

**PROPERTY TAX COMPLIANCE IN MOROGORO REGION A
CASE OF MOROGORO MUNICIPALITY**

Prepared

By

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**A Dissertation Submitted in Partial/Fulfillment of the Requirements for Award
of the Master Degree of Science in Accounting and Finance (MSC.A&F) of
Mzumbe University.**

2014

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a research entitled **Assessment of property tax compliance a case of Morogoro Municipality**, in partial/fulfillment of the requirements for award of the degree of Master of Science in Accounting and Finance of Mzumbe University.

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DEDICATION

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ABBREVIATIONS

CBMS	Community base Management System
GDP	Gross Domestic Product
IRS.....	Internal Revenue Service
MDP.....	Municipal Development Programme
PSIA	Poverty and Social Impact Analysis
TRA	Tanzania Revenue Authority
UNHCS.....	United Nations Centre for Human Settlements
URT	United Republic of Tanzania
USEP	Urban Sector engineering Project
USRP	Urban Sector Rehabilitation programme
UWSAs	Urban Water and Sanitation Authorities
VAT	Value Added Tax
VEO	Village Executive Officer
WEO.....	Ward Executive Officer
OECD	Organization for Economic Co-operation and Development
UARA	Urban Authorities Rating Act

ABSTRACT

Many urban local authorities in developing countries are failing to cope with the increasing demand for urban infrastructure and other social services resulting from urbanization. Insufficient locally generated finance is one among the reasons accounting for this failure. Real property tax is often identified as a major source of local government finance that has the potential to contribute substantially to locally raised revenue. This thesis reports on results of a study whose aim was to assess property tax compliance practice in Morogoro Municipality, Tanzania.

The study analyses the public awareness in property tax, methods of land and building valuation, level of social services on property tax payer, property tax rate paid to the municipality, and evaluation of property registration on Municipality level. This is the better way to illustrate how property taxation is practiced. From the property taxpayer's point of view the study explores property owners' perceptions of property tax. Property owners' views were collected from Ward and Mitaa of Morogoro Municipality.

The methods used in data collection were observation, interview and questionnaire. Collected data were analyzed using Ms Excel and statistical package for social sciences (SPSS), data presentation was based on tables and figures shows frequencies and percentages.

Finding of the study shows that property tax generates very low levels of revenue when measured against the potential. This is a result of inadequacies in administration of the tax. Property tax coverage is low as large proportions of the property tax base are not valued and less revenue is collected from rateable properties captured in the property tax database. The study further observes inadequacies of non-supportive relationship among the key actors in property taxation. Property taxpayers express resistance to paying their tax bills on account of receiving little benefit or none in return for the taxes they pay. The observed deficiencies with the property taxation practice call for the urgent attention of the relevant municipal authorities if the property tax is to achieve the full potential.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction of the study

The research was mainly dealing with an assessment of property tax compliance in Morogoro municipality. The study was conducted at Morogoro region particularly Morogoro Municipality. Property taxes are generally levied on land only (site value taxation), buildings only, and on land and buildings (or improvements) either separately or collectively. Many countries also take account of machinery and equipment in the property tax base. But this research was dealing with property tax based on land and building. A well-functioning property tax system could offer many benefits to the nation and its municipality. This chapter expect to explain the background of the problem to be studied, Statement of the research problem, objectives of the study, research questions, scope of the study and significant of the study.

1.1 Background Information

Tax evasion has wide ranging implications especially regarding its effect on tax revenues, excess burden, and the numerous out of pocket costs that are typically associated with tax evasion. Government's responses to the revenue short-fall created by tax evasion, such as raising revenues from other sources, reducing the supply of public services, and/or borrowing, could also lead to excess burdens. Related to this is the indirect effect of tax evasion on economic institutions (Sennoga, 2006).

Tax evasion seems to take place in practically every country in the world, and can be considered a potential problem everywhere. The most hit countries with tax evasion and fraud are developing countries where the paying of taxes is not fully cultured in the minds of the citizens. It is not always easy to get evidence of tax evasion because the nature and those who perpetuate it try to conceal the vice individually or in collusion with the tax administrators (Tumwesigye, 2010).

Although Tax evasion is carried out by individual tax payers (including companies and firms), the type and nature of these vices are similar all over African countries.

To a certain extent even the methods used to evade tax and carry out fraud are similar albeit varying degrees. Curnutt, (2005) who now works from his home in Arlington Tex., said that a statistical report released by the Internal Revenue Service (IRS) indicated that cheating on the reporting of real estate partnership gains was growing sharply. Nationally, in 2005, \$20 billion of gain from real estate tax shelters was unreported, he said, and in New York State, the epicenter of the business, the figure may be as high as \$5 billion. Studies from different developing countries indicate that it was not uncommon for half or more of the potential tax revenue to remain uncollected (Bird, 1992). This tax base erosion has had a variety of fiscal effects and there are at least four reasons for concern. First revenue losses from noncompliance are particularly critical in the context of substantial budget deficit (Tanzi, 1998). Second, both horizontal and vertical equity suffer since the effective tax rates faced by individuals differ because of different opportunities for tax evasion, (Slemrod *et al.* 1998). Third the expanding underground economic activities which are often the other face of tax evasion, may affect implementation and outcome of economic policies (Cowell, 1990; Tanzi, 2000). Finally evasion and citizen disrespect for the other laws, and thus contribute to undermine the legitimacy of government (Graetz *et al.*, 1986).

According to Oldman (1992), who has reported extensively in Latin America, evidence abound to suggest that urban property tax revenues in developing countries have not kept pace with the growth of the base largely because of the way the tax administered in most developing countries. At present, however, yields of urban property taxes in developing countries are extremely low. Virtually all developing countries that are market economies assign a property tax to their municipal governments. Its contribution to total public sector tax revenues was negligible and its share of municipal revenues was typically less than 20 percent (Dillinger, 1992). In November 1995, the Municipal Development Programme (MDP) for Eastern and Southern Africa organized a regional seminar to analyze the property tax systems of the different countries in the region. Approximately 50 participants from 10 countries including Tanzania gathered in Harare, Zimbabwe, to discuss problems, challenges, and opportunities for action confronting their countries in the area of property

taxation. From their deliberations they arrive at the following conclusions as being the sources of their problems;

- In several cases, central governments have been slow or reticent in devolving to local governments' authority over the property tax: Rates, tax bases, and the systems for valuation are centrally controlled. Furthermore, to the extent that central governments do not benefit from property tax collections, they also lack incentive to improve policy and legislation.
- In cases where authority over the property tax is in the hands of local governments, improvements and innovation do not take place because of the perverse incentives resulting from discretionary grants and/or indirect taxes. Local governments find it politically attractive to rely on the easy money provided by central government.
- Most countries in Eastern and Southern Africa are faced with several administrative and procedural obstacles, including the absence or poor condition of existing systems for recording and valuing property. Other problems related to administration are the difficulties of assigning tax liabilities, valuation, collection, and enforcement of tax obligations.
- All countries face problems resulting from citizen unwillingness to make contributions through the property tax for nonexistent or poor quality services. All these difficulties are summarized into administrative problems and recent studies on property tax in Tanzania (Kayuza, 2006).

The Constitution of Tanzania (1977, as amended, 1998), provides that every person has the right to own property and the right to have his or her property protected in accordance with the law and obligation to pay their tax on it (URT Constitution 1977).

Property taxation in Tanzania has a rich colonial history that can be traced back to the German colonial rule when a simplistic 'hut tax' was imposed on the indigenous people. (Hut taxes were also common in the British colonies in East and Southern Africa). After the end of the World War I, Britain began its colonization of Tanganyika and introduced new finance structures, including a tax based on land and buildings (under the Township Ordinance, (Cap 101 of 1920).

Morogoro is a city with a population of 315,866 (2012 census) in the southern highlands of Tanzania, 169 kilometers (105 mi) west of Dar es Salaam, the country's largest city and commercial centre, and 223 kilometers (139 mi) east of Dodoma, the country's capital city. Morogoro is the capital of the Morogoro Region. It is also known informally as "Mji kasoro bahari", which translates as "city short of an ocean/port". Based on the 2012 National Population and Housing Census, the population of Morogoro municipality was 315,866 of 151,700 whom or 48 percent are male and 164,166, or 52 per cent are female. The estimated total numbers of average households size of 4.1 people (URT, 2012).

Property tax evasion was one of the problems facing Morogoro Municipality, most of land and building owner they are not pay their annual tax of owning this property which tend to reduces the size of revenue collection day to day in Morogoro municipality. The property tax is very important in the growth of Morogoro, recognizes that revenues are raised from a variety of sources but the most important are the Direct and Indirect Taxes. Direct taxes are levied directly on persons, properties or companies receiving the income and cannot be avoided.

There are various types of direct taxes of which the most common are income taxes, which are charged and collected mainly by central and local government authorities in respect of income earned from any form of employment. Furthermore, property taxes represent a form of direct taxation on capital. Although of the importance of property tax in revenue generation, still Morogoro property owner evade to pay their property taxes, Poor register of property tax collection that causes annoyance to collectors, landlords and renters, the data of Municipal verify it (CBMS, 2008).

1.2 The Statement of the Problem and Significance of the Study

Property tax is an important source of revenue for urban councils in Tanzania and it is charged to owners of properties. The rate of tax is fixed by the local authority through enacting by laws depending on the value and location of the property. In

Morogoro municipality most of the land and building owner do not pay their annual property tax.

Continue existing of property tax evades affect the Municipality by collecting little amount of revenue, community receiving less service delivery like water and sanitation, health service, disposal of dusts, and schools receive low facilities like teaching aid, Also affect the municipal to have budget deficit (Tanzi 1991).

According to CBMS report (2008), The effort have been taken to property or minimize property tax evasion in Morogoro Municipality, Establishment of property tax database that can show property ownership, location, type of property, and the related taxation in Morogoro Municipality. Despite of policy, Acts, Plans and study on property taxing in Morogoro still land and building owner are not aware on paying their property taxes.

The study helped municipality to implement policy, bylaws and methods that municipal can adopt them and overcome the property tax evasion in Morogoro municipality which was insure the municipal to increase their revenue collection and increase to deliver service to the community and reduce budget deficit.

1.3 Research Objectives

1.3.1 The general objective of this study is to assess the property tax compliance in Morogoro municipality.

1.3.2 The Specific Objectives of this Study are:

- i. To determine public awareness in property tax
- ii. To identify methods of land and building valuation at Morogoro Municipality
- iii. To determine level of social services on property tax payer
- iv. To examine property tax rate paid to the municipality
- v. To evaluate property registration on Municipality level

1.4 Research Questions

1. To what extent people are aware to comply with property tax
2. What are the methods of land and building valuation used by morogoro municipality?
3. To what extent property tax payer get social services on property tax they pay?
4. What is the property tax rates paid to the municipality?
5. To what extent the property are registered in Morogoro municipality?

1.5 Scope of the Study:

This study carried at Morogoro Region in Morogoro Municipality. The Municipality will present group of respondents in order to ensure good representation which will help to examine fully why property owner/Land owner evade paying property tax also the study was contribute to have property tax compliance in local government authority, and improve service delivering to her people. This was reducing poverty rate in Morogoro municipality people. The tax compliance also will help to reduce country budget deficit.

1.6 Significance of the study

- It is hoped that the research findings will lead to a better understanding of the existing problems.
- The findings of this study will highlight the existing problems and therefore help Morogoro Municipality to overcome property tax evasion.
- Findings of this study is expected to be useful because will pave a way to other researchers on further investigation/research property tax compliance.
- The research study is expected to provide the researcher with potential knowledge on the area of Morogoro Municipality.
- The study will increase the body of knowledge. In such situation, it will be used as a guidance and reference tool for candidates

preparing themselves for research paper both at academic and professional levels.

- Successful completion of this research by the researcher will enable to be awarded Master Degree of Accounting and Finance at Mzumbe University.

1.7 Organization and Layout of the Study

This research is organized as follows; the first chapter gives the background of the study, statement of the problem, objectives of the study, research questions, significance of the study, scope of the study and conceptual frame work

The second chapter is made up of theoretical and empirical literature review as well as the conceptual framework of the study. The third chapter is made up of the research methodology of the study. The fourth chapter is made up of findings of the study and the fifth chapter based on discussion and conclusion.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter shows how other researchers and writers wrote about the related topic, includes books, manuals, journals and articles. The literature review basically based on theoretical bases of the study, empirical studies, conceptual framework and measurement of variables

2.1 Theoretical Review

2.1.1 Tax

A tax is a financial charge or other levy imposed on an individual or a Legal entity by a state or a functional equivalent of a state (for example, tribes, secessionist movements or revolutionary movements). Taxes could also be imposed by a sub national entity. Taxes consist of direct tax or indirect tax, and may be paid in money or as corves labor. A tax may be defined as a "pecuniary burden laid upon individuals or property to support the government, a payment exacted by legislative authority." Black's Law Dictionary (1979). A tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority and is any contribution imposed by government whether under the name of toll, tribute, tillage, gable, impost, duty, custom, excise, subsidy, aid, supply, or other name.

2.1.2 Tax Evasion

Tax Evasion has been defined widely in literature with most definitions being with respect to a particular type of Tax, i.e. either indirect or direct. It has also been defined in contrast to Tax Avoidance. We will look at both terms and then propose a working definition of tax evasion as this is our main focus. (Alm and Vazquez 2001) define Tax evasion as the illegal and intentional action taken by individuals and firms to reduce their legally due tax obligation by under reporting incomes, sales or wealth, overstating deductions, exemption or credits or simply by failing to file the appropriate tax returns.

The subject of Tax Evasion has been widely studied from various angles in literature, among which has been the angle that has tried to identify the causes of Tax Evasion. Most of home owner evades paying their property tax as by nature people are not

comfortable to willingly pay taxes, because the benefits of the Tax paid do not accrue directly to the Taxpayer. Thus Taxes are generally paid out of an obligation rather than a necessity to the government. This naturally derives the zeal in the Taxpayer to reduce this perceived Tax Burden.

Chipeta, (2002), identifies three causes of Tax Evasion. Firstly, the rates at which taxpayers are being taxed. He observes that the higher the rate, the higher will be the likelihood for the Taxpayers to evade, as this increases their Tax Burden and hence lowers their disposable income. This fact is in complete tandem to the pioneering studies in Tax Evasion done by (Allingham and Sandmo, 1972) who also observed a positive correlation between Tax rates and Evasion. Secondly, the probability of being detected after evading taxes also influences the decision of a Taxpayer as whether to evade or not. This is directly linked to the level of how strict Tax Laws are being enforced. Thirdly, also directly related to the level of Tax Law Enforcement, is the level of penalties that are incurred after an evasion has been detected. Higher penalties usually act a deterrent to evasion, as they reduce the future payoff to the evading Taxpayer. (Fishlow and Friedman 1994) summarize this fact by elaborating that Tax Evasion increases when the expected ratio of future to current income increases.

The level of corruption in society also has a strong bearing on Tax Evasion. If the cost of corrupting a Tax official is lower than the benefit of accruing from evasion, a Taxpayer will likely indulge in evasion. (Acconnia *et al*, 2003) observes that in an economy the level of corruption and Tax Evasion hinges on such factors as the wealth of the Taxpayer and the wage of the Tax Official. (Maclearn 1996) further works on a model, which tries to identify the optimal wage at which Tax Officials should be remunerated. He argues that Governments face the dilemma of identifying, a wage level which will ensure that its Tax officials are not enticed to bribery, as there is a link between the wage level of Tax Officials and Tax Evasion via corruption.

Failure by the Government to provide basic Public Goods and other Social amenities which are supposed to be funded by the Taxes being collected may aggravate Tax

Evasion (Pashev, 2005). Lack of Transparency and Accountability in the use of Public Finances has the effect of building public distrust both in the Tax System as well as the Government, thereby playing up the chances of Tax Evasion.

Tax Evasion is also linked to the concept of Parallel Economy. A parallel economy of a country includes not only illegal activities but also unreported income from production of legal goods and services either from monetary or barter transactions (Schneider, 1994). From this definition it is therefore normal to conclude that Tax Evasion will be higher in countries with a large Parallel Economy and lower in countries with a small Parallel Economy.

Property tax is an annual tax on real property. It is usually, but not always, a local tax. It is most commonly founded on the concept of market value. The tax base may be the land only, the land and buildings, or various permutations of these factors. For the purposes of this guide, property tax is restricted to annual taxes and excludes one-off taxes on transfers, on realized capital gains or betterment, or on annual wealth taxes.

Property tax has been in existence for at least three millennia. It is common throughout the world and has often been the subject of political debate. The strengths and weaknesses of this type of tax are well known and possibly more widely understood than any other tax.

2.1.3 Property Tax

Property tax is primarily a fiscal instrument that local governments use to generate revenue for the provision of an array of public services such as fire protection, ambulance, police, waste disposal, street lighting, parks plus other aspects of community infrastructure. Besides, the tax can be used as a regulatory instrument to influence land use patterns (Paugam, 1999).

Property tax is an attractive source of revenue because of the many advantages it offers and throughout the world it is considered the largest source of local government revenue. Traditionally and universally property tax is the most important own tax instrument available to local governments. It is generally argued that revenue from property tax contributes significantly to the financing of public services (McCluskey, 2000).

Property Tax Base Definition

Defining the appropriate tax base, what is and what is not taxed, is a critical policy decision.

Property taxes are generally levied on land only (site value taxation), buildings only, and on land and buildings (or improvements) either separately or collectively. Many countries also take account of machinery and equipment in the property tax base (Kelly 2000; Bird and Slack 2002). Properties are typically classified on the basis of use as residential, nonresidential (which include commercial, industrial, government, agricultural, and vacant), and rural (agricultural and non-agricultural). The property tax base generally is defined broadly in the law to comprise all land, all buildings or both; similarly, exemptions and exclusions are generally provided for and prescribed by law as well. Exemptions in most countries are either permanent or temporary and often include: international governments and organizations, based on reciprocity or treaty agreements, religious, social, and educational properties (e.g. churches, schools, hospitals, and charity organizations), and government property.

2.1.4 Importance of Property Tax

A well-functioning property tax system could offer many benefits to the nations of sub-Saharan Africa. A dependable and locally administered source of revenue would greatly benefit local democracy and economic development (Franzsen 2007).

Property tax derives its significance from the number of advantages that it has over other type of taxes. In his Master thesis at KTH Futa (2004) outlined some of these advantages. He wrote that the reliance on revenue from Property Tax to finance the provision of infrastructure and other services at the State or local level is due to the

quality of property as being immovable. As a result the OECD (1983) report indicates that the primary function of the Local property tax is to finance local government services for the benefit of the local community. In this regard, the IAAO (1997) and the OECD (1987) reports specify the benefits of the property tax to include the following:

Firstly it is noted that since the property tax is independent of income taxes, it enables those with low income yet with substantial property holdings to make an appreciable contribution to the provision of local government services. Additionally it enables municipalities to derive revenue from its residents who do not reside in the localities yet maintain properties there IAAO (1997).

Secondly the property tax system is transparent as compared to other forms of taxes. Property owners can always compare what they pay with what others pay for their properties and have a fair idea of whether they are paying too much or too little taxes. Furthermore provisions are always made for appeals and as such dissatisfied taxpayers can always appeal against any perceived unfair tax levied on them IAAO, (1997).

Thirdly the property tax is essentially a local tax since the tax base is immovable and permanently fixed within the locality. Consequently it provides a regular source of revenue and the property itself acts as collateral security in the case of default (OECD, 1983).

2.1.5 Demerits

The property tax is based on unrealized property wealth, which may not necessarily translate into personal income wealth. The tax is perceived as regressive since all property owners are levied the same tax rate based on the value of their property. This causes considerable hardship to the poor and the vulnerable in society.

Secondly most residents are at pains to justify the imposition of property taxes since invariably the tax would have to be paid from income, which has already paid income taxes, and as such it is viewed as double taxation on income. Moreover, sharp increases in property taxes after a period of revaluation cause appreciable increases in taxes, which draw a lot of resentment from property owners.

Thirdly it is sometimes difficult to perceive the linkage between the tax and the project, which the tax is financing. For example a property tax, which is used to finance recurrent expenditures, would not find favor with taxpayers.

Fourthly, the property appraisal process is a cumbersome and time-consuming exercise especially when revaluations are due. Thus the administrative cost could be high in term of personnel, and logistics required for a revaluation exercise (IAAO, 1997). Generally it is considered that though the administration of the property tax requires a lot of skilled personnel and logistics for assessment, it should not exceed more than 3% of the value of the revenue collected (Vlassenko, 2001).

Fifthly, capital appreciation from property is realized only when the property is sold and as such though values may rise as a result of capital appreciation, the gains are realized only when the property is sold but however this increased appreciation can also be subjected to capital gain tax.

Lastly a property tax reduces the market value of the property since the taxes are deducted from the rent before the rent is capitalized, thereby producing a lower market value than if there were no property taxes.

2.1.6 Basis for Taxation

Governments have enumerable responsibilities. Some of these include economic infrastructure (roads, legal tender, enforcement of contracts, etc.), enforcement of law and public order, protection of property, public works, social engineering, welfare and public services (including education systems, health care systems, pensions for the elderly, unemployment benefits, and public transportation. Energy, water and waste management systems are also common public utilities) and the operation of government itself. A number of revenue sources are available to a government to execute these responsibilities. Among the many sources is tax. Taxes consist of one prominent, prudent and feasible source of revenue for the government. Governments therefore tax the people in their country as they produce to earn income for themselves. Taxes form a high percentage of revenue to nations.

The statistics below portrays the importance of tax revenue as related to the GDP of the respective countries Taxation as a percentage of GDP in 2003 was 56.1% in

Denmark, 54.5% in France, 49.0% in the Euro area, 42.6% in the United Kingdom, 35.7% in the United States, 35.2% in The Republic of Ireland and among all OECD members an average of 40.7%

2.1.7 Characteristics of a Good Tax

These features of a good tax were first put forward by Adam Smith and it is still upheld by modern Economist. According to Stiglize and Driffil (2002), for a tax to achieve its purpose of raising revenue to finance government activities, it should have these characteristics;

Fairness - When economists talk of fairness, they focus on two principles, that is horizontal equity and vertical equity. Horizontal equity means that individuals who are in similar situations should pay identical or similar tax and vertical equity means that people who are better off should pay more taxes.

Efficiency - The second criterion for a good tax system is efficiency. The tax system should interfere as little as possible with the way the economy allocates resource and it should raise revenue with the least cost to taxpayers and the government as well.

Administrative simplicity - The procedures for collection of the tax should be easy and less expensive relative to the income generated. It should be difficult to evade

Flexibility - The fourth criterion is flexibility, as economic circumstance change, it may be desirable to change tax rates. With a good tax system, it should be relatively easy to do this.

Transparency - Tax payers are consumers of public services; they should know what they are paying for and what each person is paying.

2.1.9 Principal-Agent theory

Agency theory explains social relations involving a delegation of authority (by a principal to an agent), and starts from the observation that the relationship generally results in problems of control. The most important problem emanates from difficulties in motivating an individual or organization to act on behalf of another. Moreover the problem of motivation is a result of difficulties associated with the inability of the principal to observe and control the actions of the agent. Milgrom and Roberts (1992) assert that:

“Principal-agent problems are situations in which one party (the principal) relies on another (the agent) to do work or provide services on his or her behalf. When agent’s actions cannot be easily monitored and their reports easily verified, the agents have greater scope to pursue their interests rather than the principal’s. Then, to provide incentives for the agents to behave in the principal’s interests, it is necessary to arrange for them to bear some responsibility for the outcomes of their actions and therefore to bear more risk than would otherwise be desirable” (p. 240)

The principal-agent approach has wide application in analyzing hierarchical relationships in organizations or relationships under contracts. Relating to taxation the approach has been used in theoretical tax compliance studies. One example is a study by Sanchez and Sobel (1993) in which a model was designed to demonstrate the conflict between the government, which has the responsibility of selecting a tax policy, and the auditor, who has the job of enforcing the policy. One of the conflicts shown from the study is the auditor’s divergent incentive from those of the government. The government would want to control the budget so that less is spent on auditing and more on social welfare, but the auditor’s interest would be to spend more on auditing. Although the example is relevant for this study the application is slightly different.

The agent’s behaviour under the principal-agent relationship represents what is called a moral hazard problem. A moral hazard is described as a misbehaviour that arises because actions that have efficiency consequences are not freely observable such that the person taking them may choose to pursue his or her private interests at the other’s expense (Milgrom & Roberts, 1992:167). For instance employees may shirk their responsibilities at the expense of the employer, or managers may opt to advance their interests in place of the organisation’s owners interests.

Monitoring and incentive contracts are ways suggested addressing the problem of moral hazard. The monitoring approach involves monitoring behaviour of employees through increasing resources devoted to monitoring strategies and verification of

their actions. The results of monitoring are then used as a basis for rewarding good behaviour and instituting penalties for inappropriate behaviour. With incentive contracts the employer needs to observe outcomes and to provide incentives for good behaviour through rewarding good outcomes. Rewards may be in form of pay tied to output or bonus schemes. However, it is worth noting that under certain situations increasing resources alone may not be effective in motivating behaviour. Hence incentives may also be required to compliment the monitoring strategy to motivating behaviour change.

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

2.1.9 Game Theory

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

“In a game there are others present who are making decisions in accordance with their own wishes, and they must be taken into account.....In a game each player must assess the extent to which his or her goals match or clash with the goals

of others and decide whether to cooperate or compete with all or some of them” (p. xiv)

Thus on the basis of these views any decision made in a conflict environment must take into account the position and the likely behaviour of the opposing side.

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

On the other hand the tax authority uses the taxpayer's tax return to get acquainted with the taxable income. Since the tax authority happens not to know the taxpayer's true income it adopts an audit system to verify the taxable income. Out of auditing the tax return, the tax authority learns the true income of the taxpayer. Where cheating is detected tax evasion penalties are instituted to the taxpayer. Thus if evasion is not detected the outcome is a gain to the taxpayer because his expected tax payments will be lower, associated with high net income. Conversely the outcome is a loss to the taxpayer if he is found guilty of evasion and is punished as his expected tax payments increases plus penalties and subsequently receives lower net income. This reflects one feature of payoffs in a game where a player gains when the opponent loses and vice versa. In this case the taxpayer gains when he cheats and is not caught, but the tax authority loses. On the other hand if cheating is detected and punished the tax administration gains in form of the payable taxes plus penalties and the taxpayer loses.

2.2.1 Factors Influencing Property Tax Evasion

A lack of human and financial resources allocated to property discovery and the development of poor fiscal cadaster, resulting from insufficient qualified and

motivated staff, inefficiency of manual systems used to systematically identify properties (e.g. lack of proper tax maps, aerial photography, vehicles needed for field surveys, printers), and a lack of computers necessary for data gathering and management, and poor coordination of fiscal cadastre information.

Lack of enforcement in taxpayer provided information indeed taxpayers are often reluctant to provide detailed information about their property; information necessary in the discovery and the valuation process.

Awareness of the people through information, the collection system requires the development of an effective information management system that can handle the taxpayer database. It is essential to know accurately that all taxpayers have been sent a tax bill by the statutory date, which has paid, what has been paid, the level of delinquent taxes, accrual of penalties and what enforcement mechanisms have been invoked.

2.2.2 Factors that Affect Property Taxes

The market value of a property may change. Each parcel of property is assessed at least once every five years and sales ratio study is done to determine if the property is assess similarly to like properties. If not, the Commissioner of Revenue may issue an 'order' that would affect the taxable value of a parcel. Additions and improvement made to a property generally increases its market value.

The market value of other properties in your taxing district may change, shifting taxes from one property to another. If the market value of a property increases more or less than the average increase or decrease in a taxing district, the taxes on that property will also change, new construction in a taxing district increases the tax base and will affect the district's tax rate.

The state general property tax may change. The state legislature directly applies a State General Property Tax to commercial/industrial and season/recreational property classes.

The city budget and levy may change. Each year, cities review the needs and wants of their citizens and how to meet those needs and wants. This is called 'discretionary spending' in the city budget. Also included in the budget is non-discretionary spending which is required by state and federal mandates and court decisions and orders.

The township budget and levy may change. Each March, townships set the levy and budget for the next year. The county budget and levy may change. Each year, counties review the needs and wants of their citizens and how to meet those discretionary needs and wants. In addition, also included in the county budget is nondiscretionary spending which is required by state and federal mandates and court decisions and orders. As much as sixty to eighty-five percent of the county expenditures are used to deliver mandated services.

Aid and revenue from the state and federal governments may have changed. Each year the state legislature reviews and adjusts the level of funding for a variety of aids provided to local governments including Local Government Aid and County Program Aid. The formulas for how aid is determined and distributed among local governments may have changed.

While direct aid and revenue from the federal government to local governments has declined greatly in recent years, federal revenue continues to be a key portion of the local government revenue stream and that revenue stream may have changed.

2.2.3 Challenges Facing Government on Property Tax Collection

Property identification and tax base valuation and assessment would be a moot exercise if the tax is not collected and compliance enforced, and therefore revenues generated. Coverage and valuations procedures are supportive and intermediate steps

(Kelly, 2000). In many countries in Francophone Africa, large amounts of tax revenues are forgone due to tax evasion and tax avoidance in the property tax system. Unfortunately, enforcement mechanisms if they exist (fines, liens, foreclosures, publication of delinquents' names in newspapers, etc.) are not generally effectively implemented in these countries. Low collection ratios in these countries usually stem from:

Lack of political will; there is a reluctance to impose additional taxes on an already heavily burdened and impoverished population and more often political and prominent taxpayers tend to use their personal influence to evade their fair share of property tax.

Poor billing procedures resulting from poor taxpayer database, inefficient postal services, lack of sufficient staff, and lack of comprehensive and standardized street address databases (Franzsen and Monkam, 2010).

High levels of corruption in tax administration systems at the collection and enforcement stages.

Chronic taxpayer non-compliance caused not only by a poor and corrupt administration but also by a lack of understanding of the tax system (which is often very complex), a lack of confidence in the tax administration and by an inadequate service delivery (Monkam, 2009a; 2009b)

Donor agencies could help francophone countries address governance challenges by improving transparency and reducing corruption in tax administration systems, and by improving taxpayer education and making information readily available to them.

Another important avenue to improve collection of property tax, especially in urban areas where political and prominent taxpayers own most properties and tend to use their influence to evade property tax, would be to convert the property tax into a benefit tax as such, property tax.

2.3 Empirical review

2.3.1 Kenya case

Billing and Collection of Tax

Billing and collection of tax are property tax administrative functions. The local authority can use in house staff, other government departments or the private sector to carry out the functions. In some of the major municipal councils, revenue collections have been contracted to private sector lawyers typically with disappointing results. Billing is done by local authorities annually.

When the tax is due, demand notes' stating the assessed value and the tax due is sent to rate payers for payment. In general, collections are low with collection rates ranging from 5 – 60 percent of liabilities. This is attributable to such factors as (1) lack of taxpayer confidence or understanding in how the tax is levied, collected, and enforced, and used, (2) lack of legal and administrative collection and enforcement mechanisms, and perhaps most importantly (3) lack of political will.

The reduction in rates revenue is closely linked to non-payment by property owners leading to cumulative arrears. The problem of endemic rates arrears is easily visible in the print media. A week hardly passes without a notice on the local dailies posted by a local authority outlining rates arrears owed to the local authority by various rateable owners. In August 2009, the city council of Nairobi posted such a notice where only rateable owners with arrears of more than Kshs 100,000 (USD 1335) had their names and amounts owed by them included in the notice (Daily Nation, August 31, 2009). Conspicuously missing on this notice were the central government and state corporations despite the former owing the council the bulk of the arrears in contribution in Lieu of Rates (CILOR) and in spite of a study commissioned by the Ministry of Local Government itself revealing that CILOR was the main non-performing revenue source (Akello, 2008; GOK, 2007).

Similarly, in September 2009 Mombasa Municipal Council put a notice in a local daily where rateable owners with arrears of more than Kshs 20,000 (USD 270) had their names and amounts owed by them included in the notice.

The law is very explicit on the collection on the collection procedures. Section 15 (1) of the Rating Act, Chapter 267 provides that every rate levied by the rating authority

shall become due on the first day of January in the financial year for which it is levied and shall become payable on such day in the same financial year as shall be fixed by the rating authority. The payment day and the amount of rate are to be made public by the rating authority by giving at least 30 days notice. Upon such notice, it shall be the duty of every person liable for such rate to pay the amount of such rate at the offices of the rating authority or at any place.

Enforcement procedure and practices

Section 17 of the Rating Act, Chapter 267 deals with procedures for enforcing rate payment by defaulters. When a rateable owner fails to pay rates due within the stipulated time period, plus any interest on any such unpaid rate, the rating authority may make a written demand notice on the rateable owner requiring him or her to make rate payment plus any interest that has accrued thereto within 14 days after service of the written demand notice.

2.3.2 Uganda case

Tax Billing and Collection

Tax billing is done annually by local authorities. Local authorities are required under section 26 of the act to publish the chargeable rates in the Gazette and local newspapers. Under section 29, local governments are only required to prepare and send demand notes to all property rate payers who have failed to pay by the due date indicating the amounts due for payment. In case of Kampala City Council, demand notes and notices are currently being generated using computer programmes. Actual revenue collections activities are administered by local authorities own staff. However, Kampala City Council has contracted private collectors to undertake revenue collection. The private debt collectors are paid a commission of 10 percent of amounts collected. Despite the engagement of private debt collectors, the collection rate is still low at about 50 percent of the projected figures.

Enforcement Mechanisms

Local authorities enforce the payment of property rates among tax payers through the following:

Administering demand notices, recovery by action, charge of penalties/interest, recovery from tenants and occupiers, prohibition of transfer of property, imposition of a rate first charge on property

However, there is still low compliance rate as tax payers do not want to pay.

2.3.3 Tanzania case

Tax Collection and Enforcement

While the local level valuation department is responsible for the valuation roll and issuance of the tax demand notices, the actual revenue collection activities are administered through the Town Treasurer's office. With the exception of Dar es Salaam which introduced computerized billing for about 30,000 parcels in 1996, all tax demand notices are produced manually, creating problems of delay and transcription errors. Demand notices are delivered either manually or through the postal system often with difficulty due to incomplete or out of date addresses and names. In Dar es Salaam, for example, 15.7 % of the demand notices were returned as undelivered in 1996 (Kironde, 1997: 19).

The Urban Authorities (Rating) Act (UARA) law is silent on the due dates and the number of installments for the property taxes—leaving these to the by-laws of each local authority.

Under the by-laws issued by Dar es Salaam, for example, the tax deadline is defined as 30 days “after receipt of the property tax bill. In practice, tax payments in DSM are made in one installment, although large taxpayers are allowed more than one installment.

Despite the various legal provisions to enforce payment, collection rates appear to be quite low (e.g., less than 30-50% in Dar es Salaam). There are a variety of possible explanations to this low collection rate ranging from a lack of taxpayer education/ understanding to outright resistance, due to lack of local services. Some attribute the low collection rates largely to lack of political will and administrative efficiency (Kayuza, 2006).

Improvement in the application of the legal provisions available for improving the collection ratio would improve revenue, equity and efficiency.

There are four critical ratios that affect property tax performance, namely, the coverage, valuation, the tax rate and collection. Although the tax policy concerning tax base definitions, exemptions, valuation standards, and collection/enforcement provisions are important, the efficiency of the property tax administration is of equal or perhaps more importance. That is, the government must ensure that all buildings are on the tax rolls (i.e., improve the coverage ratio), that these buildings are valued close to market value (i.e., improve the valuation ratio), that the tax is assessed correctly (improve the tax ratio), and that the revenue is collected (i.e., improve the collection ratio) (Kelly and Musunu, 2000).

Enforcement mechanisms

For those taxpayers that do not pay the tax, the DSM By-Laws provide for a 25 percent penalty per year or imprisonment for a term not to exceed one month, or both fine and imprisonment, or any other penalty as contained in the UARA. The UARA itself provides for a 1 percent per month interest penalty on all outstanding amounts (UARA Section 47). In 1999, the UARA was revised to increase the level of fines and penalties to more appropriate levels in line with current economic conditions.

The Law also provides for a warrant to be issued to seize the personal goods and chattels of defaulters up to the value of the outstanding rates. The Rating Authority may, at their discretion, recover any amount due by civil action without further notice or demand (UARA Section 26).

In addition, all outstanding rates are to be charged on the premise, having priority over other claims (UARA Section 27) and the law allows for the premise to be auctioned to recover the rates outstanding (UARA Section 29). Procedures for enforcement of property tax compliance are provided for in the Urban Authorities Rating Act of 1983 and the Local Government Finances Act of 1982. The legal provisions that empower Councils to enforce rates compliance include: Penalty imposed at the rate not exceeding one percentum per month or part thereof or the amount of rates that remain unpaid (Section 47 of the UARA, 1983), Distrain upon the personal goods and chattels of the rates defaulter under Section 26 of UARA,

1983, Instituting proceedings for the sale of the premises whose rates are in arrears in order to recover the amount due. (Section 29 UARA, 1983), Recovery of unpaid rates through deductions from the defaulter's wage or salary by employers in accordance with Section 30 of the Local Government Finances Act, 1982, A penalty of twenty five (25%) percentum per annum of the amount of tax in arrears or imprisonment for a term not exceeding 12 months, or both. This is prescribed in the by-laws made under S. 13 and 15 (c) and (e) of the LGFA, 1982, A fine not exceeding fifty thousand shillings or imprisonment for a term not exceeding three months to a person who fails or refuses to pay rates under the Local Government Finances Act (S. 21), 1982.

Notwithstanding that the law provides for enforcement instruments, councils find it difficult to implement them in enforcing property tax compliance. For instance, most local authorities find the procedures of going through courts as time consuming and costly. Given the resource constraints confronting rating authorities, enforcement of property tax compliance is an activity seldom undertaken.

2.3 Conceptual Framework

The conceptual framework discusses the key variables which will be used in this research. The discussion at conceptual level where the key variables have been distinguished clearly the different types of variables to be studies and specify nature of relationship between them. The linking has severally merits such as defining the boundaries of investigation to guide the researchers.

The independent variables are social and economic variables which influencing property tax evasion this are like Public awareness, Property tax rate, Method of land and building valuation, Social services and property registration.

Method of property tax valuation

In Tanzania property tax is based on market value of a property determined using the traditional methods of valuation and other developed appraisal techniques. Sales comparison approach is the most common method employed in estimating market value while depreciated replacement cost and income approaches are used in some

cases. Property valuations affect compliance of property tax payer because flat rate does not comply with equity principle of tax.

Provision of social services

Local authorities in Tanzania are charged with the provision of public services such as health, primary education, refuse collection, Electricity, water and sanitation, and fire protection services, among others within their areas of jurisdiction. However, the situation in Tanzania is slightly different when it comes to the provision of major public utilities and services and affects the compliance of property tax payer.

Property tax rate

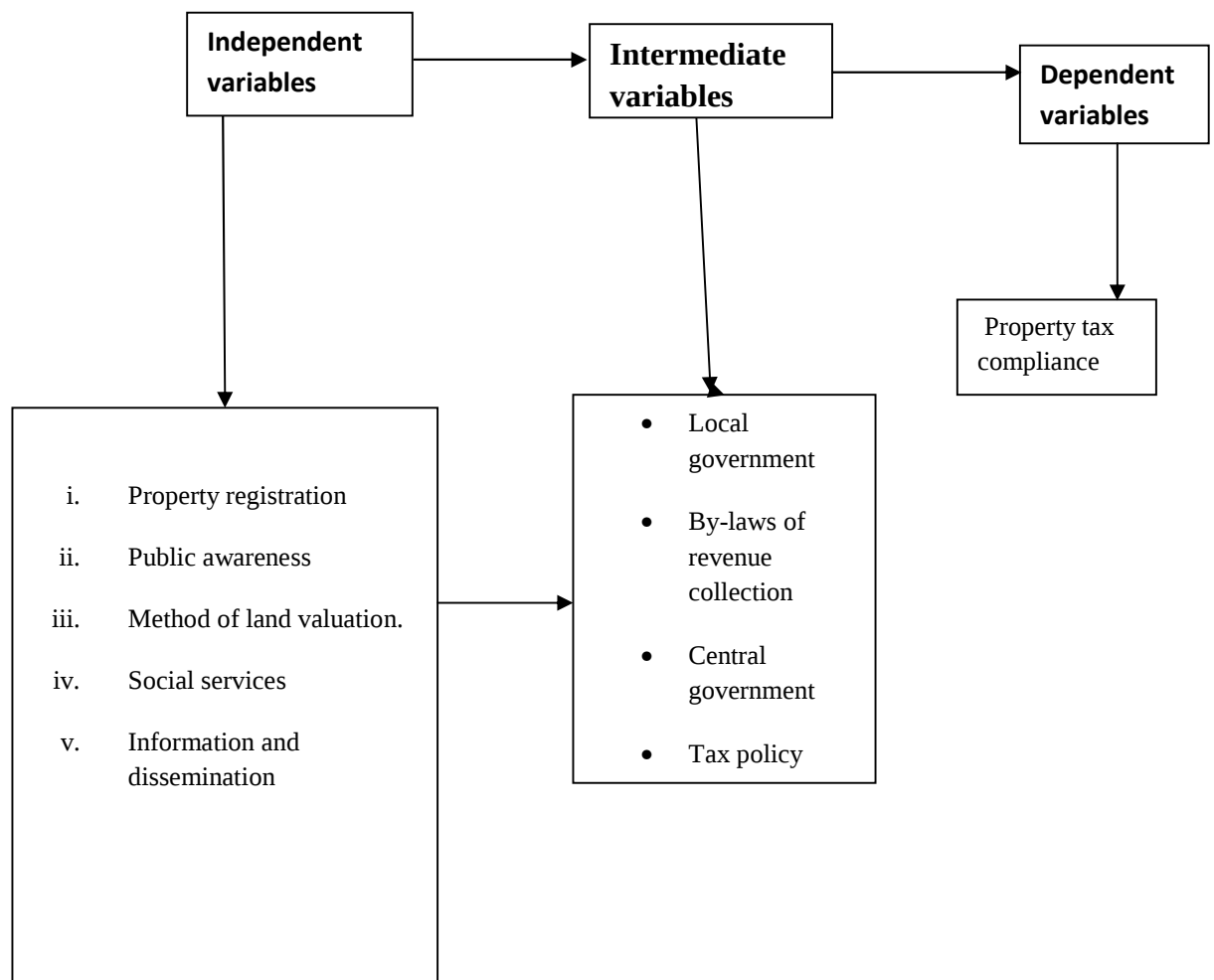
The property tax rates are not fixed in the rating legislation but are set by rating authorities in accordance with Section 20 of the Rating Act, as well as Section 15 of the LGFA of 1982. Thus a local government authority sets a tax rate chargeable as a percentage of the assessed value of the property. Besides rates based on value of rateable property, local authorities are also empowered to levy *flat rates* in areas where properties are yet to be valued, be it in planned or unplanned areas. Under Section 13 of the LGFA, 1982 local authorities are authorized to make by-laws imposing rates. Flat rate property tax is therefore levied on buildings and rates are specified in by-laws made by a responsible rating authority, where when charged high may hurt tax payer and fail to comply paying their bill.

Property registration

The ability to determine the existence of each parcel of taxable property is fundamental for proper functioning of any property tax system. In Tanzania identification of taxable property is facilitated with highly organized land regulatory systems, and as system work poorly the property identified become few and less property identified and few property captured in valuation system of the municipality.

In intermediate variables this are institutions that perform to make the independent variables to appear in the community and dependent variable is property tax compliance. This is shown below in the diagram.

Figure 1: Conceptual Framework



Source: Research model 2014

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research methodology and procedures. It includes some explanations about research design, type of data and information required, data collections procedures, sampling procedures techniques, data management and analysis.

3.2 The Study Area

This study was conducted at Morogoro Region particularly Morogoro Municipality. The reason for selecting the area is due to the fact that Morogoro municipality is one of the areas that are ranked to have high rate of property tax evasion.

3.3 Research paradigms

Research used positivistic paradigm, thus both qualitative and quantitative techniques. Qualitative technique is the one which based on phenomena relating to or involving quality or kind. It can be done through word association tests sentence completion tests, story completion tests as well as motivational research. It aims at discovering the underlying motives and desire using depth interview.

Quantitative technique is the systematic scientific investigation of quantitative properties and phenomena and their relationships. It is the one which based on measurement of quality or amount. It is applicable to a phenomenon which is expressed in quality.

3.4 Research design

The researcher used descriptive research design because it attempt to explain conditions of the present by using many subjects and questionnaires to full describe a phenomenon, where by the answers to the research questions raised earlier were obtained though Questionnaires and Interviewers. The methods were applied depending on the availability of the personnel in the study area and method provide flexibility, whereby there is flexibility at the creation phase in deciding how the questions will be administered as face-to-face interviews, by telephone, as group

administered written or oral survey, or by electronic means (H. Mbwambo, M. barongo and M. Mkuru 2011).

3.5 Types of Measurement

The researcher used parametric types of measurement such as frequencies and percentages to measure a distribution of responses from the respondents to make a process of analyzing the data collection complete.

3.6 Data Collection Method and Approach

Data collection techniques depend on how best they can serve the purpose of the researcher. Researcher was used the most common and preferred tools for data collection which involve the following:

3.6.1 Questionnaire

The researcher design self administered questionnaires which were used as an instrument of extracting both qualitative and quantitative information useful in the study. The questionnaires in their nature were structured mainly to focus on obtaining information pertaining to the property tax compliance. The justification for choosing the questionnaire in this study was that help the researcher in establishing a report with respondents and therefore be able to explain and clarify the purpose of the study and possibly anything, therefore which might seem to be ambiguous to the respondents. With that perspective the questionnaires essentially consisted of scale items, open ended and close ended questions. The open ended questions literary give room for both the researcher and respondents to have freedom on giving views. On the other hand the closed ended questions were designed in such a way that it can be easy, not only to fill in but also consume less time and efforts while still keeping the respondents on track.

3.6.2 Documentary Review

Documentary sources which were used are journals and magazine and other available library materials. In addition officials file such as TRA reports; research reports, municipality annual report and material of similar topic were used. In addition other sources of secondary data provided by organization were valuation report, and copy of pay in slip.

3.6.3 Interview

This refers to the collection of information just through a live or verbal communication between the researcher and the respondents. The method used to collect information from different staffs of different departments in the organization as far as the study is concerned. Interviews were conducted to get in-depth view at the effect of property tax evasion in Morogoro municipality. The interviews made to both staffs TRA, WEO and MEO. And it was aim to assess the factor contributing to property tax compliance and measure taken to overcome the impact of property tax evasion. The staffs requested to suggest ways to improve property tax collection. The recommendations proposed were reviewed to come up with the best way to ensure achievement of the goals and sustainability of tax compliance.

The rationale for choosing this method was that, designed and conducted in professional manner a useful way of exchanging views exploring perception and therefore seeking opinions from the respondents on various issue pertaining to the property tax compliance.

3.6.4 Observation

This technique guided the research on getting the required data and information through the process of paying personal visits on the field grounds and therefore to have a live coverage of what happening over there and more time to discuss with respondents. This virtually helped the researcher to justify some supportive events to include in the research report.

3.7 Type of Data

Researcher used both primary and secondary data type. These types are distinguished as follows:

3.7.1 Primary Data.

The primaries are the information's which were collected in the first time. This data are collected by using questionnaire, personal interview and observation on department's manager and other employees. These data was used because they give actual current information concerning the study.

3.7.2 Secondary Data.

This data were collected using different publication from finance department specially consulted during the course of research from department's journal. These were extracted through reviewing various documents such as TRA reports; research reports, municipality annual report and material of similar topic were used. In addition other sources of secondary data provided by organization were valuation report, and copy of pay in slip. This data was providing historical reference of other past related studies.

3.8 Sampling Design

Cross-sectional research design was employed in analyzing the problem in question. This is because the method allows the research to study different groups of respondents at one point at a time (Bailey, 1994). It is the non-experimental research design as it is useful and considered to have great degree of accuracy and precision in social science research. The method can study to villagers with different age sex and economic status together at the same time to generate the required information.

3.8.1 Sampling Frame

The researcher was taken the sample frame of selected Municipality including male and female respondents. However, purposive sampling frame was based toward leaders, village leaders, land and Tax collectors.

3.8.2 Sample Unit

The population to be studied was including people who have in any way affected by the property tax evasion such as property owner/building owner from selected household. However, additional information to complement the data from households was collected from village and ward leaders, tax collector/agents and other key informants.

3.8.3 Sample Size

The sample size was obtained from the total number of 100 households in the study area. Thus in 80 households plus other 20 informants such as MEO, WEO, Treasury officers Morogoro Municipality, property tax collectors, and TRA officers, making the total of 100 respondents.

Sample size is a number of sampling units which are to be included in a sample (Kothari, 2005). The study was expected to use 100 respondents, the sample size respondents was selected by using the standard formulae, $n = N / (1 + Ne^2)$ as proposed by Yamane in 1997. Where, n = sample size, N = total number of household = 78,967, e = standard error ($e=10\%$) giving 100 respondents.

$$N=78,967 \quad e=10\% \quad n=?$$

$$n = 78,967 / (1 + 78,967 * 0.1^2) = 100$$

Table 1: Number of respondents

Category of respondent	Number
Property Owner	80
WEO	3
MEO	7
Treasury officers Morogoro municipality	5
Municipality Land officers	5
Total	100

3.8.4 Sampling Procedure

Both the probability and non-probability sampling techniques was used to select the appropriate respondents. With probability sampling, simple random sampling was used to pick households for interview. But, with non-probability sampling, purposive sampling was preferred to get response from WEO, VEO and tax agents.

3.9 Reliability and Validity of the Data

3.9.1 Data Reliability

This is the ability of the instrument to measure consistently the phenomenon on it is designed to measure. Researcher expectation was to minimize error in collecting data by applying techniques like administered questionnaire and carrying out interview on days that personnel are not occupied with their job as to get information that are correct.

3.9.3 Data Validity

This is the truthfulness of a measure i.e. the valid measure is the one that measures what is intended to measure. The researcher used random selection of sample from different clusters to ensure the validity of the data to be collected.

3.10 Management and Analysis of Data

3.10.1 Data Management

This involves systematically organizing mass of raw data to be collected in a manner that facilitating analysis of data. Researcher was designed numbers directly for close ended questions in the questionnaire and for open ended questions; the researcher was categorizing all responses give and assign numbers to them.

3.10.2 Data Analysis

Analysis of data was done qualitatively and quantitatively. The qualitative approach entailed analysis of data through describing and analyzing them (comparing them and aggregating into them). The quantitative approach involved manipulation of numbers, use of tales of frequencies and percentages. All the information findings were processed by the help of table of frequencies and percentages by the help of Ms Excel to produce tables and graphs.

CHAPTER FOUR

RESULT OF PRESENTATION

4.1 Introduction

This Chapter presents a discussion of the findings and issues that have emerged from the study. The main purpose of the study was to assess the property tax compliance in Morogoro municipality with a view to finding social and economic factors contributing to property tax compliance, public awareness in property tax compliance and to see social utilities of property taxpayer in Morogoro municipality. Chiefly the results presented rely on the information obtained from sample respondents and examined by descriptive statistics. The respondents were in two different types that are property owner 80 respondents and staff of local government authority in Morogoro municipality 20 respondents that is MEO, WEO, Land officers, and municipal treasury department.

The discussion in this Chapter is structured to reflect upon the implications of the research findings and propose policy options, bylaws and methods that can help to address the prevailing property tax situation.

4.2 Respondents' Characteristics

Respondents included were property owner at Morogoro municipality and also some of the municipal officers to respond official questionnaires, all of which had in one way or another have relationship and knowledge of property tax issues in which gave much confidence in the respondent's knowledge about the study.

Gender, age and education level were among demographic traits analyzed. Demographic information for respondents was sought so as to provide preliminary insights about research findings information.

4.2.1 Gender of Respondents in Study Area

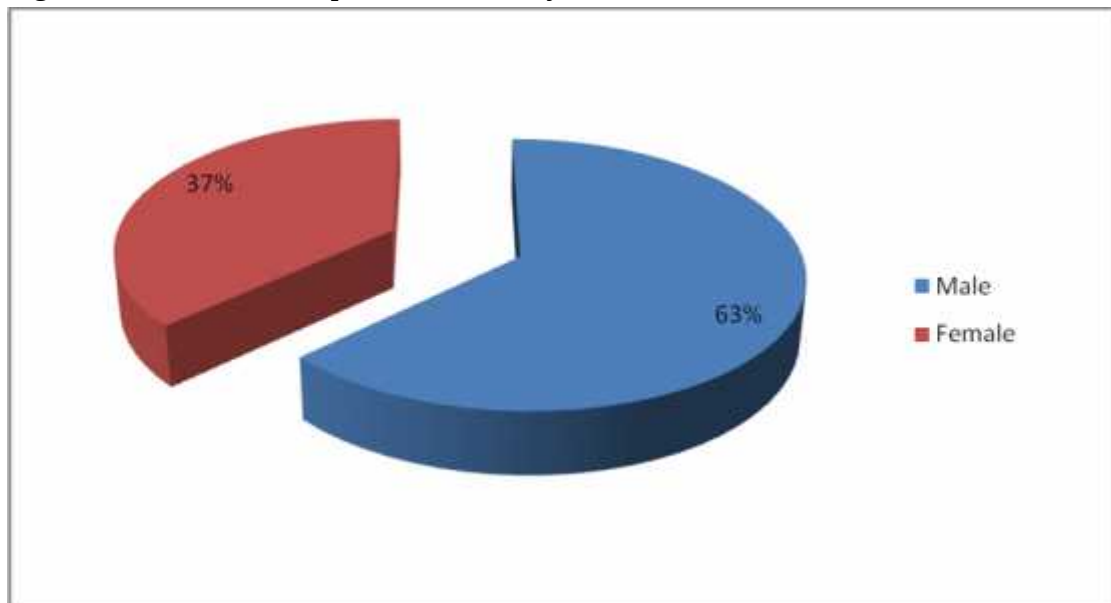
By using observation method both male and female are include in the study area which give a total of 100 respondents give the information where by 63 (63%) are male and 37 (37%) are female, this shows that males are the one who have more information about property tax in the study area. The distribution is as par table 2 and figure 4.1 shows analysis results.

Table 2: Gender

Category of Respondents	Frequency	Percent
Male	63	63%
Female	37	37%
Total	100	100.0

Source: Field data 2014

Figure 4.1 Gender of Respondents in Study area



Source: Field data 2014

4.2.2 Age of Respondents

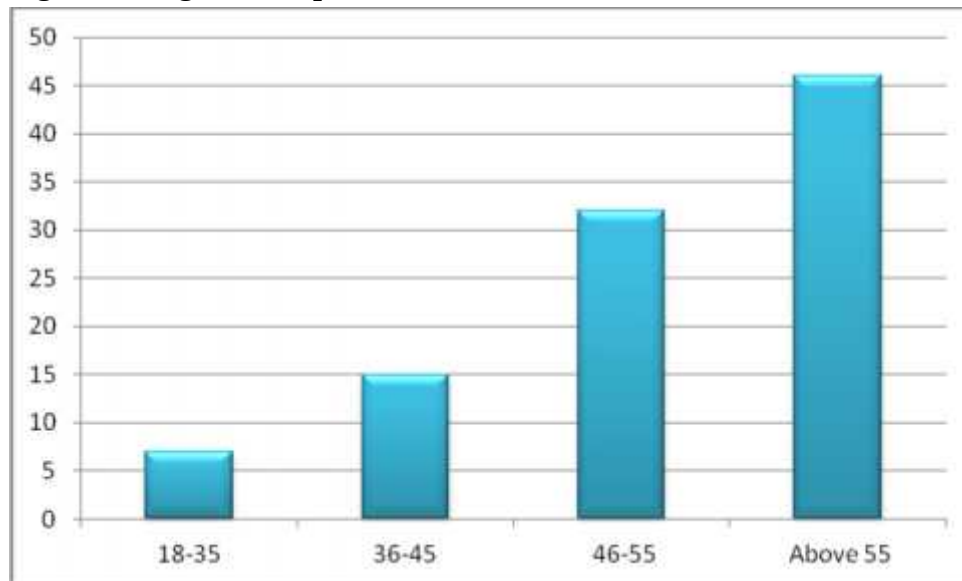
By using interview and questionnaire method different age has proved different information about property tax compliance, In which the respondents with the age of 18-35 were 7 which takes 7% of total number of respondents, 36-45 were 15 (15%), 46-55 were 32 (32%), and above 55 were 46 (46%) which give us the total number of 100 (100%) respondent. This shows that most of the respondents who have the information about property tax are at the age of above 18 years old and for property owner respondents implies that they knows their public responsibilities like paying tax, is the age which anyone who is sound mind can perform his/her responsibilities. Despite the differences in age of respondents, there were no differences observed on the effectiveness of paying property tax. Therefore based on the observation both people regardless their age participated in paying property tax. Distribution as per Table 3 and figure 4.2 shows analysis result.

Table 3 Ages of Respondents

Category	Frequency	Percent
18-35	7	7
36-45	15	15
46-55	32	32
Above 55	46	46
Total	100	100.0

Source: Field data 2014

Figure 4.2 Ages of Respondents



Source: Field data 2014

4.2.3 Education Level

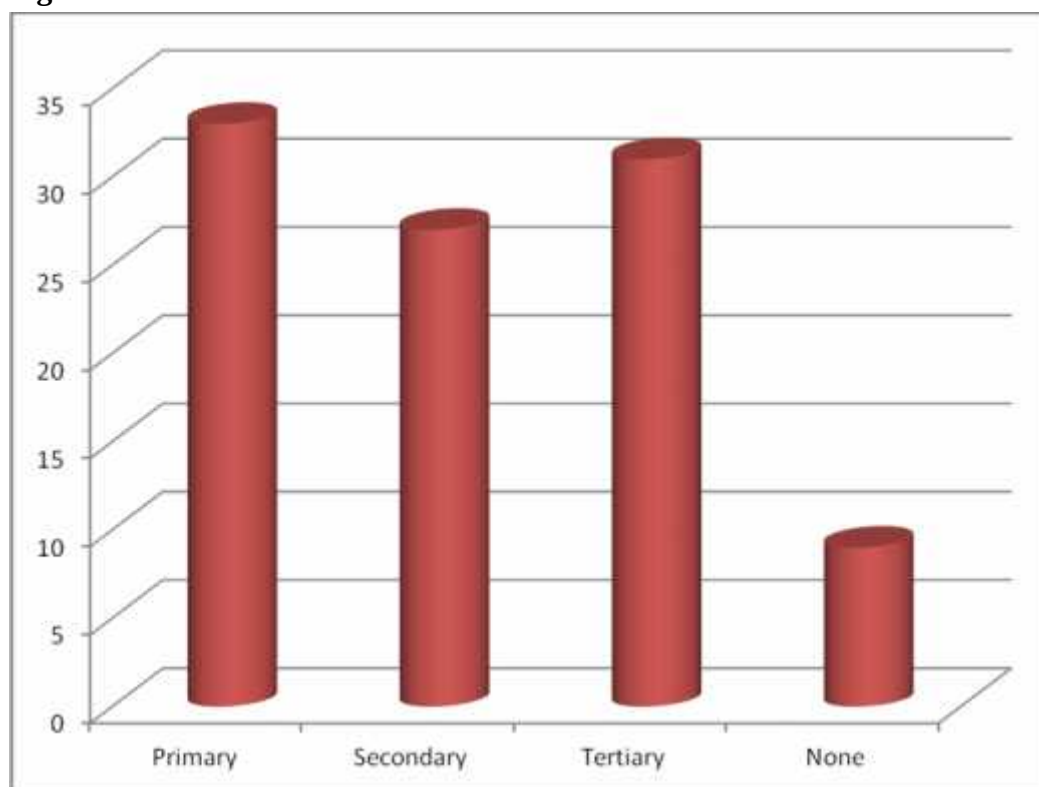
Both interview and questionnaire was used to know the level of education where out of 100 respondents, 33 respondents (33%) have primary education, 27 respondents (27%) had secondary education, 31 respondents (31%) reached Tertiary education and 9 respondents (9%) had not gone to school. This implies that large number of respondent were educated as seen that only 9% of respondents out of 100% are not attend to school, there for awareness about paying property tax does not consider level of education. Distribution as per table 4 and figure 4.3 shows analysis results.

Table 4 Education level

	Frequency	Percent
Primary	33	33%
Secondary	27	27%
Tertiary	31	31%
None	9	9%
Total	100	100%

Source: Field data

Figure 4.3 Education level



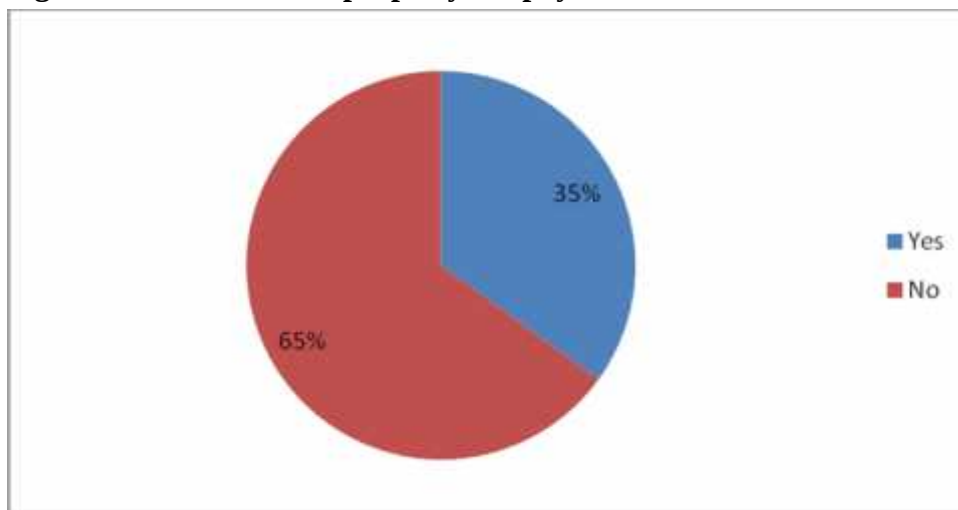
Source: Field data 2014

4.3 Public Awareness

4.3.1 Awareness of Property Tax Payer

Open ended and close ended questionnaire have been used where researcher have asked the local government officers if property owner are aware on paying property tax bill, 7 respondents that are 35% said that yes property owners are aware on paying their property tax bill, where 13 respondents which are 65% said that no most of property owner are not aware on paying their property bill, when asked about measure to be taken they respond that it need to have workshop which may educate property owners important of paying property tax to the community and government in larger. Others comment that it needs to combine mult methods of property tax information disseminations like news paper publication, Radio and post that can make all property owners to get information. Analysis of the study reveals that most of property owners are not aware on paying their property tax bill situation which increase municipal budget deficit and slower social utilities of property tax payer. Figure 4.4 shows analysis results.

Figure 4.4 Awareness of property tax payer



Source: Field data 2014

4.3.2 Information Dissemination

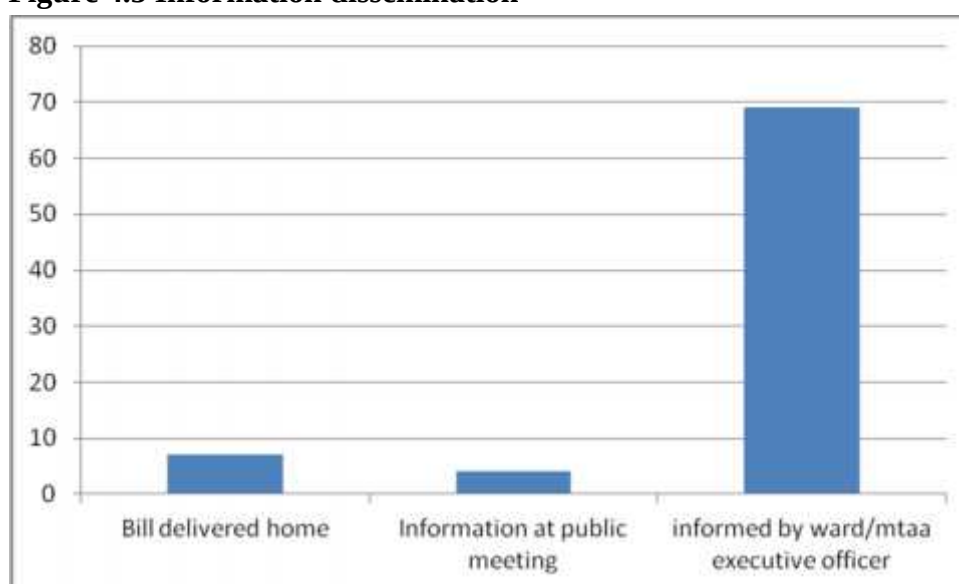
Both interview and questionnaire method was used by researcher to know the situation of information dissemination about property tax, most of the information making property owner to be aware on paying their property tax due is delivered. 4 respondents owner of the property that are 5% get information of paying their property tax due through public meeting, 7 owner of the property 8.75% bill delivered to their home, and 69 owner of the property 86.25% receive information from ward and Mtaa executive officers. This mean that method like using news paper, Radio and post address are not used at all because no any respondent have ever use such method to get information about their property tax bill, this shows that there were inefficient method of delivering information to property owner as seen that most of the respondent wait to get information from ward and Mtaa executive, 69 of the respondent 86.25% get information from ward and Mtaa executive. In other hand the same question was asked to local government authority leaders like MEO, WEO, Treasury officers and also comment that most information of property tax are delivered to property owner throw Local leaders rather than postal. Table 5 and Figure 4.5 shows the analysis results

Table 5: Delivery of information to property tax payer

	Frequency	(%) Percent
Bill delivered home	7	5.00
Information at public meeting	4	8.75
informed by ward/mtaa executive officer	69	86.25
Total	80	100.0

Source: Field data

Figure 4.5 Information dissemination



Source: Field data 2014

4.3.3 Ownership of the Property

Interview and questionnaire method was used by researcher to know ownership status of property the researcher have asked the respondents to how many own the house their living and how many have not own that either hired or heritage from relative the property which they live, analysis of the study shows that 70 (87.5%) out of 80 respondent are owner of the property, where only 10 respondent (12.5%) say that they are not own the house. This implies that most of the owners of the property

are around their property, so if well aware about paying property tax the municipal can collect enough revenue. But in Morogoro municipality is looking vice verse because still most of property owner are not aware in paying property tax bill as local government officer verify. 14 (70%) ward/mtaa executive and officers of local government authority said that most of people are not aware about paying their property tax bills where 6 (30%) of official respondent say that people are aware at all. The official respondents comment reveals that people are not aware enough on paying their tax bills. Table 6 shows analysis results.

Table 6 awareness of property owner

No. Respondents	Individual Respondents	Percent	Official Respondents	Percent
Yes	70	87.5%	14	70%
No	10	12.5%	6	30%
Total	80	100%	20	100%

Source: Field data 2014

4.4 Methods of property valuation

4.4.1 Valuation of Property before Tax Bill Sent

Both interview and open ended questionnaire was used by researcher to know valuation of the property in the study area where with property taxation, value assessment of rateable properties is one among the key components of an effective property tax administration system. The study result show that valuation officers with Morogoro municipality have limited capacity to handle the valuation of all properties in the municipal as well as maintenance of the valuation rolls in place, in the study area analysis show that 90% of respondents said that their properties does not valued. This analysis reveals that valuers who are responsible for all valuation works at the municipal valuation offices as well as property tax administration functions. In the official respondents comments that there are less than ten qualified valuers at Morogoro municipality; the municipal valuers are responsible for all valuation including rating valuation. The extensive amount of work which the

municipal valuation offices are required to handle results in relatively small number of properties on the valuation roll leaving large number taxed on flat rate basis.

Apart from the inability to carry out new valuations, also comments that municipal are not able to conduct supplementary valuation, this is necessary for the maintenance of the valuation roll. For effective property taxation, the identification and valuation functions should be continuous activities of property tax administration. New properties must be identified and valued for inclusion in the roll. Also change of ownership and character of the properties should be reflected in the roll. Even though the practice now is to outsource the valuation function to private valuation firms the tax base coverage is still very low with considerable number of properties yet to be captured in the rolls. Thus valuation output in terms of new properties valued is very low and maintenance of the roll is a nonexistent activity. Furthermore necessary facilities for running a rating valuation office such as transport, office space, and computers that are capable to handle massive data which are generated for property taxation are inadequate. While valuers are required to move within the rating areas so as to keep track of all activities related to property taxation, the valuation units are not allocated with transport when conducting field visits. But given the state of public transport in Morogoro municipality valuers can only perform the minimum functions. Linked to the difficult working environment is the low remuneration to the municipal valuers. As also noted by McCluskey, et al (2003), the municipal valuers are paid low salaries and this impact negatively upon their morale to work.

4.5 level of social services on property tax payer

4.5.1 Connection to Water Services

Both questionnaire and interview methods were used to know about service connected to property owners, where one of the reason of property owner failure to pay their property tax bill is social service given to them, when the tax payer fail to satisfy with social service offered by municipality is where comes to the point of disagree to pay property tax and other taxes. But when we come to Morogoro

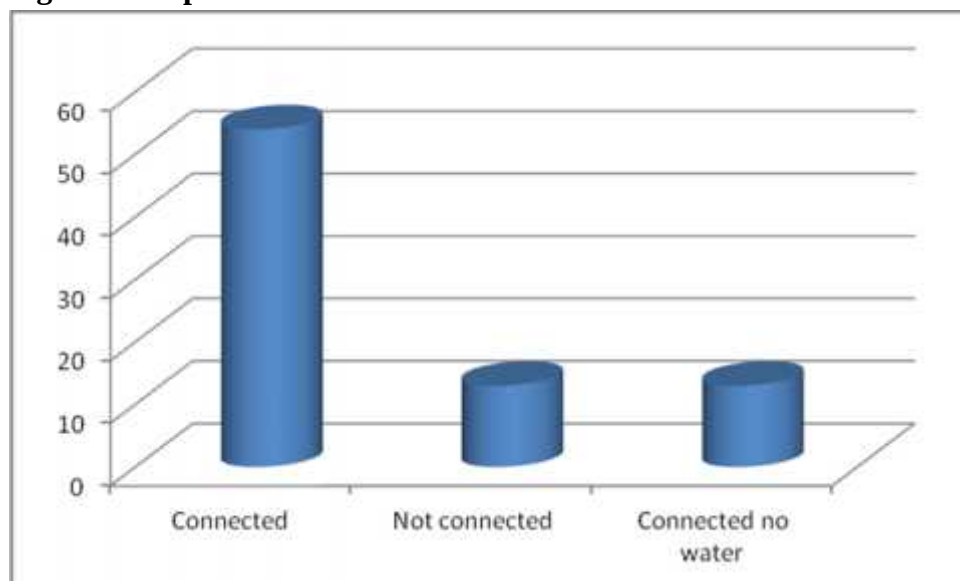
municipality things is different. The analysis results about piped water show that 54 respondent that are 67.5% said that they are connected with water, where 13 respondents that are 16.25% said that not connected to water, and other group of 13 respondents that are 16.25% said that connected but no water, the analysis reveal that most of respondents at morogoro municipality they got connection of water service and there is water that means water is not problem in the study are only some few respondents who are connected and no water. Table 7 shows as per distribution and figure 4.5.

Table 7 piped water

	Frequency	Percent
Connected	54	67.5%
Not connected	13	16.25%
Connected no water	13	16.25%
Total	80	100%

Source: Field data

Figure 4.6 Piped water



Source: Field data 2014

4.5.2 Connection to Roads Services

The researcher have asked the respondents to know if they are house are connected to roads in order to simplify transport, study analysis show that 67 respondents that is 83.75% said that there is roads around their home which simplify transportation, where 13 respondents that are 16.25% said that no road connections around they are home they travel some minutes to reach the roads. The analysis reveals that most of respondents have got access to roads around their home no matter condition of those roads just because cars can reach to their home.

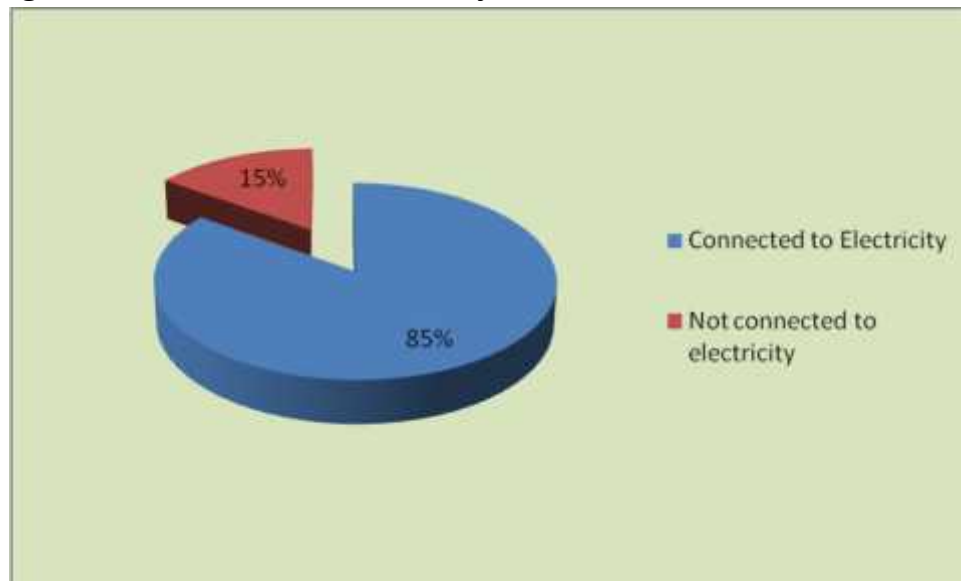
4.5.3 Garbage Disposal

Interview and questionnaire method were used by the researcher where, the researcher asked the respondents if municipal offer service of garbage disposal, analysis of the study shows that 99% of the respondents visited said that they use outside garbage disposal and municipal they are not offer that service. This analysis reveals that most of the area at morogoro municipality they are not access to service of municipal garbage disposal it shows that only center area of morogoro town are the one enjoy for that service and the rest of municipal area use local outside garbage disposal situation which can make tax payer unsatisfactory to service and fail to pay their property tax bill.

4.5.4 Connection to Electricity Service

Both interview and questionnaire was used by researcher to know connection of electricity information, where the researcher have asked the respondents to know if they have connected to electricity service, analysis shows that 68 respondents that are 85% said that they have connected to electricity and only 12 respondents that are 15% said that were not connected to electricity. The analysis reveals that around the Municipality most of building owner are connected to electricity service, is only few respondent who are not connected to electricity and when municipal leaders asked about people who are not connected to service they comment that all their planned to get connection to service. Figure 4.7 shows analysis results

Figure 4.7 Connections to Electricity Service



Source: Field data 2014

General finding of all services, the analysis reveal that for the matter of social services community of morogoro municipality they got in larger percentages as data shows that larger number of respondents got water, electricity, and other infrastructures, municipality fail to deliver garbage disposal while is their duty to perform it. Other information source indicates that failure by the government to provide basic public goods and other social amenities which are supposed to be funded by the taxes being collected may aggravate tax evasion (pashev 2005). Luck of transparency and accountability is the use of public finance has the effect of building public distrust both in tax system as well as the government, thereby playing up the chances of tax evasion.

4.6 Property Tax Rates Paid to the Municipality

Local government authorities in Tanzania can levy two types of rates as provided for in the Urban Authorities (Rating) Act of 1983. A general rate is levied over the whole area of the council's jurisdiction and paid by any person covering an immovable property situated within the area of jurisdiction. Whereas a special rate is

imposed and levied only in specified area of the jurisdiction of the council where a specified project approved by the council has been undertaken and has benefited the owners of the rateable property in the area. The special rate however can only be levied with the consent of the Minister responsible for local government affairs.

The property tax rates are not fixed in the rating legislation but are set by rating authorities in accordance with Section 20 of the Rating Act, as well as Section 15 of the LGFA of 1982. Thus a local government authority sets a tax rate chargeable as a percentage of the assessed value of the property.

Besides rates based on value of rateable property, local authorities are also empowered to levy flat rates in areas where properties are yet to be valued, be it in planned or unplanned areas. Under Section 13 of the LGFA, 1982 local authorities are authorized to make by-laws imposing rates. Flat rate property tax is therefore levied on buildings and rates are specified in by-laws made by a responsible rating authority. The flat rates vary depending on the size, use and in some cases location of the rateable properties.

4.6.1 Assessed Property Tax to Pay

The researcher have used both interview and questionnaire to know assessed property tax paid by property owners where despite the provisions in the law, Municipal councils have not been able to set property tax rates according to the annual amount of property tax revenue they require. When we consider the field data shows that's the assessed property tax does not consider the value of the property, which implies that different house with different quality all are charged same amount/flat rate without considering the value of those property. The analysis result show that 5 (6.25%) house visited respondents said that they pay 10,000/= and 30 respondents that are 37.5% said that they pay 15,000/= where the other property owner 45 that are 56.25% said that they pay 30,000/= the analysis of the result reveal that the 56.25% house charged 30,000/= flat rate are not equal in value because are not value and assessed that create unfairness to tax payer which violate the principle of tax. If the property is valued it can't be easy to pay same amount but different

amount according to the value of property. Table: 7 of analysis show as per distribution.

Table 8 Assessed property tax to pay

	Frequency	Percent
10,000	5	6.25%
15,000	30	37.5%
30,000	45	56.25%
Total	80	100.00%

Source Field data 2014

4.6.2 Amount of property tax that you have to pay.

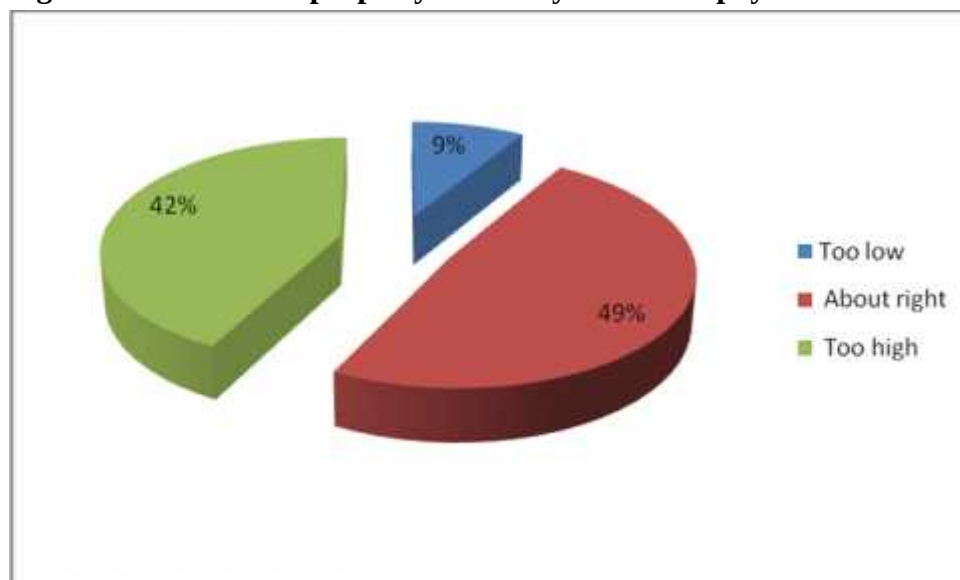
The researcher used both questionnaire and interview to situation of property tax amounts paid by property owners, where respondents were asked about their filling on the amount of property tax they pay, out of total respondents 7 respondents that are 8.75% said that the amount they pay is too low, where 39 respondents that are 48.75% said that the amount of property tax they pay is about right annually, and the rest 34 (42.5%) respondents said that is too high compared to service they get. The analysis of the study reveal that larger percent of respondent agree that the amount of tax they pay is about right but also there is some respondents which is near half of the total respondent that is 42.5% complaining about the tax amount that is too high compared to service they got, it shows that if their house was valued and they know market value and force value of their house it may reduce complaining because they are going to be taxed according to the value of the property. Table 8 shows as per distributions and figure 4.5

Table 9: Amount of property tax that you have to pay

	Frequency	Percent
Too low	7	8.75%
About right	39	48.75%
Too high	34	42.05%
Total	80	100.00%

Source: Field data 2014

Figure 4.8 Amount of property tax that you have to pay



Source: Field data 2014

4.6.3 Ability to Pay Property Tax

The researcher used interview and questionnaire to know ability of property tax payer where, among the reasons that appeared to affect the taxpayers compliance is inability to pay and this is more pronounced in low-income areas. The billed to property owners especially in low-income settlements are not keen to paying property tax because the majorities have no reliable income. When asked if they experienced difficulties in paying property tax, less than 30% respondents in planned areas said that they had problems whereas a relatively higher percentage was noticed

in unplanned areas particularly Kihonda, kilakala, and Mafiga ward with 63% finding it difficult to honour their property tax liability. Generally most of the reasons given reflected inability to pay due to inadequate income as the majority have no employment or income generating activities that could earn them income for their livelihood plus other expenses such as discharging property tax liability. For instance one respondent remarked that:

Much as I know that I have a property tax liability to discharge I find it hard to include the tax bill in my expenditure priorities when the income to satisfy even the daily basic needs such as food is not readily available. (mwembe songwa Questionnaire # 5)

The majority of the interviewed property owners in low-income areas were of the view that the taxing authority needs to consider not only property ownership but also the taxpayer's income levels. Owning a property alone is not enough assurance that one has the ability to pay the tax. Most property owners have been compelled to build houses in order to solve the individual housing problem. In Morogoro urban areas it is quite common for individuals to own houses but for many they do not necessarily have reliable incomes to support their livelihood.

4.6.4 Taxpayer Unwillingness to Pay

Researcher have used interview, questionnaire and documentary reviews to know situation of tax payer unwillingness to pay property tax at the municipality, where Noncompliance of property taxes in the study area are increasing year after year as responded. During 2009/10 64 respondent 80% out of 80 they have paid their bill where 16 (20%) fail to pay, During 2010/11 53 (66.25%) out of 80 respondent paid their tax bill where 27 (33.75%) did not paid their bill, 2011/12 only 44 (55%) paid their bill and 36 (45%) did not paid their property tax bill and 2012/2013 43 (53.75%) only out of 80 respondent paid their bill while 37 (46.25%) are not paid

their property tax. The analysis of the study reveals that most of property owner are not paying they are property tax bills, information of larger amount of tax collected is evolved because rate of population is increasing year after year and some time targeted amount to be collected is below the total property required to be taxed. Chronic taxpayer non-compliance caused not only by a poor and corrupt administration but also by a lack of understanding of the tax system (which is often very complex), a lack of confidence in the tax administration and by an inadequate service delivery (Monkam, 2009) This implies that as day goes people who escape to pay their property tax increases. Table number 10 shows the reality.

On other hand when municipal officers asked about the reason of non compliance on property tax, they have mentioned some of reasons such as property owner disagree with the rate charged by the municipal and they don't have land title deed, other said that it is not advantages to them but to the corrupters'. When we look to the table number 11 Which shows five years property tax collection 2009/10 to 2010/2011 revel that property tax avider are not reduced but increased look the Dodoma municipality schedule of property tax collected on 2011/12 and 2012/2013 instead of increasing it decrease and also those increasing their increased at decrease rate of collected amount of property tax.

Table 10: respondents paid and not paid property tax

Year	2009/10	%	2010/11	%	2011/12	%	2012/13	%
Paid	64	81.6	51	67.1	42	55.3	41	53.9
Did not paid	16	18.4	25	32.9	34	44.7	35	46.1
Total	80	100	76	100	76	100	76	100

Source: Field data 2014

Table 11: Morogoro municipality trend of property tax from 2009/10 – 2012/13

Years	2008/9	2009/10	2010/11	2011/12	2012/13
Budgeted	261000000.00	254000000.00	384161400.00	429277480.00	510000000.00
Collected	83228174.00	162574691.80	315752533.00	257704272.00	348723812.00

Source: Morogoro municipality treasure 2014

4.7 Property registration on Municipality level

In order to know about property registered in the municipality the researcher use both interview and questionnaire methods, where identification or discovery of property tax base sets the first step in levying property tax. The identification process involves gathering information about ownership of property, land area and physical boundaries, as well as location of the property to be taxed. The information so collected enables creation of property inventory or registers for the taxing authority and can be translated into municipal property tax maps. Information about taxable property can be obtained from land registry offices in situations where land registry systems are well organized. But where such information is lacking from the land registry the responsible officials have to collect it from the field.

Like in many developing countries property information for taxation purposes in Tanzania can rarely be obtained from the land registry. The legal cadastre maintained at the land registry contains inadequate information for the purpose of taxation. Documentation with respect to plots that have been allocated mostly shows ownership record, size of the land parcel and development conditions. Moreover the information recorded is rarely updated to take into account changes that occur. Hence property information kept at the land registry is to a large degree unreliable. Such circumstances make it mandatory that information about taxable property is collected from the field. Study analysis shows that out of total respondents asked about if their property have registered, 69 respondents that are 86.25% said that yes their property have registered by ward executive office where 11 respondents said that their

property are not registered. For those how are not registered when asked why they said that still their house is new and they are in finishing time. The study analysis reveal that registration of property are well done by MEO and WEO that have been saved in municipal data base but some of those property are not valued as expressed by respondents.

CHAPTER FIVE

DISCUSSION OF THE FINDING

5.0 Introduction

This chapter covers the discussions of the findings. In that respect, this chapter has been extracted from different documents, questionnaires responses by respondents, interviews conducted during his research at Morogoro Municipality.

5.1 Discussions of the Findings

The research study was to assess property tax compliance in Morogoro municipality. The researcher found a number of issues as far as on property tax compliance is concerned.

5.1.1 Public Awareness

Analysis of the study reveals that most of property owners are not aware on paying their property tax bill situation which increase municipal budget deficit and slower social utilities of property tax payer. This mean that method like using news paper, Radio and post address are not used at all because no any respondent have ever use such method to get information about their property tax bill, this shows that there were inefficient method of delivering information to property owner as seen that most of the respondent wait to get information from ward and Mtaa executive, 69 of the respondent 86.25% get information from ward and Mtaa executive. In other hand the same question was asked to local government authority leaders like MEO, WEO, Treasury officers and also comment that most information of property tax are delivered to property owner throw Local leaders rather than postal.

Poor information dissemination is always source of property tax evader, an increase of property tax evasion which at the end reduces municipal revenue, Poor billing procedures resulting from poor taxpayer database, (Franzsen and Monkam, 2010).

5.1.2 Methods of Property Valuation

This analysis reveals that the valuation method used are market value and replacement cost the basis of property tax is the market value of a building or where the market value cannot be ascertained, the replacement cost of the building as determined by a qualified valuer. Besides, the rating legislation provides for self-

assessment. In accordance with Section 8 (4) of the UARA, 1983 the rating authority where it deems necessary or expedient may require the owner of the rateable property to furnish the authority with the value of the property. But this legal provision is practically dormant.

According to the rating law, valuation of rateable properties is to be undertaken for preparation of a valuation roll after a jurisdiction has been declared a rateable area by the Minister responsible for Local Government. A valuation surveyor is appointed to survey the properties, estimate the rateable values and to prepare the valuation roll. As pointed out earlier, the rateable value of the property to be determined is the **market value** or the **replacement cost** as the case may be. Section 22 (1) of the Urban Authorities (Rating) Act of 1983 stipulates that:

the rateable value of premises shall be the market value of premises or where the market value cannot be ascertained the replacement cost of the buildings, structures and other developments comprised in the premises after deducting the amount which it would cost at the time of valuation to restore the premises to a condition in which they would be as serviceable as they were when new.

Provided that rateable value shall not be less than 75 per cent of the replacement cost.

On the side of Valuation of property before tax bill sent, valuers who are responsible for all valuation works at the municipal valuation offices as well as property tax administration functions. In the official respondents comments that there are less than ten qualified valuers at Morogoro municipality; the municipal valuers are responsible for all valuation including rating valuation. The extensive amount of work which the municipal valuation offices are required to handle results in relatively small number of properties on the valuation roll leaving large number taxed on flat rate basis.

Apart from the inability to carry out new valuations, also comments that municipal are not able to conduct supplementary valuation, this is necessary for the

maintenance of the valuation roll. For effective property taxation, the identification and valuation functions should be continuous activities of property tax administration. New properties must be identified and valued for inclusion in the roll. Also change of ownership and character of the properties should be reflected in the roll. Even though the practice now is to outsource the valuation function to private valuation firms the tax base coverage is still very low with considerable number of properties yet to be captured in the rolls. Thus valuation output in terms of new properties valued is very low and maintenance of the roll is a nonexistent activity.

But given the state of public transport in Morogoro municipality valuers can only perform the minimum functions. Linked to the difficult working environment is the low remuneration to the municipal valuers. As also noted by McCluskey, et al (2003), the municipal valuers are paid low salaries and this impact negatively upon their morale to work.

5.1.3 Level of Social Services on Property Tax Payer

the analysis reveal that for the matter of social services community of morogoro municipality they got in larger percentages as data shows that larger number of respondents got water, electricity, and other infrastructures, municipality fail to deliver garbage disposal while is their duty to perform it. Lack of cost recovery, absence of community mobilization, inadequate equipment, lack of well-designated and prepared landfill sites and improper/unhygienic methods of refuse disposal have been cited as major factors affecting solid waste management (Kyessi, 2002). To arrest the appalling situation, solid waste management services were privatized in 1993 starting with the city centre. However collection is confined to most areas of the Municipality and the high-income areas where contractors are assured of recovering their operational costs.

Although privatization of solid waste management services was expected to improve the situation, piles of waste are a common sight on streets, open spaces, river valleys and drainage systems (Mwasumbi, 2003). While privatization of solid waste management services has reduced the amount of unattended waste the problem still needs more attention in many parts of Morogoro municipality.

Other information source indicates that failure by the government to provide basic public goods and other social amenities which are supposed to be funded by the taxes being collected may aggravate tax evasion (pashev 2005). Lack of transparency and accountability in the use of public finance has the effect of building public distrust both in tax system as well as the government, thereby playing up the chances of tax evasion.

5.1.4 Property Tax Rates Paid to the Municipality

The analysis of the result reveal that the 56.25% house charged 30,000/= flat rate are not equal in value because are not value and assessed that create unfairness to tax payer which violate the principle of tax. If the property is valued it can't be easy to pay same amount but different amount according to the value of property. Also analysis of the study reveal that larger percent of respondent agree that the amount of tax they pay is about right but also there is some respondents which is near half of the total respondent that is 42.5% complaining about the tax amount that is too high compared to service they got, it shows that if their house was valued and they know market value and force value of their house it may reduce complaining because they are going to be taxed according to the value of the property. On other side respondents comment that most of property owner are not paying they are property tax bills, information of larger amount of tax collected is evolved because rate of population is increasing year after year and some time targeted amount to be collected is below the total property required to be taxed. Although property tax is reported to have improved when the municipal commission was in power (Franzsen & Semboja, 2004) the situation has been different under the Municipal Councils.

Chronic taxpayer non-compliance caused not only by a poor and corrupt administration but also by a lack of understanding of the tax system (which is often very complex), a lack of confidence in the tax administration and by an inadequate service delivery (Monkam, 2009) This implies that as day goes people who escape to pay their property tax increases.

5.1.5 Property Registration on Municipality Level

For the purpose of identifying property the ratings exercise involved creation of property referencing system and a tax map for each defined rating zone. Valuers were required to identify numerically every rateable property in separate ownership on a 1:2500 cadastral survey plan and cross reference to a Property Data Card System. During the Phase I and II of the Dar es Salaam Rating Project reference numbers were assigned to properties on aerial photomaps (of 1992) at the Dar es Salaam Valuation Office (DVO). The maps were then given to valuers for identifying properties on the ground. However the practical situation was different since there were more properties on the ground than those appeared on the maps. The situation was even more complex in unplanned areas where the intensity of housing development is higher and haphazard.

One notable practical problem during the two rating valuation phases was a confusion of property identification with reference numbers such that numbers were wrongly cross-referenced from the field survey plan onto the property data cards. In trying to address the problem in the subsequent rating valuation assignments reference numbers are assigned to properties as are found on site and inserted in the maps simultaneously. But the property reference numbers for property taxation are assigned in a sequence that is different from the plot numbers appearing in survey maps as assigned by the survey division responsible for the surveying and mapping of land parcels.

Identification of property and owners in un-surveyed areas is done through local leaders. Each sub-ward (mtaa) office is required to keep a register of houses with names of owners that are found in a *sub-ward*. In each *sub-ward* there are groups of houses with each group placed under a representative (*mjumbe*/ten cell leader) who is supposed to provide information about properties and owners in his area to the sub-ward office. The information is used to create a property inventory of houses existing in a sub-ward. Records for each house have to indicate: house/plot number (where available), name of the property owner, postal address, street name, house type and use (e.g. single storey, residential, commercial, residential/commercial etc.) and size.

Since no measurements are taken the size is presented in terms of room count. However, property information generated at sub ward offices is of limited use. For example, it would be difficult to locate a property using such information without the help of a local leader. This is so because without street names and house numbers only a person familiar with the area can locate the property being sought. On account of problems associated with property identification one valuer narrated his experience as follows:

"My experience with rating jurisdictions (Mwanza, Tabora, Tanga and Morogoro) for which my company worked was that complete and accurate information was completely missing. Only sketchy information existed in files kept at the lands office but not coordinated with information available at the municipal valuation office. The taxpayer registers established at ward level were only useful for collection of revenue in form of flat rates but not for the valuation process. The aerial photomaps provided by the USRP office provided minimum information in comparison to the number of properties we found at the field. Besides the maps did not show streets with names and plot numbers. As a result there was high dependence on local (sub-ward) leaders who had to guide valuers in identifying properties, and in a few instances services of land surveyors were to be sought in identifying plot numbers on the maps in relation to the properties on the ground. Generally lack of information renders property identification a cumbersome venture, time consuming, and consequently it affects the completion of rating valuation contracts". (Interview with Managing Director and Valuer, stan property Consult Limited)

There is extensive coordination between land and property tax agencies providing for full tax coverage of all properties (Youngman and Malme, 1994). Likewise cadastral maps are used for property tax administration in the United States although the assessing office is responsible for the development of parcel maps for property taxation purposes (IAAO, 1990).

Information on physical existence of the property being taxed is in many cases obtained through field surveys although in some cases reliance may be upon information provided by the owner or occupant of the property. Collection of property information through field surveys is practiced in Canada, The Netherlands, Switzerland, Australia, Japan and The United Kingdom. In Australia each Local Council and State Government is supplied with information required for local rates and land tax from the Valuer General's office, which has the responsibility of collecting such information. For the purpose of land taxation, landowners have to supply additional information in the annual statement of land holdings. In Denmark, for example municipal Councils provide information on building characteristics and land use regulations, which is maintained in the national cadastre

CHAPTER SIX

SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 Summary of the Major Findings

The discussion in this Chapter centered on findings from the research. The results have depicted the property taxpayers' dissatisfaction with property taxation. While the property taxpayers acknowledged the importance of property tax they were discouraged by the way the Municipal Council dealt with the garbage disposal and inequity in property tax to pay for those valued and unvalued properties. Major issues emerging from the survey include the following.

- i) Property taxation should be justified by service delivery. Property taxpayers expressed great concern on poor service delivery. This has resulted in people living in poorly serviced settlements with less regulated land development.
- ii) Property taxpayers feel that there is inequity in property taxation manifested in some property owners not paying their tax bills and no action is taken against them. Also there was variation in assessment of tax liability where some taxpayers have their property tax bills determined on the basis of assessed rateable values and others on flat rates which are somewhat arbitrary as to a considerable degree they do not reflect differences in characteristics of taxable properties.
- iii) There are some insignificant differences in terms of complying with the property liability for billed taxpayers as well as among the settlements of different income levels. This could be due to the reason that response to the demand for services by the Municipal Councils is more or less the same irrespective of the planning or income level status of the settlement.
- iv) Property taxpayers would be willing to cooperate by paying property tax as long as the municipal council was responsive to the citizen's demands for public services.

6.2 Conclusion

It is quite apparent that municipal councils need taxpayers' cooperation in increasing property tax compliance. This can only be achieved if the councils established a clear

understanding of the taxpayers concerns that need to be addressed. Council's response to the concerns could be one way of motivating the taxpayers to comply. The taxpayers feeling that they get little or none in return for the taxes they pay desires considerable attention by the Municipal Councils.

From the study when we look on public awareness of a property tax system by the tax payers is crucial for efficient property taxation. The find of the study have put into light the perceptions of taxpayers on information dissemination and education concerning property taxation in Morogoro Municipality as shown in finding that only active method used to disseminate information is through local leaders (WEO and MEO) while other methods like post address and news papers are less considered, situation which also increase property tax evasion in the Municipality as some of property owner comment that they fail to get information.

Methods of land and building valuation, in this study the analysis shows that necessary facilities for running a rating valuation office such as transport, office space, and computers that are capable to handle massive data which are generated for property taxation are inadequate. While valuers are required to move within the rating areas so as to keep track of all activities related to property taxation, the valuation units are not allocated with transport when conducting field visits.

Level of social services on property tax payer, the analysis of the study reveal that for the matter of social services community of morogoro municipality have got it in larger percentages as data shows that larger number of respondents got water, electricity, and other infrastructures, municipality fail to deliver garbage disposal while is their duty to perform it. Other information source indicates that failure by the government to provide basic public goods and other social amenities which are supposed to be funded by the taxes being collected may aggravate tax evasion. Lack of transparency and accountability in the use of public finance has the effect of building public distrust both in tax system as well as the government, thereby playing up the chances of tax evasion.

Property tax rates paid to the Municipality, study result shows that Assessed property tax reveal that the 45 house charged 30,000/= flat rate are not equal in value because are not value and assessed that create unfairness to tax payer which violate the principle of tax. If the property is valued it can't be easy to pay same amount but different amount according to the value of property, where Amount of property tax that are paid, analysis of the study reveal that larger percent of respondent agree that the amount of tax they pay is about right but also there is some respondents which is near half of the total respondent that is 42.5% complaining about the tax amount that is too high compared to service they got, it shows that if their house was valued and they know market value and force value of their house it may reduce complaining because they are going to be taxed according to the value of the property

Ability to pay property tax, most of the reasons given by respondents reflected inability to pay due to inadequate income as the majorities have no employment or income generating activities that could earn them income for their livelihood plus other expenses such as discharging property tax liability

Property registration on Municipality level the study analysis reveal that registration of property are well done by MEO and WEO where the record are submitted to the Municipal and entered to the municipal data base even those not all house are well registered in the data base.

6.3 Recommendations

In view of the major findings and recommendations of the study, the following recommendations are made in order to improve property tax collection in Morogoro municipality.

Public awareness, morogoro Municipality should use other methods of delivering information's like post address, news paper, and public meeting, and not the use of only WEO and MEO.

Social services, Most of respondent comment that rate of property tax charged have seen to high compared to service delivered; Therefore

Municipal is required to make strategies of delivering the services with satisfactory proportion to the tax paid by the tax payer. Poor waste management due to uncontrolled disposal system by local authority and individual habits of residents. Municipal should establish waste management project that addresses solid and liquid waste disposal; using public private partnership approach.

Ownership of the property and registration, most of the respondents argue that they don't have land title deed therefore they don't see benefit of paying property tax bill for the property which they don't have land title deed. Therefore municipality should put that in to consideration and start offer that services to the property owner to reduce confusion and improve tax collections.

6.4 Policy Implication

The property tax in Tanzania is guided by the LGFA, 1982 and the UARA, 1983. While the laws are intended to facilitate efficiency and fairness in levying property tax some of the provisions impede the operation of the property tax system. Findings from the study have shown that policies on property tax rates, public awareness and property registration contribute to property tax evasion and the poor performance in raising property tax revenue by the councils.

Property tax rates

Local government authorities are empowered to set property tax rates specified as a percentage on the rateable value under Section 20 of the UARA, 1983. In addition Section 17 of the same Act empowers a rating authority to levy sufficient rates according to level of revenue required from property tax to cover part of the total expenditure in a given year. Nonetheless, a local government authority cannot levy an annual rate without the prior approval of the Minister responsible for local government (Section 15 of LGFA, 1982).

Despite the provisions in the law the Municipal Councils have not been able to set property tax rates according to the annual amount of property tax revenue they require. The property tax rates have remained fixed at 0.15 percent of the rateable

value over the years. The Councils cannot lift up the tax rates without the consent of the central government and it is not likely that the latter would be willing to increase the rates in the near future. This has negatively affected the Council's property tax revenue levels.

Public awareness

The policy makers play a big role in the development of a nation. Municipal and TRA in collaboration with Ministry of finance, they should continue to formulate policies that strive to underscore the importance of property tax awareness to the community by not solely concentrating on other taxes levied by Municipal and TRA only. Therefore, policy makers are supposed to strive every possible means to make sure that policies are implemented in time.

Property Registration

Local Government (Urban Authorities) Act No. 7 of 1982 and Local Government Finances Act No. 9 of 1982 shows that term '(legal)' land register is used to describe the legal registration of rights and deeds concerning real property, as such, a land register contains information about ownership, indicating name or names of persons holding a particular land parcel and the conditions of such ownership. LGA are allowed to making by-laws for the implementation national and local policies, failure to register property and attempt to formulate local policies will continue contribute to property tax aversion.

6.5 Area for Further Research

Since research is a continuous process, the same research should be done in other Municipal or Regional wise in Tanzania, not only that but also another research should be done on contribution of property tax on Local Government Authority Development.

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APPENDICES

APENDIX: 1

CHECKLIST FOR LOCAL GOVERNMENT AUTHORITIES

Interview question for the Government Authorities

The Intention of this Research is to assess the property tax compliance in Morogoro municipality. All the information that will Be provided will Seriously be conceded as A confidential data and will only be used the purpose of this Research.

Name _____

Gender Male _____ Female _____

Age _____

1. A) Is there any taxable properties in Morogoro municipality? 1. Yes 2. No
B) If yes identify them 1.2.....
3.....4.....
2. A) Are the building and land owner pay property tax? 1. Yes 2. No
B) If yes what rate / amount year.....
3. A) Do you have an operational property registration system ? 1. Yes 2. No
B) If yes what kind of operation system
4. A) Is there any corruption appear during property tax collection? 1. Yes 2. No
B) If yes what measure taken to corrupt leaders.....
5. A) Are the tax payer aware to pay property tax? 1. Yes 2. NO
B) If no which measures have you take?
.....
6. What ways do you use to deliver property tax bill to tax payer 1. Postal 2. Local leader 3. None.
7. What methods do you employ in property tax collection?
.....
.....
8. What is the actual revenue collection as compared with the revenue potential based on the number of properties captured in property tax data base?.....
.....

9. A) Have you ever made any workshop/ training to tax payer? 1Yes 2.No
B) If yes which kind of training

Would you know the average cost of collecting property tax revenue per property?
.....

10. How much of the collected revenue is allocated for the collection task?
.....

11. A) Would you know what proportion of the property tax revenue collected goes to service delivery and local expenditure beneficial to the taxpayer? 1. Yes
2. No
B) If yes what is the proportion

12. What do you consider to be most significant factors affecting property tax collection?
.....

13. What problems do you encounter in administering the whole rating valuation process?
.....

14. How many taxable properties have been captured in the property tax database?
.....

15. In following up non-compliance what reasons do taxpayers give for not paying property tax?
.....

16. Give a trend of at list five years of property tax collection from 2009 – 2013

Years	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Budgeted					
Collected					

APENDIX: 2

QUESTIONNAIRE FOR INDIVIDULE RESPONDENT

Questionnaire for Property Owners (developed and undeveloped)

The Intention Of this Research is to assess the property tax compliance in Morogoro municipality. All The Information That Will Be Provided Will Seriously Be Conceded As A Confidential Data And Will Only Be Used For The Purpose Of This Research.

Property Identity

1. PlotNo.....Block.....property Tax Number.....
3. Mtaa (Sub-ward)
4. Ward Municipality.....

1. Gender Male _____ Female _____

2. Age _____

a)Bellow 18, b)18-35 c)36-45 d)46-55 e) above 55

3. What is your education level? a. Primary b. Secondary c. Tertiary

4. Do you own this property? Yes _____ No _____

5. How did you acquire the property?

- a). Bought with loan
- b). Bought without loan
- c).Self constructed with loan
- d). Self constructed without loan
- e). Inherited

6. Use of property

- a). Residential
- b).Commercial
- c). Residential/commercial

7. How long have you lived here? _____

8. Do you pay property rate? Yes _____ No _____

9. Do you have access to electricity, water, telephone, transport etc?

Yes _____ No _____

10. How did you get connected to all these services?

- 10.1 Piped water a) Connected. b) Not con. c).Conn. no water
- 10.2 Electricity is connected a) Yes. b) No
- 10.3 Garbage disposal a) Onsite. b) Municipal service
- 10.4 Road a) Yes b) No

11. How much did it cost you to get connected to?

- 1. Water (TShs.).....1.2. Year of connection.....
- 2. Electricity (TShs.....2.2. Year of connection.....

12. What has been the assessed property tax you pay?

- Year Assessment (T.Shs.) Paid/did not pay
- 1. 2010..... 1. Paid 2. Did not pay
- 2. 2011 1. Paid 2. Did not pay
- 3. 2012 1. Paid 2. Did not pay
- 4. 2013 1. Paid 2. Did not pay

13. What property related taxes are you supposed to pay per annum?

Year	Land rent Tshs	Property tax Tshs	Other Tshs
2010			
2011			
2012			
2013			

14. What is your source of income that you spend on paying property tax?

15. How do you get to know that you are required to pay property tax in respect of your property?

- 1. Received bill from local authority by post
- 2. Bill delivered home
- 3. Information at public meeting
- 4. Radio
- 5. Newspaper
- 6. Informed by Ward Executive Officer/ Mtaa Leader
- 7. Other.....

16. Have you had problems in paying your property tax bill?

1. Yes (**Go to question 17**)
 2. No (**Go to question 19**)
17. What problems do you face in paying your property tax bill?

18. If you have found it difficult to pay the tax, what action has the Municipal council taken?
1. Issued reminder
 2. Took legal action
 3. Denied me other services (e.g. trade license)
 4. Fined
 5. Other (specify).....
19. Where do you pay your property tax dues?
1. at Municipal Council Offices
 2. at the Bank
 3. at the Post Office
 4. Collected by local leaders from home
 5. at the Ward/Mtaa office
20. Is the mode of payment convenient to you?
1. Yes
 2. No (**go to question No. 21**)
21. What mode of payment do you think would be more convenient to you?

 .
22. How would you like to make payments of your property tax bill ?
1. One installment
 2. in more than one installment
 3. Monthly
23. What do you think about the amount of property tax that you have to pay?
1. Too low
 2. just about right
 3. Too high
24. If you are unhappy with the amount of tax you pay how much would you be willing to pay per annum?
 T.Shs.....
25. Was your property valued before a tax bill was sent to you?
1. Yes (**go to question 26**)
 2. No (**go to question 30**)

26. Who answered questions asked by valuers regarding your property?
.....

27 How much was the value of your property as established by the valuers?
TShs.....

28. Were you satisfied with the assessed value of your property?

1. Yes (go to question 30)

2. No

3. If No give reasons.....

29. What do you think would be the correct value of your property?

TSh.....

(go to question 26)

30. If your property was not valued, were you told the basis of the property rate you
had to pay?
.....

31. Do you know you have the right to object if not satisfied with the value of your
property as determined by the valuer?

1. Yes

2. No.

32. Did you lodge an appeal to the taxing authority objecting the value assessment of
your property?

1. Yes

2. No

33. If you filed an appeal how many months did it take the taxing authority to
respond to your appeal?

34. What were the results of the appeal?
.....

35. Do you think it is justified for the Municipal Council to levy property tax?

1. Yes (give
reasons).....

2. No (give reason

36. What do you do when the nearby plot is bushy for a long time?

37. In your opinion how do all these undeveloped plots affect you?
.....
.....