borne by those upon whom they are levied. Lymer, & Hancock, (2002) categorise formal incidence of a tax as the one that falls on those who must actually pay the tax while the effective incidence is that which falls on those whose wealth is reduced by the tax. The formal incidence of tax is not difficult to identify but the effective incidence is many times difficult to identify. The effective incidence of taxation results from the taxpayer on whom the tax is imposed, shifting the burden of tax to another person, who becomes the ultimate bearer of the true economic weight of a tax. For instance a corporation tax imposed on a firm may be shifted backwards to workers resulting in falling wages, or may be shifted forward to consumers causing increase in prices. Similarly, with property tax the incidence may be shifted to consumers of the capital investment. Tax incidence is a critical aspect that requires due attention when considering different tax instruments in order to reveal their effects on taxpayers.

Tax incidence is closely linked to fairness in taxation. According to Stiglitz (2000) fairness is an aspect that should not be considered on the basis of whom the tax is imposed on, but on who actually pays the tax.

Fairness

The fairness of a tax system is in many cases seen as a simple phenomenon that can be achieved by a tax structure that differentiates tax burden according to chosen criteria in an economy. Nevertheless, less effort is often devoted in trying to understand what fairness means. The concept of fairness is complex and in many cases it poses difficulties in defining precisely what a fair tax is and what it is not. Illustrating how complex the concept of fairness is, Slemrod and Bakija (2001) point to situations where a progressive tax system is regarded as fair while a flat rate tax system is considered not fair because middle class people would bear more of the tax burden than the rich compared to what they would pay under the progressive tax system. Others perceive a tax system to be fair if the poor pay nothing, the middle class pay something and the rich pay the highest percentage. On the other hand others claim that a system that imposes a single flat percentage tax rate on everyone's labour income would be truly fair because it treats everyone the same. Inventors of the flat tax rate (Hall & Rabushka 1995) share this view as they assert that:

.....the meanings of even, just and equal in keeping with rules and logic, better fit a flat rate of taxation than any multiple rate system that discriminates among different classes of taxpayers. (cited in Slemrod & Bakija, 2001:52).

The varying perceptions about what constitutes a fair tax system are a clear indication that fairness in taxation is an elusive concept. However, the common approach used by economists is to describe fairness of a tax system in terms of vertical equity and horizontal equity.

Vertical Equity

The principle of vertical equity requires that the appropriate tax burden be assigned according to different levels of the well being of the taxpayers. That is, individuals with a higher level of economic well being should pay higher taxes than others should do. But the problem shifts to determining who actually should pay tax at higher rate and how much more should the rich pay than others.

In determining who should pay at the higher rate, income is a most widely used basis of taxation as it provides a good measure of ability to pay. The higher income an individual earns is translated as a greater ability to pay and therefore justifying higher taxes. Then the problem remains on how much more should those individuals with higher incomes pay. A widely accepted view is for the rich to pay a higher fraction of their incomes in taxes, leading to a progressive tax system. However critics argue that income is not a fair basis of taxation because it corresponds to the individual's economic output that he or she contributes to the society (Slemrod & Bakija, 2001). An alternative would be to tax individuals on the basis of consumption. But with consumption as a basis of taxation, there emerges the problem of whether savings should be exempt from taxation. Because if savings are not taxed then the tax is unfair to the individual who has had all his income spent as he or she is highly taxed than the individual who saves part of his income (Stiglitz, 2000).

Further attempts to determine the most equitable way of taxing individual brings about the view that lifetime income should be the appropriate basis of taxation. That is the discounted lifetime income of an individual should be taxed than the annual income. But where does the lifetime income lead to; should individuals of the same lifetime income pay the same tax regardless of the pattern of income over their lifetime?

It can be clearly observed that none of the alternative bases of taxation under the principle of vertical equity has a precise answer to the difficulties associated with determining an equitable tax. Income or consumption is widely used as bases of taxation despite the problems explained above.

Horizontal Equity

Fairness in taxation is also considered under the principle of horizontal equity, which demands equal treatment of individuals who are equal in all relevant aspects. Thus the tax liability should be the same for taxpayers with equal taxable capacity. Although equal treatment may appear as simple to achieve, the problem with the principle of horizontal equity is defining the meaning of two individuals being identical in all relevant aspects and what equal treatment means.

Many questions do arise in attempting to set a basis for equal treatment. How are equal individuals in all relevant aspects identified? Should the equal relevant aspects be judged in terms of age, sex, marital status, employment, expenditure, income and many other? As a consequence the principle of horizontal equity provokes more questions for which answers may be difficult to obtain practically.

Income is one aspect that provides a tax base operating on the presumption that individuals earning the same income pay the same tax. But if one examines the tax burden of two individuals considered as treated equally, one may find that the tax burden is not the same. For instance home mortgage interest deduction favours owner-occupiers and penalizes those who prefer rented accommodation. On similar account, it can be concluded that individuals receive equal treatment if one receives deductions related to health care expenditures from his or her taxable income while the other person does not. The incomes may look the same but the tax burden is likely to be different depending on what considerations the tax system takes into account. The difficulty to define equal treatment can also be seen with taxes on consumption of goods and services. For example taxes on selected goods discriminate against certain members of the society who consume such taxed goods.

There are numerous examples that can be seen to complicate the question of equal treatment of individual taxpayers. In attempts to improve horizontal equity tax systems introduce tax benefits and penalties among individuals. Nevertheless no two individuals are ever identical (Stiglitz, 2000); hence the principle of horizontal equity becomes difficult to apply in real life situations.

Who should pay tax?

From the foregoing discussion it is clearly evident that the aspect of fairness is central in taxation but difficult to realise, and it gets more complex the further one continues to analyse it. Attempts to define the fair distribution of tax burden across income classes have led to the benefit principle and ability to pay principle as proposed by economists. The benefit approach is based on the premise that individual's tax burden should be in proportion to the benefits they receive from the government (Slemrod and Bakija, 2001, Stiglitz, 2000; Musgrave & Musgrave 1976). On the other hand, with the ability to pay principle, the tax burden ought to be related to the taxpayer's level of economic well being (Slemrod & Bakija, 2001).

The benefit principle essentially requires those who benefit most from the public services provided by the government should be the ones who should pay the most tax. Practically the approach is adopted in few cases where it is possible to identify the benefits achieved by the individual taxpayers. Fees charged for the use of bridges and road tolls are examples of taxes based on the benefit principle. User charges for the use of water and sewage facilities are also considered as tax under the benefit principle since individual users pay for the actual amount of services they consumed. However the benefit approach fails to guide how the tax burden should be fairly distributed because it is difficult to the government. Members of a society receive important government services such as defence, justice, fire services or police but it is difficult to determine the magnitude of the benefits received by different individuals.

Another criticism against the benefit principle is that it limits governments from exactly equal value to the benefit received then each society member would be compelled to pay his or her full bill regardless of her level of income. As such there would be no room for exempting the poor and subsidizing them. The subsequent result would be the effect on the social welfare of the low income people who would have to go without the basic necessities such as education, police protection, defence and so on.

The ability to pay principle relates the tax burden to the individual's ability to bear the tax burden rather than the benefits that one receives from public services. Thus the tax burden should be based on the level of tolerance of the sacrifice made through the paid tax. The implication being that taking a dollar from a poor person has more negative impact than taking the same dollar from a well-to-do person (Stiglitz, 2000). But the problem remains on how to measure the relationship between income and the tax burden that falls upon an individual.

2.2.3 Legitimacy

One apparent reason for any government to impose tax on its citizens is generating revenue that supports government functions. Supply of public goods is among the most important functions for which individuals must be made to contribute through paying taxes. Among the public goods there are those whose benefits can be directly observed by the individual taxpayers such as construction of civil works, national health programmes, parks and so on. But in some cases of public goods like defence, the benefits may not be direct for the tax paying citizens to appreciate. Nonetheless, all public goods are necessary for a community and a government has to provide with the support of individual taxpayers.

While individuals have the obligation to pay taxes to the government, they similarly have entitlement to being informed about their tax burden and other relevant aspects related to the taxes they pay. In view of this it is important that a taxing authority operates in a transparent manner in that it is clear who is benefiting and who is paying (Stiglitz, 2000). Moreover it would be ideal for a tax system if the taxpayers were made to see the relationship between their contributions to the support of public goods and the supply of the same. Walker (1970) is of the view that:

It is probably most desirable to make clear in people's minds the association between the taxes that they pay and the benefits they receive from the government expenditure. The more apparent this link is, the greater the likelihood that people will be willing to pay taxes (pg. 208).

Walker's argument is in line with the need for transparency for a tax system because if people are clearly informed about the paying of taxes and what these taxes can do for them, they are likely to cooperate more. On the other hand the taxing authority is likely to be accountable as their actions will be observable by the informed taxpayers.

Even though the legitimacy of levying taxes is usually supported by legislation and that a government can force people to pay taxes, response to the taxpayer's needs for public services has a role to play in taxation. It is important therefore that the amount and quality of the supply of public goods is also considered as an aspect that justifies the imposition of taxes to the citizens for a more efficient tax system. If a tax system is not seen as legitimate, then this can also lead to direct economic costs, for example higher administrative costs in enforcing compliance.

2.2.4 Administrative Simplicity

A tax system needs to be simple so that the taxpayers can understand it. Likewise it is important that the administrative and compliance costs are kept as low as possible.

Administrative costs constitute costs involved in running a tax system. These include costs of determining tax liability, as well as costs for auditing and enforcement functions. Conversely compliance costs are indirect costs borne by the taxpayer. The costs of complying with the tax requirements can be in form of time spent on completing tax forms, costs of record keeping plus payment to accountants and lawyers for tax guide. Administrative and compliance costs tend to be higher with a complex tax system. Under a complex tax system more resources would be required for administering special provisions, differential tax rates and deterrent instruments (James & Nobes, 2000). Similarly the taxpayer would spend more on understanding the tax structure and subsequently on attempts at tax avoidance and evasion. The complexity of the tax structure and subsequently on attempts at tax avoidance and evasion. The complexity of the tax system increases the costs to both the tax authority and the taxpayer. For instance the costs borne by the taxpayer in attempts to avoid and evade tax would create corresponding administrative cost to the taxing authority in trying to hinder the process (James & Nobes, 2000). Consistent with this

Kaplow (1999) points out that the enormous complexity of the tax system is responsible for large compliance costs. Given the increased administrative and compliance costs resulting from a complex tax system, it is vital that a simple tax system is in place so as to minimise the tax administration costs.

As earlier pointed out, a tax structure can be evaluated from different angles depending on the objective of the tax in question. However the concepts of efficiency, fairness, legitimacy and administrative simplicity are fundamental for any tax structure. Any tax structure need be designed with the objective of satisfying the requirements of the standard principles of taxation. This should also be the condition for property tax despite the fact that the tax is different from other taxes in terms of variation in tax basis for the same tax and may lengthy administration procedures. Unlike other taxes the complexity and costly administrative procedures in property taxation renders the tax unable to achieve all the fundamental criteria for taxation. For instance Sullivan et al (1995), argue that the property tax has failed to satisfy both horizontal and vertical equity criteria, the failure that is sometimes due to difficulties in administering the tax. Hence the unique features of the property tax are to a considerable degree responsible for the failure to satisfy the criteria of a good tax. In the following sections the discussion is focused on requirements for property taxation.

2.3. Framework for the analysis of a property tax system

2.3.1 The history of taxing real property

Originally in history, taxation of wealth covered both immovable and movable property. Wealth taxes may be imposed on the holding of assets that are included in a person's wealth or may be imposed on transfer of such assets. As a result various taxes on different types of property have developed from time to time. For example in Britain during the thirteenth century a tax was imposed on movables such as coin plate, household goods and debts owed to an individual (less debts owed by him or her). The tax on movable items was levied on individuals who had fluctuating incomes. Among the various taxes on wealth, real property tax has over time become important in fiscal systems of many countries especially local governments.

Literature on taxation indicates that a tax on real property was first introduced in Rome during the earliest time. According to James & Nobes (2000), the magistrate undertook the tax assessment and kept a register in which the property of each citizen was recorded. The tax was known as *Tributum*. The tax rates were between 0.1 and 0.3 per cent of an individual's property value. The *tributum* was abolished in 167 BC and later on replaced with a 5 per cent inheritance tax, introduced in Rome in AD 6 on the estate of the deceased person. A local rate was introduced in Britain in 1601 following the enactment of the Elizabethan Poor Relief Act (James & Nobes, 2000; McCluskey et al, 1998). Under this Act individuals owning property had to contribute in form of tax based on the value of this property to the poor within the community (McCluskey et al 1998).

A wealth tax continued to spread in several European countries in the nineteenth and twentieth centuries. For instance a wealth tax was introduced in the Netherlands in 1892, in Denmark in 1904, in Sweden in 1910 and in Norway in 1911; and also in Germany in 1992 (James & Nobes, 2000). The colonial governments introduced property taxation in developing countries, for example in Africa during the twentieth century.

2.3.2 Arguments for taxation of real property

Taxation on wealth is supported by both benefit and ability-to-pay considerations. Within the tax literature it is argued that the tax burden needs to be apportioned according to the benefits that the individuals gain from the government expenditures, which are funded by the taxation (Slemrod & Bakija, 2001; James & Nobes, 2000; Musgrave & Musgrave, 1976). In agreement with this, James & Nobes (2000), and Musgrave & Musgrave, 1976) make reference to Locke's theory of the state as a protector of property, which suggests that property owners whose property is protected by the state should pay more in tax for the state expenses than those who do not receive such protection. Tax on real property is also justified in that public services increase the value of real properties and therefore the owners should pay for the services. But there is little consensus for the benefit approach as some theorists argue that there is hardly a trace of individual properties benefiting directly, and not all real property benefit equally from the public services (Musgrave & Musgrave,

1976). The benefits may at least not be proportional to the tax base, for example the properties' market value.

Even though the benefit approach is challenged on account of the benefits not being traceable to individual property ownership and the fact that the bulk of property tax revenue is spent on provision of general public services such as education, property owners view property taxes and public services as closely linked. There is likely to be more willingness to pay where property tax revenue is spent on public services. Thus besides the criticism, the benefit approach is seen to gain some support. For instance commentators (McCluskey, et al, 1998; Musgrave & Musgrave, 1976) point out that in the long run the majority of people in a democratic society will not be willing to tolerate a fiscal system from which they did not benefit directly. In this regard a tax that did not support the provision of public services will be subjected to limited taxpayer acceptance.

On the other hand the ability-to-pay approach is based on the situation of the earliest taxation times when real estate and other personal property were the most convenient index of ability to pay (Musgrave & Musgrave, 1976). Subsequently the holding or ownership of land presented a good index of ability to pay. The Poor Relief Act was in essence a redistributive tax, whereby those owning property had to contribute in the form of a tax based on the value of the property to those less fortunate within the community, that is, for the relief of the poor. In this regard a person owning real property is seen to be in better economic situation than the one not owning.

2.3.3 Requirements for a property tax system

The basic principles of taxation enumerated in literature provide a standard guide for the efficient operation of a tax system. But landed property tax is different from other taxes in terms of methods of assessment (annual value, unit or area based, value based), varied basis of taxation (land only, land and improvements, improvements only), appeals approach, tax collection and enforcement, and administration procedures as a whole. In general, the administration of property tax is more involving than any other tax, with a series of procedures.

Unlike for the taxes, property taxpayers tend to be more aware of the taxes they pay and what to expect in return from the taxing authority. Traditionally, property tax was levied to finance services that are visible such as roads, street lighting and cleaning, garbage collection, neighbourhood parks and so on. The visibility of the tax renders both the tax and the tax authority vulnerable to scrutiny and criticisms. In the light of the attributes that are different from other taxes, a range of criteria is considered to be vital for a successful tax based on the traditional principles of taxation include the following:

- i) **Fairness based on benefits received:** property taxes should reflect the benefits received from government expenditures.
- ii) **Fairness based on ability to pay:** the tax levels should be related to individual's ability to pay in terms of both horizontal and vertical equity. Thus property owners with similar value properties should pay similar level of taxes, whereas taxpayers with high value properties should pay relatively higher taxes.
- iii) **Neutrality:** property tax should not distort economic behaviour of individuals. For instance the tax should not affect decisions about where to live and work, and also the type of improvements to make to one's property.
- iv) **Accountability:** property taxes need to be designed in ways that are easily understandable. Clear tax structures provide room for policy makers and tax authorities to be held accountable.
- v) **Ease of administration:** property tax systems need to be simple such that it is easy to administer the tax and cheap to collect.

Even though the above standard principles are essential for any property tax system, McCluskey, et al (1998) view public acceptability of the tax structure as an important element that should be taken into account but is often omitted from consideration. In addition, they consider a tax base to be a critical element for property taxation and therefore suggest that political credibility, administrative feasibility, and public acceptability, rather than more abstract economic arguments, should be the overriding considerations in choosing a property tax base. On the basis of this

argument McCluskey et, al (1998) propose a number of criteria as summarised in Table 1.1 for consideration in selecting the appropriate tax base.

Table 1.1: Relevant criteria for deciding on appropriate tax base

Tenure and Transaction Data	Choice of property tax base should be linked to the land tenure system and most common form of land holding.
Quality of Data	Quality of data is important for functional assessment process
Defensibility of Assessment	Sufficient data are vital for objective defence of assessment before the appeal tribunal
Horizontal Equity	Assessment of property value should ensure that equals are treated equally
Vertical Equity	Property owners with property of different values should pay different levels of tax
Taxpayer Perceptions	Importance of taxpayer understanding is essential for encouraging taxpayer acceptance
Valuation Administration	Introduction of mass appraisal approach would address the administration workload of the annual value and capital value systems
Taxation Equity and Fairness	While fairness relates to legal treatment of different types of property, equity is a measure of how well the property tax is administered and assessed. Important therefore that the principles of both horizontal and vertical equity are accorded due weight for social acceptability
Taxpayer Acceptance	Property tax systems should take account of taxpayer's concerns.

Source: Summarised from McCluskey, (1998)

Further contributions to the delimitation of the essentials of a property tax system include guidelines recommended by the leading professional bodies such as International Association of Assessing Officers (IAAO, 1997) and such as International Association of Assessing Officers (IAAO, 1997) and Institute of Revenue Rating Valuation (IRRV, 1997). Some of the Recommended guidelines are as shown in Table 2.

Table 2. Guiding Precepts for Property Tax Systems

Criteria for evaluating property tax systems Principles of local government finance

International Association of Assessing Officers	Institute of Revenues Rating and Valuation
Uniformity	Local taxes should be related to ability to pay
Neutrality	Local taxes should be easily understood
Harmony with Social and economic policies	Local taxes should be administratively efficient
Public acceptance	Local taxes should be difficult to evade
Business and investment climate	Local taxes should be impartial between one person and another
Openness or transparency Cost effectiveness	The “benefit” principle – those who benefit from locally provided services should make some contribution towards their cost and those who contribute towards the cost of locally provided services should benefit in some way from them.
Bouyancy Balanced revenue system	Local authorities should be accountable, that is, locally determined expenditure should be funded by locally determined taxation
Dedicated source of revenue Local government autonomy and accountability	Local government functions should be determined within a clear constitutional framework. This should include a definition of the rights responsibilities of each tier of government

International Association of Assessing Officers	Institute of Revenues Rating and Valuation
Administrative practicality	Central government grants should be used to narrow the gap between authorities with different resources and needs
Valuable fund of land information	Central government grants should be general rather than specific

Source: McSluskey, et al (1998)

A noticeable feature with the requirements for a property tax structure presented in different ways is that they are all structured on the basis of the standard principles of taxation that are essential for a good tax system. However, a wide range of factors considered essential for a good property tax system, clearly demonstrates the difficulties in instituting a structure that can satisfy all or most of the prescribed conditions at the same time. This is suggestive that choices have to be made of the aspects that can be applied to accomplish certain objectives of a property tax system at certain times. Furthermore it is important that the choice should provide a balance of the principles since complete omission of some of the factors may adversely affect the tax system's performance. For instance where assessment of property values is not accorded the right priority, the taxation process stands to be affected considerably because values are important determinants of the tax burden assigned to each individual taxpayer and subsequently the potential revenue accruing to a taxing authority.

Although the guiding principles for property tax practice exist in literature, little is said about their practical application. Detailed information about how different property tax systems function around the world is scanty for one to see clearly the application of the guiding criteria to landed property tax. A few studies on property tax practices with international coverage have been conducted including those by Bird & Slack (2002), Franzsen (2001), McCluskey & Franzsen (2001), Vlassenko (2001) and Youngman & Malme (1994). Nonetheless the studies had varying

objectives that did not demonstrate an evaluation character that could provide sufficient data for comparison of different tax systems in terms of their performance. The limitation in obtaining adequate data of property tax systems is echoed by Vlassenko (2001) and Franzsen (2001) who experienced data scarcity for some of the countries studied and subsequently affecting the analysis of the property tax systems studied. Scarcity of data on various aspects of property taxation is also experienced in Tanzania and other countries in East and Southern Africa (Franzsen, 2001). On the other hand it is reasonable to presume that property tax systems satisfy the conditions of the principles, remains an issue that demands research.

Even though there are numerous factors by which the operation of a property tax system can be measured, experience shows that more interest is directed on efficiency in terms of raising sufficient revenue. In line with this, a property tax system in many instances is regarded efficient where it is able to record higher revenue yields even if other countries lack capacity to value all taxable properties apart from conducting revaluations (Franzsen, 2001).

Absence of equity and fairness in property tax systems has been reported in Plimmer et al (2000) and Vlassenko (2001). Plimmer, et al (2000) demonstrated absence of equity and fairness optimisation in property tax systems of Ireland, and England and Wales as a result of failure to institute regular and frequent revaluations. On the other side, Vlassenko used the criteria of efficiency and fairness to evaluate the British, French and Swedish property tax systems. Findings of her study indicated property tax revenue collection levels of 95 – 97% for the British system, 90% for the French system and 99 – 100% for the Swedish system. However, despite the high efficiency levels in property tax revenue collection the level of satisfying the fairness criteria was relatively low for all the three property tax systems.

The various principles that are considered essential for the operation of a property tax system and the fact that all can rarely be achieved at the same time present a difficult situation for evaluating a tax structure. As also noted by Vlassenko (2001), evaluating a complex matter such as property tax is not an easy task. Apart from the varied criteria, the relative importance of each criterion at different times and with different systems complicates further the evaluation process. Thus it makes it

difficult to measure the operation of one property tax system on the basis of factors applied by another to accomplish tax objectives. It follows therefore that choices have to be made of the factors that can facilitate a property tax system to achieve the varying tax objectives from time to time.

2.3.4 Concluding Comments on principles of taxation

An optimal tax structure presupposes that a tax structure accomplishes the efficiency and equity criteria. Alm (1999) asserts that an appropriate tax system should be one that allows taxes to be raised in a way that treats individuals fairly, that minimises interference in economic decisions, and that does not impose undue costs on taxpayers or administrators. But, from debates on taxation it is evident that tax structures that can satisfy all conditions desirable for an appropriate tax are uncommon. Taking property taxes as an example, factors that lead to a functional tax structure are so many and it is not easy for a tax system to achieve all of them at the same time. As such it is quite common for example to find a property tax system that scores high on efficiency criteria but the reverse with respect to fairness. The British property tax system is illustrative of this in that it, records high revenue collection levels (Vlassenko, 2001) but there are equity deficiencies inherent in the system (Plimmer, et al, 2000). In the light of the foregoing discussion it can be reasonably argued that little can be expected for the property tax system in Tanzania to satisfy all the standard criteria for property tax.

Given the hitches in fulfilling the conditions for optimal taxation, it follows that a tax system may achieve one goal, for instance, efficiency and sacrifice equity. This indicates difficulties in accomplishing a certain tax system. This can be addressed through choosing criteria that are important at a given time so as to accomplish the tax objective on priority. In line with this, Walker (1970) claims that there is no such a thing as an ideal tax or an ideal tax system because objectionable features are found in all taxes.

While the performance of a property tax system is judged on the basis of satisfying numerous criteria, other factors are also important for consideration. In this study the principal-agent theory and the game theory have been used to analyse relationship

with taxpayers influence property taxation. The theories are discussed in the following sections.

According to (Mou, 1999) property taxation is one of the most lucrative and promising, yet least tapped, sources of tax revenue to support urban government in Africa. Property taxation plays a major role in financing local governments throughout the world.

According to TODARO MICHAEL.P (1992): Local Government Authority can be defined as the government for the people that have been democratically given power by the people themselves. The purpose of local government is to make sure it involves society in the collection of revenue, in making local laws and creation of opportunity to people around that area. According to Oxford Student Dictionary of Current English (1984 pg 364). Local government is “an administrative of the affairs of a District (roads, education, Refuse Park etc.) by representatives elected by the residents”. Also Alderfer, H.F (1964) defined local government as to consist all units of government under the national level in unitary states and under national and state levels in federal systems. He also added that, complete coverage would include all levels: districts, sub districts, municipalities, provinces, and villages whatever their functions may be.

To effectively perform the above functions LGA's ought to have sound revenue base .One of the source of revenue for the LGA's are transfers from the central government this is provided in section 10A (1) and (2) of the local government finance Act no 9 of 1982. About 80 % of the funds for the current expenditure of LGA's are transfers from the Central Government, while the remaining part is funded from LGA sources (Mallya, 2000).

Okellokello and Nsamba gayiira (1995) defined property tax in simple terms as a method by which residents of a particular area contribute money to share the cost of providing services to themselves; However local authorities provide very minimal services to the residents while continuing to charge taxes.

Property taxes account for between 40-80 percent of local government finance, 2-4 percent of total government taxes and about 0.5-3.0 percent of GDP. In contrast to developed countries, developing countries tend to generate significantly less property

tax revenue – typically generating a maximum of 40 percent of local government revenue, 2 percent of total government revenue and about 0.5 percent of GDP (Kelly, 1999).

However despite this recognition, the property tax in Africa continues to be plagued by problems. In several cases, the central governments have been slow or reticent in devolving policy and administrative authority over the property tax to local authorities, while at the same time remaining indifferent in terms of promoting property tax reform. In other cases, even when the authority is granted to the local level or when the central government is interested in property tax reform, progress is slow due to perverse incentives, inappropriate property tax policy and the lack of property administrative systems, trained personnel and synchronization of improved local service delivery with enhanced revenue mobilization (Municipal Development Programme, 1995).

2.4 Why tax on property

The main aim of any property rating system is to raise revenue for provision of services by the urban Authority. The major function of an urban Authority is to provide services to the residents. The revenue generated is for the services of a ‘local public good’ nature .i.e. amenity services – the benefits from their provision tend to be geographically concentrated e.g. street lighting, waste disposal, and environmental health. The very nature of these services dictates that they cannot be financed through user charges (like facility services) but have to be financed through taxes.

It helps in the undertaking of development activities such as road construction, communication, networks, irrigation, agricultural activities and others activities .All these, aiming at enhancing the economical development of a country.

Property taxation is used to regulate market value of property and investment of land policy use. The market value of real property will highly depend on the rate of taxation

Property taxation is also used in the control of housing stock, whereby the government may decide to finance value in order to discourage people to overstocking of houses in a given locality.

Property taxation is generally considered as a reliable and sustainable source of

revenue due to the following reasons: -

Property ownership is difficult to conceal, as property is visible and easily identifiable physically as well as through certificate of titles which signifies the ownership.

The property cannot be moved geographically in response to changes in the yield tax; hence, evasion is extremely difficult.

Property is fixed in location and therefore administration in terms of billing and collection is easy and there is certainty of revenue.

Property tax unlike other personal related taxes cannot easily be manipulated or avoided.

Property tax is a visible tax that provides an opportunity to redistribute wealth at local level.

2.4.1 Property Tax System

According to (Kelly, 1999), Property tax systems involve the following major functions:

- a. Tax base identification
- b. Tax base valuation
- c. Tax assessment
- d. Tax collection and enforcement
- e. Tax payer's education and service

2.4.2 Tax Base Identification

The first step in property tax administration is to assemble and maintain information on the tax base. This compilation of property- related information is called the “fiscal cadastre” which can include information on land, land and improvements or land improvements together with machinery / equipment depending on the policy choice regarding tax base definition (both what will and will not be taxed).

The challenge is to ensure that this basic information is up-to-date and accurate- that is to maintain the coverage ratio as close to 100 percent as possible. (Kelly, 1999)

According to (Kim Kyung Hawn, 2001) some of the main issues facing property tax mobilization in Africa revolve around the inability to administer property list adequately. This is because most properties are not listed on the Valuation Roll and

as a result payment evasion is widespread. Moreover, the property tax base is inelastic; property values do not rise automatically with inflation, increased population or even improved economic activities.

2.4.3 Tax Base Valuation

Once tax base information has been collected, a property tax system must determine how property information will be “weighted” in order to distribute the tax burden among the properties. The most common “weighting systems” are by property physical characteristics such as land area or by property value. The key objective of any weighting system is to determine the relative proportion of total tax that will be paid by each property (Kelly, 1999).

The rating valuation process involves the following activities (Koney and Akwensivie, 1995):

Renumbering properties in the affected towns;

Preparing plans to identify project boundaries with all properties represented on the plans to facilitate identification of individual properties;

Preparing categories and rates – classifying building into categories to which estimates of cost per square meter may be applied;

Referencing –that is inspection, measurement and description of individual properties;

Valuation – that is placing a value on every property;

Manually preparing a valuation list of all the properties with their identification, ownership categories, (residential, commercial, industrial etc.) and values respectively listed in files, and

Inputting the manual valuation lists on computers and releasing the list as bound books.

2.4.4 Property Tax Assessment

Using the property information and values contained in the fiscal cadastre, the property tax system must apply the legally –mandated tax rates, exemptions, deductions and credits guidelines in order to correctly assess the tax liability to each individual property.(Kelly,199

For any property tax system, it is imperative that the basis of assessment fulfils a number of key criteria. These include ease of administration, simplicity in application, cost effectiveness and efficiency in relation to maintaining the quality of the tax base. The basis of assessment must be sustainable otherwise the property tax system will fail to meet the objectives of fairness and equity. (Mc Cluskey et al, 2003)

There are two basic rate structures used by local governments throughout the world. First, some local governments apply a uniform tax rate to all properties in their taxing jurisdictions. For instance, local government in Indonesia apply a uniform 0.5 % tax rate on all property (commercial, residential and agricultural). (Kelly, 1993). In Tanzania the Flat rate system is still used in relation to all buildings that are yet to be valued under UARA. In this instance, assessment does not consider the size or the use of the buildings. Consequently, an owner of a simple structure ends up paying the same amount as that of a complex structure. (Masunu, 2001)

Second, some local authorities apply differential tax rates, depending on the land use, land tenure or tax base. This system “classified tax system” is practiced in South Africa where provinces apply differential rates based on whether the land is public or where taxing jurisdiction can apply a “composite rate” which taxes land and improvements differently (Bell and Bowman, 1997).

These different assessment variations are used with the hope of achieving a variety of policy objectives such as improving land use efficiency, capturing betterment and providing specific tax relief. (Kelly, 1999)

2.4.5 Property Tax Billing, Collection and Enforcement

Following property identification, valuation and assessment, a property tax system must collect the tax and enforce against non-compliance. Tax collection and enforcement against non-compliance are the most important components of the property tax system since the property tax is a fiscal instrument designed to provide government revenue. (Kelly, 1999).

Theory and experience show that a comprehensive collection and enforcement system relies on a combination of (a) incentives, (b) sanctions and (c) penalties. The

key to an effective collection and enforcement system is the creative combination of all these options – not the sole reliance on any single alternative.

Demand notice always acts as a catalyst; it places a lot of emphasis on tax management systems and tax payers' feels that they are forced to do so hence increase voluntary compliance and less tax administration costs. Demand notice informs the taxpayer about the tax liability to pay in an accounting year for subject property.

In much of Africa collection of property taxes is poor, often as a result of the failure of the fiscal cadastre and even tax bills are served, they often go unpaid. Many cities fail to enforce legal penalties for non-payment. Seizure of property for non-payment is often a much politicized issue, which few tax administrators are willing to pursue. (Mou, 1995)

2.4.6 Tax Payer's Education and Service Delivery

Taxpayer education is an area that has to be addressed to improve public knowledge and perceptions regarding assessment, rating and the provision of local government services. Taxpayer's education should be linked with the delivery of local urban services, that is, tangible improvement in their areas.

In order to improve compliance local authorities must ensure specific performance this means that people would like to see where their money goes; revenue from property taxes should be spent on property related items. Poor performance by the local authorities erodes the public's willingness to pay property taxes. Studies have shown that where people see where their money goes, and if is within their interest, they are willing to pay the taxes without a lot of pushing. (Kironde, 2003)

2.5 Central Government Control

Property tax by its structure is not automatically a buoyant revenue source, that is, property tax relies extensively on active government participation to ensure that changes in tax base information and property values are kept up to date and that taxes are properly assessed, billed, collected and enforced .In contrast to sales taxes that are paid upon each purchase, or to income taxes where the majority can be collected through a pay –as-you- earn (PAYE) withholding process, the property tax depends on more direct and active government administration for its revenue buoyancy

(Kelly,1999).

The key factors determining the buoyancy of property taxes are the rates structure and the methods used in revaluing property. Procedural improvements to the property tax will bear no fruit unless these policy issues are addressed. This will necessitate reviewing the manner in which property rates are established. In many cases, Rates, tax bases, and the system for valuation are centrally controlled. Furthermore, to the extent that central governments do not benefit from property tax collections, they also lack incentive to improve policy and legislation. Unless the political liabilities of administering the property tax are addressed, local governments will continue to rely on less politically vulnerable sources of revenue and other discretionary grants from the central governments. (Mou, 1995)

2.5.1 Property Tax in Tanzania

Section 6(1) of the Urban Authority (Rating) Act, 1983 empowers the Minister responsible for Local government to declare a designated area to be rateable.

In Tanzania the property tax base is narrowly limited to buildings, structures or similar development land is not taxed under the property rating since all land belongs to the state and is therefore liable for land rent collected by the central government.(GOT, 1999)

According to the law (UARA section 7) property tax base exemptions are granted to property personally occupied by the president, properties used for public utilities or public worship, public libraries and museums, cemeteries and crematories, civil and military aerodromes, sporting facilities, railway properties and any such property as the Minister responsible for Local Authorities shall prescribe.

The property tax base is legally defined to include only buildings thus limiting the potential tax base. However, even the limited tax base is underutilized due to extensive lags in the identification and maintenance of the building information in the tax roll.

The valuation surveyor is appointed by the Minister responsible for Local

Government as provided under s.49 (1) of the UARA of 1983. In order to qualify for the appointment, one must be a fully registered valuation surveyor.

The Valuation surveyor oversees the entire rating valuation including carrying out the valuation .The duties of a valuation surveyor are provided by s.5 of the Rating Act of 1983 and it includes among other thing preparation and maintenance of the Valuation Roll.

According to section 11(1) of the Rating Act, 1983, the Urban Authorities are duty bound to publicize in the gazette and at least one news paper circulating in the area of jurisdiction for the public to view, allows time for interested parties to lodge objections (if any) as to the entries contained in the valuation roll after viewing the roll.

The Urban Authorities (Rating) Act of 1983 provide for the property to be valued based on the capital market value of the premise or, where the market value cannot be ascertained, the replacement cost of the buildings, structures and other developments, adjusted for depreciation (UARA section 22).

To date due to the perceived lack of market information, all valuation for rating is being done on cost replacement approach. Replacement value is arrived at by first estimating the cost of constructing a similar new building, less an allowance for depreciation The Rating Act categorically prohibits rateable value to be calculated at below 75 percent of the replacement cost. This means even if one's property is in a very poor state, the maximum allowable depreciation allowance is 25 percent. The implication of this provision is that a person in a semi-dilapidated property would pay tax that is little related to the actual replacement value of the property.

Section 9c of the Rating Act provides for the property tax roll is to be valued every five years or for such longer period as the responsible minister may approve.

According to the Rating Act, tax assessment, billing and collection are the responsibility of the local authorities themselves through their Treasurers office. The role of the valuation surveyor is limited only to the preparation and submission of the Roll. Tariff rates are not provided in the rating Act but are set by the Rating authority itself these are usually determined by the local expenditure for a particular year.

Tariffs rates are set in accordance with section 16 of the Rating Act and must be approved by the full council and thereafter ratified by the Minister responsible for local government in accordance with section 17 of the Act.

2.6 Empirical Literature Review

Property tax is believed to be the major contributor to annual budget of many local authorities in the developed countries. Property tax accounts to the total average of 24.1% of the annual budget for the metropolitan cities in South Africa. In Europe property tax contributes average of 30-50% of their revenue (masunu, 2001). This has not been the case with local authority in less developed countries basically due to low level of collection. In Kenya the Nairobi city council collects on average less than 35% of the rate revenue (Olima, 2000). In Tanzania, the actual collections in 2000 were 17% out of the estimated property tax potential from Dar-es-salaam and eight project towns. (USRP records, 2000).

According to Kooney and Akwensivie (2001) in their study on property tax in Ghana they found out that property rate revenues have not been flowing into urban governments due to the following factors:

There are difficulties in valuation of specialized properties such as plant and machinery and very large industrial buildings.

Shortage of technical officers needed to organize, supervise, survey and to do valuation work

Over reliance on government subvention by valuation offices

Payable property rates unrelated to payers ability to pay

Late service rate demand notices

Falsification by collection, high cost of collection, and a predominance of semi literate revenue collectors in the system.

Failure to obtain rates or grants in lieu of rates from government and other public sector properties.

In a study on Aspects of Rating practices in Kenya carried out by Konyimbih (1995) the Researcher observed Property tax to have a great potential for generating revenue for LGA's in designated urban areas. Despite the recognition the performance of the

property system has got the following shortfalls: -

Assessment of Values for rating purposes is almost exclusively done by “Government Value’s” without any real feeling for the property market and Value’s had difficulty in interpreting the meaning of unimproved land.

There is no information flow between those who determine value, those who implement the requirements of determination, those who enforce tax laws, and those who pay the tax.

Rateable owners engage in time wasting objections because they do not understand the basis for and cycle of the valuations e.g. they do not read or have access to the Kenya Gazette which is the main periodical within which notices are published.

Kelly (2000) researched on the determinants of effective collection of property tax in East Africa .He established the simple revenue potential model which identifies the importance of effective administration of property tax .The model is made up by five factors which are Tax base, Tax rate, coverage ratio, Valuation ratio and Collection ratio. Thus presented as

$$\text{Tax Revenue} = \text{Tax Base} \times \text{TR} \times \text{CVR} \times \text{VR} \times \text{CLR}$$

Where Tax revenue is the total revenue to be collected.

Tax base is determined by the government policy in terms of what is and what is not to be taxed, typically the value of that base under an ad valorem tax system

Tax Rate (TR) is defined as “rate truck” for the taxing jurisdiction.

Coverage ratio (CVR) is the amount of taxable property captured in the fiscal cadastre divided by total taxable property in the jurisdiction.

Valuation ratio (VR) is the value on the valuation roll divided by the real market value of properties on the valuation roll.

Collection Ratio (CLR) is the tax revenue collected over the total tax liability billed for the year.

He found that the exact ratios varied from one country to another. For instances Nairobi in Kenya use an average valuation ratio close to 10-20 percent since 1982, while Dar es Salaam in Tanzania, which completed its valuation roll in 1996 has a valuation ratio close to 80-90 percent, however, all the East African countries have low coverage ratios.

According to **Barnabas** (2001) who carried out a study on the determinants of effective collection of property tax within the Tanga Municipal council, the contribution of property tax to the Tanga Municipal council revenue was low although the number of properties in the Municipality was significantly large. The study revealed several problems prevailed in Tanga Municipal Council which could easily lead to low collection of property tax. The problem found out were improper follow up of property tax debtors, poor education on property tax, poor debtors records and ineffective valuation method.

The Author recommended on the need for further study to look for the possibilities of introducing new methods on the problems so as to improve collection of property tax.

According to **Masanja** (2002) who carried out a study on the performance of LGA's in the collection of property tax the performance of Dodoma Municipal Council was not impressive in the period under review .The study revealed the poor performance to be attributed to a number of factors which among others is the lack of property valuation and the out of date property register. From the findings the author recommended on the need for further study so as to explore the potential of property tax in raising the revenue collection of the council from this revenue source

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodological framework of the study, which includes. Area of the study, Research design, units of inquiry Sampling techniques, data collection methods, data presentation methods and data analysis plan. The proposed study will adopt the case study design to obtain the necessary and required information/data. This study based on descriptive research design; this was done with an objective to provide a systematic description of a situation by using factual and accurate information.

The research was about a poor collection of property tax to LGAs; Mtwara Mikindani Municipal Council is one of the local authorities in Tanzania.

3.2 Area of the Study

The study has been carried out in Mtwara Municipal council which is the headquarter of Mtwara Region .The Council has an area of 163Km² of which 64Km² is Urban proper and 98.75Km² has characteristics of Sub – Urban.

3.3 Location.

Mtwara-Mikindani Municipal Council is one among the six Councils of Mtwara Region. Other Councils include; Tandahimba, Newala, Masasi, Nanyumbu, and Mtwara Rural District Council.

Mtwara-Mikindani Municipality is situated in Mtwara region in the South-eastern part of Tanzania. It is a coastal area lying between Longitude 40⁰ and 41⁰ East and Latitude 10⁰ and 11⁰ South. The Municipality is bordered by Indian Ocean in the East and Mtwara District council in all other directions.

3.4 Population Characteristics

For the time being Mtwara-Mikindani Municipality is approximated to have a population of 156,436 of which Males are 75861 and Females are 80575. According to national census 2002, Mtwara-Mikindani population was as follows

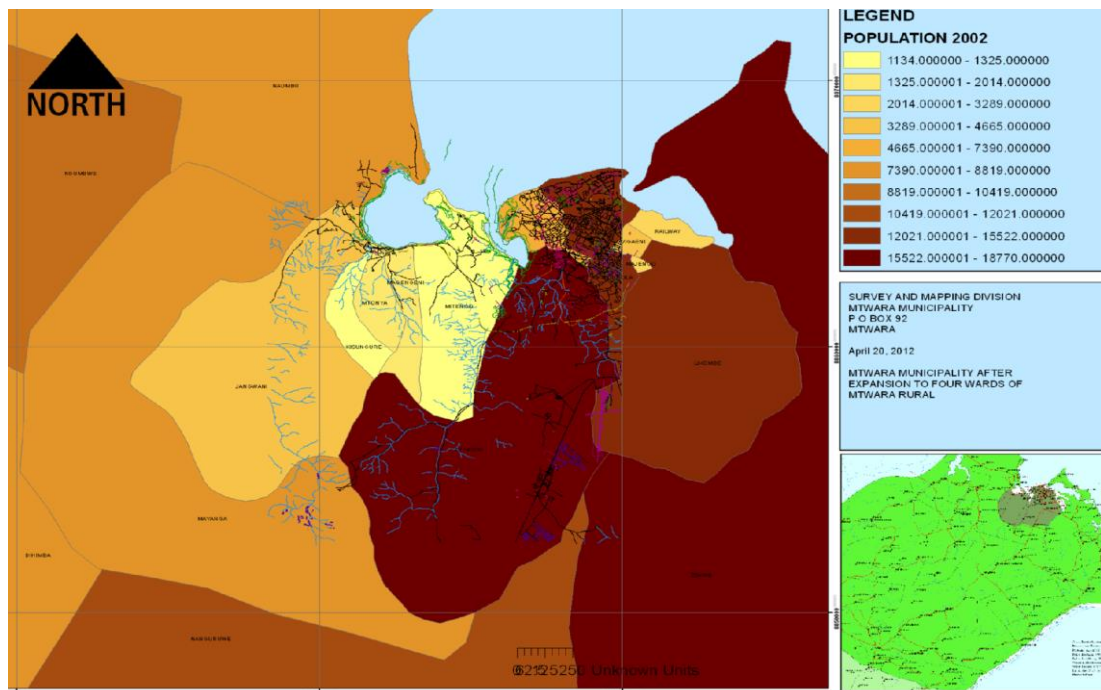
Table 3. Population Distribution By Ward

Division	Ward	Populati on	Total	
		Males	Femal e	
Mtwara-Mikindani	Majengo	1,405	1,481	2,886
	Chikongola	7,227	7,814	15,041
	Likombe	7,080	6,904	13,984
	Railway	1,594	1,713	3,307
	Shangani	7,637	7,963	15,600
	Vigaeni	2,091	2,385	4,476
	Chuno	3,531	3,874	7,405
	Ufukoni	9,244	9,627	18,871
Total	39,809	41,761	81,570	
Mikindani	Jangwani	2,256	2,419	4,675
	Kisungule	647	689	1,336
	Mitengo	559	580	1,139
	Mtonya	980	1,045	2,025
	Magengeni	871	986	1,857
Total	5,313	5,719	11,032	
Grand Total	45,122	47,480	92,602	

Source: Study findings 2013

This number of population is according to the national census of 2002 but according to information collected through LGMD system from Mitaa and Village the population is estimated to 156, 351 by December 2011. Mtwara-Mikindani Municipality has tried its level best to make sure that people are getting better services in various aspects such as water, education, roads, health, and so on. But these efforts have been hampered by lack of enough funds to support those activities.

Figure 1. Map showing population distribution by wards.

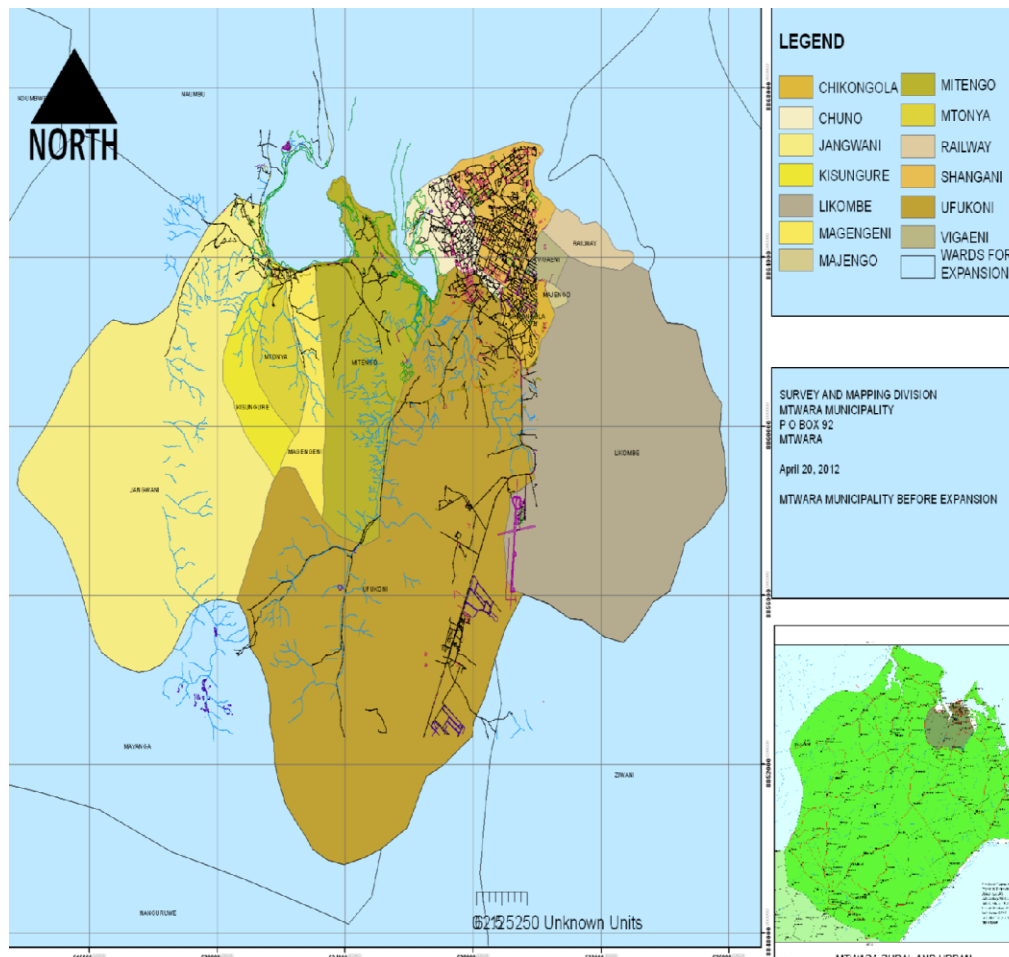


Source: Urban planning Dept- 2012

3.4 Land Area

The Council has an area of 163Km² of which 64Km² is Urban proper and 98.75Km² has characteristics of Sub – Urban. There is the Mtwara-Mikindani Strategic Land use Plan 2008 -2027 which is being developed by the Ministry of Land and Human Settlements. This plan will focus on sustainable of land for sustainable development of this area. This plan has been developed basing on the various uses of land such as settlements, community services, business activities, industries, transportation, and so on. This plan will be a focus so as to control all important economic activities in various sectors especially land. A plan of expanding the area of the MTWARA-MIKINDANI Municipal Council is on progress by adding the two selected wards of Ziwani and Mayanga from Mtwara D.C. to reach about 252 km square.

Figure 2 A map showing Mtwara-Mikindani Municipal Council and its political boundaries.

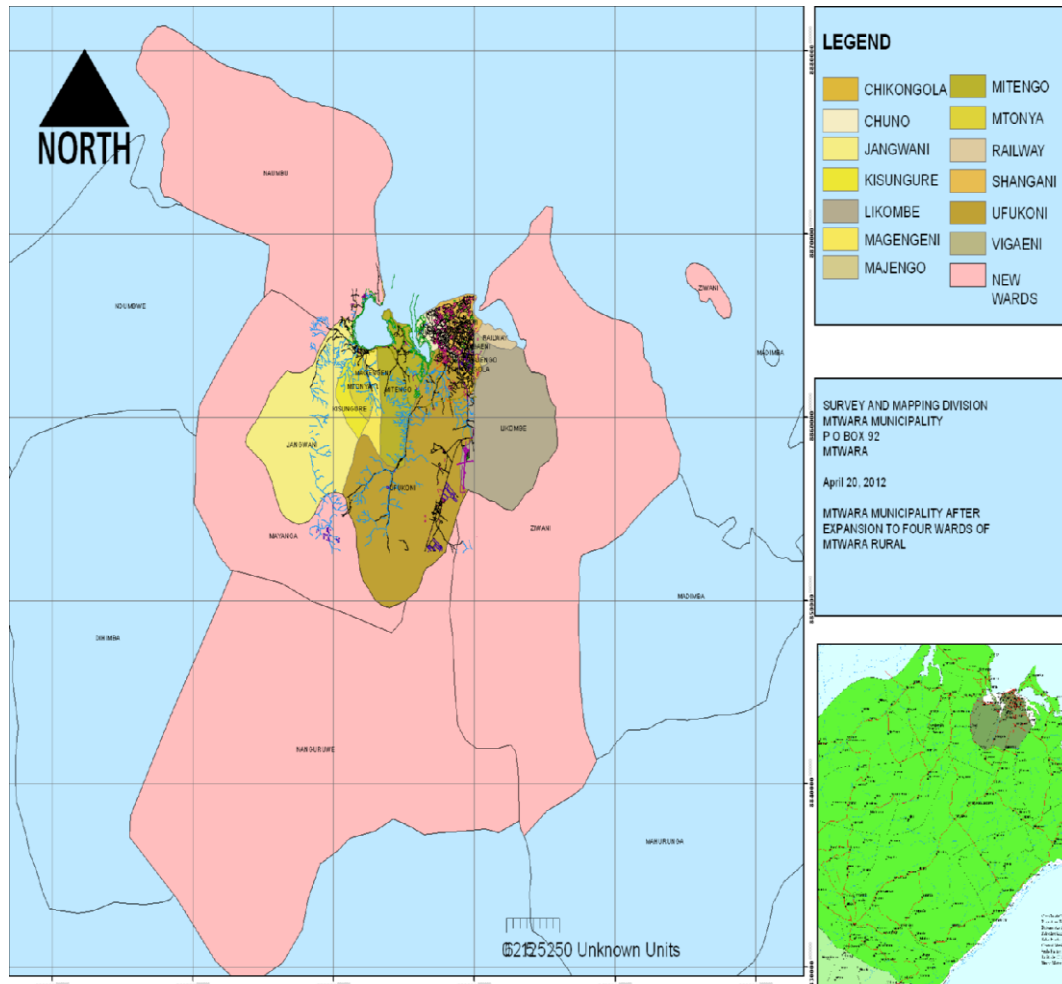


Source: Urban Planning Dept-2012

Note: Map does not include the two wards of Naliendele and Raha Leo that formally existed within the mother wards of Shangani and Ufukoni.

Basing on the facts that, Mtwara-Mikindani Municipal Council has been in progress expanding its territory; it is expected to increase the selected wards of Ziواني, Naumbu, Nanguruwe and Mayanga from Mtwara D.C. On this case it is expecting to reach more than 900 Km² from the former size of 163Km².

Figure 3 A map showing Mtwara-Mikindani Municipal Council boundaries after expansion.



Source: Urban Planning Dept- 2012.

Note: the area indicated by the pink colors presenting the area that will be cumulated from Mtwara D.C. on the future plan of extending areas of the council.

3.5 Topography, Climate and Altitude.

Generally, the elevation of Mtwara-Mikindani Municipal Council is low ranging from the Sea level up to 50 meters. The topography is slightly undulating. The Mtwara-Mikindani Municipal Council has bi-season climate, a hot humid rainy Season from November to May when the dominant winds are from the North – East and a Cooler less humid dry Season from June to October when winds are from the South-East. The average annual rainfall precipitation is about 800mm to 1000mm.

The highest monthly mean air temperature is 27⁰C in December and the lowest is 23.8⁰C in July. Relative humidity varies from 87% in March to 79% October.

Depending on Climate, Land forms, Soils and Vegetation characteristics, the Mtwara-Mikindani is subdivided into two agro – ecological zones. The Coastal areas suitable for sea weeds (Mwani) Cultivation. Western part of the Council suitable for Cassava, Cashew nuts millet etc.

Mtwara-Mikindani Municipal Council Consists of one geological zone of a coastal Sedimentary zone extending up to the boundary of the Council. Along the coast, there is marine formation accompanied with patches of lime stone. The soils in the coastal Sedimentary zone are well drained sandy soils of low fertility and low moisture holding capacity.

The Council is divided into two different vegetation types. The coastal area covered by mangrove trees and the rest particularly in the villages are predominantly grassland or bush grass land.

.Mtwara-Mikindani Municipal Council is one among the six Councils of Mtwara Region. Other Councils include; Tandahimba, Newala, Masasi,Nanyumbu, and Mtwara Rural District Council.

Mtwara-Mikindani Municipality is situated in Mtwara region in the South-eastern part of Tanzania. It is a coastal area lying between Longitude 40⁰ and 41⁰ East and Latitude 10⁰ and 11⁰ South. The Municipality is bordered by Indian Ocean in the East and Mtwara District council in all other directions.

3.6 The History of Local Governments in Tanzania

The mainland Tanzania has a long history of functioning local government, starting with the Native Authorities Ordinance in 1926. There was a ten year break, as in 1972 the Local Government was abolished and replaced with a direct central government

rule. The reintroduction of the Local Government occurred in the beginning of the 1980s, when the rural councils and rural authorities were re-established. Local Government Elections took place in 1983 and the establishment of functioning councils in 1984. In 1993 the one-party political system was abandoned and replaced with a multi-party system of government, the first multi-party elections taking place in 1995. Following the liberalisation of the political field, was a major public sector reform, which included a Local Government Reform Programme (LGRP). The LGRP covered four areas: political decentralization, financial decentralization, administrative decentralization and changed central-local relations, with the mainland government having over-riding powers within the framework of the Constitution.

This process of local government reform is still on-going. It aims to promote democratic, accountable and autonomous local government authorities, with wide discretionary powers and a strong financial base implemented by 2011.

MMMC is divided into two divisions which are comprised of 15 wards of which 10 are Urban based and 5 are Rural based. The study was carried out in 10 urban-based wards.

The Mtwara-Mikindani Municipal Council has been divided into divisions, wards, villages and sub villages as follows:

Table 4.Division,ward, villages

Division	Wards	Street(Mita a)	Villages	Sub villages/Vitongoji
Mtwara -Urban	10	71	5	24
Mikindani	5	14	1	3
Total	15	85	6	27

Source: Study findings 2013

3.7 Research Design

This section explains how the study was designed. A case study design was used and

carried out in Mtwara town within the jurisdiction of Mtwara Mikindani Municipal Council .The design was preferred because of its advantages. First of all it involves in-depth consideration of one person, group, institution or entity. Secondly it is basically an intensive investigation of the factors that contribute to the characteristics of the case. Thirdly, the factors under study are usually not oversimplified and they usually tend to be studies of the phenomena, as they exist in the natural setting. Fourthly, data collection was usually flexible and the researcher was completely free to approach the problem from any desired angle.

This research design creates environment for combining a variety of research tools such as interviews, questionnaires and documentary reviews in conducting an in Depth insight of the unit studied. With a case study design, it was possible for the researcher to make an assessment of a poor collection of property tax of Mtwara Mikindani Municipal council

3.8 Units of inquiry

In this study, The Mtwara Mikindani Municipal Council was the main unit of inquiry from which a sample of respondents were drawn. The sub-unit of enquiry were individuals whom selection was influenced by their knowledge and experience on property tax. These were the individuals among Municipal officials (at the Headquarter), Councillors, WEOs at the ward level and Property owners in Mtwara Mikindani

3.9 Sample and Sampling Methods

In this study simple random sampling and judgmental techniques were employed in the selection of the sample so as to ensure that the selected sample size is representative, complete and without duplication.

Sampling technique was used because not all employees were aware of the importance of this study. In order to get the accurate information the researcher used this technique whereby potential respondents were chosen on the basis of their position, knowledge, experience, convenience and availability of the respondent.

Samples of 173 respondents were selected from a population of units of inquiry. It

consisted of 8 officials at the council headquarter, 15 Councillors ,10 tax collector (WEOs) and 140 property owners qualified to pay property tax each ward out of ten Urban based ward in Mtwara Mikindani municipal council except government properties.

Table 5: Sample and Sampling Methods

Description of the sample	Sample size
Officials at the council headquarter	8
Councilors	15
Tax collector (WEOs)	10
Property owners qualified to pay property tax	140
Total	173

Source: Study findings 2013

3.10 Data Collection Methods

In this study various factors were taken into consideration in determining the method of data collection to be employed. These factors included:

Financial resources and time which was available to me

Reliability of the methods which were to be employed

Sensitivity of the research topic. Consideration was made that some people in both types of respondents could perceive the study negatively associating it with likely measures against them for failure to collect or pay property tax.

Education level of respondents especially Councillors and property owners.

Consequently three types of data collection methods, namely, Questionnaires, Interviews and Secondary data (Documentary reviews) were employed.

3.10.1 Questionnaires

This is a list of Questions seeking information about experiences and opinions of people in their natural setting. The researcher used questionnaires to obtain data from the respondent who was not consulted through an interview. The researcher prepared and distributed questionnaires to those whom the researcher thought were fit to be consulted through questionnaires due to the nature of the duties and their availability.

Four types of self-administered questionnaires were prepared and pre-tested. The first type was designed for Staff at the MMMC head office; the second type was designed for Tax collectors (WEOs) at the ward level, while the third type was designed for Councillors in Urban based wards, fourth and last was property owners.

3.10.2 Interviews

Interviews entail formal meetings or conversation between interviewer and interviewee(s). Some people feel much more relaxed and were able to give more information in a conversation rather than formally writing on questionnaires. Individual interview was conducted in order to get the full-fledged answers from Property owners. The method was used for the purpose of obtaining additional information mainly qualitative information which the questionnaire could otherwise not be able to collect. An interview guide was prepared for the purpose of having consistency in asking questions. Despite having consistency, interview guide also eased the coding of interview responses.

3.10.3 Documentary Review

This involved collecting secondary data from official documents such as files and other records from monthly, quarterly and annual physical and financial reports kept by the MMMC. The data obtained in this case include property owners, levels of revenue collected for the period under consideration and valuation formulae.

3.11 Data Analysis

All gathered information was accumulated and re-arranged in frameworks which helped to classify data into tables and summaries

Both qualitative and quantitative methods was used to analyze data obtained from questionnaires, interviews and documentary reviews by using simple comparison approaches such as percentages so as to facilitate the Researcher in answering the research questions for the study.

CHAPTER FOUR

RESEARCH FINDINGS AND ANALYSIS

4.1 Introduction

This chapter is a presentation of what has been found in the course of carrying out the research .It has been organized such that findings, analysis and discussion are presented in the manner the research questions of this study were set in chapter one. There were three research questions and the findings, analysis and discussion relevant to each question have been presented accordingly with a view of assessing a poor collection of property tax at Mtwara Mikindani Municipal Council.

4.2 Research question one

4.2.0 Which modalities / systems are used in the valuation of property?

According to section 8(1) of the UARA of 1983 a rating authority is required to carry out a valuation of rateable properties before the rate is imposed and prepare a valuation roll listing all rateable properties within the rateable area showing the rateable value, name of legal owner and address of every substantial property.

In this study the researcher examined the system of valuation for rateable properties employed by the MMMC.

The MMMC has a valuation section under the Town Planning department, which is manned by one valuer who is a graduate but not yet registered under the professional surveyors (registration) Act of 1986

Investigation made through this study revealed that the last property valuation was carried out by Proper Consult of Dar es Salaam under the supervision of the Urban Sector Rehabilitation Project (USRP) .It was carried out in 10 out of 15 wards .The wards covered during the valuation exercise were Chikongola, Chuno, Jangwani, Likombe, Shangani, Reli, Ufukoni, Vigaeni, Majengo, Rahaleo. The system that the MMMC predominantly use for purposes of imposing rates on properties is the flat rate. This does not rely on specific estimates of value. It is essentially employed for the properties not contained in the valuation roll and is in line with the Local government finance Act No.9 of 1982 and the MMMC Property

Rate by Law of 2010. (Appendix)

S.3 (2) of the MMMC property rate by law 2010 provide that an owner of rateable property within the area of jurisdiction of the Mtwara Municipality but that property is not included in or more particularly shown in the valuation Roll (1989) referred to in section 3(1) is liable to pay flat rate tax as specified in the schedule

In carrying out this study, property owners were asked to say whether they were satisfied with the level of property tax imposed by the MMMC .The results are given below in Table 5.1.

Out of 140 Property owners interviewed 29% of them said that they were satisfied with the tax rate they paid to the MMMC while 71% of them said that they were not satisfied The results showed that the method of imposing rates on property by using flat rates was not favoured by taxpayers.

Table 4.1: Taxpayers satisfaction with the level of tax charged

Response	Number of Responses	% of Responses
YES	40	29%
NO	100	71%
Total	140	100%

Source: Study findings 2013

Another reason given is lack of funds; despite the USRP directive for the Councils to set aside at least 10% of property tax revenues annually for capacity building to boost property tax administration, for the past 4 years MMMC has failed to comply to the 10% guideline so as to improve valuation coverage.

Table 5.2 below shows that only 0 % of the actual collection from property tax was contributed into Property tax account between 2008/2009- 2011/2012.The amounts contributed is not sufficient enough to cover valuation costs for the non-valued properties.

Table 4.2: MMMC 10% contribution into Property tax account

Year	Actual collection	Amount of 10% contributed	% of contributions collection
2008/2009	53,307,904	-	-
2009/2010	49,203,004	-	-
2010/2011	37,841,974	-	-
2011/2012	41,725,885	-	-
Total	182,078,767	-	-

Source: Study findings 2013

4.3 Research questions two

4.3.1 What systems are used in billing and collection of property tax?

The final and most important stages in property tax administration are tax billing, collection and enforcement.

Literature review suggests that Rating authority ought to ensure that taxpayers are regularly and accurately billed through effective and comprehensive billing procedures.

The bill also ought to specify method and time of payment, this will eventually provide legal period for enforcement against non-compliance.

The Urban Authority (Rating) Act of 1983 is silent on the billing procedures to be used by the Local authorities and does not even provide for the statutory date for tax billing.

Investigation of this study revealed that the MMMC employs two systems in distributing property tax bills so as to notify eligible taxpayers the due date and the amount of property tax payable.

MMMC uses Ward Executive offices to distribute property tax bills for the residential taxpayers in which bills or demand notices are delivered house to house by the Ward tax collectors. On the other hand billing for the big taxpayers (institutions, industries etc) is handled from the accounts department office in which the revenue accountant prepares and delivers bills by hand to larger taxpayers. A revenue accountant is responsible for calculating the tax levy from the valuation amount. In carrying out this study property owners were asked to explain whether or not they receive demand notices for paying property tax. Table 4.3 presents a

summary of responses from property owners.

Table 4.3: The MMMC, Response if property owners received demand notices

Response	No. of Respondents	% of Responses
YES	124	89%
NO	16	11%
Total	140	100%

Source: Study findings 2013.

Table 5.3 above shows that 89% of the respondents out of the sampled population admitted that they received demand notices for paying property tax while 11% of the same respondents said that they did not receive demand notices from the MMMC.

Late submission of demand notice to tax payers leads to low payment of tax because the tax payers would not have enough time to plan and pay the due and may also cause tax evasion. In this case Property owners were further asked to say whether or not they received the demand notice in time i.e. prior the deadline for the payment of tax. Table 5.4 Present responses from respondents.

Table 4.4 The MMMC: Response if the demand notice for the payment of property tax were received in time

Timing	Number. Of Responses	Non- Responses	% Of responses
Prior deadline	112	28	80%
Post deadline	28	112	20%
Total	140	140	100%

Source: Study findings 2013

The findings of this study revealed that the current demand notice system is inadequate to encourage property tax collection.

From table 5.4 above, only 80% of the respondents which represented majority admitted that they received the demand notice prior the deadline while 20%, of the

respondents said that they received the demand notice after the deadline for the payment of tax. Hence due to the delay in getting billing notices to the taxpayers the due date often passed before the notice is received.

Property owners were further asked to give reasons for late receipt of demand notice. It was also noted that at its present form the demand notice does not facilitate capturing new information such as change of Ownership or address of tax payer, where the tax payer is different from the Owner all these to a great extent could encourage tax evasion.

4.3.2 System used in the collection of property tax

Property tax collection is empowered by law. Section 25 of the Urban Authorities (Rating) Act 1983, provides that it is the duty of any person liable for any rate to pay the amount thereof to rate collector or his duly authorized representative.

The applicable property rates are stipulated under section 3(1) and 3(2) Of the Mtwara Mikindani Municipal Council Property By-law of 2010 made under section 13 and 15 (C) of the local Government Finance Act No. 9 of 1982. (Ref. Appendix)

To ensure that property tax is well-administered and cost effective, property records need to be updated regularly to offset the initial costs of preparing the fiscal cadastre. Records form bases of property tax follow up in other words, an updated property tax register must be in place at any time to reduce collection and administration costs

The findings of this study as depicted by Table 5.5 revealed that the MMMC does have a property tax register to effect property tax collection.

Table 4.5: MMMC maintenance and use of property tax register

	Response	Non – Response	% of Response
Maintenance of property tax register	8	0	100%
Effective use of property tax register	8	0	100%

Source: Study findings 2013

Table 5.5 above shows that 100% of the respondents admitted that MMMC maintain property tax register at both wards and council level.

The findings of this study from MMMC staffs revealed three systems of property tax collection employed by the MMMC as shown below in Table 5.6

Table 4.6: The MMMC: system used in property tax collection

No	System of collection	No of responses	Non Responses	% of responses rate
1.	Use of ward tax collectors	6	2	75%
2.	Collection at the MMMC counter (use of tax invoice)	6	2	75%
3.	Magistrate Court	2	6	25%

Source: Study findings 2013

The results in table 5.6 above shows that the use of tax collectors based at the ward level and tax invoice constitute important systems of property tax Collection predominantly employed by the MMMC. Each of them was indicated by 75 % of the sample of Respondents.

Ward Tax collectors makes a house to house follow up to property owners, they normally use records extracted from the council valuation roll to establish the amounts of taxes owing for the ratable properties and make follow up to property owners this system is time consuming, costly and subjective and hence could encourage eligible taxpayers to avoid paying property tax.

Invoice system is also used for big taxpayers such as Institutions, Industries etc and is handled from the accounts office. Collection of tax is done at the MMMC head office.

Magistrate Courts are useful as enforcement mechanisms when other systems have proved to be ineffective in collecting property tax. 25% response from respondents is an indication of the fact that MMMC has not consistently used this system to collect property tax from property owners who have defaulted. Further investigation of this study on records at the MMMC revealed that in the year 2009/2010 the municipal council took 200 persons to Court for non-payment of tax and collection of tax reached 75% Of the estimate. (as shown in table 5.8).However the Council failed to

institute the matter to the Court against defaulters between 2010/2011-2011/2012, political interference and keeping with past practices were the most common reasons cited.

The information obtained from MMMC staff as shown in table 5.6 above conform to the results obtained from interviews made to property owners and their responses are given in the table 5.7 below

Table 4.7: the MMMC system of property tax collection

No	System of collection	No of responses	Non-responses	% of responses
1	Use of Tax collectors	100	40	71%
2	Collection at MMMC Counter(invoice system)	100	40	71%
3.	Magistrate Court	50	90	36%

Source study findings 2013

4.4 What were the target sets and actual collection of property tax

Before analyzing in details the factors that have contributed to the non-realization of potential of property tax as a revenue source a discussion of what were the targets sets and actual collection of property tax has been presented

The property tax performance was assessed for the period of 4 years Table 4.8 below shows the property tax collections for the period 2008/2009 – 2011/2012 . The findings shows that throughout the period under investigation the estimated amount of property tax collection was not achievable due to the nature of estimates made and the questionable performance efforts of MMMC in collecting taxes from this source. The findings show that there has been unrealistic estimate of property tax; the estimated amounts were unreliable and not based on correct data.

Table 4.8: The MMMC property tax collection 2008/2009-2011/2012

Year	Estimates	Actual Collection	Deviation from the estimates	%of actual collection to estimates
2008/2009	93,000,000	53,307,904	39,692,095	57%
2009/2010	65,000,000	49,203,004	15,796,996	75%
2010/2011	68,000,000	37,841,974	55,649962	56%
2011/2012	110,000,000	41,725,885	68,274,115	40%
Total	336,000,000	182,078,768	179,413,168.	54%

Source; Study findings 2013

An analysis of the data in table 5.8 above reveals that over the four periods under investigation, the actual amount of revenue collected from ratable properties by the MMMC was only 54% of the estimated revenue

Further analysis depicts that in relation to the estimates yearly actual collections has been fluctuating that is 57% in 2008/2009, 75% in 2009/2010, 56% in 2010/2011, and 40% in 2011/2012. Factors contributing into this unbecoming trend will be discussed in research question four.

The findings of this study through documentary review also revealed that when monies are collected from delinquent taxpayers owing money from previous years, the revenue collected is shown in the current year this makes it impossible to determine the levels of collections for the current year.

What factors have contributed to the non – realization of property tax as a potential source of Revenue.

As discussed in part 4.4 above, over the period under investigation the actual amount of property tax collected have not reached or surpassed the target set. This section intend to analyze a number of factors which have contributed to the non – realization of potential of property tax at the MMMC

The findings of this study came up with factors which have contributed to the non – realization of potential of property tax as a source of revenue for MMMC. These

factors are based on responses given by the respondents during the research study through questionnaires that were arranged and distributed to MMMC staffs and Councilors and interviews made to property owners, such responses have been qualified, analyzed and presented as shown in table 5.9. 5.10, 5.11

In principle, both of respondents agreed that so far property tax as a potential source of revenue for the MMMC has not been exploited fully. There are still a substantial number of eligible taxpayers who do not pay tax to the municipality treasury although the real numbers have not been ascertained as such.

Table 4.9: The MMMC: factors contributing to non-realization of potential of property tax- responses analyzed from MMMC Staff

Factors contributing to non-realization of property tax	Number of Respondents	Analyzed Responses		Percentage	
		YES	NO	YES	NO
Lack of funds to effect property valuation	8	6	2	75%	25%
Absence of property tax registers at both ward and council level	8	0	8	0%	100%
Exemption of government buildings	8	5	3	63%	37%
Lack of qualified personnel in the valuation section	8	6	2	75%	25%
MMMC failure to take legal action against defaulters	8	7	1	88%	12%
MMMC predominantly use of flat rates system.	8	6	2	75%	25%
Unacceptable ratable values	8	5	3	63%	37%
Political interference	8	6	2	75%	25%

Source: Study findings 2013

Table 4.10: The MMMC: factors contributing to non-realization of potential of property tax- responses analyzed from Councilors

Factors contributing to non-realization of property tax	Number of Respondents	Analyzed Responses	Analyzed Responses Percentage		Percentage
			NO	YES	NO
Lack of tax education campaign to property owners	15	12	3	80%	20%
The tax charged do not commensurate with the value of property	15	9	6	60%	40%
MMMC failure to value all ratable property	15	8	7	53%	47%

Source: Study findings 2013

Table 4.11: The MMMC; factors contributing to non-realization of potential of property tax-responses analyzed from property owners

Factors contributing to non-realization of property tax	Number of Respondents	Analyzed Responses		Percentage	
		YES	NO	YES	NO
Basis of property assessment not known to property owners	140	122	18	80%	20%
Unacceptable ratable values	140	90	50	64%	26%
Failure to issue demand notices for paying property tax	140	25	115	18%	82%
Late notification of tax payment to the property owners.	140	101	39	72%	28%
No legal action taken against property tax defaulters	140	120	20	86%	14%
Unsatisfactory level of public services provided by the MMMC	140	107	33	76%	24%
Lack of education on the significance of paying property tax from MMMC	140	112	28	80%	20%

Source: Study findings 2013

On the part of Municipal employees the study through questionnaires identified seven factors (Table 5.9)

Lack of funds to effect property valuation

Another important factor contributing to the non – realization of the potential of property tax as identified by the MMMC staff was the lack of funds to effect property valuation. 75% of the sampled population mentioned lack of funds to effect property valuation as an impediment towards improving the valuation coverage. The same issue was also discussed in part 4.1 of this paper in which the study found only 0 % of the actual collection from property tax to have been contributed into Property tax account between 2008/2009-2011/2012.

Poor notification system

Failure to issue demand notices (18%) and late notification of tax payment to property owners (72%) were also mentioned by property owners as contributing to the non-realization of the potential of property tax as a source of revenue as shown by response from respondents in table 5.11 and also explained in section 4.3.1 of this study.

Exemption of Government properties

Section 7 of the Urban Authority (Rating) act of 1983 provides a list of government properties exempted from taxation. On the other hand the schedule to the Urban Authority (Rating) Exemption from Liability of Rates Order 1997 item 5 grants exemption to property owned by a religious institution (not used for commercial purposes). In this study 63% of the respondents mentioned the exemption of these properties from being charged property tax as also a factor reducing the potential of revenue from this source considerably due to the fact that such buildings in Mtwara Mikindani Municipality are quite many

Lack of qualified staffs in the valuation section

As explained elsewhere in this paper, lack of qualified and skilled professionals in the valuation section to record and maintain an accurate deeds register (proper cadastral information),to assess properties and prepare proper valuation roll, to do interim valuations, to do regular general revaluations- all of which are usually a prerequisites of a legitimate and efficient property tax system was also mentioned to

be a factor contributing non-realization of potential of revenue from this source (75%). As explained in part 4.1 of this study the valuation section has only one graduate valuer who is yet to be registered under the professional surveyor (registration) Act of 1986 consequently no additional ratable properties have been placed on the assessment roll and this is a reflection that many properties are not taxed at reasonable level that provides some degree of fairness and equity.

Failure to take legal action against property tax defaulters

Failure to take legal action against property owners who default paying property tax was also mentioned by MMMC employees to be an important factors contributing to the non – realization of potential of property tax as a revenue source (88%).Although substantial changes could be made by the Council to improve taxpayer education and provide adequate social services it would appear that the primary reason for the poor collection in the Council is the lack of effective enforcement. Despite the fact that the MMMC has a full time municipal solicitor on their staff there is still a problem of instituting legal measures against tax defaulters as explained in part 4.3.2 above. This weakness to a greater extent creates room for deliberate tax evasion.

Predominant use of flat rate system

As mentioned elsewhere in this paper the MMMC predominantly employ the flat rate method when imposing taxes for the non-valued properties. The use of this system was also mentioned by Respondents (75%) to be a factor reducing the potential of this revenue source particularly when one considers the fact that approximately 37% of properties in the municipality are on the valuation roll. The use of this system to the great extent does not motivate tax collectors to put more efforts because of the little amount of revenue collected from many non-valued properties as compared to the time and efforts spent on valued properties.

Unacceptable ratable value

Unacceptable ratable value was also mentioned by MMMC employees to be one of the factor contributing to the non – realization of potential of property tax as a revenue source. Table 4.9 shows that 63% of the respondents admitted that there are

complain from property owners on the ratable values for their properties. Though such complaints have not been evidenced by the filling of tax objections by property owners in the Rating Valuation Tribunal (as discussed in part 4.2) this seems to be a major factor influencing non-payment of property tax from eligible taxpayers.

Lack of Property tax education to property owners

On the part of the councilors (table 4.10) three factors were identified and out of these two factors were also mentioned by MMMC staff, These are Council failure to value all ratable properties (53%) and the tax charged do not commensurate with the value of property (64%) .The additional factor identified was the lack of property tax education to property owners the same was also mentioned by Property owners. About 80% of the sampled population explained that the MMMC has not been educating people on the property tax laws and the importance of paying property tax. In other words this is a reflection that payment is made without knowledge of the laws. The tendency of property owners to default from paying tax could as well be caused by lack of tax education on the part of property owners hence this can result into low tax collections on property.

Failure to know the basis of Assessment

On the part of Property Owners, in addition to the factors such as unacceptable value, failure to take legal action against defaulters and lack of tax education which were also identified by MMMC staffs and councilors four other factors were mentioned by eligible taxpayers as contributing into non-realization of the potential of property tax as a source of revenue.

Failure to know the basis of assessment for the ratable property was mentioned by eligible taxpayers to be an important cause contributing to the non-realization of potential of property tax to the MMMC. 80% of the sampled population in table 5.11 is an indication of the fact that most of the property owners in Mtwara Mikindani municipality are not happy with the valuation process since it is against the simplicity principle. This factor could as well be a main cause for the unacceptable value as discussed above. One of the property owners who were interviewed at

Shangani west area when asked if he is aware of the basis used to establish the ratable value for his property said:

“ I don't know what basis of assessment used by the municipal to establish the ratable value for my property. I always see the figure in the demand notice and no details given on how the figure was determined”

This statement is a reflection that possibly a sizeable number of property owners are reluctant to pay property tax because they feel deprived by the council.

Level of Social Services provided by the MMMC

The level of services provided by a local authority to its residents could be an incentive for the latter to pay tax in a given period. This research made an investigation on the level of public services provided by MMMC to the property owner and other people in the locality. Investigation of this study revealed that there is little relationship between the tax levied and the services provided by the MMMC such as refuse collection, maintenance of roads and sewerage systems and streetlights and the majority of the people are not satisfied. The responses are summarized in table 5.11. The table reveals that 76% of the sampled population said that services provided by the council to its residents were not adequate and some of the services such as streetlights do not exist in almost all parts of the municipality, It was said by some of the respondents that refuse or waste materials are not removed in time and sewerage systems was not regularly cleaned and hence caused blockage and channels especially in the extended areas of the municipality. Only 24% of the respondents considered the services provided by the municipal as satisfactory. Response of 76% from a sampled population is a big number and could be a possible explanation for the council failure to realize the potential of this revenue source.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

This study is a partial fulfilment of the requirements for the award of Masters' Degree in Accounting and finance

The study has been concerned with a poor collection of property tax with specific reference to Mtwara Mikindani Municipal Council. In the findings and analysis three research questions were investigated. These were the systems used in the valuation of property, systems used in the billing and collection of property tax, the targets set and actual collection of property tax and factors which have contributed to the non-realization of potential of property tax as a source of revenue.

The study findings revealed that the performance of the MMMC in the collection of property tax between 2008/2009 to 2011/2012 has not been satisfactory. During the four years, the actual amount of revenue collected from rateable properties by the MMMC was only 54% of the estimated collection while the actual yearly collections from this source have been fluctuating.

Several factors have been identified for this state of affairs in this study. Among them, absence of property valuation, poor system of notification of tax payments, failure to take legal action against defaulters, lack of tax education and provision of inadequate quality services to the MMMC Residents. The Municipal needs to take appropriate measures to address these issues.

5.2 Recommendations

Basing on the result of this study, the Researcher wishes to recommend the following, which, if well implemented, will improve and enhance the performance of the MMMC in the collection of property tax .the given recommendations, may probably be of importance to similar Local Authorities in Tanzania.

S.8 (1) of the Urban Authority (Rating) Act of 1983 requires a rating authority to carry out valuation of rateable properties before the rate is imposed. This study has shown that only 29.8% of rateable properties were valued in 1991 and the Council has performed no further valuation. The MMMC must as soon as possible embark on a comprehensive valuation so as to ensure that all the buildings are on the tax Rolls

and are assessed correctly. This will increase the tax base and improve the amount of revenue collected from this source.

The council should give evidence of tax collected by delivering adequate and quality social services to meet the level expected by the residents. Obviously, taxpayers would be willing to pay their taxes if the revenue collected is spent wisely and particularly when they notice tangible improvement in their areas.

The Council should now introduce public tax awareness campaigns through newspapers, Television and Radio programs, Posters, advertisements, Seminars etc to educate taxpayers and local politicians especially councillors on the rationale and procedure for the property tax. Education efforts could increase the awareness of ratepayers and thus allow MMMC to collect rates more easily.

Failure to take legal action against defaulters was found to be one of the problems facing the MMMC. Enforcement against tax defaulters is very important and this process requires a full time legal advisor to deliberate on how to handle prosecutions. The only one available municipal solicitor Mr.Nwaka Kibasi tends to have too many responsibilities and property tax matters are only a fraction of his duties. It should therefore be advisable for the council to privatize even the entire enforcement process.

Motivation to the tax collector WEOs and accounts department staff dealing with collection of property tax is very important

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APPENDIX I

QUESTIONNAIRES FOR THE MMMC STAFF

Dear Respondent;

I am a Masters Degree student from Mzumbe University conducting a research on a poor collection of Property tax “: A case of Mtwara Mikindani Municipal Council. The research is meant for academic purpose. However, the research findings and recommendation from the study will provide useful information and knowledge for practical applications in developing and adopting measures aimed at improving property tax revenue collection.

Kindly respond to the questions below as much accurately as possible so as to enable me to reach reliable, valid and scientific conclusions.

The information given by you will be treated confidential.

1. Name of the respondent.....

2. Tittle/Position of the Respondent.....

3. Gender

(i) Male []

(ii) Female []

4. Highest level of Education attained

(i) Primary education []

(ii) Secondary education []

(iii) College education []

(iv) University education []

5. Highest qualification attained

(i) Certificate []

(ii) Diploma []

(iii) First Degree []

(iv) Second Degree []

(v) Others []

6. How long have you been working with the Mtwara Mikindani Municipal Council?

- (i) 1-4 Years []
- (ii) 5-8 Years []
- (iii) More than 8 years []

7. Do you have any knowledge about property tax?

- YES []
- NO []

8. Do you have knowledge of the following laws?

Urban Authority (Rating) Act of 1983

Local Authority Finance Act of 1982

- YES []
- NO []

9. Does the Municipal Council charge property tax?

- YES []
- NO []

i. If the answer for 9 above is YES, please answer the following questions

Does the Municipal council have specific department for dealing with property valuation

- YES []
- NO []

ii. Does the Department have sufficient number of staff to carry out the assignment?

- YES []
- NO []

iii. What is the Actual required number of Valuers

iv. How many valuers the Municipal Council has employed.....

v. What modalities do the Municipal council use in the valuation of Property?

.....
.....

vi. Does the Municipal Council Update the Valuation Roll regularly?

YES []

NO []

vii.If the answer for part (vi) is YES, how frequent are properties valued?

Every year []

After 2 years []

After 3 years []

After 4 years []

Between 5-10 years []

Not clearly stated []

viii. Does the Municipal Council keep and maintain the property tax Register?

YES []

NO []

ix.If the answer for part (viii) above is YES, how many properties for various property Owners were maintained in the Property tax register in the following years

2008/2009-.....

2009/2010-.....

2010/2011.....

2011/2012.....

x.Does the Municipal council efficiently make use of Property tax register?

YES []

NO []

xi.If the answer for part 20 is NO what do you consider to be the main reason(s)

.....
.....

xii.What were the applicable rates for charging property tax payers?

- Uniform rate []
- Differential rates []
- Both []

xiii. If the rate used is uniform to all property tax payers what is the Reason(s)

xiv. How much revenue did the Municipal Council expected to realize from Property tax in the following years?

- 2008/2009-.....
- 2009/2010-.....
- 2010/2011.....
- 2011/2012.....

xv. How much revenue from property tax did Municipal council collect during the following years?

- 2008/2009-.....
- 2009/2010-.....
- 2010/2011.....
- 2011/2012.....

xvi. What procedures does the Municipal use when distributing property tax bills for residential tax payers and big tax payers such institutions, industries etc

xvii. Does the Municipal Council face any problem(s) in the collection of property tax?

- YES []
- NO []

xviii. If the answer for part xvii above is YES, what do you consider to be main reasons, which contribute to the Non-Realization of property tax from property owners?

xix. Does the Municipal council ensure that people within the locality
Benefit from the property tax contributed?

YES []
NO []

Give explanation on how/why?

.....
.....

xx.Does the Municipal Council conduct education campaign to the people on the
importance of paying property tax and other taxes to the council?

YES []
NO []

If the answer for part 30 is YES what methods of educating property owners does the
Municipal council employ?

.....
.....

xxi.What action(s) does the Municipal Council take against property owners who
delay or default (avoid) to pay property tax as per the council requirement?

.....
.....

xxii..What do you think should be the way forward towards improving the current
Property tax collection system?

.....
.....

Please give any other general comment(s) on the property tax collection process

.....
.....

Thank you for your cooperation

APPENDIX II

DODOSO LA WAHESHIMIWA MADIWANI

Mheshimiwa Diwani,

Mimi ni mwanafunzi kutoka chuo kikuu Mzumbe ambae ninafanya utafiti wa kitaaluma kuhusu uraratibu wa ukusanyaji wa kodi ya majengo (property tax) katika Halmashauri ya Manispaa ya Mtwara Mikindani

Tafadhali Nakuomba ujibu maswali yafuatayo kwa kujaza nafasi zilizoachwa wazi au kuweka alama ya Vema.(V)

Naomba ujibu maswali haya kwa usahihi na uwazi kadiri iwezekanavyo .

1.Jina la anayejibu maswali.....

2.Jina la kata yako.....

3.Kazi yako.....

4.Jinsia

Mwanamke []

Mwanamme []

5.Je unao uelewa wowote kuhusu kodi ya majengo ?

Ndiyo []

Hapana []

6.je umekwisha wahi kushiriki katika kupitisha sheria ya kutoza kodi ya majengo kwa Manispaa ya Mtwara

Ndiyo []

Hapana []

7.Je katika kata yako eleza ni aina gani ya majengo ambayo yanatozwa kodi ya majengo.....

.....

8 Je wamiliki wa majengo hayo wote wanalipa kodi ya majengo?

Ndiyo []

Hapana []

Sina uhakika

[]

9 Kama jibu ni hapana, taja sababu zinazofanya wamiliki wa majengo kushindwa kulipa kodi hii

.....
.....

10. Je una maoni gani juu ya kiwango cha kodi ya majengo kinachokusanywa na Halmashauri?

- Kinaridhisha []
- Hakiridhishi []
- Ni wastani []
- Ni hafifu []
- Hakuna maoni []

11. Nini maoni yako juu ya utaratibu unaotumiwa na Halmashauri katika kufuatilia ambao hawajalipa kodi ya majengo?

.....
.....

12. Nini maoni yako juu ya mchango wa kodi ya majengo katika kutoa huduma na maendeleo katika Manispaa ya Mtwara

.....
.....

13. Ni Miradi gani ya maendeleo imetekelezwa katika kata yako kwa kutumia fedha za kodi ya majengo

.....
.....

14 Je kama diwani umekwishawahi kushiriki katika zoezi la kuhamasisha wamiliki wa majengo kulipa kodi ya majengo

- Ndiyo []
- Hapana []

15. Je unafikiri ni matatizo gani yanayoikabili Manispaa ya Mtwara Mikindani katika kukusanya kodi hii

.....
.....

16. Unafikiri ni hatua gani zichukuliwe na Halmashauri katika kutatua matatizo hayo ili kuwafanya wamiliki wa majengo walipe kodi kodi ya majengo kwa hiari

.....
.....

17. Toa maoni yako ya jumla kuhusu mfumo wa sasa unaotumiwa na Halmashauri katika Kukadiria na kukusanya kodi ya majengo kutoka kwa wamiliki wa majengo.

.....
.....

Nakushukuru kwa ushirikiano wako

APPENDIX III

***INTERVIEW GUIDE TO BE ADMINISTERED TO PROPERTY OWNERS OF
MMMC***

**INTERVIEW GUIDE TO BE ADMINISTERED TO PROPERTY OWNERS
OF MMMC**

1.Name of the Respondent (not necessary).....

2.Name of ward.....

3.Street name.....

4.Type of property.....

5.What do you understand about property tax?

6.Do you pay property tax for your property (ies)?

YES []

NO []

7.Do you pay property tax within the period scheduled by the Municipal each year?

YES []

NO []

If the answer is NO, what factors makes you fail to pay within the scheduled period?

What system do you use to pay property tax to the Council?

8.Do you know the value of your property as valued by the Council?

YES []

NO []

9.Are you satisfied with the amount of property tax assessed for your property?

YES []

NO []

10.Does the Municipal Council send to you a demand notice in advance for paying
property tax?

YES []

NO []

11.Do you receive the demand notice in time?

YES []

NO []

12.Does the demand notices include any previous year arrears in the annual billing?

YES []

NO []

13.Have you ever been fined or legal action taken against you for late payment of property tax?

YES []

NO []

14.What services are provided by the MMMC in your ward?

15.Are you satisfied with the level of public services provided by the MMMC?

YES []

NO []

16.Have you ever received education on the significance of paying property tax to MMMC?

YES []

NO []

17.What do you consider to be the reasons for property owners' failure to pay property tax?

Thank you for your cooperation.

APPENDIX III

DODOSO LA WATENDAJI WA KATA (WEOs)-MMMC

Mimi ni mwanafunzi kutoka chuo kikuu Mzumbe ambaye ninafanya utafiti wa kitaaluma kuhusu makusanyo kidogo ya kodi ya majengo (property tax) katika Halmashauri ya Manispaa ya Mtwara Mikindani

Tafadhali Nakuomba ujibu maswali yafuatayo kwa kujaza nafasi zilizoachwa wazi au kuweka alama ya Vema.(V)

Naomba ujibu maswali haya kwa usahihi na uwazi kadiri iwezekanavyo .

1.Jina la anayejibu maswali.....

2.Jina la kata yako.....

3.Kazi yako.....

4.Jinsia

Mwanamke []

Mwanamme []

5.Je unao uelewa wowote kuhusu kodi ya majengo ?

Ndiyo []

Hapana []

6.Je katika kata yako eleza ni aina gani ya majengo ambayo yanatozwa kodi ya majengo.....

.....

7.Ni utaratibu gani unaotumika katika kuwapelekea hati za madai (properts taxbills) wamiliki wa majengo.....

.....

8. Je wamiliki wa majengo hayo wote wanalipa kodi ya majengo?

Ndiyo []

Hapana []

Sina uhakika []

9.Kama jibu ni hapana, taja sababu zinazofanya wamiliki wa majengo kushindwa kulipa kodi hii

.....
.....

10. Je ni hatua gani zinachukuliwa na Halmashauri dhidi ya wamiliki wa majengo ambao wanachelewa au wanakwepa kulipa kodi ya majengo katika muda uliopangwa?.....

.....
.....

11. Unafikiri ni hatua gani zichukuliwe na Halmashauri katika kutatua matatizo hayo ili kuwafanya wamiliki wa majengo walipe kodi ya majengo kwa hiari

.....
.....

12. Nini maoni yako ya jumla juu ya utaratibu mzima unaotumika sasa na Halmashauri katika kukadiria na kukusanya kodi ya majengo kutoka kwa wamiliki wa majengo?

.....
.....

Nakushukuru kwa ushirikiano wako

DETAILED PROPERTY PHYSICAL CHARACTERISTICS DATA LIST

LGA : 0905 Mtwara-M

Report From 01-July-2009 To 01-July-2013

Ward: 022 Chikongolo

Building type / use : All / All under constr : N non-rateable : False

Mtaa: 210 Citus

Manispaa ya Mtwara-Mkindani

Roof type : All Exterior Wall Type : All

Block: 001


Obj/Shr	Share	Owner's Name	Property Location	Plot No. / Tenure	Land Use / Road Acc.	Water Sup/ Sanitation	Elec.	Fence / Cond	Fence L/H	Land
0085	N	Lushere	Situsi/Shule ya Awali Zainoor	Leasehold	Residential Earth road	None	Y	None None	0 0	0

Doc #	10-0022-172	Structure Type :	Cement brick	Gen. Ext. Cond :	Good	
Bld. #	1	Bld Type :	Residential	Ext. Wall Type :	Brick-plastered	
		Bld Use :	Detached House	Roof Type :	Metal sheet	
		Elevator :	N	Ceiling Type :	Softboard/Hardboard	
				Floor Type :	Cement	
		Bld. Area :	91	Rooms/Baths/Toilet :	5/0/0	

Doc #	10-0018-025	Structure Type :	Cement brick	Gen. Ext. Cond :	Good	
Bld. #	2	Bld Type :	Residential	Ext. Wall Type :	Brick-plastered	
		Bld Use :	Detached House	Roof Type :	Metal sheet	
		Elevator :	N	Ceiling Type :	None	
				Floor Type :	Cement	
		Bld. Area :	104	Rooms/Baths/Toilet :	4/1/1	

0086	N	Selemani Mtwana	Situsi/Shule ya Awali Zainoor	113 Leasehold	Residential Earth road	Other/None None	N None	None None	0 0	0
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Doc #	10-0026-211	Structure Type :	Cement brick	Gen. Ext. Cond :	Good	
Bld. #	1	Bld Type :	Residential	Ext. Wall Type :	Brick-cladded	
		Bld Use :	Detached House	Roof Type :	Metal sheet	
		Elevator :	N	Ceiling Type :	None	
				Floor Type :	Cement	
		Bld. Area :	72	Rooms/Baths/Toilet :	5/0/0	

Doc #	10-0018-017	Structure Type :	Cement brick	Gen. Ext. Cond :	Good	
Bld. #	3	Bld Type :	Residential	Ext. Wall Type :	Brick-plastered	
		Bld Use :	Detached House	Roof Type :	Metal sheet	
		Elevator :	N	Ceiling Type :	None	
				Floor Type :	Cement	
		Bld. Area :	6	Rooms/Baths/Toilet :	2/0/0	



HATI YA MADAI YA KODI YA MAJENGO

MANISPAA MTWARA MIKINDANI

Na. ya Hati. *120104201*

PRN/TIN: 0905-022-210-001-0023

Jina La Milipaji **Silvesta Mtanga**

Mahali Situsi / Romani Catholic

Kata/Mtaa Chikongola /Citus

Kituo cha Malipo Ofisi Kata ya Chikongola

Tarehe ya Hati 23-Feb-2013 Mwisho wa Kulipa 28-May-2013

Mwaka wa Fedha	2012/13
Idadi ya Majengo	1
Kiasi cha Malipo	10,000.00
Kiasi cha Adhabu	0
Kiasi kilichosalia awali	10,000.00
Jumla kuu	Tsh. 20,000.00

Halmashauri ya Manispaa Mtwara-Mikindani ikizingatia Sheria ya Kodi ya Majengo ya Mamlaka za miji Na 2 ya Mwaka 1983 na Sheria Ndogo ya Manispaa ya mwaka 2010 imeidhinishwa kutoza kodi ya majengo yaliyopo katika Manispaa yake. Unawajibika kulipa kodi ya jengo/majengo kwa mujibu wa sheria kwa maslahi ya mji wako.

Mamlaka itachukua hatua za kisheria kwa yeyote atakaye kiuka wajibu wake wa kulipa kodi ya majengo kwa muda uliopangwa

Mohamed J. Mkupete

Mkurugenzi wa Manispaa Mtwara Mikindani

Mawasiliano : Simu : 023-2334173 au 023-2333102

Fax : 0255-23-2334256

120104201

Hati hii imepokelewa na

Jina:

Sahihi:.....

Tarehe:.....

