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New Areas for Enhancement of Revenue Collection and Broadening Tax Base of the Country

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1. Introduction

- Governments world wide need resources in form of revenues to perform various functions both social and economic activities. Such public services include: education, health, infrastructure, security.
- Tax is the main source of revenue for any government.

1. Introduction

- Taxes are compulsory payments to government without expecting direct benefit or return by the tax payer. – not based on direct quid pro quo principle.
- Taxes collected by Government are used to provide common benefits to all mostly in form of public welfare services. Taxes do not guarantee any direct benefit for the person who pays the tax.

1. Introduction

1. Tax Revenue

- Direct taxes- Corporate tax; Personal income tax, withholding tax- rents, management and professions fees, and property tax etc.
- Indirect taxes – Import duty, Excise duty(imports and local goods), VAT(imports and local supplies) and stamp duty.

2. Non-Tax Revenues

- Fees- Passport, driving licence etc; Fines and penalties – breach of law or non-fulfilment /failure; Surplus from public enterprises- dividends from profits.

2. Status of Revenue Collection in Tanzania

- Revenue performances against set targets for the past six years were 101% in 2004/5, 103% in 2005/06, 111% in 2006/07 and 101% in 2007/08, but fell short of target in 2008/08 (90%) and 2009/10 (91%).
- No-achievement of the targets for last two years is attributed to global economic meltdown caused by the world financial crisis.

2. Status of Revenue Collection in Tanzania

- While revenue performance against targets has been declining, overall actual revenue collection has been increasing year after year.
- Highest revenue collection was Tshs. 425,341.8 million in January, 2011.

REVENUE COLLECTION PERFORMANCE 2004/05 TO 2009/10 (in million Tshs.)

YEAR	Target	Actual Coll.	VARIANCE	Perf.	Collection Cost
2004/2005	1,602,876.5	1,625,239.4	22,362.9	101%	2.9
2005/2006	1,905,274.9	1,971,414.9	66,140.0	103%	3.3
2006/2007	2,316,322.8	2,577,264.1	260,941.3	111%	3.2
2007/2008	3,333,135.6	3,378,793.6	45,658.0	101%	2.7
2008/2009	4,497,069.3	4,051,963.8	-445,105.5	90%	3.8
2009/2010	4,855,935.0	4,437,933.4	-418,001.0	91%	3.3
TOTAL	18,510,614.1	18,042,609.1	-468,004.3	97%	

Source: TRA Revenue Collection Monthly report

REVENUE COLLECTION PERFORMANCE IN ZANZIBAR 2004/05 – 2009/10(In million Tshs.)

Year	Targets	Actual	Variance	Perfor. (%)
2004/05	28,456.3	20,734.9	-7,721.4	73
2005/06	29,187.8	22,374.6	-6,813.2	77
2006/07	25,768.1	30,494.9	4,726.8	118
2007/08	36,179.7	39,858.0	3,678.3	110
2008/09	49,220.9	53,945.8	4,724.9	110
2009/10	62,937.5	59,538.1	3,399.4	95
TOTAL	231,750.3	226,946.3	4,804.0	98

Source: TRA Revenue Collection Monthly Reports

3. Challenges in Revenue Collection

- Broadening the Tax base , informal sector included in the tax net,
- Ensure that all due Government revenue is collected and tax evasion and avoidance are controlled.
- Raising the level of revenue yield to be commensurate with the average yield achieved in sub-Saharan Africa.

3. Challenges in Revenue Collection

- Addressing stakeholders' (community's) expectations by exercising various statutory powers fairly in accordance with the law - without political influence.
- Expediting tax decision making and rulings by putting in place well established procedures and criteria.
- Improving staff integrity.

4. Enhancement of Revenue Collections

1. Improvement on the fiscal policy, legal and regulatory framework

- Improvement on the tax exemptions policies and regulations.
- Equal treatment of all investors - inclusive taxation
 - local and foreign investors.

4. Enhancement of Revenue Collections

2. Broadening the Tax Base- What it means

- Expanding the total value of all incomes and/or property
- Increase the number of tax payers or type of taxes
- - Informal sector – increase number of tax payers through registration or regularization
- Improvement of the business environment – improvement in the economic growth – more taxable business (corporate tax), more employment (PAYE), more consumption (VAT)

4. Enhancement of Revenue Collections

2. Broadening the Tax Base – Strategies

- Formalization of the informal sector – National identification cards, simplification of business registration procedures, enhance compliance , controlling fraud and minimizing tax avoidance, enhancing Block management system (BMS), application of ICT based systems for mapping the blocks.
- Improve the formalization of properties and business formalization (registration and licensing) – Improved business climate – cost of doing business. Improving investment climate
- Improvement of tax collection in other sectors in the – natural resources – fishing, forestry, mining, energy etc.

Facts on Informal Sector

- Informal sector is determined by structure, nature of the economy, burden of taxation, government regulations, social security contributions.
- Informal sector contribution to GDP 39.7%(2010) from 62.5%(1991)
- 40% of all households were in informal sector(ILO,2006)
- Urban informal sector employed 66% of people- only 16% secondary activity.
- 55.3% were engaged in whole sale and retail ; repair of motor vehicles and motor cycles, 21.7% in, manufacturing, 22.9% other activities
- 61.1% of whole sale and retail are registered, 53.5% of manufacturing are not registered.
- Profitability index – 62.5% for lower band(1 -1.62 million), and 92.9% of the higher band(30 and 35 million)- unequal treatment - underestimate sales, not keep records and evade tax. (TRA, 2011)

4. Enhancement of Revenue Collections

3. Improved fiscal prudence and Financial Discipline and Economic Management – Cost Cutting and Resource Rationalization Measures

- Reduce and prioritize expenditures
- Focused expenditure – balance between recurrent and development (investments) expenditure
- Improved financial Management- focused on outputs vs processes
- Improve Internal and external Audits – local government authorities.

4. Enhancement of Revenue Collections

4. Improvement in the Tax Administration

- Improvement and modernization of the customs systems – tax controls vs trade facilitation, one stop system, control and monitoring of the transit goods.
- Implementation of the performance based and responsive leadership and management – improved governance- responsibility- accountable leadership and supervision, change management and staff integrity
- Building sector specific administration capacity

4. Enhancement of Revenue Collections

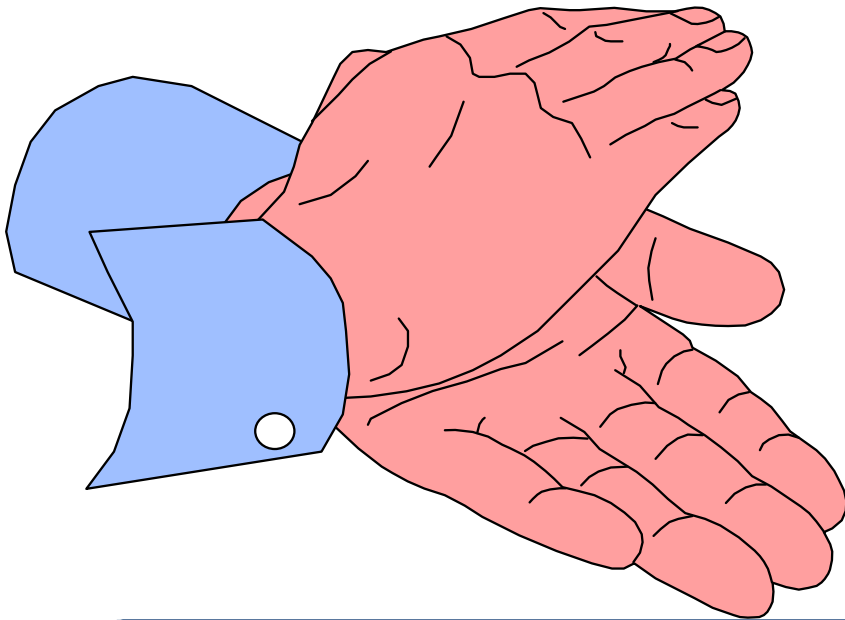
5. Enhances tax payers education

- Understand the need to pay taxes- principal of large numbers
- Understand what tax can do to improve our economy
- Participate in formalized economic activities

5. Conclusion

- Enhancement of Revenue collection is possible if there is:
- Government commitment in improving policy, legal, regulatory frame work, systems and procedures.
- Tax payers willingness to pay taxes and be tax compliant .
- Enhance drivers for economic growth including improving productivity and business environment (macro and micro level).

Thank for Your Listening



ASANTE KWA KUNISIKILIZA