

**THE ROLE OF TAX REVENUE COLLECTION ON TANZANIA BUDGET:
THE CASE OF TANZANIA REVENUE AUTHORITY (TRA)**

THE ROLE OF TAX REVENUE COLLECTION ON TANZANIA BUDGET

THE CASE OF TANZANIA REVENUE AUTHORITY (TRA)

By

Mbazi Eliufoo Mnguu

**A Dissertation Submitted in Partial Fulfillment of the Requirements for Award
of the Degree of Masters of Business Administration Corporate Management 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 **The Role of Tax Revenue Collection in Tanzania Budget: The Case of Tanzania Revenue Authority (TRA)**, in partial/fulfillment of the requirements for award of the degree of Master of Business Administration in Corporate Management of Mzumbe University.

Major Supervisor

Internal Examiner

External Examiner

Accepted for the School Board

CHAIRPERSON, SCHOOL ACADEMIC COMMITTEE

DECLARATION

AND

COPYRIGHT

I, Mbazi Eliufoo Mnguu, declare that this research paper is my own original work and has not been presented anywhere or will not be presented to any other institution for any award.

Signature_____

Date_____

©

This dissertation is a copyright material protected under the Berne Convention, the Copyright Act 1999 and other international and National enactments, in that behalf, on intellectual property. It may not be reproduced by any means in full or in part, except for short extracts in fair dealings, for research or private study, critical scholarly review or discourse with an acknowledgement, without the written permission of Mzumbe University, on behalf of the author.

ACKNOWLEDGEMENTS

The successful accomplishment of this study has been a result of efforts of various people who helped me with advice, encouragement, assistance and supervision.

I am greatly indebted to Mr. Emmanuel Akili my supervisor for his outstanding and tireless professional guidance throughout the study.

Special thanks are due to my employer the Permanent Secretary Ministry of Water (MoW) for allowing me time to undertake this course and I am also grateful to Mr. Mtoi Kanyawanah Internal Drainage Basin Water Officer for his guidance, advice and the support extended to me from fellow staff.

Special gratitude should also go to my family and my wife Susane for their patience, assistance and understanding during the whole period of study and research work.

I thank the entire management of the Tanzania Revenue Authority particularly its branch in Singida region who gave me their valuable time, information and their professional advice regarding this work.

Further thanks go to my father, Eliufoo M. Mnguu, my mother Rebecca Mkiramweni Mnguu for moral and prayers support they extended to me up on completion of this work.

Also my special thanks should be extended to my all classmates, especially Gerald Masalu for his support and encouragement without which this could not have been written. Lastly but by no means least my thanks go to those whose assistance and co operation in various ways made the production of this report possible as it is not possible to mention them all. Any error or shortcomings in this report remain solely my responsibility and should not be ascribed to any acknowledged people or institutions.

Thank you very much.

DEDICATION

This work is dedicated to my family May almighty God bless them all.

ABBREVIATIONS

ITI	Industries Transparency Initiative
EAC	East Africa Community
EPZ	Export Processing Zone
EU	European Union
GDP	Growth Domestic Product
HIPC	Heavily Indebted Poor Country
ICT	Information Computer Technology
MDGs	Millennium Development Goals
TIA	Tanzania Investment Act
T.I.N	Tax Payer Identification Number
TAB	Taxpayer Assistance Blueprint
TIC	Tanzania Investment Centre
TRA	Tanzania Revenue Authority
TTP	Total Tax Person
UN	United Nations
URT	United Republic of Tanzania
VAT	Value Added Tax
VTC	Voluntary Tax Compliance
ZRB	Zanzibar Revenue Board

ABSTRACT

The annual budget of many countries depends on tax revenue collections. Therefore it is assumed that when there is poor tax revenue collection the economic growth of a country will be affected. The trends in Tanzania show that before the establishment of TRA, revenue collections were poor and the result automatically affected the annual budget. However, TRA Annual Report (2011/12, p.38) shows that the establishment of TRA tax revenue has led to a slight increase in revenue collection from 2005 to 2012. The main objective of the study was therefore to examine the role of tax revenue in Tanzania budget and analyze the efforts undertaken by TRA to increase tax revenue collection. Three key research questions guided this study were: What is the contribution of tax revenue in Tanzania budget? Why TRA fail to attain its revenue targets? What are the efforts undertaken by TRA to increase tax revenue collection?

A sample of 50 respondents was purposefully selected to obtain data from TRA and government officials. Respondents responded for 80 percent and data were collected by questionnaires and interviews. The findings showed that tax revenue contribute largely in Tanzania budget but fails to support the whole budget of Tanzania. Various reasons as to why TRA fails to meet the government budget expectations were established among tax compliancy, tax incentives, tax exemption, corruption and embezzlement of tax revenue in mining sector and shortage of staff to assess and enforce the tax revenue collection. Therefore TRA need to establish close monitoring of retail shops, restaurants, bars, groceries, guest houses, supermarkets associated with petroleum stations for vibrant tax revenue collection. With connections to these, implementation should be enforced.

TABLE OF CONTENTS

CERTIFICATION	I
DECLARATION	II
COPYRIGHT	II
ACKNOWLEDGEMENTS	III
DEDICATION	IV
ABBREVIATIONS	V
ABSTRACT	VI
LIST OF TABLES	X
LIST OF FIGURES	XI
LIST OF APPENDICES	XII
CHAPTER ONE	1
INTRODUCTION AND PROBLEM SETTING	1
1.1 Overview of the Study	1
1.2 Historical Background of T.R.A	2
1.3 Statement of the Problem	4
1.4 Research Objectives	5
1.4.1 General Research Objectives	5
1.4.2 Specific Research Objectives	5
1.5 Research Questions	5
1.6 Significance of the Study	5
1.7 Summary	6
CHAPTER TWO	7
LITERATURE REVIEW	7
2.1 Introduction	7
2.2 Conceptual Definitions	7
2.2.1 Tax	7
2.2.2 Taxation System	7
2.2.3 Tax Structure in Tanzania	8
2.2.4 The Principles of Taxation	8

2.2.5 The Need of Tax in the Society	8
2.2.6 Why Taxations are levied?	9
2.2.7 The Need of Good Tax Administration	10
2.3 Theoretical Bases of the Research	10
2.4 Empirical Analysis of Studies	11
2.5 Conceptual Framework	27
CHAPTER THREE	29
RESEARCH METHODOLOGY	29
3.1 Introduction	29
3.2 Type of Study Design	29
3.3 Study Area.....	29
3.4 Units of Analysis.....	29
3.5 Sample Size and Sampling Techniques	30
3.6 Types and Sources of Data.....	30
3.6.1 Tools for Primary Data Collection	30
3.6.2 Tools for Secondary Data Collection	30
3.7 Data Analysis	31
3.8 Validity Issues.....	31
CHAPTER FOUR.....	32
THE RESEARCH FINDINGS	32
4.1 Introduction.....	32
4.2 Demographic Characteristics	32
4.2.1 Response rate	32
4.2.2 Education level of Respondents	33
4.3. Contribution of Tax Revenues to Government Budget.....	33
4.4 Factors responsible for revenues collection performances in Tanzania.....	37
4.4.1 Customs Modernization.....	38
4.4.2 TRA Employee and Management Control	38
4.5 Effectiveness of TRA in attainment of its revenue collection targets.....	40
4.5.1 Reasons that could be affecting the tax revenue collection performance.....	40
4.5.2 Comparison of Tax Exemptions, Revenue Collections and GDP	43

4.5.3 Stability of tax revenue collection	45
4.5.4. Tax revenue collections performance.....	45
4.6 Improvement of tax revenue collection in Tanzania.....	47
CHAPTER FIVE.....	50
CONCLUSION AND RECOMMENDATION.....	50
5.1 Introduction.....	50
5.2 Importance for Tanzania Revenue Authority.....	50
5.3 Summary of Findings.....	51
5.4 Conclusions.....	52
5.5 Recommendation.....	53
5.5.1 Tax Exemptions.....	53
5.5.2 Taxation of the informal sector	54
5.5.3 Non Tax Revenue	55
5.5.4 Mining royalties.....	56
5.5.5 Education and Sensitizing the Taxpayers on Proper Records	56
5.5.6 Emphasizing Voluntary Tax Compliance.....	56
5.5.7 Reduce opportunities for evasion, corruption and embezzlements	56
5.5.8 Improvements in information technology	57
5.5.9 Enhancement of taxpayer services	57
5.6 Areas for further research.....	57
BIBLIOGRAPHY	59

LIST OF TABLES

Table 1: Processes for collecting withholding tax for professionals in EAC.....	15
Table 2: Shows the distribution of questionnaires.	34
Table 3: Government budget v/s actual tax revenues collected.....	36
Table 4: Summary of tax exemption issued to institution.....	42
Table 5: Exemption trends	43
Table 6: Revenue yield for tanzania with exemptions considerations.....	44
Table 7: Collection pattern Tanzania mainland	46

LIST OF FIGURES

Figure 4.2.1 Response rate	32
Figure 4.1.2 Education level of respondents.....	33
Figure 1: Percentage of revenue collections	36
Figure 2: Comparison between collections and exemptions granted during the financial years 2011/2012	43
Figure 3: Graphical representation of three years revenue collection pattern in Tanzania mainland.....	47

LIST OF APPENDICES

Appendix I.....64

CHAPTER ONE

INTRODUCTION AND PROBLEM SETTING

1.1 Overview of the Study

This research sought to examine the contribution of tax revenue in Tanzania budget focusing on the efforts undertaken by TRA to increase tax revenue collection. The main responsibilities of any Government is to offer its citizens with all necessities such as social services, and all facilities necessary to create conducive environment for their economic and development activities at large. Establishment of good infrastructure such as roads, railway, advancement of technologies and many others enhance production of goods and services hence enable the citizens to improve their living standards. In addition, the government is responsible for the payment of government expenditure such as defense, government administration, interest on the government borrowings and military activities, payment of local services such as health, education, welfare and interest on loan. Government should also enforce financial policy such as controlling inflation and encouraging investment in industry for economic stabilization. Any ethical Government with a noble responsibility of representing the community as a whole requires the citizens and members of the community to contribute to the Government to support all these government operations through the payment of taxes, levies, duties and various licenses. These taxes and charges paid by individuals and companies to the government to cover the costs of the collective goods and services the community obtain.

Economic development of any countries depends heavily on the available tax policies, efficiency, and effectiveness of its tax administration that yield revenue to finance expenditure of the public sectors. In developing countries the tax revenue depend heavily on the trade taxes, notably import duties. The governments of different countries strive to undertake tax reformation in recent year to achieve the optimal revenue collection and stabilize their economies.

Revenue collection is an organic part for development of any country because through taxation the government can raise its revenue required for recurrent and

development expenditure. This reason above has made taxation to be an important part of the fiscal policy of any government and some autonomous or semi-autonomous bodies have been established to oversee all issues pertaining to tax revenue collections. In Tanzania, the body that is responsible for tax collection is Tanzania Revenue Authority (TRA).

1.2 Historical Background of T.R.A

Prior to June 1996, the tax administration in Tanzania was under three independent revenue departments, operated under civil services framework and were all directed and controlled by the Ministry of Finance (Soest, 2008). On 1st July 1996 the government established TRA under the Act No 11 of Parliament of 1995 in order to improve the efficiency in revenue collection. TRA acts as semi autonomous agency of the government and is responsible for collection and administration of central government tax and several non –tax revenue tasks. such as access, collect, and account for all central government revenue; administer efficiently and effectively all revenue laws of the central government; advice government in all matters concerning fiscal policy; promote voluntary tax compliance; improve quality of services to taxpayer; counteract frauds and other forms of tax evasion; produce trade statistics and publications (p.12).

To improve tax collection in Tanzania TRA prepared the first Corporate Plan for the period 1998/99 – 2002/03, which centered on institutional as well as capacity building and the Second Corporate Plan (2003/04 -2007/08) which emphasized implementation of the Second Generation reforms of making the Authority an Investor and Taxpayer friendly by strengthening operational efficiency, so as to boost revenue collection to capacity levels (<http://unpan1.un.org/intradoc/groups>).

The Authority has prepared the Third Corporate Plan for the period 2008/09 – 2012/13 which builds over from the achievements gained in the Second Corporate Plan and the future challenges. Preparations of the Third Corporate Plan have taken a bottom up approach whereby various discussions were arranged with District Managers, Assistant Regional Managers, Regional Managers, Headquarter

Managers, Deputy Heads and Heads of Department as well as valuable inputs from the Board of Directors, Development Partners and stakeholders (Tanzania Revenue Authority, 2008). The vision for the Third Corporate Plan is to be “A Modern Tax Administration by 2013” with a mission of being “An effective and efficient Tax Administration which promotes voluntary tax compliance by providing high quality customer service with fairness and integrity through competent and motivated staff”. The vision and mission have been decomposed to five balanced strategic goals namely:

Increase Revenue Collection in a Cost Effective Way;

- ✓ Modernize TRA Operations;
- ✓ Provide High Quality and Responsive Customer Services;
- ✓ Promote Voluntary Tax Compliance and Enhance Staff Performance Management System.

The main expected results for the Third Corporate Plan include:-

- ✓ Automation of key operations to ensure that TRA delivers efficient services to taxpayers, has a reliable base for accurate and consistent data for timely reporting and decision making;
- ✓ Enhancement of Risk Management Techniques
- ✓ Enhancement of taxpayer compliance through enforcement measures as well as taxpayer service and education programmes;
- ✓ Broadened tax base and Enhancement of staff performance management system (Tanzania Revenue Authority, 2008).

TRA has made a tremendous improvement in its core function of collecting Government revenue. Monthly revenue collections have increased from a monthly average of TShs 42 billion during the 1st year of TRA operations to the current average levels of TShs 640 billion in 2013. This is a remarkable increase for the entire period of 17 years of TRA operations (TRA 2013)

1.3 Statement of the Problem

The annual budget of many countries depends on Tax revenue collections. Therefore, it is assumed that when there is poor tax revenue collection the economic growth of a country will be affected. The trends show that before the establishing of TRA revenue collections was poor and the result automatically affected the annual budget. According to TRA Annual Report (2008/09, p.38), the establishment of TRA has led to a slight increase in revenue collection from 2005 to 2012 as shown below. TRA collected Tanzanian Shillings 4,051,964 million against a target of Tanzanian Shillings 4,497,070 million in Tanzania mainland, thus achieving a performance level of 90%. In 2005/06, the revenue collection in Zanzibar amounted to Tanzanian Shillings 53,945.8 million; against target of Tanzanian Shillings 49,220.9 million, reflecting an achievement of 110%. In 2008 /09 the collection exceeded those of 2007 /08 by Tanzanian Shillings 673,170.2 million or 20% in mainland and Tanzanian Shillings 4.424.9 million or 11% in Zanzibar. Rate of increase in mainland Tanzania is 20% while in mainland Zanzibar is 35.3 in year 2008/09 (TRA Annual Report, 2008/09, p. 39).

There is wide agreement among researchers that corruption has a significant negative impact on tax revenues. Studies in developing countries indicate that often more than half of the taxes that should be collected cannot be traced by government treasuries due to corruption and tax evasion. While some corruption researchers have proposed that curbing corruption can be an efficiency-enhancing force in tax revenue collection by motivating tax officers to work harder, other experts have pointed out that presence of corruption reduces tax revenues in the long run (Nawaz, 2010).

Although the statistics show that TRA is doing a good job still the tax revenue collected is not enough to finance the whole budget of government. This being the case there was a need to conduct research in order to examine the performance of TRA in the tax revenue collection and its contribution in Tanzania budget and the way in which this tax revenue is helpful in the development of the country.

1.4 Research Objectives

Two types of research objectives guided this study, general and specific objectives.

1.4.1 General Research Objectives

The main objective of the study was to examine the role of tax revenue in Tanzania budget and analyze the efforts undertaken by TRA to increase tax revenue collection.

1.4.2 Specific Research Objectives

The specific objectives of the study were

- ✓ To assess the government policies related to Tax revenue collections
- ✓ To assess the effectiveness of TRA administration in tax revenues collection in Tanzania
- ✓ To identify the effects of Tax laws and regulations with regard to Tax revenue collections

1.5 Research Questions

This research intended to answer the following key questions:

- ✓ What are the government policies related to Tax revenue collections?
- ✓ How effective is TRA administration in collecting and increasing tax revenues in Tanzania?
- ✓ What are effects of tax laws and regulations in tax revenue collection in Tanzania?

1.6 Significance of the Study

The findings of this study will help the government in solving and planning on how to increase tax revenue collections. The government may use the findings of this research to learn the driving forces that hinder the achievement of revenue estimations and work upon them to find out solution to the problem.

The findings will also be useful to TRA management and government departments that are responsible with tax revenue collection because they will be able to know

their limitations toward tax collection and adapt to the recommendation put forward by the researcher toward improving their working performance.

Finally, the findings will be valuable for future researchers who are interested in tax revenue collection. This work will help future researchers to establish gaps of knowledge and go to fill them.

1.7 Summary

This chapter has established the study problem focusing on the overview of the study, historical background of TRA, statement of the problem, research questions, research objectives and significance of the study. These guidelines provided above have lead the researcher in the whole process of carrying out this study to obtain valuable and reliable information for improving tax revenue collection in Tanzania.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter displays the literature review, elaborates terms and concepts used in the study and how these concepts have been defined from various author's points of views. The goal of this literature review was to find out what scholars have said about tax revenue collection so that to establish a gap of knowledge that led a researcher to the field. The chapter is divided into: conceptual definition of terms related to taxations, the need of tax in society, and the reasons as to why taxations are levied, the need of good tax administration, theoretical base of the research, empirical analysis and conceptual framework.

2.2 Conceptual Definitions

2.2.1 Tax

Saleemi (1987, p.353) defines tax as an important source of public revenue, which is considered as the compulsory contribution imposed on the individuals to meet the expenses, which are incurred for a common cause.

2.2.2 Taxation System

Oxford Dictionary (1998, p. 1224) defines taxation system as a system of raising money by taxes. A system of taxation has the following benefits when imposed within the country: to maintain economic stability, to equalize the distribution of income, to minimize the consumption of harmful materials in a country and to increase the rate of economic growth (Lipsey, 1986, pp. 478- 9). Normally, the tax system is made up of tax policy (that provides the base and guide on which government may impose tax), tax laws (that give mandate to the government to impose and collect taxes from tax payers) and tax administration (for implementation directives and control tax collections-TRA/ZRB).

2.2.3 Tax Structure in Tanzania

Bukuku (1998/99, p. 26) stresses that the Tanzania tax regime is still characterized by a narrow tax base. After the realization reforms implemented over the last few years the need to expand the base and therefore create space for further rationalization is evident. TRA will undertake studies aimed at identifying areas for expansion, in line with its legal mandate. In addition, voluntary compliances will be addressed through the taxpayer education and simplification of the tax structure and collection procedures. The tax structure in Tanzania is divided into direct taxes and indirect taxes. Direct taxes are those taxes on the income and properties, while indirect taxes are on consumption. It is levied on goods and services; the tax yield depends directly on the level of consumption of population on particular taxed commodity or services on other outlay.

2.2.4 The Principles of Taxation

Mpongoliana (2000, p. 9) stresses that the details study of the income, taxation is best understood if it is proceeded by an understanding of the general principles of Taxation and public finance. Hanson (1986, p. 567) comes up with four main principles of a good tax system as enunciated by Adam Smith as follows: -

The first is economy in which he stresses that administration of taxation should be least expensive in term of both manpower and materials i.e. cost of collecting tax should not be as much as the tax revenue. The second is convenience in which tax should be payable at a time and place which is convenient to a taxpayer. The third is certainty in which taxpayer should be certain on the amount of tax he /she is supposed to pay. Lastly is productivity in which the amount imposed as tax should give great income to the government concerned.

2.2.5 The Need of Tax in the Society

One may be wandering why we have to pay taxes to the government while it has the power to issue as much as money as it needs. What are the uses of our taxes for then? While the government may seem to have bottomless reserve of money, it actually needs a good and stable financial resource to manage the whole nation. For example government uses revenue to support public healthcare, social security, national

defense, free elementary education, public housing and many other social services. The taxes we pay support most of our basic needs including police protection, fire emergence service, garbage services. Therefore as responsible citizens, we should pay our dues to the government. However, it is assumed that the majority of people realize the benefits of taxation when the society is provided with health, education, defense, administration of justice, transport and other service by government. Tax is a compulsory contribution paid to the state from the citizens, although it may be paid willingly. The refusal to pay tax is subject to punishment. Taxes impose a personal obligation on the taxpayer. It is a contribution for common benefit and it is different from special assessment and price. The power of taxation should be used for collecting revenue to the state. The taxation power should not be used for any other ulterior motive. A tax entails sacrifice on the part of the taxpayer. Everyone has to sacrifice by the way of paying taxes to the government (Bird, 1992).

2.2.6 Why Taxations are levied?

Wallis (1999) states that taxes are levied because the government needs to raise sufficient revenue to finance the activities it has adopted as its prerogatives. These are provision of social services for example, the health services or education (both of which could be handled by private enterprise) or the provision of transfer payments to those who need state support (for example the aged and students just to mention a few). Mpongoliana (2000, p. 15) states that countries that raise their own taxes are more likely to be accountable to their citizens and promote broad economic growth. In addition, tax may be used for protection purpose. With this principle, governments seeking to protect domestic producers from foreign competition often introduce both tariffs and non-tariff as a yardstick. Protection of this sort distorts the relation between domestic and international prices prompting an inefficient allocation of resources. Import duties serve primarily as means of raising the price of imported products so that competitively produced domestic goods will gain a relative price advantage.

Import duty may be classified as protective in nature even though there is no domestic production in direct competition. For example, if a country wishes to reduce the foreign expenditures of its citizens because of balance of payments problems, authorities may choose to raise the price of some foreign' products, even

though there is no close domestic substitute in order to curtail consumption temporarily. New trade theory postulates that economies of scale and externalities cause decreasing average costs. So large producers have advances over small ones, hence the large producers gain control of large share in the market. This enables them to drive competitors out and in turn result in retaliatory tariffs.

2.2.7 The Need of Good Tax Administration

Pressure on government to reduce budget deficit, foreign and domestic borrowing necessitates the government to review its policies and administration in order to enhance tax revenue mobilization. IMF review mission recommends that governments should consider forming the revenue authority that would resolve many of the weakness of the tax system. Establishment of efficient and transparent tax administration systems is crucial, a sound fiscal management, increases in tax revenues and public expenditures are important to sustain economic growth and social stability. Therefore the policy-makers and administrators need to improve their enforcement of tax administration, taxpayer services, and tax policy harmonization. In fact the success or failures of the tax departments depends on the cooperation of both the taxpayers with their advisors on one hand and tax-department staff on the other. Taxpayer advisors may be either practicing lawyers or accountants. The number of professional accountants and lawyers in Tanzania is currently inadequate (Mpongoliana, 2000, p. 18).

2.3 Theoretical Bases of the Research

This study is framed within educational model by (Vacafres, 2006) which holds that factors that lead to the sufficient tax revenue collection are attributed by the efforts of the government to emphasis on giving education to its citizens, on the benefits of tax revenue collection that, in turn will enhance the sustainable economic growth of the country. He assumed this for determining the link between the tax revenue collection and sustainable economic growth of the country. There is a need to develop consciousness awareness among taxpayers that through tax they are able to enjoy social services such as good infrastructures, health services, education and defenses of their property.

2.4 Empirical Analysis of Studies

As far as the problem under the study is concerned, some practical studies of this nature have been carried out in Tanzania and worldwide in general. Researchers and scholars in this field argue that the tax revenue collected by the government is the major factors that ensure sustainable economic growth of a country especially Tanzania. (Vacafres, 2006) did a study on tax revenue collection in Latin America. In his study, he found that even a well designed tax system is often faced with contradictory goals.

Tax revenue in the European Union

The economic and financial crisis together with fiscal policy measures adopted in the Member States started to have an impact on tax revenue. In 2008, EU-27 general government¹ tax revenue (including social contributions) fell to 40.5% of GDP, accounting for over 90% of total government revenue. The decline was more marked in the euro area (EA-16), where the ratio fell from 41.5% in 2007 to 40.9% in 2008. The growth of both tax revenue and nominal GDP, in absolute terms, slowed in 2008, recording the lowest increases in both EU-27 and EA-16 over the period 1998-2008. Denmark and Sweden registered the highest tax revenue- to-GDP ratios in 2008, around half of their GDP, although the ratios fell compared to 2007. By contrast, lower levels were generally observed in the countries that have joined the EU since 2004. The fall of the tax revenue-to-GDP ratio in the EU-27 during 2008 followed an increase of 0.8 percentage points between 2004 and 2007 (the 2004 level being the lowest value recorded over the period 1998-2008).

During the past eleven years, Member States experienced different movements in the ratio of tax revenue to GDP. The largest increases were observed in Cyprus (from 27.7% in 1998 to 39.2% in 2008) and Malta (from 26.9% to 36.0%), while the biggest reduction was recorded in Slovakia (from 36.8% to 29.3%). The largest decrease in the ratio between 2007 and 2008 was in Spain (-4.0 percentage points).

In 2000-2008 the European Union countries have had different evolutions of government revenues. There are many reasons why government tax revenue varies from year to year as a percentage of GDP. It would take a more in-depth analysis than the one presented here in order to explain the causes of such variations in

particular countries. However, in general, the main reasons are changes in economic activity affecting levels of employment, sales of goods and services, etc.) and in tax legislation(affecting tax rates, thresholds, exemptions, etc.). It should be noted that, even when using accrual methods of recording, the effects of changes in legislation or economic activity tend to have a delayed impact on tax revenue.

Germany has a government revenue share of GDP above the European average, due to its high taxation. The German evolution of revenue contribution to GDP has followed a similar trend with the whole union, the average decreasing over the past eight years from 46.4% in 2000 to 43.8% in 2008, there was a curve with a minimum value in 2004 (43.3%) , followed by a period of much weaker growth. This was due to policies of fiscal relaxation initiated after 2001 in order to prevent migration of capital to countries with lower taxation. The past two years have been subject to the strong impact of the economic crisis.

France has been throughout the whole period above the average of the European Union or the Euro area. It has followed the general trend as well, starting from a 50.2% share of GDP. Then government revenues formed a curve with a first minimum corresponding to the year 2003 when the lowest recorded value was 49.2%(well above the European average). Then the values started to increase, managing to exceed the baseline in 2005 and 2006 (50.4% of GDP), while during the last two years under research there was a drastic fall to the second minimum of 49.3% of GDP, also influenced by the existing economic crisis.

Great Britain has followed a reverse trend, as a curve oscillating around 40% of GDP. The low contribution of government revenues compared to the EU average was due to Britain's low volume of compulsory social security contributions to budget revenues, as this country has a more developed private social security system. Overall government revenues in GDP increased from 40.4% in 2000 to 42.3% in 2008, despite the existing economic recession.

Spain, whose government revenues are about 89% of the EU average, has also recorded an oscillating trend, increasing slightly from 38.1% in 2000 to a maximum of 41.0% in 2007 and then suffering a dramatic drop by 36.6% of GDP in 2008, due

to the strong economic recession that swept the country. Among the new countries which joined the EU after 2004, **Hungary** seems to have had a satisfactory government revenue share of GDP from 46.3% in 2000 and followed a trend similar to the European average to which it is pretty close. The year 2003 recorded the lowest value (42% of GDP), then following a significant increase to 310 Şerban (*Boiceanu*), C.; *Talpoş, I.* values exceeding the EU average (46.5% in 2008). For countries with emerging economies however, there are other causes of this high government revenue share of GDP. Here it is mainly about the economic development of former communist countries, which enabled an increase of government revenue on the grounds of a pretty high taxation, and Hungary came second in 2007 under the EU average, right after Germany. This growth was however accompanied by an even faster growth rate of budgetary expenditure. Hungary's fiscal policy aimed at ensuring economic neutrality, promoting privatization and encouraging savings and investment. Hungary's tax burden is relatively high; we can say the highest among the former communist countries, being close to the EU15 average.

Experiences from African Countries

In most Sub-Saharan African (SSA) countries, revenue generation is negatively affected by the existence of large growing informal sector, high tax evasion, and weak tax administration (ESRF, 1997; Tadesse and Taube, 1997). The low revenue collection problem is also linked to misreporting actual sales and incomes by registered enterprises hence pay low taxes or evade taxes (Tadesse and Taube, 1997). Moreover, many small and medium scale enterprises and self-employed professionals such as professional consultants are rarely registered as tax payers and therefore don't pay income taxes. This brief highlights the tax evasion problem related to profession services providers in Tanzania due to the weakness of the existing laws and practices related to collecting withholding taxes from professionals, it provides a comparison with other EAC member states in terms of withholding tax collection for professionals where in other EAC member states the tax is collected at the source while only in Tanzania the opposite is the case leading to loss of tax revenue to the government.

Cross-country analyses of tax-revenue performance suggest that Tanzania should be capable of generating substantially more tax-revenue (Ghura, 1998). Bevan (2001) estimated that Tanzania should have been able to generate an 18% tax-revenue share of GDP in 1999 far above the actual 11%. Kenya, Malawi, Ghana and Zambia – which all have broadly similar tax-structures in terms types of tax and rates, and have or are setting up autonomous revenue-authorities were all generating substantially more revenue than Tanzania (Table 3.1 below). But Tanzania is not alone in achieving a low tax-revenue GDP ratio: Ethiopia, Uganda, Mozambique, and Cameroon all performed similarly. Good performers collected considerably more income-taxes than the others, probably because of both greater administrative efficiency and different structural characteristics of their economies. For example, the size of the agricultural sector in GDP is probably important: The smaller the share of agriculture sector, the greater will be the monetised share – such as manufacturing – thus providing a larger available tax-base.

Tax collection: Experiences from EAC Countries

The EAC member states have harmonized the tax laws, regulations, and processes of collecting tax revenue. This has been done as a process towards a successful common market that can ensure smooth movement for capital, labour, goods and services (PWC, 2011-2012). Despite this harmonization exercise that has been done in the spirit of the ongoing integration processes; a lots of differences exist with regard to the tax rates, revenue bases, processes of tax revenue collection and even key definitions such as who the Taxpayer is, taxable incomes, services, goods etc. For instance each country has more than three categories of professional fees recorded as; technical, professional services, consultancy or management fees that are subjected for withholding tax (table 1 below). Moreover the collection process also differs such that in some countries the tax is collected at the source by tax collection agents while in others is not. In this case more harmonization process is still needed. **Clknet Policy Brief No:5**

Clknet Policy Brief 5: Curbing Tax Evasion By Professional Service Providers In Tanzania 7

Method of Tax Collection

The literature indicates that in all EAC countries incomes from professional/technical fees is taxable and revenue collection is done by the tax collection agents at the source except in Tanzania where this is done for only non TIN holders. For instance in Kenya withholding tax from professional services/technical or consultancy services are collected by tax collection agents irrespective of the holder having Personal Identification Number (PIN) or not. At the same time in Kenya and Rwanda all tax payers have to possess PIN and TIN numbers and it is mandatory for every citizen to submit his/her tax returns to the revenue authority while this is not the case for Uganda, Burundi and Tanzania where this is a requirement for only business people. This may also reflect differences in tax laws enforcement in the member states that may affect revenue collection. The table below shows the mode applied agents and conditions for withholding tax payers in the member states.

Table 1: Processes for collecting withholding tax for professionals in EAC

No	Country	Mode of tax collection	Agents for tax collection	PIN or TIN conditions
1	Burundi	Collected at source	Tax agents	Not mandatory
2	Uganda	Collected at source	Tax agents	TIN is not mandatory for every tax payer
3	Rwanda	Collected at source	Tax agents	TIN is Mandatory
4	Kenya	Collected at source	Tax agents	PIN is mandatory for every citizen
5	Tanzania	Not at source except for non TIN holders	Tax agents from non TIN holders and individual submission for TIN holders	TIN not mandatory for every tax payer

Tax Revenues in Tanzania

There is an unchallenged unanimity among specialists on the fact that domestic revenues are imperative to relieve poverty and improving the physical and social infrastructure of a developing country (IMF, OECD, World Bank, UN - D12:17).

In that regards, Tanzania has shown a substantial increase in domestic revenue mobilization over the past few years (IMF, C25:17). Major reforms of policy and

administrative natures have been undertaken to raise revenue without increasing tax rates. As a result, tax revenues increased steadily, from 9.6% of GDP in 2001-02 to 16.3% in 2011-12

While the IMF consider this as a considerable achievement (C25:64), the Funds estimates that Tanzania has a potential tax revenue of 21% of GDP (B2:2), leaving a tax gap of around 5% of GDP, or Shs2 trillion, for 2011-12. Tax gap in Kenya was 2% in 2005, 7.8% in Uganda (2005) and 8.5% in Rwanda (2008).¹⁰ The gap observed in Tanzania represents nearly 30% of the country's domestic revenue. Scaling back tax exemptions is viewed by the IMF and others in the literature consulted as the most important issue the country needs to address to bridge the gap and raise revenue to its potential level.

The Value of Tax Exemptions in Tanzania

Most of the publications on the value of Tanzania's tax expenditures used the results from empirical studies published by the Tanzania Revenue Authority or TRA (2011, C8), Uwazi(2010, B1) and by the Office of the Controller and Auditor General, or OCAg (2012, C7). Results from these estimates, presented in Figure 3, show a significant and steady rise of the value of tax expenditure during the first half of the 2000s, going from Shs201 billion to Shs830 billion in 2006-07, an increase of more than 300%. In real terms (i.e., excluding the effect of inflation), the value of tax expenditures has increased by more than 200%. Then a decline was observed until 2009-10 (to Shs668 billion) before tax exemptions reach a new record high of Shs1.8 trillion in 2011-12, a jump of 78% in nominal term from the previous period. It should be noted that in the 2012 Annual Report of the OCAg, a few tables show data for Tanzania Mainland along with what is meant to be a *national* estimate (i.e. Mainland and Zanzibar) of tax expenditure values. This situation creates confusion on the very nature of the OCAg estimates and should be clarified with the Office.

Banda (2003) argues that the so-called structural characteristics that affect the tax revenue performance of a country are the factors that influence tax handles of the economy, like the level of income, the existence of substantial sector and dependence of taxation of trade and determine the magnitude of tax base. A country with a large

population may be able to exploit economies of scale in collection of revenue. Tax collection becomes difficult to assess and collect in rural area as well as industrial output but urbanization increase capacity of tax, also increase tax revenue (Banda, 2003)

With reference to the budget position, it is expected that increases in budget will be pressured by lending in the organization to improve their fiscal account and generate higher revenue. Perhaps the factors that have affected tax performance are the terms of the exchange rate and liberalization of economy. In his study, (Vacaflores, 2006) mentioned the factors that contribute to the increase of tax revenue. The factors that governments may choose to take in order to cover budget deficit.

Implementing of Third Corporate Plan of TRA 2012/2013

Implementing and performing third corporate plane for TRA 2008/09 to 2012/13 in order to increase commitment among taxpayers and tax officers aimed at emphasizing efficiency and effectiveness in the collection of enough tax revenues.

The main focus year 2012/2013 plans were;

- ✓ Customs modernization and facilitation strategy. The main target is to reduce clearance time from 59 hrs to three hour at the port. This will encourage our neighboring country to use Dar es Salaam or Tanga Ports for the importation of their commodities, as Tanzanian ports are facing competition from Mombasa port.
- ✓ Enhancement of automation of customs processes and procedures. This will be done by implementing Revenue Digital Data Exchange and ensure the system is in place during 2009/10.
- ✓ Enhancing human resources and strengthen of enforcement capacity. Staff will be enhanced in areas of valuation and classification, risk management, post clearance audit, cargo management and IT skills
- ✓ Enhancing risk management operations. The objective is to allocate limited resources to the mostly risk areas for high return.

The first corporate plan (1998/09 – 2002/03) mainly focus on increasing revenue in line with institutional and capacity building while the second corporate plan 2003/04 – 2007/08 focused on services delivery apart from increasing revenue collection. The plan also simplifies voluntary tax compliancy law. TRA is now finalizing in implementing of its third corporate plan 2008/08 – 2012/13.

Achieving first plan saw revenue collection increase by 90 percent. Failure to meet the target however does not mean the revenue has declined, as the target for 2009 increased by 10% of the actual collection for 2008.

Modernizing Customs Department

The Customs is a critical institution to a good governance, prosperity and protection of society. It manages the physical movement of goods, people and conveyance across borders and frontiers. In Tanzania, the department is in Tanzania revenue Authority which was established by the Act No. 11 of 1995 as the government agency for assessing, collecting and accounting of revenue for the state budget.

The functions of Customs Department therefore include assessing, collecting and accounting for the revenue on imports; facilitation and simplification of international trade; enforcement of state laws and trade policies; prevention of international terrorism, fraud, smuggling of restricted, prohibited as well as taxable and counterfeit goods.

In Tanzania, an activity of revenue collection in Customs Department is done basing on an annual target which is divided on monthly basis and distributed to every region in the country for action (to collect). There are different importers of different goods, which are exempted by Acts and regulations, following the role they play to the people; for instance medicines for health and agricultural inputs for peasants. However, there are goods which are taxable by nature but might be exempted provided that they belong to particular groups of importers. Importers who enjoy duties and taxes exemption include religious organizations, Non governmental organizations, diplomats and mining investors. Importers such as religious organizations, Non governmental organizations and diplomats are considered as non profit making hence exempted from taxes. The mining investors have been enjoying

exemptions of duties and taxes for their imports despite the fact that they are profit makers because of attracting them as explained in the Mining Act. 1997.

Modernizing management of TRA revenue collection in customs department is another area which is being emphasized by TRA in order to increase revenue collection. Customs department contribute 43 per cent of all revenue collected by TRA. But it is the department which is leading on dismissing employees because of corruption. It is mainly contributed by poor operating systems, where by customs officers are responsible for assessing the amount to be paid by customers. By this way it is simple to take corruption due to the fact that it is only done between two customs officers and the taxpayer.

In February 2010 TRA implemented a new system to be used in each custom department where by customs officers in working areas are supposed to collect documents of tax payer and scan them, then the document is posted to head office and the tax is calculated by another tax officer through computer system. After that the document is posted back and it indicates the amount of tax to be paid.

Also TRA is in the process of implementing a new tax system all over the country where by taxpayers will be able to send documents by using the internet to TRA and the tax will be assessed through a computer system and the taxpayer is answered through the internet the amount of tax to be paid, then the taxpayer will pay the tax through the bank without bothering to go to TRA office.

This system will be able to reduce corruption as the taxpayer will know the amount of tax to be paid and deposit it in a bank account without any interaction with any TRA staff. This will help to increase revenue collection. The system is already implemented in Dar as Salaam region in the customs department.

Reducing Tax Exemption

The government should consider alternative methods of promoting or attracting the large scale mining investors other than use of tax exemption. This will enable the amount which is forgone by tax exemption to be collected hence an increase in revenue.

Currently, while the country has not yet found any other alternative as the substitute for tax exemption for the promotion tool in the mining investment sector, then policy makers should consider some of the items which are tax exempted to be taxed so as to enable the government to increase its revenue collections.

- ✓ To review the list of relieved persons under 3rd schedule by conducting research/survey to collect views from the public after a certain period, say for example after every five years.
- ✓ To provide a special rate of tax for relieved persons.
- ✓ To recast the list for relief after 17 years in operation.
- ✓ To introduce the system of upfront payment to all relieved persons who are registered for VAT.
- ✓ Advise the government on the effect of tax exemptions, particularly how it erodes the tax base as well as how it consumes the TRA's time in terms of administering those exemptions.
- ✓ Also TRA should make sure that the procedures cum control measures governing processing and approval of relief applications are strictly adhered to.

Education and Sensitizing the Taxpayers on Proper Records

Knowledge about the empirical reality stands at the basis of every adequate political and administrative decision. Information collection and processing therefore constitutes the pre-condition for capability (Moore, 2007, p. 105). The tax administration is particularly dependent on data. For Bird, it 'is first and foremost an organization dealing with information' (2003, p. 20). All of the three basic tasks of a tax administration, the identification of taxpayers, the assessment of tax liabilities and the collection of taxes require adequate data. In consequence, this capability dimension stands at the basis for enforcement, as the taxpayers' perception of the probability of detection of tax evasion strongly determines their degree of quasi-voluntary compliance (Vitek, 1993).

In order not to 'lose' information, which might have been actively collected, any tax administration must adequately utilize it. The use of computers and special tax

administration software are the indicators for this second aspect of ‘information collection and processing (Vitek, 1993).

The ‘tax gap’, is the difference between tax potential and tax actually collected, forms a major challenge for tax administrations in developing countries like Tanzania. Often, a large part of economic activity is pursued and the majority of the population works in the informal, i.e. unregistered sector of the economy. Due to its dispersed nature, taxing the informal sector is administratively difficult (Wayne, 1997).

Emphasizing Voluntary Tax Compliance

Normally, non compliance practices among taxpayers results into the so called Tax Gap. Tax Gap is defined as the aggregate amount of true tax liability imposed by law for a given tax year that is not paid voluntarily and timely. True tax liability for any given taxpayer means that amount of tax that would be determined for the tax year in question if all relevant aspects of the law were correctly applied for all of the relevant facts of the taxpayer’s situation. For a variety of reasons this amount often differs from the amount that a taxpayer reports on the return. The taxpayer might not understand the law, might make inadvertent mistakes, or might misreport intentionally.

To be paid voluntarily, the tax liability must be paid without direct TRA intervention. Taxpayers have the responsibility to determine and report their correct tax liability and to make sure that amount is paid either through withholding, estimated tax payments or payments with a filed return. A tax liability must be paid in full on or before the date on which all payments for the given tax year were legally due.

The overall rate of non compliance in Tanzania is as high as it is because the vast majority of taxpayers do not meet their obligations without closer involvement from TRA.

Conclusively, taking into consideration the rate of non compliance, which consequently results into the Tax Gap, TRA should focus its enforcement activities where it is needed most. It is equally important to emphasize that estimates of the

Tax Gap should be associated with the legal sector of the economy only. This is particularly important because tax due from income derived from illegal activities is extremely difficult to establish. The only thing the Government can do to get rid of this type of non compliance is, ultimately, to stop the illegal activity not merely to tax it.

Given the level of non compliance in the country, the tax authority should continue to evaluate resource demand for improving taxpayer compliance. Additionally, more finances should be directed towards identifiable ways to utilize resources efficiently and effectively to target enforcement efforts to area where they will have the greatest direct and indirect on compliance. The steps for improving compliance that will be detailed in this study will continue to evolve over time as the understanding of the problem improves and as changes in the economy and changes in the law present new compliance challenges.

For better results the Tax Authority in Tanzania should develop a comprehensive strategy for reducing non compliance among taxpayers. To achieve this, the following four key principles should be employed:

- ✓ First both unintentional taxpayer errors and intentional taxpayer evasion should be addressed.
- ✓ Second, sources of non compliance should be targeted with specificity.
- ✓ Third, enforcement activities should be combined with a commitment to taxpayer services.
- ✓ Fourth, policy positions and compliance proposals should be sensitive to taxpayer rights and maintain an appropriate balance between enforcement activities and imposition of taxpayer burden.

These principles point to the need for a comprehensive, integrated long run strategy to minimize the level of non compliance. Guided by these key principles, the tax authority strategy should be embodied with the following crucial components which form the basis for the detailed compliance improvement efforts set forth in this study:

- ✓ **Reduce opportunities for evasion:** Legislative proposals should be developed to reduce evasion opportunities and improve the efficiency of the tax authority. The tax authority in collaboration with the treasury should continue to use the regulatory guidance process to address both procedural and substantive issues to improve compliance.
- ✓ **Make a multi-year commitment to research:** Research is essential to identify sources of non compliance so that the tax authority resources can be identified and targeted properly. Regularly updating compliance research ensures that the tax authority is aware of the vulnerabilities as they emerge. New research is needed on the relationship between taxpayer burden and compliance and on the impact of customer services on voluntary compliance. Research is also essential to establish accurate benchmarks and metrics to assess the effectiveness of the tax authority efforts.
- ✓ **Continue improvements in information technology:** Continued improvements to technology, including continued development of and additions to modernized e-File, will provide the tax authority with better tools to improve compliance through early detection, better case selection and better case management.
- ✓ **Improve compliance activities:** In Tanzania the tax authority actions have produced a steady climb in enforcement activities since 1996, and an increase in both the number of examinations and coverage rate in virtually every major category. By further improving examination, collection, and document matching activities, the tax authority will better be able to prevent, detect and remedy non compliance. These activities will increase compliance not only among those directly contacted by the authority, but also among those who will be deterred from noncompliance behavior as consequence of a more visible tax authority presence.
- ✓ **Continued enhancement of taxpayer services:** Services are especially important to help taxpayers avoid unintentional errors. Given the increasing complexity of the tax code, providing taxpayers with assistance and clear and

accurate information before they file their tax returns will reduce unnecessary post filing contacts, allowing the authority to focus enforcement resources to taxpayers who intentionally evade their tax obligations. The tax authority should also strive to provide services more efficiently and effectively through new and existing tools such as the TRA Website. The tax authority should prepare a very clear Taxpayer Assistance Blueprint (TAB), which among other things should outline a multi-year strategic plan for taxpayer services. The TAB should include a process for assessing the needs and preferences of taxpayers and partners and a decision model for prioritizing service initiatives and funding.

- ✓ **Reform and Simplify the Tax Law:** Simplifying the Tax Law would reduce unintentional errors caused by lack of understanding. Simplification would also reduce opportunities for intentional evasion and make it easier for the Tax Authority to administer the tax laws. Proper initiatives should be employed to reduce taxpayer burden by simplifying forms and procedures for compliance.
- ✓ **Coordinate with Partners and Stakeholders:** Enhanced coordination is needed between the Tax Authority and state and foreign Governments to share information and compliance strategies. Expanded coordination is also needed with practitioner organizations, including bar and Accounting Associations to maintain and improve mechanisms to ensure that advisors provide appropriate tax advice. Through contacts with practitioner Organizations, the Tax Authority will learn about recent developments in tax practice and hear directly from practitioners about taxpayer concerns and potentially abusive practices. Similarly, contacts with taxpayers and their representatives, including small businesses representatives and low income taxpayers, will provide the Tax Authority with needed insight on ways to provide taxpayers rights and minimize the potential burdens associated with compliance strategies.

Introduction of Electronic Fiscal Devices (EFD)

TRA is implementing its Third Corporate Plane (2008/09-2012/13) from 1st July 2008 which has five strategic goals. Goal number one which address the core functions of the authority, attaches more weight on the need to collect revenue to capacity level in cost effective ways.

The corporate goals number four among others, is the initiative of introducing a robust ECR system for all VAT traders. This key initiative will enable the Authority to realize its ultimate goals of tax revenue enhancement and collection to capacity levels.

To achieve this goal, there has been an urgent need to review the existing Electronic Cash Register (ECRs) function ability and deliverability with a view of replacing them with the robust Electronic Fiscal Devices. The need to replace ECR with EFD is not only been prompted by the urge to compel VAT traders to record all transaction, but also necessitated by the government to increase collection in cost effective ways.

Introduction of EFD aim to bringing all taxpayer declare correct amount of their returns. However, the ultimate goals will only be achieved by laying strong foundation on the aspect of management and control tools inclusive on the operation manual.

On the other hand, the legal framework has empowered TRA to enforce use of EFD to every taxable person, and offence has been clearly stated with the penalty for defaulters.

It is expected that the current encountered problem of weak supervision of ECR and submission of nil returns and refund claim will significantly be reduced, if not completely eliminated due to the existence of various control measures.

TRA expect that implementation of EFDs will enhance compliance with VAT and other tax laws ensure issuance of homogeneous fiscal receipts and fiscal invoices. User will be compelled to keep proper records and full details of their business transaction which will be accessible online by TRA central server. EFD are also

meant to intensify controls, improve tax data safety and minimize uses of parallel and fake receipts.

The device will also ensure easily access of online of tax information and quick respond to the deviation or malpractices over the machine facilitate efficient time management for compliancy monitoring. Physical inspection and field tax audit facilitate retrieval of adequate information for administration of other taxes as well as provision of high quality customer services and consequently minimize tax disputes and simplify tax refunds. This will help Authority to increase revenue in cost effective way.

EFD has the following positive advantage to the Authority.

- ✓ It receives, manipulate and transmit data to the system and print information as entered by users.
- ✓ Recording sales and issue fiscal receipts in form and manner prescribed under EFD regulation.
- ✓ Keeping memory as a read only fiscal memory and capable of storing data for at least five years or 1800 day transactions.
- ✓ Cannot reverse entered sales date or any other information including dates.
- ✓ Creating an in build reconciliation report of fiscal memory.
- ✓ Using wide enough paper roll that can capture all important details of users business transactions
- ✓ Cannot delete any information or data that entered into the electronic fiscal device.
- ✓ Sending alarm to alert operators in case of memory disconnections or tempering of any sort including any inconsistence action noticed in the system.
- ✓ Receiving and displaying alert messages from operation resulting from any malpractice, error, or any inconsistence action noticed in the system.
- ✓ Allowing TRA officers to view read and print all ongoing daily business transactions performed by users.
- ✓ Creating an in build link device that connect the users or trader with the system.

- ✓ Capable of issuing daily monthly as well as yearly report.
- ✓ Capable of recording any error that occurs in course of users transactions.
- ✓ Therefore TRA expect that implementations of EFDs will enhance compliance with VAT and other laws.

Introduction of Block Management System

TRA has established various systems and strategies to improve the tax administration and management of taxes. The Block Management System was designed in order to manage the tax affairs of individuals and small and medium enterprises by demarcating the area in which they conduct business into sizeable and manageable blocks.

The objectives of the block management include knowing the taxpayers activities thoroughly well in order to gather valuable information so that quality and correct assessments are issued; to register eligible traders and placing them in appropriate bands so as correct tax are paid timely; to communicate openly and accurate so as to create transparency; to monitor taxpayers' activities for expansion of tax base and enhancement of government revenue and to deter tax evasion

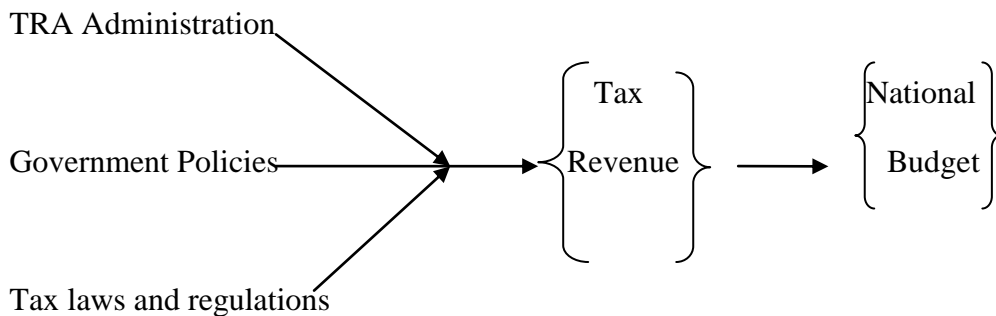
Block management system shall involve visiting taxpayers from door to door in order to facilitate easily registration of traders; to bring into the tax net the non- filers non payer through physical visits; to ensure that information gathered for correct determination of taxable income; to ensure correct and quality assessments are made and issued to the taxpayers; to collect all due taxes and debts; to enhance tax compliance through delivery of taxpayer education and promptly and quality services; to monitor taxpayers' activities for the expansion of the tax base and curbing tax evasion.

2.5 Conceptual Framework

This study builds the relationship between dependent and independent variable on tax revenue contribution in the Tanzania budget. TRA must deal with the challenges on how to access, improve and account for all revenue so as to ensure both TRA and the government goals are achieved. In addition, TRA management has to ensure that

tax administration system is well developed in order to increase the overall tax administration, deal with the challenges in the tax laws. Both TRA and the government should review the tax systems and administration so as to ensure efficiency, effectiveness and economy and be able to support the government budget effectively. The study will examine the role of tax revenue collections in the budget of the Government of Tanzania. The tax revenue collection depends on TRA administration capabilities as the organization entrusted with the role of collecting revenue. The revenue collection goes further depending on the prevailing government policies such as foreigners' investment policies. The revenue collection additionally depends on the tax laws and regulations.

Finally, the budget stands as the dependent variable as it depends directly from the tax revenue collection. The arrows above point from the direction of the independent variables to the depending variables showing where the dependent variable depends from.



The above illustration shows the relation between the variable;

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter gives an overall view of the plan on how the researcher conducted the study and obtained the results presented in chapter four. The chapter is divided into: type of study design, study area, unit of analysis, types and sources of data, tools for data collection , sampling techniques and sample size, data analysis and validity issues.

3.2 Type of Study Design

This is a case study research design. Case study is the research design that entails the detailed and intensive analysis of a single case (Bryman, 2004, p. 537). It is a way of organizing social data for the purpose of viewing social reality and it also examines the social unit as a whole (Best and Kahn, 1999, p.193)”. Cozby (1977, p.97) argues that case studies are valuable in informing us of conditions that are rare or unusual and thus not easily studied in any other way. This design is chosen because of its flexibility in terms of data collection, data analysis as well as its in depth and breadth of studied variables.

3.3 Study Area

Based on the problem under the study, the preferable area of the study was Tanzania Revenue Authority basically in Singida Region. TRA has been picked because it plays a major role of tax revenue collections in the country. The researcher had chosen this area because it is his working region and can easily access all needed information for the problem under the study.

3.4 Units of Analysis

The unit of analysis of this study was individual officials who work with TRA and those found in government department and agencies responsible for tax revenue collection.

3.5 Sample Size and Sampling Techniques

A total of 50 individuals for the sample of study were drawn from governmental department and agencies which are responsible to collect revenue that includes municipal councils and district councils. Simple random technique was used to obtain respondents of the study. Random sampling technique was used because each individual in the sample has an equal probability of being selected (Saunders et al., 2007, pp. 179-181). Simple random sampling selects samples by methods that allow each possible sample to have an equal chance of being included in the sample (Levin and Rubin (2005, p.299). It is a procedure that gives each of the total sampling units of population an equal and known nonzero probability of being selected (Kothari, 2004, p. 186).

3.6 Types and Sources of Data

This study comprised two types of data namely; primary data and secondary data

3.6.1 Tools for Primary Data Collection

Primary data are those which are afresh and for first time and thus happen to be original in character (Kothari,, 2008, p. 95). These kinds of data formed an important part of this study and have been used in the findings chapter. Structured and unstructured questionnaires and interviews are methods which were used to collect these primary data. The researcher initially interviewed each participant to establish their working experiences with TRA and their knowledge. Interviewees were asked to explain the role of tax revenue on Tanzania budget, measures that they take to increase tax revenue collection and to identify areas of weakness in the tax revenue collection. After interviewing the researcher distributed structured and unstructured to all interviewees so that to cross-check the findings obtained during interviews.

3.6.2 Tools for Secondary Data Collection

The secondary data are those which have already been collected by someone else and which have already been passed through the statistical process (Kothari,, 2008, p. 95). Under this study secondary data were obtained from journals, leaflets, text books and reports from various institutions. Data obtained from such

documents were used to supplement information obtained from other data collection methods.

3.7 Data Analysis

This research used both quantitative and qualitative methods of data analysis. According to Blanche, Durrheim and Painter (2006, p. 52) quantitative techniques employ a variety of statistical analyses to make sense of data whereas qualitative techniques begin by identifying themes in the data and relationships between the themes. The researcher used qualitative technique to analyze data in the form of logical statements and arguments thematically. This is because qualitative research helps people to see the world view of studies concerned. The researcher used quantitative to analyze data mathematically, whereby calculations of numbers, percentages, tables, charts and histograms were used to summarize the amount of data obtained from the field.

3.8 Validity Issues

The type of data collected through questionnaires, interviews, and documentary sources were valid and reliable. The validity and reliability of data based on the fact that, documentary data obtained from the already worked data available at TRA. Data from questionnaires supplemented gaps that might have occurred due to improper recording of data in documents, since questionnaires allowed a particular person to explain what exactly he/she perceives. On the other hand, interviews had provided reliable data because they drew data directly from one to be interviewed expressing his/her ideas. All these techniques improved the quality of data and hence its reliability.

CHAPTER FOUR

THE RESEARCH FINDINGS

4.1 Introduction

This chapter presents and analyzes research findings from interviews and questionnaires. Findings were a result of the three research questions which were set to guide the study: Are the tax revenue collections being contributing well in the government budget? Does TRA attain its revenue targets? What are the efforts undertaken by TRA to increase tax revenue collection?

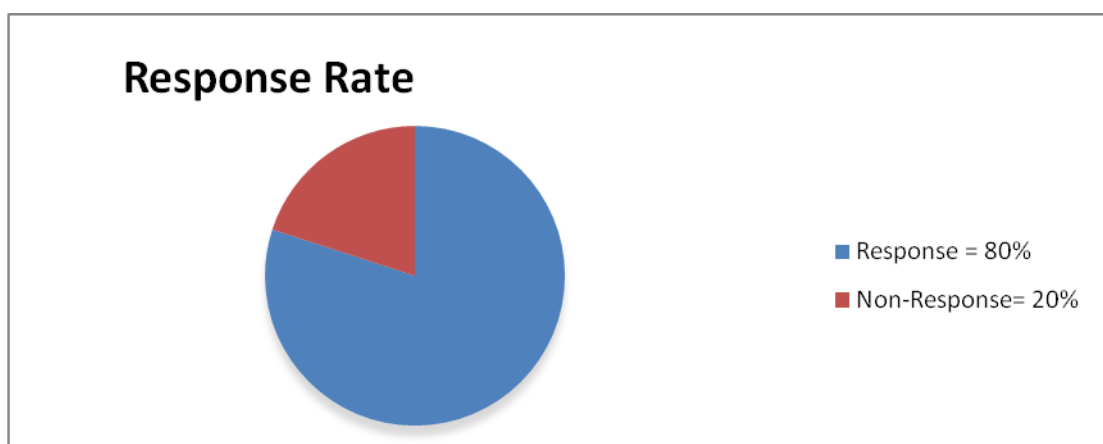
4.2 Demographic Characteristics

The presentations of the demographic characteristic were as follows:

4.2.1 Response rate

A total of 50 questionnaires were administered with the expected return of 45 questionnaires after accounting for non-responses. After the exercise 40 questionnaires were collected posting a response rate of 80% and a non-response rate of 20% as shown in figure 4.1.1 below.

Figure 4.2.1 Response rate

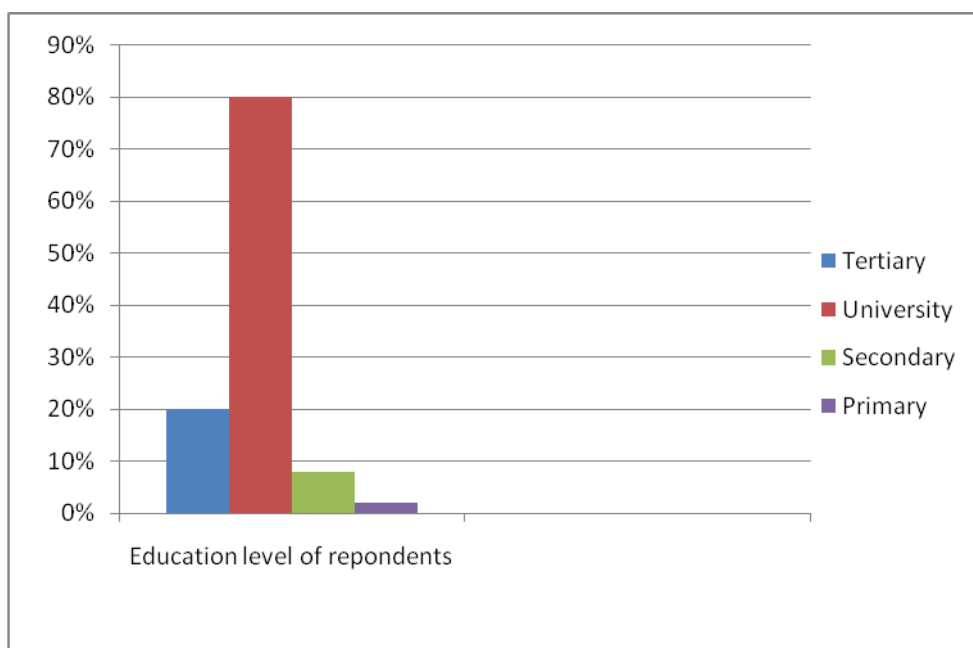


Source: Primary Data

4.2.2 Education level of Respondents

Information was taken on the level of education of the respondents to ensure the quality of the information that will be extracted from them. The following were the findings;

Figure 4.1.2 Education level of respondents.



Source: Primary Data.

Of the respondents, 20% are of tertiary level, 80% are of university degree, 8% are of secondary education and 2% of the respondents are of primary education level.

4.3. Contribution of Tax Revenues to Government Budget

All 50 respondents were issued with questionnaires and among them twelve (12) were directly interviewed at their respective workplaces. Table 2 below shows the distribution of questionnaires.

Table 2: shows the distribution of questionnaires.

No	Category of respondents	Questionnaires distributed	Questionnaires returned	Percentage
1	Regional Manager	1	1	2
1.	Assistant Regional Manager	10	6	20
2.	Assistant Tax Officer	24	20	48
3.	Assistant Customs Officer	15	13	30
	Grand Total	50	40	100

“Are the tax revenue collections being contributing well in the government budget”. The researcher interviewed 12 respondents by face to face contact at their respective offices to establish whether tax revenue collection had any contribution on Tanzania budget. Also the researcher asked give out their analysis of the efforts used by TRA to increase tax revenue collection. The results from the interviews are presented below.

One interviewee said:

According to government budget, tax revenue contributes a lot in the preparation of the Tanzanian budget but that being the case tax revenue collected by TRA were not enough to finance the whole government budget¹.

Another interviewee said:

Though the government tries to enforce TRA to attain its revenues target the truth remains that even if TRA attains its target in the collection of revenue, this is not enough to finance the government budget, therefore government has to find other sources of income to finance its budget².

The overall findings show that seventy percent of interviewees agreed that tax revenue contribute large percent in preparation of Tanzania budget.

Also the findings from telephone interviews with six interviewees showed that all informants (100 percent) agreed that tax revenue collected by TRA contributes to a

¹ Interview to respondents as at June 2013 in Singida region whose names are withheld

² Ibid

large percent in preparation of Tanzania budget. However, the same respondents said that the income generated by TRA is not enough to finance the whole government budget³.

Further, through observation the researcher discovered that tax revenue collected was not enough to finance the whole budget. The researcher also discovered from the Controller and Auditor General Audited report for FY 2011/2012 that the government expenditure from 1st July, 2011 to 30th June 2012 was TShs **12,061,571** million (TShs 12.1 trillion) against a budget to spend 13,525,895 million (13.5 trillion) and for the same period actual revenue collected by TRA was Tsh 6,510,000.00 million (Tsh 6.51 trillion) which is 48.1% of the budget of the government which indicates that tax revenue collected was not enough to finance the whole budget⁴.

Taking this into consideration the findings concur with TRA progressive report for financial year 2004/05 to 2011/12 that more efforts are needed by the government to raise tax revenue collection. Likewise the efforts that are being done by the government to establish other more source of revenue (Government Budget 2008/09, p. 11) show that there is a real problem. According to the national budget of 2009/10, the government was expecting to use TShs 9,513.685 million in both recurrent and development expenditure on the other side TRA was expected to collect 5,096,016 million which is 53.6% of the expected expenditure. This being the case, the government is supposed to look for other sources of income to finance its budget.

Table 3 below shows budgets and actual tax revenues collected annually for analysis of proportion of tax revenue collection on the budget;

³ Interview to respondents as at June 2013

⁴ General report of the controller and auditor general of the central government for the year ended 30th June, 2012

Table 3: Government Budget V/s Actual Tax Revenues Collected

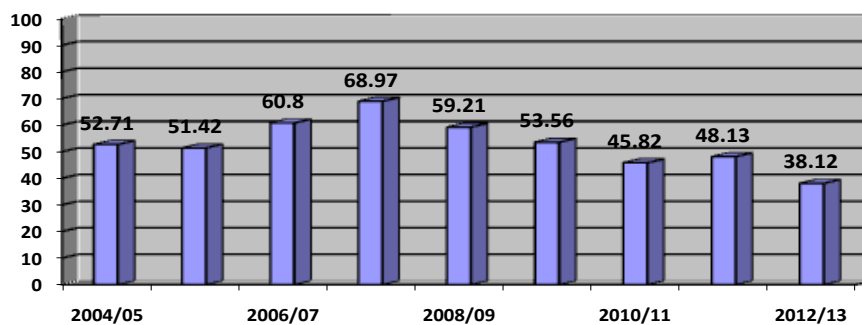
YEAR	Actual revenue collection“Tsh.000,000”	Government budget “Tsh.000,000”	Contribution for the year (Percentage wise)
2004/2005	1,773,573.40	3,364,730.00	53%
2005/2006	2,124,843.70	4,131,946.00	51%
2006/2007	2,739,022.40	4,504,371.00	61%
2007/2008	3,634,580.60	5,269,042.00	69%
2008/2009	4,301,858.40	7,265,316.00	59%
2009/2010	5,096,016.10	9,513,685.00	54%
2010/2011	5,319,521.80	11,609,557.00	46%
2011/2012	6,510,000.00	13,526,000.00	48%
* 2012/2013	5,763,818.90	15,119,600.00	38%

Source: TRA progressive reports for the financial year 2004/2005 - 2012/2013.

* FY 2012/2013 Actual collection figure reflect to March 31, 2013

The above information can be shown on the histogram below

Figure 1: Percentage of revenue collections



Source: TRA Annual Reports

■ Tax Collection in %

4.4 Factors responsible for revenues collection performances in Tanzania

The study discovered many efforts being undertaken by government as well as TRA to increase tax revenue collection in the country in order to finance all recurrent and development expenditures, among of them are based on developing and expanding wider tax base by registering new tax payers as well as continuing developing good environment for investors and business as discussed hereunder;

In the first year of TRA's operations, tax revenues grew by more than 30% compared to the previous fiscal year (Table 1b). Since there were only minor changes in the tax structure (rates and bases) and external conditions in this period, the growth in revenue must have been mainly due to the efforts of the tax collectors and other officials at TRA.⁴ It may also suggest that the internal control mechanisms worked. During the probation period (1996–1997), 239 staff members were dismissed (Table 2). A survey of taxpayers in Dar es Salaam also concludes that corruption shrank during the first year (Price Waterhouse Coopers, 1998). But, according to the respondents, at the same time as the number of corrupt acts fell, the price per bribe rose (*ibid.*, p. 3). Since there is no evidence that the demand for corrupt services grew during the period, the most plausible explanation is that tax officers who were willing to take bribes considered it more risky than before, and, thus, incorporated a 'risk premium' in the bribes. According to the Price Water house Coopers' study, the most corrupt staff members during this period were junior officers. Interviews with business people in Singida and Dar es Salaam confirmed this observation. This may imply that younger staff members were more inclined to accept a higher risk, or that they acted as agents for players higher up in the tax administration and then shared the 'proceeds' with them.

⁴ In the Budget Speech for financial year 1996–1997, the Minister of Finance focused on implementing measures to improve efficiency in revenue collection, in particular legal and administrative measures against tax evasion and corruption (URT, 1996b, pp. 59–63).

4.4.1 Customs Modernization

The Customs Administration is undergoing a major reform to ensure that the operations are conducted in modern, transparent way and clearance time at ports and airport are reduced substantially. The clearance of goods at customs involves a number of stakeholders who in total limit the speed of clearance process. It is recommended that measures should be taken for faster clearance and monitoring of the release of goods, which is being implemented by all stakeholders involved in clearing process.

4.4.2 TRA Employee and Management Control

TRA has introduced result based training which include total tax person (TTP) on all tax laws as well as customer-care to ensure staffs are skilled and competent in the provision of quality services. The Anti-Corruption Strategy is being enforced by TRA as part of National Anti-Corruption Policy and Strategy. The changes TRA is undergoing in order to achieve its vision have cross departments implication and hence require a cross section departmental management focus. The initiative in the modernization program contributes to more than one business function, process or department.

To ensure cross department focus on implementing the initiative and inclusive program implementation structure was adopted. The structure has encompassed a planning and modernization program (PP) unit under the management steering committee. A unit ensures that apart from day to day activities within revenue and support departments the corporate plan initiatives are implemented accordingly. This arrangement was imported to ensure that all activities under the corporate plan are well coordinated, understood and reporting to different stakeholders is consistent.

TRA has done quite well in implementing the reform both as measured against best practice in tax administration as well as within internal performance measures. However we acknowledge that the fact that there is still room for improving performance given the challenge facing the tax administration with regards to complexities emerging in the business as a result of globalization. I am confident that with ongoing Government support and determined staffs, better results are expected.

In widening tax collection spheres the Tanzania Revenue Authority (TRA) stated to improve Value Added Tax (VAT) on leasing buildings and serviced apartment except for those provided by National Housing Corporation. The government through TRA was in the process of introducing block management system and geographical information system to enable tax collectors to trace taxpayers in their location more easily. Despite the achievement recorded there was still a long way to go as the government expenditure bill was still higher than revenue. Government has a lot to do because of the expenditure currently stand at Tsh 12 trillion while our collection is only Tsh 6 trillion. Therefore there is a huge deficit that is currently covered by external loans and grants. Meanwhile now, the government was promoting financial discipline and some of the measures include formation of expenditure tracking unit, reform in the public procurement act and capacity building and controller and Auditor general office.

The study went on to see the effect of tax exemption in large scale mining investors in revenue collection in Tanzania. The research intended to answer the following three questions; first, what items are exempted in taxes in the large mining companies in Tanzania. Secondly, to what extent does the tax exemption promotes mining investment in Tanzania and thirdly to what extent does the government's revenue forgone for tax exemption in large mining companies. The findings show that there are so many items that are tax exempted during their importation; few to mention they include petroleum fuel, plants machines and equipments; heavy and light motor vehicle; building materials and raw materials that are used in production processes.

Also the findings show that tax exemption granted to the large mining companies aimed at promoting investors to come in our country for investment through reduction of the investment costs on capitals for exploration, extraction and production. However, the finding reveals that there are other factors that may be applied to attract mining investors to come for investment, these include availability of securities, infrastructures such as power and water, and labor force. Also the findings show that the trend of the taxes forgone for exemption in mining industry is

bigger as compared to revenue collection for about 125 percent in the region's revenue collection.

4.5 Effectiveness of TRA in attainment of its revenue collection targets

This research question was asked to assess the efficiency of TRA as the tax revenue collecting administration.

Respondents commented differently on this question. 40% of the respondents strongly agreed, 20% agreed while 28% strongly disagreed, 8% disagreed and 4% were indifferent. Those who strongly disagreed argued that most of the targets set by TRA are achievable in the sense that they are set in low standards so as to give a picture that the performance is better. They argue that, still there is much more weaknesses in the collection methods that if taken care of, then TRA would be collecting such big amounts as compared with the present situation. Therefore, generally 60% of the respondents agreed to the efficiency of TRA as the revenue collecting authority while the rest are challenging the efficiency of TRA and wish to see more being done by the authority.

4.5.1 Reasons that could be affecting the tax revenue collection performance.

Respondent were asked on possible factors that could be directly affecting the revenue performance of tax revenue collections. The following were the findings;

Voluntary compliance

This is a system of compliance that relies on individual citizens to report their income freely and voluntarily, calculate their tax liability correctly, and file a tax return on time," according to the revenue authority, William (2012).

The respondents argued that the voluntary compliance policy has not been very effective because there is a still a large volume of business people who do not wish voluntarily to register for taxes.

Tax incentives

These are deductions, exclusion or exemption from a tax liability offered as an enticement to engage in a specified activity such as investment in capital goods for a certain period, Ngowi (2000).

Findings have also indicated that tax incentives are a reason for the poor performance of tax collections as large amounts are left uncollected due to these incentives.

Tax exemptions

A supply of goods or services is an exempt supply if it is of a description specified in the Second Schedule of the Tanzania Value Added Tax Act (2007), 10 (1). The VAT is not chargeable on an exempt supply, and deduction or credit of input tax is not allowable on purchases made in respect of the exempt supply, Value Added Tax Act (2007), 10 (2).

Tax exemptions are granted to different beneficiaries for various reasons; such as social, economical, political reasons or international agreements (bilateral or multilateral). In some instances, tax exemptions or tax concessions are granted as part of tax breaks to stimulate economic development for example the tax exemptions provided to mining companies and tax incentives provided to investors registered with the Tanzania Investment Centre (TIC).

There are two main ways in which tax exemptions are granted as listed below:

Tax exemptions granted under the principal tax laws. These include:

- ✓ East African Customs Management Act (EACMA) (schedule 5)
- ✓ Value Added Tax Act (VAT) Act (2nd & 3rd schedule)
- ✓ Income tax Act (ITA) (Section 10 and 2nd schedule)
- ✓ Road and Fuel Tolls Act (section 8)
- ✓ Excise management and Tariffs Act (section 128(2))

Tax exemptions which are backed by government Notices (GN)

GN put into effect exemptions not backed by law e.g, those found in contracts such as Donor Funded Projects (DFP), Millennium Challenge Corporation (MCC) projects, natural calamities funds etc.

An initiative was undertaken to reduce exemptions in 2009 whereby the government repealed about 500 GNs, including GNs issued since 1961. In addition, the government through the Chief Secretary has issued a circular addressing all Ministries and Agencies not to sign any contracts with tax exemption clauses.

The findings have shown that tax exemption make TRA to fail to achieve its goals. However, not all citizen and non citizen people or corporations pay taxes; some are exempted from payment of tax for one reason or another. Tax exemptions under income Tax are provided under section 10 of the Income Tax Act 2004 and for VAT Tax exemption are provide under section 11 of the VAT Act of 1997 read with 3rd schedule of the VAT Act,1997 which currently covers 28 items. The main reason for providing exemption was to encourage investment in different sectors both from within and outside the country. See table 4 below;

Table 4 Summary of Tax exemption issued to Institution

Institution	Customs & Excise Dept (Shs)	Domestic Revenue Dept (Shs)	Total (Shs) 2011/2012	Total (Shs) 2010/2011
Government Institutions	9,603,414,035	-	9,603,414,035	35,867,200,000
Parastatal Organizations	15,699,616,106	-	15,699,616,106	8,131,200,000
Religious Institutions	438,967,358	-	438,967,358	1,569,300,000
NGOs	7,542,700,000	-	7,542,700,000	25,462,600,000
Foreign Embassies/UN	10,194,000,000		10,194,000,000	
Military duty free shops	2,454,600,000		2,454,600,000	
Donor Funded Projects (DFP)	225,039,689,862	-	225,039,689,862	115,758,100,000
Private Companies & Individuals	304,045,656,449	-	304,045,656,449	182,706,100,000
Mining Sector	140,637,400,000	-	140,637,400,000	109,885,900,000
Tanzania Investment Centre	280,961,890,898		280,961,890,898	239,667,300,000
Exemptions under VAT		801,859,518,440	801,859,518,440	279,845,200,000
Exemptions under Duty Free Shops	-	7,726,106,679	7,726,106,679	17,427,400,000
Total	996,617,934,708	809,585,625,119	1,806,203,559,827	1,016,320,300,000

**Sources: TRA Financial Statements – 2011/12
TRA Risk Assessment of Tax Exemptions 2006/07 – 2009/10**

The TRA revenue statements reported tax exemptions of TShs 1,806,203,559,828 granted to various institutions as summarized above: The trend shows an increase of exemptions by Shs.789,883,259,827 or 78% from Shs.1,016,320,300,000 reported

during the financial year 2010/2011 to Shs.1,806,203,559,827 in 2011/2012. Had the exemptions of Shs.1,806,203,559,827 been collected, which is 27% of the actual collections, the total collection would have been Shs.8,509,433,264,717 instead of Shs.6,703,229,704,888. The exemption reported above account for almost 13% of the total 2011/2012 government budget of Shs.13, 525,895,350,000. Generally, exemptions in respect of Tanzania Mainland have shown an increasing trend in the year under review compared to the previous year's which in turn, posed a negative impact on the overall revenue performance as follows:

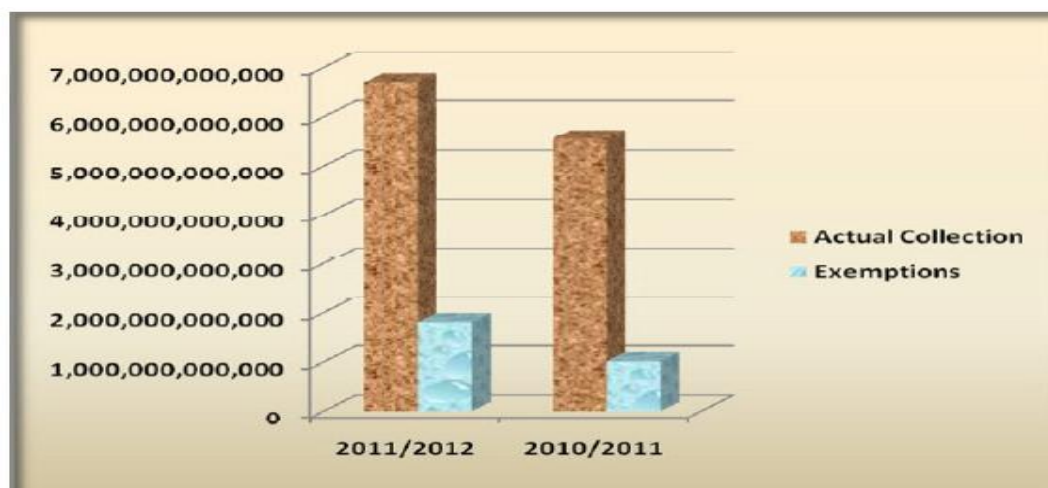
Table 5: Exemption trends

Explanation	2011/2012	2010/2011
Actual Collection	6,703,229,704,887	5,550,205,244,378
Exemptions	1,806,203,559,827	1,016,320,300,000
Proportion of exemptions to actual collection	27%	18%
Deficit/(surplus in collection)	246,397,074,887	(298,888,455,622)
Surplus if exemptions had not been granted	2,052,600,634,714	717,431,844,378

The above trends can be depicted in the histogram below:

Figure 2: Comparison between collections and exemptions granted during the

Financial Years 2011/2012



4.5.2 Comparison of Tax Exemptions, Revenue Collections and GDP

While actual collections have increased in the last five years from net collections of Shs.3, 378,793.7 million in 2007/08 to Shs.6,703,230 million in 2011/2012 with

slight increase in revenue yield (Net TRA collections as a percentage of GDP), the trend shows that tax exemptions as a percentage of GDP have increased from 3.5% in 2007/2008 to 4.3% in 2011/2012 as depicted in the table below:

Table 6: Revenue Yield for Tanzania with Exemptions considerations

Million Shs Item	2007/08	2008/09	2009/10	2010/2011	2011/2012
Nominal GDP	22,782,917.1	26,868,213.4	31,316,223.9	35,026,679	41,125,313
TRA Revenue Collections	3,378,793.7	4,051,963.8	4,437,933.4	5,315,148	6,703,230
Revenue Yield	14.8%	15.1%	14.2%	15.2%	16.3
Total Tax Exemptions	795,856.5	731,267.7	653,652.5	1,016,320.3	1,806,203.6
Exemptions as % of GDP	3.5%	2.7%	2.1%	2.9%	4.3%
Exemptions as % of TRA Revenue Collections	23.6%	18.0%	14.7%	19%	27%

Sources: TRA Financial Statements – 2011/12

TRA Risk Assessment of Tax Exemptions 2006/07 – 2009/10

The level of exemptions has been on average of 3.52% of GDP between 2007/2008 and 2008/09 before decreasing to 2.1% of GDP in 2009/10 and increased to 2.9% in 2010/2011

Going by the data on table 4 it is evident that the Government has controlled tax exemptions for Religions Institutions from Shs.1,569,300,000 in 2010/2011 to Shs.438,967,358 in 2011/2012 which signifies a 72% decrease. Tax exemptions to NGOs was equally restricted from Shs.25,462,600,000 in 2010/2011. Equally 80 exceptions under Duty Free Shops decreased from Shs.17,427,400,000 in 2010/2011 to Shs.7,726,106,679 in 2011/2012.

On the other hand, while efforts were exerted by the Government to curb tax exemptions as explained above, it failed on the following areas where I evidenced significant tax exemption increases:

- ✓ Parastatals
- ✓ Foreign Embassies
- ✓ Military Duty Free Shops

- ✓ Donor funded Projects
- ✓ Private companies and Individuals
- ✓ Mining Sector
- ✓ VAT
- ✓ Tanzania Investment Centre

In order to enhance revenue collections and harmonize tax exemptions administration, the government should introduce capping of exemptions as a percentage e.g. 1% of GDP and grant exemptions to the maximum of that limit.

While I understand that tax exemptions are necessary tool for investment promotion and economic growth, it should also be recognized that this does not rule out the requirement for monitoring of these exemptions with a view of demarcating projects where exemptions are still needed and where they could be literally redundant.

4.5.3 Stability of tax revenue collection

Respondents were asked on whether the tax revenue collections have stably been increasing.

About 60% of the respondents strongly agreed, 20% agreed while 4% strongly disagreed, 10% disagreed and 6% remained neutral. Findings have shown that the tax revenue collections are not very stable and that the percentage increase is not proportional to the percentage increase in the year government budgets. Finding prove that that there is still some weaknesses in the tax revenue performance to establish an effective revenue contribution to the government budget. See the Table 2 above in addition from the extent to which the tax revenue collections contribute to the government budget.

4.5.4. Tax revenue collections performance

Respondents were asked on whether the tax revenue collection performance is improving. 80% of the respondents strongly agreed, 10% agreed while 8% strongly disagreed, 2% disagreed and 0% was neutral. Those who strongly agreed said it is quite clear that the performance is improving year to year as shown in the TRA performance reports while those who strongly disagreed argued that actually the performance is deteriorating since much more revenue could be collected but it is left

uncollected due to weaknesses in the TRA. They strongly believe that, if TRA was operating effectively, efficiently and economically not necessarily 100% since this is never achievable but at least collections would have been higher and higher from year to year contrary of what is seen on the reports.

The Revenue Statement for Tanzania Mainland closed with an actual collection of Shs.6,703,229,704,887 against Approved Estimates of Shs.6,456,832,630,000; resulting in an over-collection of Shs.246,397,074,887 or 4% of the Revenue Estimates. Moreover, the overall revenue collections movement for the government for the past three years is as depicted below:

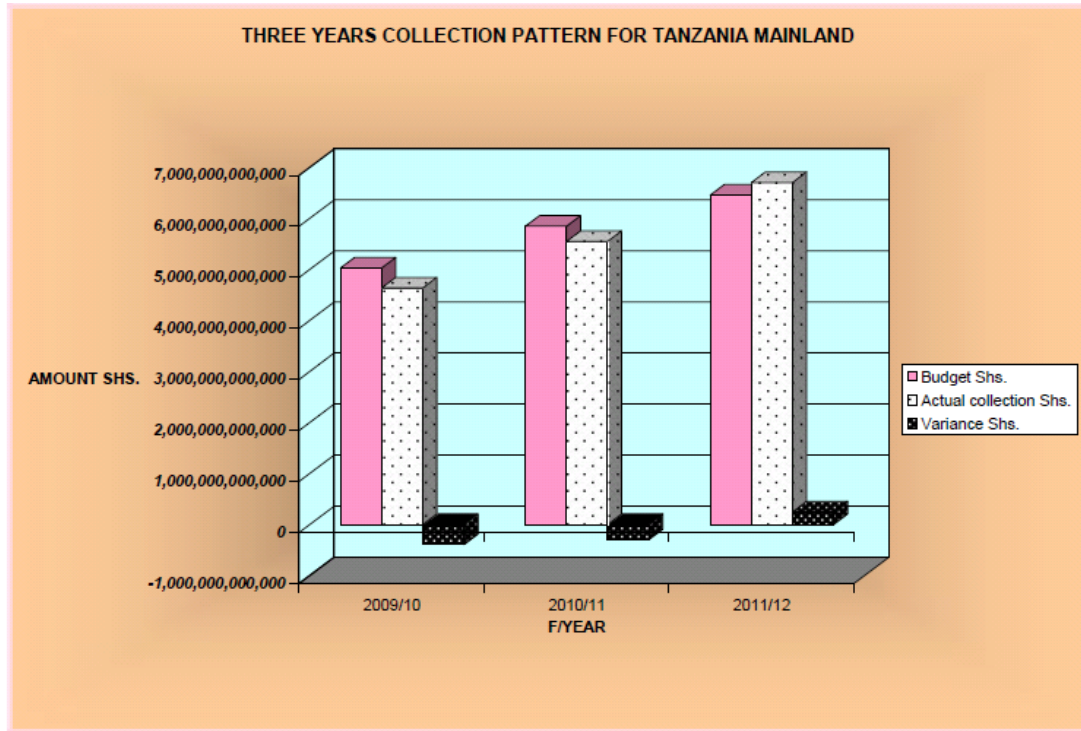
Table 7: Collection pattern Tanzania Mainland

F/y	Budget Shs. (a)	Actual collection Shs. (b)	Variance Shs. (c)= (b-a)	%age (c/a)
2009/10	5,028,922,100,000	4,637,686,999,618	(391,235,100,382)	(8)
2010/11	5,849,093,700,000	5,550,203,244,379	(298,890,455,621)	(5)
2011/12	6,456,832,630,000	6,703,229,704,888	246,397,074,888	4

Analysis of Revenue Collection pattern

Revenue performance over the past three years in respect of Tanzania Mainland shows gradual increase in revenue budget/estimates coupled with proportionate increase in actual collections. Performance for the year under review improved to 4% above the estimates as compared to the under-performance of 8% and 5% recorded in the years 2009/2010 and 2010/2011 respectively.

Figure 3: Graphical representation of three years revenue collection pattern in Tanzania Mainland



4.6 Improvement of tax revenue collection in Tanzania

Respondents were asked on what they believe that if done by TRA then the tax revenue collections would increase. The following is a summary of the findings.

Adequacy of manpower

In contributing to this question, most of the respondents suggested that TRA should have not only adequate man power but also skilled and competent manpower to be able to execute its roles effectively. Not all the tax points have been reached and therefore still additional manpower should be added to be able to address this challenge.

Emphasis on voluntary tax compliance

TRA has been emphasizing on voluntary tax compliance but this has not been successful probably due to insufficient emphasis to create awareness. Still much more efforts needs to be put by TRA to create awareness to people over voluntary

compliance. Seminars and workshops should be conducted to ensure that is effectively communicated.

Review of tax laws

Findings have revealed that there is a need to review some of the tax law provisions as they end up hampering the tax collections and the economy of the country. Respondents suggested that the VAT refunds, tax exemptions, tax incentives and the taxes policies agreements and contracts in the mining sector should be reviewed as they have significant effects in the total tax revenue collections.

Tax audit

Respondents argued that the frequency with which tax audit are done is very down. This gives rooms for tax evasions and all acts to cheat in order to pay lower taxes or not at all. This has been one of the factors that affect the revenue collections by TRA. Therefore, audit should be done frequently as possible.

Control of corruption and embezzlements

Tax systems in most poor countries including Tanzania are characterized by widespread corruption and tax evasion, (Tanzi, 2000). This erosion of tax base has several detrimental fiscal effects. The consequence of lost revenue to the funding of public services is of special concern (Tanzi, 2000). In addition corruption and tax evasion have harmful effects on tax revenue collections as well as economic efficiency in general and income distribution in particular.

90% of the respondents strongly agreed, 10% agreed, 0% strongly disagreed, 0% disagreed and 0% remained neutral on corruption and embezzlements done in tax revenue collections. Most of the respondents, strongly agreed that the tax collection practices are strongly affected by corruptions and embezzlements. They added, saying that such misconducts are perpetuated by mostly the TRA officials themselves and in collaboration with the tax payers. Much of the revenue is lost through these practices. Therefore, one of the efforts that should be done by TRA in order to achieve more tax revenue collections should be the control of corruption and embezzlements.

VAT refunds

VAT refunds are done to investors for their purchases' VAT. Most of the foreign investors especially in the extractive industry and the manufacturing industry involve the purchases of large and very expensive machineries and equipments and so they pay large amount of input VAT. Respondents argue that this favor especially to foreign investors have significant impact in the total VAT revenue collections. Tanzania being one of the poorest countries should consider carefully the VAT refunds policy as it is very true that the government still need a lot of funds to support its budget.

Shortage of Staff to Assess and Enforce the Taxes

Due to the shortage of staff, TRA is facing some difficulties in following up the traders under informal sectors who do not have a tendency of keeping proper records. This hinders successfully the collection of enough tax revenues to finance the whole Tanzanian budget.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study examined the role of tax revenue collections to the budget of Tanzania. The preceding four chapters provide a basis for which this wind-up is based. The dependent variable of the study was the tax revenue collections and the main independent variable was the TRA efforts. This chapter displays the conclusions of the study, policy implications regarding tax revenue collection, limitations of the study and area for further research.

5.2 Importance for Tanzania Revenue Authority

Of what value is this work to TRA? Can this analysis answer the questions raised at the beginning of this research: How effective is TRA in collecting and increasing tax revenues in Tanzania? What efforts can possibly improve the situation in tax revenue collection? Can this research results provide any guidance to the increase in tax revenue collection by TRA?

As far as the findings of the study as discussed in chapter four are concerned, low tax revenue collections affect greatly in the preparation of government budget. That is being the case the government based on the loans, grants and assistance from the donors countries in supporting its budget. Thus, services that are provided by the government such as education, health, infrastructure, agriculture, national security, are greatly affected once donor countries refuse to provide those grants, loans and assistances.

However, as exhaustively discussed in the literature review the study revealed that there is increase of tax revenue collection every year, which indicates better performance for TRA. But this collection was not enough to finance the whole Tanzanian budget as the expenditure of the government grows every year. Although TRA is trying to increase tax revenue collection by establishing different strategies

but yet there is no proportionality percentages in the tax revenues collections on the budget⁵.

Also the findings of this study will enable TRA to be aware of many challenges that contribute to the low tax revenues collection which, in turn will help the organization in establishing solutions to the problem.

5.3 Summary of Findings

The findings presented in chapter four shows tax revenue contribute at large percent in Tanzania budget, although the government is highly needed to establish other sources of revenue because currently TRA has failed to maintain all the government expenditure per every year. The researcher discovered various reasons as to why TRA fails to make it:

Firstly being tax exemption granted on many companies have negative impact on the tax revenues collection as TRA officials may use this opportunity to exempt some of the companies for their own benefits rather than the benefit of the whole country. This in turn may have greater impact on the lowering the rate of tax revenue collected for the budget.

Secondly, tax revenue collection is not sufficient to finance the budget due to involuntary Tax Compliance. Voluntary tax compliance is very low to many taxpayers. This may be due to tax law complexity that results into error of ignorance or confusion. TRA does not have exactly amount of money which is not generated due to non compliance of taxpayer but for the experience of researcher in TRA Singida region , this is the area which is given much emphasis by the management. Taxes are not paid due to either taxpayer who does not have the exact knowledge of tax laws, while others are well knowledgeable but they do not pay taxes voluntarily.

Thirdly, the global financial crises on the economy also contributed to a large percent of failure to have proportionality in the percentages of tax revenues collection on the budget. Large percent of the economy of the world was affected by the economic crisis, as well as Tanzania, as this contributed to low tax revenue

⁵ Findings as discussed in chapter four of this dissertation.

collection, those foreign companies which have branches in Tanzania and were affected by economic crises totally close their operations in the country.

Fourthly, shortage of competent staff is the area which was discovered during the study a situation which leads to a failure of attending all customers on time. As it is recommended that every tax officer must know every tax payer's businesses, the tax which is supposed to be paid and which is already paid.

5.4 Conclusions

The conclusions to the study are presented in respect to the research objectives which are; to establish the role of tax revenue collections to the Tanzania budget to a great extent, to assess the efforts undertaken by TRA in increasing tax revenue collections, to identify causes of inefficiency in the tax revenue collection if any. The main objective of this research was to examine the role of tax revenue in Tanzania budget and analyze the efforts undertaken by TRA to increase tax revenue collection.

Contribution of tax revenue collections to Tanzania budget.

As presented in the preceding chapters, the role of tax revenue collections to the government of Tanzania was studied in reference to the tax collection performance, stability of the tax collections and adequacy of the tax collection methods employed.

Tax collections performance

As seen in the findings above. The tax revenue collections performance can be improved to a great deal. And so TRA should consider putting its strategies more focused and execute its plans effectively. Therefore to achieve more collections TRA should consider doing the following more strongly and strictly;

- ✓ Close monitoring of monthly collections (normal flows) in which the expected collections are confirmed by 15th of every month
- ✓ Recovery of tax arrears
- ✓ Effective audits and these should be done frequently
- ✓ Close follow up of non-filers and effect penalty actions to the non responsive individuals

- ✓ Tight controls over special reliefs and VAT refunds
- ✓ More training should be conducted to TRA staffs to enable them address the challenges in the tax collection processes.
- ✓ More detailed and clear tax payer's identification procedures should be put in effect. Tax payer sensitization should also be put in place to activate them.
- ✓ Implementation of the Departmental Action Plans accordingly.

Stability of the tax revenue collections

TRA should ensure it achieves stable collections and that stability should be improving year to year to be able to meet the budgetary challenges facing the government of Tanzania. Much more revenue needs to be collected as still the government budget suffers insufficient funds and have been pushing it to borrowings and grants and all these have their impacts. Findings have revealed that still the government needs more funds and that TRA can still raise more tax revenue collections.

Adequacy of collection methods.

Findings have revealed that still there is room for more tax revenue collections. Therefore TRA should implement effective, efficient and economical collections methods and be in a position of achieving more revenue collections. The self assessment policy should be followed with close tax audit to ensure that individuals do not default.

5.5 Recommendation

The following matters are recommended to the government-TRA for improvement of revenue collection:

5.5.1 Tax Exemptions

- ✓ In order to enhance tax revenue collection and harmonize tax exemption administration, the government should introduce capping of exemptions as a percentage of GDP and grant exemption to the maximum of that limit.

- ✓ Due to national interest and the public in particular, it is worthwhile that all Mining Development Agreements should be subjected to a review by a special committee approved by the Parliament.
- ✓ The Government should revisit its decision to grant tax exemptions in various areas with the view of establishing their importance to the economy and abolish all those tax exemptions which seem to have negative effect to revenue collection in order to reduce government's budget deficit.
- ✓ Where tax exemptions have been granted, a timeline should be established for an investor to account for tax exemptions granted and amount of revenue generated also the same should be compared with the business plan and objective agreed within the period, to enable the government to assess whether it is worthwhile to keep on granting exemptions. In addition, tax exemption certificates should state the life span of exemption within its validity period.
- ✓ Tax exemptions tracking system should be introduced to track exemptions granted by the Ministry of Finance through G.N. i.e creating a database that should be linked between TRA and the Ministry of Finance.

5.5.2 Taxation of the informal sector

This may include Tax from petty traders (Machinga), medium and large scale farmers, small scale miners and social halls' owners. There must be a link between National Identity Cards and tax registration. Efforts should be made to raise public awareness to the importance of tax payments.

- ✓ Government should conduct aggressive market research to identify the location and market value of the houses and introduce individual tax returns by having a requirement to disclose rent paid by individuals.

- ✓ Taxes from mobile phone money transfer business (tigo pesa, M-pesa, Airtel Money etc). Telecom operators should withhold tax payable by mobile phone money transfer companies at a predetermined rate which will be set off against income tax payable at the end of the year.

5.5.3 Non Tax Revenue

- ✓ Transfer of Land and Land rent

Introduction of an Integrated Land Management Information System (ILMIS) should be rapidly introduced to assist keeping of proper records for plots of land countrywide. The exercise will assist to phase out manual record keeping.

- ✓ The Ministry of Lands should open its account in different districts through which local authorities will be depositing directly revenue collected from transfer of plots and land rent.
- ✓ The Ministry of Lands should employ its accountants who will not only assist in revenue collection but also responsible to the ministry of lands as opposed to local government employees who are responsible to the District Executive Officer.
- ✓ Enhance education to general public on the difference between land rent and property tax with a view to increase compliance with the law.
- ✓ Review the land rates payable which are now contributing to low revenue collection.
- ✓ A deterrence penalty coupled with interest compounded monthly should be introduced to enable those who are not willing to pay rent annually comply accordingly. This study has revealed that, among other factors people default to pay land rent simply because they can afford to pay interests as the rates are very low ; and The Ministry of Lands should enforce requirements of the Taxpayer Identification Number (TIN) when registering title upon transfer of ownership and also when allocating plot of land throughout the country to identify its tax payers. This will enhance revenue collection.

5.5.4 Mining royalties

Given the potential of royalties from sale of concentrate and aggregates to miners of industrial minerals we recommend that Exit vouchers system(EVS) should be introduced in other mining zones offices located in different parts of the country to improve revenue collection.

- ✓ Integration between TRA and MEM; the two government agencies should cooperate to ensure government revenue is collected. This includes human resource sharing in revenue administration to reduce costs
- ✓ In view of inconsistencies in royalty payments report between government and mining industry, it is paramount for the government to carry out periodical reconciliation in order to establish the correct amount of royalty due and payable to the government.

5.5.5 Education and Sensitizing the Taxpayers on Proper Records

TRA should not only provide education and training to its staffs but also should educate the taxpayers. The taxpayers need to be educated on the importance of paying tax, the consequences of not paying tax and involving in acts that amount to tax evasion. They also need to understand on how to prepare say the tax returns and how to assess themselves. This is because most of small and even medium size enterprises are not able to employ professionals and need to be educated by TRA. TRA should sensitize the taxpayers for a better performance.

5.5.6 Emphasizing Voluntary Tax Compliance

More emphasis still needs to be put in promoting voluntary tax compliance. Businesses should be reached and made aware of the best results of voluntary tax compliance and the benefits in them. Example with regards to VAT, that they will be able to claim input VAT and more other benefits.

5.5.7 Reduce opportunities for evasion, corruption and embezzlements

Tax evasions, corruptions and embezzlements are the misconducts that have affected greatly the performance of tax revenue collections. With these acts, individual interest is put ahead of the organization interests. Therefore TRA should tighten its

controls to ensure that these misconducts are not happening or at least are reduced to a great extent. The involvement of such bodies like the Preventive Corruption Bureau (PCB), and others stakeholders.

5.5.8 Improvements in information technology

TRA should continue improving its information systems to enable easy access to information by Tax payers. That is at some point; taxpayers should come to a position of filling their returns through the internet systems and have access to continued learning websites for the improvements in the overall tax systems. Introduction of Electronic Fiscal Devices (EFD) and say the cash registers should be emphasized and more and more controls should be effected there on.

5.5.9 Enhancement of taxpayer services

TRA should ensure effective taxpayer's services are rendered. This is to create a good working relationship with both the TRA and the taxpayers. The taxpayers should be taken good care.

5.6 Areas for further research

For researchers, this work has demonstrated the need for more longitudinal, quantitative studies of organizational statistics over long periods and the need to be able to quantify and measure TRA efforts in ensuring effective total tax revenue collection on the budget. In addition, there is a need to conduct a more detailed analysis on strategies that are put forward by TRA management in ensuring effective total tax revenue collection if they are manageable or not. The study did not exhaustively explore the factors that inspire management to collect low revenues relative to expectation. Thus, further study is encouraged on the same aspect.

As far as the problem under the study is concerned however, further empirical studies are necessary in order to ascertain and corroborate the findings of this study as follows; from the result of the study, it is not enough to conclude that the revenue collected by TRA is enough to finance government expenditure. There is a need to further investigate in order to identify new sources of revenue in order to increase tax revenue collection. Large amount of tax is wasted due to abuse and misuse of tax relief as instead of using it for intended activities it is used for personal use as relief.

The outcome of that research will assist the government to reduce number of items and persons to be relieved, remove mining companies in the list and suggest new way of promoting investment in the country especially in the mining sector without jeopardizing tax objectives.

Also further research should be done to investigate the new sources of revenue that will help government to increase more revenue instead of looking on soft drink, beer and spirit as well as motor vehicle license and registrations as only main source of income by increasing rate of tax in every year budget. In the longer term government needs to increase its efforts to improve revenue collection, diversify its revenue sources and measure efficiency in spending in order to place government finances on a sustainable basis. There is also a need to study further the administrative issues both in the TRA and the government policies that have impact on the tax revenue performance. Another research could be an assessment of the weaknesses in the tax laws in Tanzania.

BIBLIOGRAPHY

- AllAfrica.com, 25 March 2010. 'Tanzania: Investors in Dar Transport to Enjoy Tax Exemptions.' Assessed 29 July 2010 from <http://allafrica.com/stories/201003250228> html.
- Banda, K.K. (2003). *Does revenue authority offer the solution for efficiency and effective to government revenue mobilization?* Unpublished Msc dissertation of Birmingham University.
- Best, J. W. and Kahn, J. V. (1999). *Research in Education*, 7th edition, Prentice Hall of India P.C.C, New York.
- Bird, R. M. (1992). *Tax Policy and Economic Development*. London: University Press, London Bukuku S.E, (1998/99). *TRA Annual Report Review of tax structure*. Dar as salaam.
- Bryman, A. (2004). *Social research Methods (2nd ed)*. Oxford: Oxford University Press. Company, California State University, Fullerton.
- Cozby, P. C. (1977). *Methods in Behavioral Research*, 7th edition. Mayfield Publishing
- Hanson J.L. (1986). *A textbook of economics*. Great Britain: Pitman publishers. Income Tax Act .(2004).
<http://unpan1.un.org/intradoc/groups/public/documents/aapam/unpan032895.pdf>
retried on November 28, 12:22 pm.
- Kothari, G.R . (1990) . *Research Methodology, Methods and Techniques (1st ed)*, New Delhi: Wishwa Prakashan.
- Kothari, G.R .(2004). *Research Methodology, Methods and Techniques (2nd ed)*, New Delhi: Wishwa Prakashan.
- Kothari, G.R .(2004). *Research Methodology, Methods and Techniques (2nd ed.Reprinted)*, New Delhi: Wishwa Prakashan.

- Lipsey R.G. (1986). *Introduction to positive economics*. London: Sage Publications.
- Lissu, T. (2008). *How Tanzania is failing to benefit from gold mining (2nd)*. Christian Council of Tanzania
- Moor, M. (2007). *How does taxation affect the quality of the government*. Institute for development studies, Kingston United Kingdom.
- Mpongoliana, R. (2000). *The theory and practice of Taxation in Tanzania*, Dar as Salaam; NBAA
- Mukandala, R. (1983). *Trend in civil services size and income in Tanzania*. Canadian Journal of African studies.
- Nawaz, F. (2010). *Exploring the Relationships between Corruption and Tax Revenue*. Retrieved on November 28 from <http://www.u4.no/helpdesk/helpdesk/query.cfm?id=228>
- Oxford Dictionary. (1998). *Advanced learner's dictionary*. Oxford: Oxford University Press.
- Policy Forum (2009), *How Much Revenue Are We Losing?* Issue brief no. 3.09. Accessed In 29 July 2010 from <http://www.policyforum-tz.org/files/Howmuchrevenueareweloosing>.
- Poverty and human development report. (2007).
- Saleemi, N.A. (1987). *Simplified economics*. Nairobi
- Saunders, M. et al., (2007). *Research Methods for business students (3rd)*. India: Dorling Kindersley publishers, 3rd edition.
- Soest, C. (2008). *Donor support for tax administration reform in Africa: Experiences in Ghana, Tanzania, Uganda and Zambia*. Retrieved on 28 November, 2010, 11:50 A.m from [se1.isn.ch/serviceengine/Files/ISN/54538/...0173-49F2.../2008-02e.pdf](http://www.isn.ch/serviceengine/Files/ISN/54538/...0173-49F2.../2008-02e.pdf)

- Tanzi, V. (1989). The impact of microeconomic policies on the level of taxation on the fiscal policies on the level of taxation and fiscal balance in developing countries.
- Thirsk, Wayne. (1997). *Tax reform in developing countries*. Washington: World Bank)
- TRA Annual General Meeting Report. (2012).
- TRA Annual Progressive Report. (2008/2009 -2011/2012).
- TRA Third Corporate Plan Manual. (2008/09-2012/2013).
- University of Birmingham retrieved from www.taxfield.com
- United Republic of Tanzania (URT). 1996b. Speech by the Minister for Finance Hon. Prof. Simon M. Mbilinyi (MP.), Introducing to the National Assembly the Estimates of Public Revenue and Expenditure for the Financial Year 1996/97. Government Printer: Dar es Salaam.
- United Republic of Tanzania (URT). 1998. Tanzania Revenue Authority Act, Act No. 11 of 1995 (Principal Legislation). Government Printer: Dar es Salaam.
- United Republic of Tanzania (URT). 2002. Speech by the Minister for Finance Hon. Basil P. Mramba (MP), Introducing to the National Assembly the Estimates of Government Revenue and Expenditure for the Financial Year 2002/2003 on 13th June, 2002. Government Printer: Dar es Salaam.
- Vacaflres, D. (2006). Moving from efficiency of foreign direct investment on economy to meaningful effect taxes. Unpublished master's dissertation, A&A University.
- VAT Act. (1997).
- Vitek, L. (1993). *Evaluation of effectiveness of tax revenue collection*. University of Economics Prague, Czech Republic.

- Wallis, W.A. (1981). *A positive model of overlapping income in a federation of states*. New York: Rochester.
- Taube, G., Tadesse, H. and Rothman, S. L. (1996) *Presumptive taxation in Sub-Saharan Africa: experiences and prospects*: International Monetary Fund, [Washington, DC]
- Tadesse, H. and Taube, G. (1997) 'Presumptive Taxation in Sub-Saharan Africa: Experiences and Prospects'.
- Chipeta, C. (2002) 'The Second Economy and Tax Yield in Malawi', *AERC Research Paper*.
- Peñalosa, G. (2004) 'Turnovsky. 2004. "Second-Best Optimal Taxation of Capital and Labour in a Developing Economy"', in: mimeo).
- URT 2012/13: Government Budget Speed 2012|2013
- Ministry of finance website (www.mof.go.tz)
- Clknet Policy Brief 5: Curbing Tax Evasion By Professional Service Providers In Tanzania
- Lupi, A. (2009) *Tax revenue in the European Union*, EUROSTAT, Statistics in focus 43/2009
- Şerban, C. (2010) *The evolution of social security revenue in the new European Union member countries*, Institute for Entrepreneurship Strategy International Conference
- "Problems and Ways for Improvement of Economic Mechanism of Entrepreneurship Activity" Zhovyi Vodi, Ucraina
- EUROSTAT** (2010) *Government Finance Statistics*, [Online], Available at: www/epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics

EUROSTAT (2009) *Government finance statistics, Summary tables no. 1/2009*,
Statistical

Yearbook (2009) [Online], Available at: [www/epp.eurostat.ec.europa.eu/portal/page/
portal/government_finance_statistics](http://www/epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics)

QUESTIONNAIRES

Appendix I

Category 'A'

To be answered by TRA Officers, Tax experts and other professionals and individuals

I'm a student from Mzumbe University who is pursuing a course of Master degree in Business Administration in Corporate Management. I'm doing a research on the role of revenue tax collections to the Tanzania budget: the case of TRA. This research is conducted in fulfillment of the award of the Masters Degree in Business Administration in Corporate Management. I will be very grateful if you will do your best to answer the questions given below, even if there may be questions which do not exactly apply to your situation. The result of the study will be used for academic purposes only and not otherwise. The purpose of this questionnaire is to give you a chance to tell how you feel about the contribution of tax revenue collections on the budget of Tanzania. The information you provide in this study will be highly appreciated and shall be used in strict confidence.

Questionnaires:

Name:

Education level: Please indicate by ticking appropriately

Tertiary	University	Secondary	Primary
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1. Does the government budget depend heavily from the tax revenue collections?

Please indicate the level of agreement

Please tick appropriately on the level of agreement.

Strongly Disagree	Disagree	Strongly Agree	Agree	Neutral

2. To what percentage does the tax revenue collection being contributing to the Tanzania budget?

.....

.....

.....

.....

.....

.....

3. The government policies contributing well in achieving tax revenue collections target

Please tick appropriately on the level of agreement.

Strongly Disagree	Disagree	Strongly Agree	Agree	Neutral

4. Have the tax revenue collections being stably increasing?

Please indicate the level of agreement and tick appropriately.

Strongly Disagree	Disagree	Strongly Agree	Agree	Neutral

5. What do you consider to be the factors for the unstable increase tax revenue collections?

i.

ii.

iii.

iv.

v.

6. Are the methods employed by TRA in collecting tax revenue adequate?

Please tick appropriately on the level of agreement.

Strongly Disagree	Disagree	Strongly Agree	Agree	Neutral

7. Does TRA attain its revenue targets?

Please tick appropriately on the level of agreement.

Strongly Disagree	Disagree	Strongly Agree	Agree	Neutral

8. Are there factors affecting the tax revenue collection performance?

Please indicate the level of agreement

Please tick appropriately on the level of agreement.

Strongly Disagree	Disagree	Strongly Agree	Agree	Neutral

If you strongly agree or simply agree to the above statement please answer the following question.

9. Please state the reasons that could be affecting the tax revenue collection performance.

i.
.....
.....
.....
.....

ii.
.....
.....
.....
.....

iii.
.....
.....
.....
.....

iv.
.....
.....
.....
.....

v.
.....
.....
.....
.....

10. How effective is TRA administration in collecting and increase tax revenue collection?

i.
.....
.....

ii.
.....
.....

iii.
.....
.....
.....

iv.
.....
.....

v.
.....
.....