



# THE UNITED REPUBLIC OF TANZANIA NATIONAL AUDIT OFFICE

## PERFORMANCE AUDIT REPORT ON THE ADMINISTRATION OF ELECTRONIC FISCAL DEVICES ( EFDs)

Whenever you sell, issue a receipt



Whenever you buy, demand a receipt

CONTROLLER AND AUDITOR GENERAL  
MARCH 2025



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## About the National Audit Office

### Mandate

The statutory mandate and responsibilities of the Controller and Auditor-General are provided for under Article 143 of the Constitution of the United Republic of Tanzania of 1977 and in Section 10 (1) of the Public Audit Act, Cap 418.

## NAOT Vision, Mission & Motto



### Vision

A credible and modern Supreme Audit Institution with high-quality audit services for enhancing public confidence.



### Mission

To provide high-quality audit services through modernization of functions that enhances accountability and transparency in the management of public resources.



### Motto

Modernizing External Audit for Stronger Public Confidence

ISO 9001:2015 Certified



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**Integrity:** We observe and maintain high ethical standards and rules of law in the delivery of audit services.



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We deliver high quality audit services based on appropriate professional knowledge, skills, and best practices.



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## PREFACE



Pursuant to Section 28 of the Public Audit Act, Cap 418, I am mandated to conduct a Performance Audit (Value-for-Money Audit) to establish the economy, efficiency and effectiveness of any expenditure or use of resources in the Ministries, Departments and Agencies (MDAs), Local Government Authorities (LGAs) and Public Authorities and Other Bodies which involves enquiring, examining, investigating and reporting, as deemed necessary under the circumstances.

I have the honour to submit to Her Excellency, the President of the United Republic of Tanzania, Hon. Dr. Samia Suluhu Hassan, and through her to the National Assembly of the United Republic of Tanzania, the Performance Audit Report on the Administration of Electronic Fiscal Devices.

The report contains findings, conclusions, and recommendations that are directed to the Tanzania Revenue Authority (TRA). TRA had the opportunity to review the report and provide comments, and I sincerely acknowledge that their inputs were constructive and valuable.

My Office will carry out a follow-up audit at an appropriate time regarding action taken in implementing the recommendations given in this report.

I would like to thank my staff for their commitment to preparing this report. I also acknowledge the audited entities for their cooperation with my Office, which facilitated the timely completion of the audit.

A handwritten signature in blue ink, appearing to read 'Charles E. Kichere', written over a faint circular watermark of the National Audit Office of Tanzania. The signature is fluid and cursive.

Charles E. Kichere  
**Controller and Auditor General**  
**United Republic of Tanzania**  
March 2025

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## TABLE OF CONTENTS

|   |             |
|---|-------------|
| <b>PREFACE</b> .....  | <b>II</b>   |
| <b>TABLE OF CONTENTS</b> .....  | <b>III</b>  |
| <b>LIST OF FIGURES</b> .....  | <b>V</b>    |
| <b>LIST OF TABLES</b> .....   | <b>VI</b>   |
| <b>LIST OF ABBREVIATIONS AND ACRONYMS</b> .....   | <b>VIII</b> |
| <b>EXECUTIVE SUMMARY</b> .....  | <b>IX</b>   |
| <b>INTRODUCTION</b> .....   | <b>1</b>    |
| 1.1 Background of the Audit .....   | 1           |
| 1.2 Motivation for the Audit.....   | 2           |
| 1.3 Audit Design.....   | 4           |
| 1.4 Sampling, Data Collection and Analysis Methods.....   | 8           |
| 1.5 Data Validation.....  | 11          |
| 1.6 Audit Standards.....  | 11          |
| 1.7 Structure of the Report .....   | 11          |
| <b>CHAPTER TWO</b> .....  | <b>13</b>   |
| <b>SYSTEM FOR ADMINISTRATION OF ELECTRONIC FISCAL DEVICES IN<br/>REVENUE COLLECTION IN TANZANIA</b> ..... | <b>13</b>   |
| 2.1 Introduction.....   | 13          |
| 2.2 Legal Framework Governing Electronic Fiscal Devices.....  | 13          |
| 2.3 Roles and Responsibilities of Key Actors in EFD Administration.....                                   | 16          |
| 2.4 System and Processes for Administration of Electronic Fiscal<br>Devices in Tanzania .....             | 17          |
| 2.5 Resources for the Management of Electronic Fiscal Devices.....  | 22          |
| <b>CHAPTER THREE</b> .....  | <b>25</b>   |
| <b>AUDIT FINDINGS</b> .....   | <b>25</b>   |
| 3.1 Introduction.....   | 25          |
| 3.2 Magnitude of the Identification and Registration for EFD Usage .....                                  | 25          |
| 3.3 Identification and Registration of Eligible EFDs Users .....  | 26          |
| 3.4 Operationalization and Maintenance of EFDs .....  | 44          |
| 3.5 Inadequate Monitoring and Enforcement of Operationalization of<br>EFDs.....                           | 57          |
| <b>CHAPTER FOUR</b> .....   | <b>70</b>   |
| <b>AUDIT CONCLUSION</b> .....   | <b>70</b>   |
| 4.1 Introduction.....   | 70          |
| 4.2 General Conclusion .....  | 70          |
| 4.3 Specific Audit Conclusions.....   | 70          |
| <b>CHAPTER FIVE</b> .....   | <b>73</b>   |
| <b>AUDIT RECOMMENDATIONS</b> .....  | <b>73</b>   |
| 5.1 Introduction.....   | 73          |

---

|   |           |
|---|-----------|
| 5.2 Specific Recommendations.....   | 73        |
| <b>REFERENCES .....</b>   | <b>75</b> |
| <b>APPENDICES.....</b>  | <b>76</b> |
| Appendix 1: Responses from the Tanzania Revenue Authority .....   | 77        |
| Appendix 2: Audit Questions and Sub-Audit Questions .....   | 82        |
| Appendix 3: Sampled Regions.....  | 83        |
| Appendix 4: Officials Interviewed and Reasons for their Interviews.....   | 85        |
| Appendix 5: Documents Reviewed and Reasons for the Reviews .....  | 87        |
| Appendix 6: Strategies for Enhancement of EFDs from Financial Year<br>2020/21 to 2023/24 .....  | 89        |
| Appendix 7: TRA Human Resources Allocation for EFD Compliance and<br>Enforcement.....   | 96        |
| Appendix 8: Traders who were Eligible for EFDs but did not have them  | 98        |
| Appendix 9: Analysis of Reasons for Non-Registering Traders with Annual<br>Sales of More than TZS 11 Million in the Visited Tax Regions ..... | 100       |
| Appendix 10: Analysis of the Efficiency of UIN Approvals.....   | 101       |



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## LIST OF FIGURES

|  |    |
|--|----|
| Figure 2.1: Legal Framework for Administration of EFDs in Tanzania .....   | 14 |
| Figure 2.2: Relationship between Stakeholders in the EFDs Administration Process in Tanzania .....                             | 16 |
| Figure 2.3: The EFD Administration Process in Tanzania .....   | 18 |
| Figure 3.1: Status of TIN Registered Businesses Using EFDs .....   | 25 |
| Figure 3.2: Comparison of Target and Actual EFD Registration in the visited Tax Regions.....                                   | 28 |
| Figure 3.3: Percentage of Efficient in Approval of UIN .....   | 38 |
| Figure 3.4: The Extent of Delays in Solving EFDs Reported Problems at the National Level for the Period between 2023-2024..... | 50 |
| Figure 3.5: Reported Trend of Non-usage of EFDs in the five visited Tax Region.....  | 66 |



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## LIST OF TABLES

|             |   |    |
|-------------|---|----|
| Table 1.1:  | Selected Regions covered by the Audit.....  | 9  |
| Table 2.1:  | TRA Annual Strategies for EFD Enhancement.....  | 15 |
| Table 2.2:  | Funds allocated for EFD and Debt Management at TRA.....   | 22 |
| Table 2.3:  | Financial Resources allocated and Expenditures for EFD for the visited TRA Tax Regions.....                       | 23 |
| Table 2.4:  | Human Resources Allocation at TRA for EFD Compliance and Enforcement.....   | 24 |
| Table 2.5:  | Human Resources Allocation at TRA for EFD Compliance and Enforcement.....   | 24 |
| Table 3.1:  | Comparative Analysis of the Target Number of EFDs to be Registered and the Actual Number of EFDs Registered ..... | 27 |
| Table 3.2:  | Comparison of the Attainment of Targets with the Targets in the Subsequent Year .....                             | 30 |
| Table 3.3:  | Extent of Implementation of the EFDs Improvement Strategies .....   | 31 |
| Table 3.4:  | Ratio Analysis of the Workload of EFD Compliance and Enforcement Officers .....                                   | 32 |
| Table 3.5:  | Comparison between Turnover and Registered Traders.....   | 34 |
| Table 3.6:  | Traders who were Eligible for EFDs but did not Acquire them in the Visited Tax Regions.....                       | 35 |
| Table 3.7:  | Classification of Reasons for Not Registering Eligible EFD Users in the Visited Tax Regions.....                  | 36 |
| Table 3.8:  | Comparison between the Standard Time and the Actual Time Taken to Approve UIN.....                                | 37 |
| Table 3.9:  | Comparison between the Number of Traders who Acquired EFDs and those who did not Receive Cost Offset.....         | 40 |
| Table 3.10: | Revised Milestones for the Launching of TRA POS .....   | 42 |
| Table 3.11: | Comparison between the Reported Active EFDs and Sales Records at the National Level .....                         | 45 |
| Table 3.12: | Comparison between the Reported Active EFDs and Sales Records in the Visited Tax Regions .....                    | 46 |
| Table 3.13: | Number of Misused EFDs per Region in 2023/24.....   | 47 |
| Table 3.14: | Extent of Delays in Solving EFDs Reported Problems .....  | 51 |
| Table 3.15: | Number of Traders with Annual Sales above TZS 200 Million but were not VAT Registered by July 2024 .....          | 51 |
| Table 3.16: | Status of Maintained EFDs in the Audited Regions (2020/21-2023/24) .....  | 52 |

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Table 3.17: Comparison between Registered EFD Users and Users without Service Level Agreements (SLAs) with EFD Suppliers..... 53

Table 3.18: Status of EFDs Service Centres in Regions..... 54

Table 3.19: Consultative Meetings between TRA and EFD Suppliers..... 57

Table 3.20: Planning for Monitoring and Enforcement Programs..... 60

Table 3.21: Ratio Analysis for the Workload of Officers in Relation to Unregistered EFD Users ..... 62

Table 3.22: Output of Special Enforcement Report at Kariakoo Tax Region ..... 63

Table 3.23: Details of Uncollected Revenue Due to Misuse of EFDs ..... 64

Table 3.24: Traders who were Penalised for not Using EFDs in Business Transactions..... 65

Table 3.25: Status of Checkpoints Offences and Estimated Fines..... 67

Table 3.26: Comparison of Non-Compliant EFD Users and Payment of Fine ..... 68





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## LIST OF ABBREVIATIONS AND ACRONYMS

|         |  |
|---------|--|
| APIs    | Application Programming Interface                        |
| CAG     | Controller and Auditor General                           |
| CAP     | Capitulos/ “Chapter”                                     |
| DRD     | Domestic Revenue Department                              |
| ECR     | Electronic Cash Register                                 |
| EFDs    | Electronic Fiscal Devices                                |
| EFDMS   | Electronic Fiscal Device Management System               |
| FY      | Financial Year   |
| FYDP    | Five-Year Development Plan                               |
| HQs     | Headquarters   |
| INTOSAI | International Organization of Supreme Audit Institutions |
| MoF     | Ministry of Finance                                      |
| NAOT    | National Audit Office of Tanzania                        |
| POS     | Point of Sale  |
| R.E     | Revised Edition  |
| SDG     | Sustainable Development Goals                            |
| SLAs    | Service Level Agreements                                 |
| SQL     | Structured Query Language                                |
| TIN     | Taxpayer Identification Number                           |
| TRA     | Tanzania Revenue Authority                               |
| TZS     | Tanzania Shillings                                       |
| UIN     | Unique Identification Number                             |
| VAT     | Value Added Tax  |
| VFDs    | Visual Fiscal Devices                                    |

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## EXECUTIVE SUMMARY

### Introduction

Tax revenue is crucial for supporting economic growth in developing countries, serving as the primary source of government revenue for state-development, enhancing fiscal effects from trade liberalization, and providing public goods and services. The government amended the Value Added Tax, 1997 vide the Finance Act 2010, Act No. 15 of 2010, introducing the requirement of the use of Electronic Fiscal Devices (EFD) and issuance of Electronic Fiscal Receipts.

The main objective of the audit was to assess whether TRA has adequately administered EFDs to ensure tax compliance with revenue collection in the country. The audit mainly focused on assessing whether TRA has adequately identified and registered eligible EFD users, whether TRA has ensured that EFD users adequately operate and maintain Electronic Fiscal Devices, and whether TRA monitors and enforces EFD operationalization.

### Main Audit Findings

The main findings were clustered around three main areas:

#### (a) Identification and Registration of EFD Users

##### (i) Inadequate Identification and Registration of EFD Usage

The review of the EFDs users and Business Tax Identification Number (TIN) as of June 2024 found that only 243,338 out of 2,056,723 traders were registered to use Electronic Fiscal Devices. This is equivalent to 12% of all traders during the stated period. TRA revealed that not all traders with business TIN are required to be registered for EFD usage; some are exempt, while others do not meet the threshold. However, the existing system did not indicate registered traders eligible for EFDs registration without considering the threshold of traders.

Additionally, the average turnover of 89% of the registered traders was unknown. This indicates that TRA had limited awareness of the turnover of registered traders, something which limits the assessment of threshold eligibility for EFD acquisition. This indicates that a large number of

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registered traders were not identified for EFD acquisitions and were not reached to assess their EFD eligibility, registration and usage.

**(ii) Trend of Attaining Objectives and Targets for EFD Registration was Declining from 101% to 46%**

A review of TRA-Domestic Department Revenue Annual performance reports for the financial years 2020/21- 2023/24 revealed that the trend for attaining the target of registering EFD users was declining from 101% to 46%. This was due to the reduction of EFD acquisition targets for the Kinondoni Tax Region and Kariakoo Tax Region. This is mainly attributed to the failure of EFD acquisition targets to consider the number of registered traders and workload officials involved in EFD activities.

**(iii) A Total of 75% of EFD Users were Registered on Time**

The audit found that 75% (152,139 out of 2,021,000 UIN applications) were registered and attended to within the required timeframe. However, the trend of delays in approval of the Unique Identification Number (UIN) tended to decline. In addition, the efficient of approving UIN applications increased from 70% in the financial year 2020/21 to 77% in the financial year 2023/24. Notwithstanding these milestones, the audit noted that EFDMS and manual reports do not indicate the status of an unapproved UIN (including overdue days and reasons for it), something which limits immediate supervision and follow-up.

**(b) Operation and Maintenance of EFD**

**(i) Reported Misuse Use of EFDs**

A review of data from TRA regarding cases of EFDs being blocked indicates that TRA has identified 380 EFDs from 300 users who fraudulently issued receipts to 504 traders, leading to a loss of TZS 249.4 billion. The misuse resulted in an unrecovered TZS 12.8 billion out of TZS 262.2 billion, including interest and penalty. The audit noted that TRA is proceeding with an investigation to identify traders who are involved in malpractice. The noted malpractices were mainly attributed to various reasons, including approval of EFDs by TRA without physical verification of traders, which could trigger registration of non-active traders, handling of the registration

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credentials by EFD suppliers who could misuse the information for issuing additional EFDs, and inadequate use of EFDMS information in following up on tax compliance.

**(ii) EFDMS do not Capture Quantities of the Imported Goods to the Individual Imported**

The audit noted that the Electronic Fiscal Device Management System (EFDMS) system only captures local stock details, and import quantities cannot be linked without official TRA access. This creates human intervention, is time-consuming and makes it difficult for traders to determine stock levels. The non-integration of importation systems and EFDMS limits stock controls, resulting in TRA officials visiting traders to enforce EFD usage and street surveys to find customers who did not demand receipts. Otherwise, it would only verify the remaining stocks at the trader's premises, and any variation would imply that, the trader did not issue the receipt.

**(iii) About 3,206 Registered EFD Users who did not Use EFDs in Business Transactions were Penalised by TRA**

A review of Offence Reports from the visited tax regions found that about 3,206 traders were penalised TZS 7.1 billion for not issuing EFD in their daily transactions from the financial year 2020/21 to 2023/24. TRA revealed that traders avoid using EFDs to avoid tax compliance and under-declaration of sales transactions. Also, the presence of both EFD and non-EFD traders, as well as VAT and non-VAT registered traders, are trading the same product in the same market, attributing to the non-usage of EFDs.

**(iv) TRA did not Ensure Suppliers Entered into Service-Level Agreements with EFD Users**

The audit noted that during the financial year 2020/21, there were 8,488 registered EFD users. Out of these, 6,537 (77%) did not have SLAs. The situation varied across the years. For instance, in the financial year 2021/22, the number of registered users increased to 9,069. However, 7,257 users (80%) did not have SLAs. A similar trend was noted in the financial year 2022/23 and the financial year 2023/24, when the number of EFD users without SLAs was 20,389 (93%) and 16,111(89%), respectively. The audit

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noted that this problem was attributed to the failure of TRA officials to ignore aspects related to EFD maintenance during monitoring and compliance enforcement.

Also, it was noted that only 7 out of 13 EFD suppliers had met the contractual requirement of establishing service centres in at least 50% of the regions. Nevertheless, this requirement contradicts Regulation 32 (1)(l) of the Tax Administration (General) Regulations, 2016, which requires the EFD supplier to establish and operate a service centre in every region in the United Republic of Tanzania.

### **(c) Monitoring and Enforcement of Operationalisation of EFDs**

#### **(i) EFD Operation Manual was not Disseminated to Regional Tax Offices**

The audit noted that the Regional Tax officials were not aware of some EFD enforcement programs that needed to be conducted and how they were supposed to be conducted and reported, as stated in the EFD Operation Manual of 2012 and its Revised Edition of 2019. This was because the EFD Manual was not disseminated to lower levels. Non-dissemination of the EFD Operational Manual of 2019 could result in inconsistency in the enforcement of EFD due to unawareness of the methods for carrying out and reporting the EFD enforcement programs. The results of non-implementation of the earmarked monitoring and enforcement have resulted in TRA conducting special enforcement programs which are reactive in nature and costly.

#### **(ii) Workload for Officials Involved in EFD Activities**

In the visited tax regions, the audit noted that officials involved in EFD activities were also engaged in other activities, which limited the efficient undertaking of EFD activities. In the Arusha Tax Region, for instance, each officer was responsible for 225 unregistered devices, creating a high workload. Also, the Kinondoni Tax Region had many unregistered devices, with a ratio of 159 devices per officer. On the other hand, the Kariakoo Tax Region had a lower ratio, with each officer handling 18 unregistered devices.

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## Audit Conclusion

Overall, TRA has not adequately administered the Electronic Fiscal Devices (EFDs) to monitor sales and stocks to ensure compliance in revenue collection in the country. Also, TRA has not sufficiently identified and registered eligible EFD users due to incomplete trader turnover data and ineffective use of available information. Inadequate verification of business locations, unsecured user credentials, and delays in implementing cost-minimization strategies—such as the TRA POS and offsetting initial EFD acquisition costs—hinder traders from registering.

Furthermore, TRA does not adequately ensure the proper operationalization and maintenance of EFDs. Suppliers have not established sufficient service centres, and service-level agreements are not effectively enforced. Monitoring and enforcement of EFD activities are also ineffective. This is because programs such as desk examinations, online checks, and field visits are not adequately implemented, and penalties for non-compliance are inconsistently applied.

## Audit Recommendations

Tanzania Revenue Authority is urged to:

- (i) Take into account past performance, registered traders, and eligible EFD users when setting targets for EFD identification and acquisitions to ensure all eligible users are identified and acquire EFDs;
- (ii) Take into account past performance of registered traders and eligible EFD users when setting targets for EFD identification and acquisitions in order to ensure all eligible EFD users are identified and acquire EFDs; and
- (iii) Improve EFDMS to capture stock movement and all transactions (purchases and sales) to all registered traders for goods imported and locally manufactured.

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## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Audit

Tax revenue is crucial for supporting economic growth in developing countries. It serves as the primary source of government revenue for state-building, enhances fiscal effects from trade liberalization, and provides public goods and services.

On average, from the financial year 2020/21 to 2023/24, 55% (TZS 87 trillion out of 158 trillion) of the national budget was financed by income from tax revenue<sup>1</sup>. The contribution of tax revenue in financing the national budget has increased from 51% in the financial year 2020/21 to 59% in the financial year 2023/24.

To ensure tax revenue was collected efficiently and effectively, the government amended the Value Added Tax, 1997 vide the Finance Act 2010, Act No. 15 of 2010, introducing the requirement of the use of Electronic Fiscal Device (EFD) and issuance of Electronic Fiscal Receipts. The amendments to the Value Added Tax Act of 1997 were complemented by the Value Added Tax (Electronic Fiscal Devices) Regulations, 2010, GN. No. 192 of 2010 which provided details on all matters relating to the licensing of EFD manufacturers and suppliers and the use of EFDs in business transactions.

Further, in 2012, the Income Tax (Electronic Fiscal Devices) Regulations, 2012, GN. No. 389 of 2012 was promulgated to impose similar EFD usage requirements for income tax purposes. Both GN. Nos. 192 of 2010 and 389 of 2012 were removed and replaced by the Tax Administration (General) Regulations, 2016, GN. No. 101 of 2016, of which Part V deals with all matters relating to the EFDs. All these initiatives are aimed at enhancing compliance and collection of tax revenues.

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<sup>1</sup> Budget speeches of the Minister of Finance and TRA tax revenue statistics of financial year 2020/21 to 2023/24

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The above measures taken by the government aim to enhance tax compliance by eliminating non-issuance of receipts and under-invoicing of sales transactions. They also aim at improving the filing process of VAT returns, and assisting traders in keeping proper business records.

EFD was introduced as an alternative to the previous Electronic Cash Registers (ECR), which failed to meet the objectives of tax revenue collection. The expectation of TRA after introducing EFDs was to obtain information about all taxpayers in the country automatically. However, taxpayers experienced challenges such as inadequate awareness, lack of experience, high service prices, unavailability of devices, network problems, especially in remote areas and incompatibility of EFDs for some small businesses (Lukurunge and Raphael, 2023).

The Government of Tanzania, through TRA, undertook several measures to ensure that the use of EFDs is effectively implemented by users. These measures include the upgrading of the Electronic Fiscal Devices Management System (EFDMS) to cater for the current technology, arrangement for the availability of EFDs, capacity building for TRA staff and taxpayers, as well as raising public awareness. Despite the government's efforts, the budget speech of the Minister of Finance highlighted that the use of EFDs was ineffective due to inadequate maintenance, network problems and demand for EFD receipts (MoF, 2024).

## **1.2 Motivation for the Audit**

This audit is motivated by four main reasons. Firstly, several incidents of payment without the support of EFDs have been reported. Secondly, 40% of traders were registered to use EFD. Thirdly, there have been inadequate operations of EFD machines. Fourthly, there are cases of non-compliance with the usage of the EFD machines. These call for effective and efficient management of electronic fiscal devices in revenue collection in Tanzania. Details of these factors are provided hereunder:

### **a) Reported Incidents of Payment without the Support of EFDs**

According to the Controller and Auditor General's (CAG) reports of 2021/22 and 2022/23, payments amounting to TZS 25.95 billion and TZS 12.46



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billion, respectively, were paid by government entities to suppliers and service providers without having EFD receipts. Despite the decrease in trend, the report indicated that there was a tendency to trade even with government entities without using EFDs.

#### **b) A Total of 40% of Traders were Registered for Using EFD**

A study by the Prevention and Combating of Corruption Bureau (2018) indicated that, since the introduction of EFDs in 2010, there have been only 56,967 registered traders, which is below the originally intended target of 152,997 traders. This shows that only 40% of the earmarked traders have been registered to use EFDs. This implies that traders did business without using EFDs.

#### **c) Inadequate Operations of EFD Machines**

According to the Minister of Finance's budget speech of June 2024, inadequate maintenance of EFD machines, internet challenges, and citizen attitudes towards demanding and issuing EFD receipts were among the three hindrance factors that limit the effective execution of the budget for the financial year 2023/24.

Similarly, Mnyawi, Chusi, and Lumenyela (2022) revealed that the EFD system had a lot of challenges that hindered the implementation of using the machine, though the system enhanced tax collection in business premises in Tanzania. Those challenges include frequent power and internet outages, fairness of tax estimated from tax payers, lack of education on the use of EFDs machines, inadequate maintenance of machines and underpricing of tax from traders.

#### **d) Non-compliance with the Use of the EFD Machine**

A public notice issued by TRA on 1 March 2023 expressed concerns about taxpayers disowning electronic fiscal devices registered in their Taxpayer Identification Number (TIN), citing potential breaches of laws governing EFD management, including poor machine management and fraudulent acts.

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## e) Among the Priority Areas of the Sustainable Development Goals (SDGs)

Goal 17.1 of the United Nations Sustainable Development Goals (SDGs) emphasized the enhancement of domestic resource mobilization by improving domestic capacity for tax and other revenue collection. This implies a shortfall in revenue collection might hinder the government's efforts towards attaining the SDGs goal.

Based on the above-stated reasons, the Controller and Auditor General decided to carry out a performance audit on the Management of Electronic Fiscal Devices (EFDs) in Revenue Collection in Tanzania. The aim of the audit was to examine the actual situation and suggest areas for improvement in fostering efficient and effective management of EFD machines and enhancing compliance of taxpayers, which in turn will improve revenue collection in the country.

### 1.3 Audit Design

#### 1.3.1 Audit Objective

The main objective of the audit was to assess whether TRA has adequately administered EFDs to ensure tax compliance in revenue collection.

#### Specific Objectives

Specifically, the audit assessed whether TRA has ensured that:

- a) Eligible EFD users are adequately identified and registered;
- b) EFD users adequately operate and maintain EFDs; and
- c) EFD operationalization is adequately monitored and enforced.

Three main audit questions were developed to address the specific audit objectives above. These are presented in **Appendix 2**.

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### 1.3.2 Audit Scope

The main audited entity was TRA because it is responsible for administering EFDs for revenue collection in Tanzania. Specifically, the audit focused on assessing the effectiveness and efficiency of identification and registration of eligible EFD users, operation and maintenance of EFDs, and monitoring compliance and enforcement.

*Under the identification and registration of eligible EFD users*, the audit assessed the attainment of objectives and targets for identifying and registering eligible EFD users, as well as the timely approval of EFD registration requests. It also assessed TRA's procedures for verifying the physical locations of eligible users and ensuring proper security of credentials by suppliers. In addition, the audit assessed the intervention to minimize costs associated with acquiring and ensure that costs are offset for each identified user to encourage EFD user registration.

*Under the operation and maintenance of EFDs*, the audit focused on assessing the way TRA ensure the functionality of the EFDs and the use of information from the Electronic Fiscal Device Management System (EFDMS) to ensure that EFDs are used in a manner that enhances tax compliance. It also examined service level agreements between EFD suppliers and users, functioning service centres in each region, and the efficiency and timeliness of addressing reported EFDs.

*On the monitoring of compliance and enforcement*, the audit assessed whether TRA conducts regular monitoring and enforcement activities related to the operationalization of EFDs throughout the country, imposition of fines on EFD users who commit offences in accordance with tax regulations, the extent to which TRA monitors the sales and stock of EFD machines and spare parts maintained by suppliers and efficient utilization of resources to monitor and enforce EFD operationalization.

Although the audit covered the entire country, data was particularly collected at TRA headquarters, and verification was performed from five sampled tax regions: Kinondoni, Kariakoo, Rukwa, Dodoma, and Arusha. The bases for selection are stated in Section 1.4.1 of this report.

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This audit covered four financial years from 2020/21 to 2023/24, chosen due to the presence of initiatives within that period. These included upgrading EFDMS and launching Virtual Fiscal Devices (VFD) to enhance tax compliance and administration in revenue collection. Thus, the selected period enabled the audit to assess the trend of performance of the tax compliances and administration in revenue collection in connection to the adopted initiatives.

### 1.3.3 Assessment Criteria

The assessment criteria used to assess the adequacy of TRA in the administration of EFDs was guided by the Tax Administration Act [CAP. 438 R.E 2019], the Tax Administration (General) Regulations, 2016, TRA Client Service Charter, 2024, EFD Operational Manual, R.E 2019, Contract between TRA and EFD Supplier, TRA Sixth Corporate Plan, and Annual Plans. TRA was assessed on three key areas of EFD administration: user identification and registration, efficient operation and maintenance of electronic fiscal devices, and compliance monitoring as detailed hereunder:

#### (a) Identification and Registration of Eligible EFD Users

TRA is required to establish an EFDMS for transmission, receipt, storage and monitoring of information relating to sales transactions done by users in the course of their daily business and the system (*Regulation (34) (1) of the Tax Administration (General) Regulations, 2016*).

Section 36 (1) of *the Tax Administration Act [CAP. 438 R.E 2019]* requires any person who supplies goods, renders services or receives payment in respect of goods supplied or services rendered to issue fiscal receipt by using an EFD. Also, Section 36, (2) of *the Tax Administration Act [CAP. 438 R.E 2019]* empowers the Commissioner General to publish in the newspaper with wide circulation or any other public media a list of persons or classes of persons who are excluded from the requirement of the use of fiscal devices or issuance of fiscal receipts.

Acting under section 36(2) of *the Tax Administration Act [CAP. 438 R.E 2019]*, on 31 January 2022, the Commissioner General issued a public notice requiring a person whose annual sales (turnover) exceed TZS 11 million to

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be registered for the use of an EFD. *Furthermore*, TRA is obligated to certify suppliers of EFDs based on set requirements and sign a contract with the supplier, which will bind the supplier to supply EFDs (*Regulation (31) (1-3) of the Tax Administration (General) Regulations, 2016*).

In addition, Para 8.1.2 of *the EFD Operation Manual (R.E. 2019)* requires TRA to verify the application form and, upon satisfaction, assign a unique identification number to identify both the user and the device. Moreover, TRA is required to issue a UIN in the approval/disapproval process of EFD registration or cancellation within two working days from the day of receipt (*TRA Client Service Charter, 2024*).

### **(b) Operation and Maintenance of Electronic Fiscal Devices**

TRA is required to manage, control and administer EFDs [Regulation (34) (c) of the Tax Administration (General) Regulations, 2016]. Also, TRA is required to access information and support services to all stakeholders by encouraging voluntary taxpayers' compliance, including EFD users, through integrating taxpayers' self-service portal, publication of non-compliant taxpayers, behavioural science, and risk-based compliance approaches [Strategic Objective No. 2 of TRA Sixth Corporate Plan (2022/23-2026/27), 2022].

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Moreover, TRA is obligated to respond to written correspondence regarding complex situations, including EFD problems, within five working days (TRA Client Service Charter, 2024) and ensure the reported EFD problems from traders are genuine and addressed by suppliers promptly (Part 8.3 of the EFD Operational Manual, R.E 2019).

In a similar vein, Regulation 45 of the Tax Administration (General) Regulations 2016 requires EFDs to undergo periodic maintenance. To achieve the requirement of periodic maintenance of EFDs, EFD suppliers are required to establish and operate a service centre in every region in the United Republic of Tanzania (Regulation 32 (1) (l) of the Tax Administration (General) Regulation, GN. 101 of 2016).

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### **(c) Compliance Monitoring and Enforcement is Effectively and Efficiently Done**

TRA was required to monitor suppliers' performance by reviewing the suppliers' training programs from time to time (Clause 4 of the technical specifications of the contract between TRA and EFD Supplier). Also, it was obliged to carry out quarterly consultative meetings with the EFD suppliers, aiming to enhance the quality of service delivery (Clause 3 of the technical specification of the contract between TRA and EFDs Supplier, 2022).

Furthermore, TRA is obliged to carry out an inspection program to eliminate or minimize risks and verify the security sustainability of EFDs in use, as well as control of EFDs in the market. This program is required to be executed every six months or at any time as deemed fit (EFD Operational Manual, R.E 2019).

Non-compliance with the requirements to acquire and use EFDs attracts penal sections. In this latter regard, Section 86(1)(a) of the Tax Administration Act, 2015 and read together with Regulation 46 of the Tax Administration (General) Regulations, 2016, makes it an offence for any person who is required to use an EFD to fail to do so, and upon conviction, that person is liable to a fine of twenty-five per cent of the value of goods sold or services rendered or 100 currency points, whichever is greater (the fine is capped at 200 currency points where 1 currency point is equivalent to TZS 20,000/=), or imprisonment for a term of not exceeding three years, or to both.

#### **1.4 Sampling, Data Collection and Analysis Methods**

The stratified and purposive sampling methods were used to select the tax regions covered during the audit. These sampling approaches were adopted to collect reliable and sufficient audit evidence to achieve the intended audit objective.

##### **1.4.1 Selection of Regions Covered by the Audit**

The audit team used stratified and purposive sampling methods to select TRA Tax Regions for verification. The selected tax regions were based on the number of EFD users, geographical representation, and complexity of the tax regions. TRA had 34 tax regions dealing with domestic revenue. The

audit grouped TRA into five groups: western, northern, southern, and coastal, as well as tax regions with complex natures.

The audit also categorized 31 tax regions based on geographical location and three tax regions into one group (Large Taxpayers, Medium Taxpayers, and the Kariakoo Tax Region). The entire TRA tax regions dealing with domestic revenue were grouped into five groups, with one tax region selected purposively in each group.

Hence, the audit selected a tax region with the highest number of taxpayers in four groups: northern, southern, coastal, and complex tax regions, and one group (western), a tax region with the lowest number of taxpayers, was selected. The selected tax regions and the reasons for their selection are shown in Table 1.1 and Appendix 3.

**Table 1.1: Selected Regions Covered by the Audit**

| Selected Tax Region | Reason for Selection  |
|---------------------|---|
| Kinondoni           | Represents the tax regions with the highest number of EFDs from the coastal zone                  |
| Kariakoo            | Represents the tax regions with the highest number of EFD users from regions of a complex nature. |
| Rukwa               | Represents the tax regions with the lowest number of EFD users and the western zone               |
| Dodoma              | Represents the tax regions with the highest number of EFDs from the central zone                  |
| Arusha              | Represents the tax regions with the highest number of EFDs from the northern zone                 |

*Source:* Auditors' Analysis of EFDs Database, 2024

#### 1.4.2 Methods for Data Collection

The audit used both qualitative and quantitative data to assess the management of EFDs in the country. The data were collected through interviews and document reviews. These methods are detailed hereunder.

##### (a) Interviews

The interview method was used to gather comprehensive information on the performance of EFD management in the country. The interviews enabled

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the audit team to obtain information regarding the identification and registration of eligible EFD users, operation and maintenance, compliance monitoring, and enforcement. The audit interviewed officials from TRA headquarters and five tax regions. The interviews provided a broader understanding of the audit areas and helped to identify the root causes and consequences of these problems. **Appendix 4** provides a detailed list of individuals and entities interviewed during the audit and their respective justifications.

### **(b) Documents Review**

The audit reviewed documents related to EFD management, including identification, registration, operations, maintenance, compliance monitoring, and enforcement, covering four financial years from 2020/21 to 2022/24. The review included planning documents, EFDs database, performance reports, progress reports, and monitoring and evaluation reports. The purpose is to ensure the audit findings are supported by collaborative evidence and to obtain appropriate information for presenting clear findings. **Appendix 5** provides a detailed breakdown of the documents reviewed and the justification for their review.

#### **1.4.3 Methods for Data Analysis**

Data analysis consisted of examining, categorizing, tabulating, or otherwise recombining both quantitative and qualitative evidence to address the audit objective. Quantitative data were organized, summarized and compiled for data analysis. The analysed data were presented in different ways, such as tables, graphs and charts. On the other hand, the qualitative data, mainly from interviews, were transcribed, described, compared, and related so that they could be extracted and explained as findings.

The analysis involved looking for categories such as events, descriptions, consistencies, or differences from the gathered data. Both the gathered quantitative and qualitative data were compared with their respective audit criteria for consistency.

The audit team analysed quantitative data by comparing registered traders with traders who acquired EFDs, registered traders with traders who had



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known annual turnovers, and traders who acquired EFDs with those who reported active EFDs.

Also, the audit compared the number of active EFDs with actual sales records in the EFDMS, EFDs acquired with EFDs cost offset, and standard time for approval of the application of EFDs UIN with actual time taken as well as for reported EFDs problems.

In addition, the audit conducted a qualitative analysis of planned strategies for EFD improvement and actual attainment and a chronological analysis of the adaptation of cost minimisation strategies in EFDs. Furthermore, a ratio analysis was conducted to establish staff workload.

### 1.5 Data Validation

To ensure the validity of the collected information and their analysis, TRA reviewed the draft report and commented on the information presented. They confirmed the validity of the information presented in the draft report.

The draft report was also cross-checked and discussed with experts in the EFDs machines in the revenue collection. Their comments and suggestions have been incorporated into the report.

### 1.6 Audit Standards

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) issued by the International Organization of Supreme Audit Institutions (INTOSAI). These standards require the audit to be planned and performed to obtain sufficient and appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objective.

### 1.7 Structure of the Report

The audit report is organized into five chapters as outlined below:

- *Chapter One* presents the introduction. It covers the background, motivation, audit design, sampling, methods of data collection and

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analysis, the standard used for the audit, data validation, and the structure of the report.

- *Chapter Two* presents the description of the system for the administration of EFDs. Also, it covers the legal framework, processes, key players and stakeholders together with their responsibilities in the management of EFDs in revenue collection.
- *Chapter Three* presents the findings of the audit, covering the identification and registration of eligible EFD users, the operation and maintenance of electronic fiscal devices, and compliance monitoring and enforcement.
- *Chapter Four* provides overall conclusion and specific conclusions for the audit.
- *Chapter Five* presents the audit recommendations to the Tanzania Revenue Authority.



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## CHAPTER TWO

### SYSTEM FOR ADMINISTRATION OF ELECTRONIC FISCAL DEVICES IN REVENUE COLLECTION IN TANZANIA

#### 2.1 Introduction

This chapter describes the system for administering EFDs in Tanzania. It covers the governing legal framework and the roles and responsibilities of key players in the administration of electronic fiscal devices. A description of how the system's processes and activities are functioning to ensure the administration of EFDs in Tanzania is also given in this chapter.

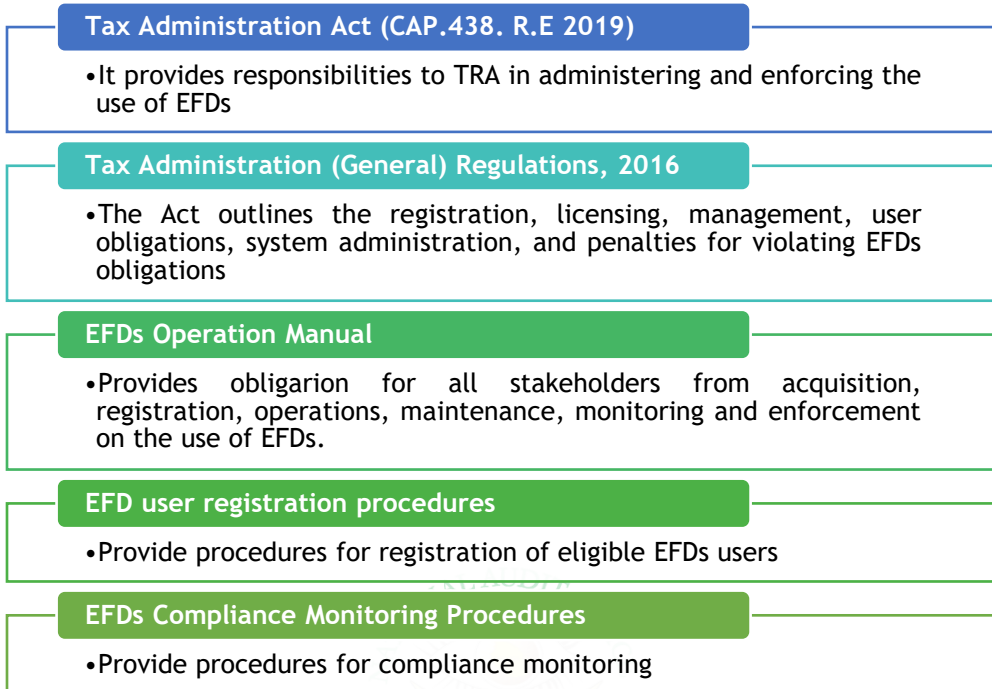
#### 2.2 Legal Framework Governing Electronic Fiscal Devices

The administration of EFDs in tax revenue collection is guided by the following legal instruments.

##### 2.2.1 Acts, Regulations, Manual and Operating Procedures

The administration of EFDs in Tanzania is governed by the Tax Administration Act of 2015 (CAP.438. R.E and the Tax Administration (General) Regulations, 2016, GN. No. 101 of 2016. It is also governed by a contract between TRA and the Supplier, as well as manuals and operating procedures. The legal framework for the administration of EFDs in Tanzania is presented in **Figure 2.1**.

**Figure 2.1: Legal Framework for Administration of EFDs in Tanzania**



Source: Auditors' Analysis of the EFDs Legal Frameworks, 2024

## 2.2.2 Strategies and Plans SO 9001:2015 Certified

### (i) Tanzania Revenue Authority Annual Strategies for Enhancement of EFDs Compliance

TRA employed between 6 and 13 strategies for the enhancement of EFD compliance management for each financial year from 2020/21 to 2023/24. The strategies adapted included creating tools to improve EFD usage, promoting awareness campaigns for EFD acquisitions and usages, collaborating with other entities for enforcement, monitoring compliance, and offering incentives for demanding EFDs (Refer to **Table 2.1** and **Appendix 7** for more details).

**Table 2.1: TRA Annual Strategies for EFD Enhancement**

| Category of the Planned Strategy                      | Financial Year |           |          |          |
|---|----------------|-----------|----------|----------|
|   | 2020/21        | 2021/22   | 2022/23  | 2023/24  |
| Development of tools for enhancing EFD usage          | 1              | 1         | -        | -        |
| Awareness campaign for EFD acquisitions and usage     | 4              | 3         | 2        | 2        |
| Collaboration with other entities for EFD enforcement | 1              | 1         | -        | -        |
| Compliance, monitoring and enforcement of EFDs uses   | 7              | 8         | 5        | 4        |
| Incentive for demanding EFDs                          | -              | -         | 1        | -        |
| <b>Total</b>  | <b>13</b>      | <b>13</b> | <b>8</b> | <b>6</b> |

*Source:* Annual Revenue Collection for TRA Domestic Revenue Department from the Financial Year 2020/21 to 2023/24

**(ii) Multi-Year Compliance Strategy 2021/22-2023/24**

TRA developed a Multi-year Compliance Strategy (2021/22-2023/24) aiming at mitigating the risks in different aspects of the administration of EFDs through enhanced voluntary tax compliance. Compliance risks in the administration of EFD were linked with the inadequacy of acquiring and using EFD machines. This strategy seeks to mitigate the risks by enforcing the usage of EFD, fast-tracking EFD takeover projects, strengthening awareness of issuing and demanding EFD receipts, and identifying fake EFD receipts.

**(iii) Goals and Objectives**

**(a) National Development Vision, 2025**

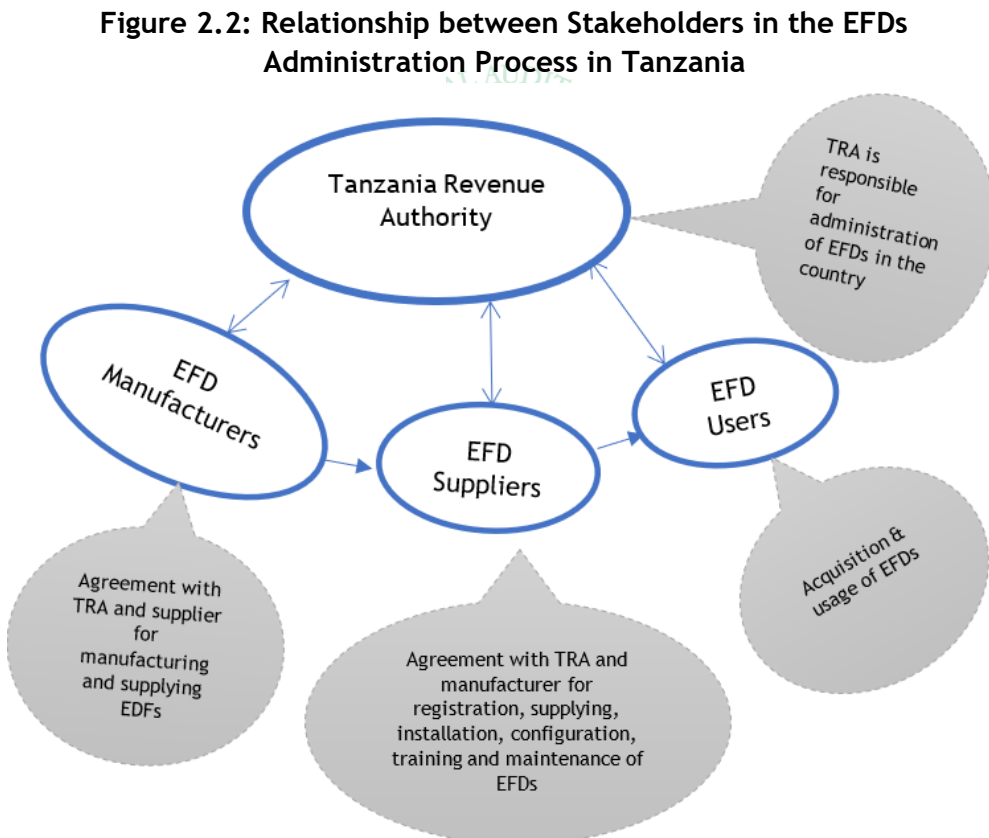
The National Development Vision 2025 focused on enhanced mobilization and effective utilization of resources by articulating clear National Key Result Areas (NKRAs) and focusing both domestic and foreign resources on the implementation of national priorities. It directed the highest priority of government interventions through boosting domestic revenue. The introduction of EFDs by TRA aimed to modernize tax administration and enhance compliance, ultimately improving revenue collection.

## (b) National Five-Year Development Plan III (2021/22-2025/26)

This plan aimed at improving revenue yield out of the expected recovery from the global and domestic economies through improving efficiency in tax administration and strengthening collection of taxes using automated systems to reduce potential (negative) human interventions, consequently minimising their abuse and thus increasing tax collection.

### 2.3 Roles and Responsibilities of Key Actors in EFD Administration

The key actors in the Administration of EFD include TRA, EFD users, and EFD suppliers. Their roles and responsibilities are presented in Figure 2.2 and further analysed in the sections that follow.



*Source:* Auditors' Analysis of Tax Administration (General) Regulations (2016), 2024

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### (i) Tanzania Revenue Authority

TRA is responsible for appointing electronic fiscal device manufacturers, certifying suppliers, registering users, licensing devices, managing the EFD system, monitoring compliance, and enforcing operations.

### (ii) Manufacturer of EFDs

The manufacturer of the EFD must be approved by the Commissioner General of TRA, and must sign a contract with the approved supplier that has to supply both the approved electronic fiscal devices and spare parts for at least a period of five years, regardless of the change of technology.

### (iii) Suppliers of EFDs

An EFD supplier is obliged to procure EFDs from approved manufacturers, maintain stock, and sell them to users. Also, the EFD supplier is obliged to conduct after-services and provide support.

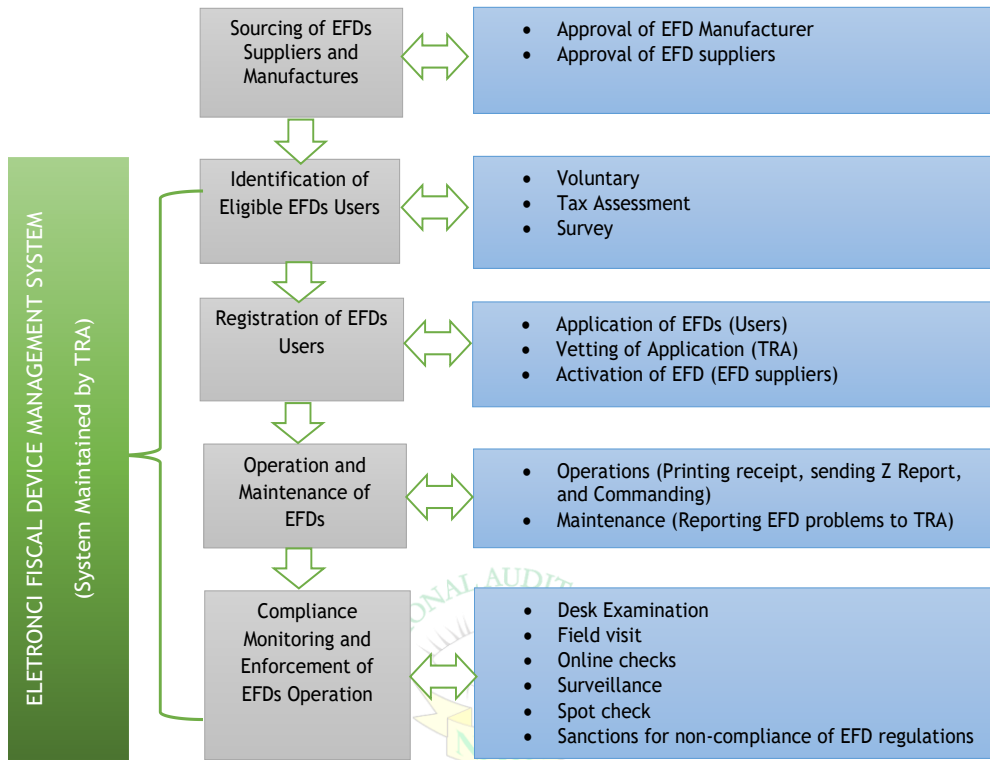
EFD suppliers should ensure EFD users receive comprehensive training on device functionality and troubleshooting. In addition, EFD suppliers are obliged to maintain users' records, including application letters, IDs, and TIN certificates, for five years after contract expiry.

## 2.4 System and Processes for Administration of Electronic Fiscal Devices in Tanzania

The administration of EFDs involves various processes that ensure the effective and efficient use of EFD machines, from the sourcing of manufacturers and suppliers to the enforcement of compliance. These are presented in **Figure 2.3**.

Stakeholders such as suppliers, manufacturers, EFD users, and TRA use the EFDMS established by the Commissioner General. The system transmits, receives, stores and monitors fiscal information relating to sales transactions done by EFD users in the course of their daily business.

**Figure 2.3: The EFD Administration Process in Tanzania**



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*Source:* Auditors' Analysis Based on the Tax Administration (General) Regulations 2016 (from Reg. 29 to 56) and Operation Manual 2019

The details of key steps in the administration of EFDMS, as presented in **Figure 2.3**, are explained hereunder:

### (i) Sourcing and Registration of EFD Manufacturer and Supplier

#### Sourcing

The Authority sources qualified EFD manufacturers and suppliers through tendering processes. The EFD must be manufactured by an approved manufacturer and then supplied to EFD users by a supplier approved by the Commissioner General. To date, TRA has entered into contracts with five manufacturers and 18 approved suppliers of EFDs.



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## Registration

This is a system-based activity whereby suppliers and manufacturers submit their details to TRA for registration. This activity is covered in the EFD registration (manufacture/supplier) module in EFDMS, as presented in **Figure 2.3**.

### (ii) Registration of EFD Serial

The approved manufacturer is required to submit all EFD serials to TRA through the manufacturer portal, which is integrated with EFDMS. Then, a TRA official is supposed to register all EFD serial in EFDMS.

### (iii) Identification of Eligible EFD Users

A review of TRA processes noted three approaches used to identify eligible EFD users, namely voluntary tax assessment and visit/survey campaigns.

#### (a) Voluntary Registration

In this approach, users take the initiative to apply for registration of the EFD machines. As presented in **Figure 2.3**, this activity is covered in the EFD allocation/ UIN application module in EFDMS.

#### (b) Tax Assessments

In this approach, users of EFDs are identified during tax assessment exercises performed by the tax officers. During the exercise, if a tax officer identifies a taxpayer who has reached the annual turnover threshold for registration of EFDs as required by regulation, a tax officer advises such taxpayer to apply for an EFD.

#### (c) Field Visits

In this approach, TRA scheduled field visits to enforce EFD operations and identify taxpayers that meet the minimum requirements for registration of EFDs.

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#### **(iv) Registration of EFD Users**

Any person who sells goods worth at least TZS 11 million per annum or those determined by the Commissioner General (CG) of TRA is required to be registered for the use of EFD. Any EFD to be used and connected to the system is supposed to be licensed by the Commissioner General of TRA. The supplier is obliged to install, configure and activate the supplied EFD at the user's premises. This stage is covered in the EFD allocation/ UIN application module in EFDMS, as presented in **Figure 2.3**.

Registration of EFD users requires the EFD supplier to submit an online application for EFD, which is then sent to TRA via EFDMS. The officer checks the taxpayer's information, approves the UIN, and sends the generated UIN to the supplier, who then registers and activates the machine.

#### **(v) Operation and Maintenance of EFDs**

##### **EFD Operations**

The supplier is required to train users on proper EFD administration and support and maintain the device at users' premises for smooth operation. EFD users must connect their EFDs to the system and ensure all business transactions are electronically transmitted to the system.

##### **EFD Breakdown Management**

The EFD problem module is used to report and approve problems that are already in EFDMS. When an EFD experiences a breakdown, the user is supposed to document the incidence in the inspection booklet. All reports are then submitted online, and the users must issue manual receipts or tax invoices as a temporary measure.

The faulty machine is taken to the supplier, who issues a job card. The user submits the job card to TRA, who reports the machine under repair and assigns the problem to the supplier. The supplier resolves the issue, ensuring the machine is operational again. Once the supplier fixes the issue, the request will be returned to TRA for final processing and verification.

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## **(vi) Monitoring and Enforcement of EFDs**

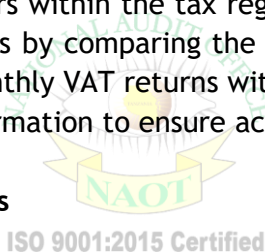
The Commissioner General of TRA is obliged to control and administer the EFDMS. Also, the Commissioner General is supposed to form an EFD Technical Committee to assist him in all matters regarding the administration of EFDs. This stage is covered in the EFD taxpayer management module.

For the purposes of effective and efficient administration of EFD, the compliance officer or any officer is required to perform the following activities:

### **(a) Desk Examination Programs**

The desk examination programme is conducted monthly and involves the examination of all EFD users within the tax region. The goal is to mitigate or eliminate identified risks by comparing the information submitted by a user/taxable person in monthly VAT returns with data in taxpayers' system and other comparable information to ensure accuracy test.

### **(b) Field Visit Programs**



Field visits are conducted by a team of at least two EFD compliance monitoring officers who conduct monthly field visits to clarify information from desk examinations, surveillance, and online monitoring. These visits aim to enhance compliance, clarify any issues, and resolve any outstanding issues on EFDs.

### **(c) Online Checks Programs**

The program monitors user transactions online to ensure the accuracy of receipts and invoices, thereby minimizing risks. Officers conduct monitoring daily from 9.00 am to 11.00 am and from 2.00 pm to 5.00 pm, focusing on sectors with high sales volume. TRA tracks the issuing of receipts trends through its system and alerts users via text messages or phone calls if anomalies are detected. Officers report these anomalies to supervisors for further action.

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#### (d) Spot Check Programs

The purpose of this program is to enhance the issuance/demand for fiscal receipts for continuous compliance.

#### (e) Surveillance Programs

This program aims to promote the issuance and demand of fiscal receipts to ensure continuous compliance. The program is conducted in all areas of suspected high sales, such as street/ business sectors, godowns, and manufacturing facilities. The surveillance is supposed to be carried out twice a month on varied dates or at any time if necessary.

#### (f) Electronic Fiscal Device Inspection Program

The aim of this program is to minimize risks and verify the security sustainability of EFDs that are in use and under control. The EFD Inspection Program is supposed to be executed every six months or as needed. During inspections, the team assess the hardware, logical security and compliance with Regulation 37(1)(b) - Sixth Schedule of the Tax Administration (General) Regulations, 2016. Also, during the inspections, the team verifies the Ethernet Port for all EFDs. 9001:2015 Certified

### 2.5 Resources for the Management of Electronic Fiscal Devices

Based on the processes outlined in the previous sections, financial and human resources allocated for managing EFDs are indicated in Tables 2.2 and 2.3.

**Table 2.2: Funds Allocated for EFD and Debt Management at TRA**

| Financial Year | Budgeted Expenditure in TZS | Actual Expenditure in TZS | Budget Performance |
|----------------|-----------------------------|---------------------------|--------------------|
| 2020-2021      | 652,911,549                 | 652,911,549               | 100                |
| 2021-2022      | 774,541,500                 | 774,541,500               | 100                |
| 2022-2023      | 2,730,623,995               | 2,703,078,336             | 98                 |
| 2023-2024      | 3,818,590,576               | 3,792,583,800             | 99                 |
| <b>Total</b>   | <b>7,976,667,620</b>        | <b>7,923,115,185</b>      | <b>99</b>          |

Source: TRA Extract of Budget and Performance 2020/21 to 2023/24

As indicated in **Table 2.2**, TRA released funds for recurrent expenditure ranging from 98% to 100% during the period under review. This indicates that, within a period of four financial years, the section handling EFD compliance and debt management was funded at a minimum of 98%.

The financial resources allocated and expenditures for EFD activities, such as identification and registration of potential EFD users and monitoring and enforcement of EFDs in the five visited regions are detailed in **Table 2.3**.

**Table 2.3: Financial Resources Allocated and Expenditures for EFD in the Visited TRA Tax Regions**

| Tax Region | Financial Year | Financial Resources Allocated in TZS | Actual Expenditures in TZS |
|------------|----------------|--------------------------------------|----------------------------|
| Arusha     | 2020/21        | 124,200,000                          | 124,200,000                |
|            | 2021/22        | 79,709,874                           | 79,709,874                 |
|            | 2022/23        | 264,680,000                          | 264,680,000                |
|            | 2023/24        | 389,040,000                          | 389,040,000                |
| Dodoma     | 2020/21        | 61,325,215                           | 61,325,215                 |
|            | 2021/22        | 155,494,000                          | 155,494,000                |
|            | 2022/23        | 230,182,747                          | 229,222,747                |
|            | 2023/24        | 335,024,000                          | 335,024,000                |
| Rukwa      | 2020/21        | 47,494,380                           | 47,494,380                 |
|            | 2021/22        | 72,529,147                           | 72,529,147                 |
|            | 2022/23        | 123,046,000                          | 106,819,000                |
|            | 2023/24        | 219,219,000                          | 219,219,000                |
| Kinondoni  | 2020/21        | 11,563,750                           | 11,563,750                 |
|            | 2021/22        | 15,709,958                           | 15,709,958                 |
|            | 2022/23        | 7,066,000                            | 7,066,000                  |
|            | 2023/24        | 36,566,052                           | 36,566,052                 |

*Source:* Auditors' Analysis of Funds allocated and Expenditures for EFD Activities 2020/21 to 2023/24

The analysis from **Table 2.3** indicates that there is no variation between funds allocated and expenditures for EFD activities except for the Rukwa Tax Region. This was noted in the financial year 2022/23 when there was a variation of TZS 16,227,000 between funds allocated and actual

expenditure. On the other hand, details of the human resources allocated to TRA are provided in **Table 2.4**.

**Table 2.4: Human Resources Allocation to TRA for EFD Compliance and Enforcement**

| Authority    | Division   | No. of staff available |
|--------------|------------|------------------------|
| TRA          | HQ         | 3                      |
|              | Tax Region | 113                    |
| <b>Total</b> |            | <b>116</b>             |

*Source:* Auditors' Analysis on TRA Staff Available, 2024

**Table 2.4** shows that TRA did not determine if staff were needed for EFD administration. The details of the available staff are presented in **Appendix 7**. The data on human resources allocated for EFD compliance and enforcement in the visited tax regions is presented in **Table 2.5**.

**Table 2.5: Human Resources Allocation for EFD Compliance and Enforcement at TRA**

| TRA Tax Region | No. of staff available |
|----------------|------------------------|
| Rukwa          | 2                      |
| Dodoma         | 4                      |
| Arusha         | 5                      |
| Kinondoni      | 7                      |
| Kariakoo       | 11                     |

*Source:* Auditors' Analysis of the Number of Staff at TRA, 2024

**Table 2.5** indicates that Kariakoo was the leading tax region in terms of being visited by many staff for EFD compliance and enforcement, followed by Kinondoni.

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## CHAPTER THREE

### AUDIT FINDINGS

#### 3.1 Introduction

This chapter presents findings related to the management of EFDs in revenue collection in Tanzania. The chapter particularly presents findings related to the identification and registration of EFD users, operations and maintenance of EFDs, and monitoring and enforcement of EFD operationalization. Detailed audit findings are presented below.

#### 3.2 Magnitude of the Identification and Registration for EFD Usage

Through a comparison of the EFD users and business TIN, the audit noted that as of July 2024, 1,813,385 out of 2,056,723 traders, equivalent to 88%, were not registered to use EFDs. **Figure 3.1** summarises the status of TIN-registered businesses using EFDs.

**Figure 3.1: Status of TIN Registered Businesses Using EFDs**



*Source:* Database of EFD Registered and Business TIN, July 2024

**Figure 3.1** shows that 88% of business TIN holders were not registered to use EFDs in their transactions.

TRA Management stated that not all traders with business TINs were required to be registered for EFD usage, with some exempted due to the

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nature of the business or not meeting the threshold. Eligible taxpayers are identified based on turnover thresholds and business nature to ensure compliance with tax regulations. In the financial year 2023/24, TRA conducted enforcement activities, particularly physical block visits, to identify additional eligible taxpayers.

However, the audit noted that the existing system did not indicate whether registered traders were eligible for EFD registration even without considering the traders' threshold.

This implies that a large number of registered traders were not identified for EFDs and were not reached to assess their EFDs eligibility, registration and usages, as detailed below:

### 3.3 Identification and Registration of Eligible EFDs Users

TRA is responsible for identifying and registering EFD users and has made efforts to enhance EFD management. These include establishing a specific unit, revising operation manuals, updating EFDMS, and preparing registration, enforcement, and monitoring procedures. The audit noted the following issues with regard to the identification and registration of EFDs.

#### 3.3.1. The Trend of Attaining Targets for EFDs Registration Declined from 101% to 46%

TRA sets targets yearly for the acquisition of EFD machines, which are allocated to the respective tax regions. The audit noted that the targets for EFD registration had a rising trend from 35,691 to 100,410 machines per year. **Table 3.1** shows a comparative analysis of the target and actual number of EFDs registered from the financial year 2020/21 to 2023/24.

In the financial year 2020/21, the target of 35,691 EFDs was exceeded, with 35,895 EFDs registered, achieving a performance rate of 101%. In the financial year 2021/22, the target increased to 45,641 EFDs, with 40,044 EFDs registered, resulting in an 88% performance rate, followed by a similar performance in the financial year 2022/23 with an 89% rate, where 51,353 EFDs were registered against a target of 57,999 EFDs. However, in the financial year 2023/24, despite the target rising to 100,410 EFDs, actual



registrations dropped to 45,761 EFDs, resulting in the lowest performance rate of 46%.

**Table 3.1: Comparative Analysis of the Target Number of EFDs to be Registered and the Actual Number of EFDs Registered**

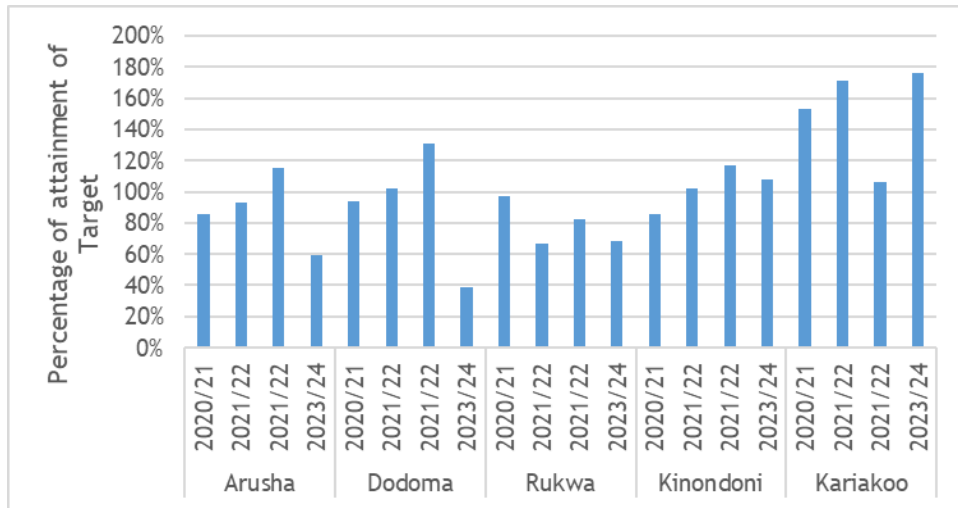
| Financial Year | No. of EFD Registration |        | Performance (%) |
|----------------|-------------------------|--------|-----------------|
|                | Target                  | Actual |                 |
| 2020/21        | 35,691                  | 35,895 | 101             |
| 2021/22        | 45,641                  | 40,044 | 88              |
| 2022/23        | 57,999                  | 51,353 | 89              |
| 2023/24        | 100,410                 | 45,761 | 46              |

*Source:* TRA-Domestic Department Revenue Annual Performance Reports  
2020/21-2023/24

**Table 3.1** shows that in the financial year 2020/21, the performance for EFD registration exceeded the target at 101%, whereas in the financial year 2023/24, it significantly declined to only 46%, indicating a sharp decrease in achievement over the period.

Also, the audit noted that, there was varied attainment of EFD registration targets in the visited tax regions. The audit further analysed the extent of attainment of targets in the visited tax regions. **Figure 3.2** presents the trend in targets and actual registrations of traders across various tax regions from the financial year 2020/21 to 2023/24.

**Figure 3.2: Percentage of Attainment of EFD Registration in the Visited Tax Regions**



*Source:* Auditors' Analysis of Domestic Revenue Department from 2020/21 to 2023/24

The Arusha Tax region showed a stable trend, with actual registrations consistently close to the targets, as it attained a target of 87% to 97% between the financial year 2020/21 and 2023/24.

On the other hand, the Dodoma Tax region's attainment of the targets was 94%, 102%, and 131% for the financial years 2020/21, 2021/22 and 2022/23, respectively. However, in the financial year 2023/24, registration of the traders for EFD at Kariakoo was only 39% of the target.

TRA revealed that the underperformance of the Dodoma Tax region in EFD acquisition for the financial year 2023/24 was due to the nature of taxpayers' businesses, including those involved in passenger transport and financial services. Taxpayers had been assessed for tax clearance but were later found to be no longer in operation. Additionally, the region had a shortage of human resources for full surveillance, enforcement, and physical survey of EFDs.

Furthermore, the Arusha Tax Region initially performed very well in the financial year 2022/23. However, in the financial year 2023/24, the actual registrations were only 59% of the target. Also, Rukwa Tax Region had low

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targets and low attainment of targets from the financial year 2020/21 to 2023/24, and these ranged between 67% and 97% of the respective targets.

According to TRA, the inadequate infrastructure of the Rukwa Region, particularly in remote areas with no electricity and poor networks, makes it difficult for taxpayers to acquire EFD machines. Furthermore, businesses like passenger transportation and agriculture also struggle to comply with EFD registration due to perceived complexities or fear of increased scrutiny.

Moreover, TRA HQ revealed that the country faced low compliance levels with tax laws and regulations. The registration and usage of EFDs often necessitate door-to-door enforcement activities to engage taxpayers and enforce compliance effectively.

Additionally, the lack of integrated systems between TRA and other key stakeholders in the business environment hinders the effective monitoring of taxpayers' activities for tax compliance purposes. As a result, the management adopted more traditional methods, such as field operations (enforcement), to enhance EFD registration compliance. However, according to TRA management, these enforcement activities were suspended due to a recent dispute between traders and TRA, which adversely impacted performance as compared to previous years.

Through analysis of the visited tax regions, the audit identified several factors contributing to the decline in target attainment, apart from reasons stated by TRA management. These are highlighted below:

**(a) Shortfalls in Setting Targets for EFD Registrations**

The audit noted that there were shortfalls in setting targets, as discussed below:

- **EFD Registration Targets for the Kinondoni and Kariakoo Tax Regions were Reduced**

A review of the target and actual performance of EFD registration for the financial years 2020/21 to 2023/24 found that targets set for the EFD registration were lower than the actual number attained in previous years.

Table 3.2 shows the comparison of the attainment of targets and the targets set in the subsequent year.

**Table 3.2: Comparison of the Attainment of Targets with the Targets in the Subsequent Year**

| Tax Region | Financial Year | Actual attainment Number | Target in Subsequent Financial Year | Reduction (-) or addition (+) of Target (%) |
|------------|----------------|--------------------------|-------------------------------------|---|
| Kinondoni  | 2020/21        | 5,116                    |                                     |   |
|            | 2021/22        | 6,135                    | 6,000                               | 17  |
|            | 2022/23        | 7,002                    | 6,000                               | -2  |
|            | 2023/24        |                          | 5,964                               | -15   |
| Kariakoo   | 2020/21        | 2,827                    |                                     |   |
|            | 2021/22        | 3,253                    | 1,850                               | -33   |
|            | 2022/23        | 3,575                    | 1,900                               | 4%  |
|            | 2023/24        |                          | 3,367                               | -49   |

Source: Auditors' Analysis of Domestic Revenue Department from 2020/21 to 2023/24, 2024

It can be noted from Table 3.2 that, in the Kinondoni Tax Region, the number of EFD acquisitions increased from 5,116 in 2020/21 to 7,002 in the financial year 2022/23. However, despite the upward trend, the target for the financial year 2023/24 was reduced by 15% to 5,964. In Kariakoo, the EFD acquisition level rose from 2,827 EFDs in the financial year 2020/21 to 3,575 EFDs in 2022/23, yet the target for 2023/24 dropped by 49% to 3,367 EFDs.

This indicates that the targets at the Kinondoni and Kariakoo Tax Regions were reduced by up to 15% and 49% of the previous actual performance, respectively. This is attributed to the decline in overall TRA EFD registration performance.

TRA also revealed that, the EFD target for the Kinondoni Tax Region was based on the number of taxpayers with a turnover of TZS 11 million, calculated each year according to the Year of Income (YOI). The benchmark for this target was derived from the presumptive assessments made at the beginning of the year.

These reductions in targets did not align with the actual performance, as it can be noted that during the financial year 2023/24, the Kinondoni Tax

Region was estimated to have 3,095 potential taxpayers for EFD acquisition, while the actual number of acquisitions was 6,420 taxpayers. This implies that the estimation process was not accurately conducted.

Kariakoo Tax Region met the respective targets by 94%, 91% and 80% in the financial years 2002/21, 2021/22 and 2022/23. However, in the financial year 2023/24, the Kariakoo Tax Region managed to register only 57% of the targeted number of traders. TRA revealed that the Kariakoo Tax Region faced limitations in geographical expansion and business operations, making it difficult to expand its tax base.

In the financial year 2023/2024, a total of 955 potential taxpayers were identified for EFD acquisition. However, the audit noted that the actual acquisition level attained was 3,190 traders. The noted discrepancy between the target and actual number of traders indicates that the identification process was not properly conducted.

**(b) EFD Improvement Strategies were Implemented for a Range of 8% to 83%**

The analysis of the strategies and performance reports of the Domestic Revenue Department of TRA from the financial year 2020/21 to 2023/24 revealed that TRA implemented 1 to 5 out of 6 to 13 planned strategies for improving the administration of EFD. Table 3.3 shows the extent of the implementation of the EFDs improvement strategies.

**Table 3.3: Extent of Implementation of the EFDs Improvement Strategies**

| Financial Year | No. of Planned Strategies | Implemented Strategies | Executed Strategies (%) |
|----------------|---------------------------|------------------------|-------------------------|
| 2020/21        | 13                        | 5                      | 38                      |
| 2021/22        | 13                        | 1                      | 8                       |
| 2022/23        | 8                         | 3                      | 38                      |
| 2023/24        | 6                         | 5                      | 83                      |

*Source:* Auditors' Analysis of the Planned Strategies and Annual TRA -DRD Performance Reports 2020/21-2023/24

The audit noted that low implementation of the strategies was attributed to the absence of annual operation/action plans and Key Performance Indicators (KPIs) to measure the implementation of the formulated strategies. As a result, the Authority experienced a low trend in relation to the identification and registration of eligible EFD users.

**(c) Varied Workload for Officials Involved in EFD Activities**

The audit noted that one of the reasons that hindered the registration of EFD was the varied workload across the audited tax regions. **Table 3.4** shows a comparison of staff for EFD and the number of registered EFD users/ registered traders.

**Table 3.4: Ratio Analysis of the Workload of EFD Compliance and Enforcement Officers**

| Tax Region | Number of Dedicated Staff (A) | Number of Registered EFD Users with Active EFD(B) | Number of Registered Traders (C) | Workload for Registered Traders (Registered Traders /Staff) (C/A) | Workload for Active EFDs Users (Active EFDs/Staff) (B/A) |
|------------|-------------------------------|---|----------------------------------|---|--|
| Kinondoni  | 7                             | 42,491  | 214,913                          | 30,702  | 6,070  |
| Arusha     | 5                             | 26,258  | 145,967                          | 29,193  | 5,252  |
| Kariakoo   | 11                            | 27,810  | 82,639                           | 7,513   | 2,528  |
| Dodoma     | 4                             | 12,590  | 41,914                           | 10,479  | 3,148  |
| Rukwa      | 2                             | 2,371   | 26,975                           | 13,488  | 1,186  |

Source: EFD Database, 2024 and Staff Level for the Visited Tax Regions, 2024

**Table 3.4** shows that in the Kinondoni Tax Region, on average, each staff member is responsible for 30,702 traders and 6,070 active EFD users, making it the busiest region. A similar trend has been noted in the Arusha and Dodoma Tax Regions. For instance, the Arusha Tax Region had an average of 29,193 traders and 5,252 active EFD users per staff member. Similarly, the Dodoma Tax Region, with four staff members, had an average workload of 10,479 traders and 3,148 active EFD users per staff member.

On the contrary, in terms of EFDs, the Rukwa Tax Region had the lowest workload, with each staff member handling an average of 1,186 active EFD users. This is followed by the Kariakoo Tax Region, where 11 staff members

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handled an average of 7,513 traders and 2,528 active EFD users. These disparities indicate that tax regions like Kinondoni and Arusha were under-resourced relative to their trader and EFD users, which may hinder the identification and Registration of EFDs.

Interviews with responsible officials revealed that the allocated staff were responsible for identification, registration, monitoring, and enforcement and were not exclusively designated for EFD-related tasks. They were responsible for other tax-related activities as well, such as tax audits.

TRA revealed that it recruited a total of 1,513 employees for the period under the audit for the Domestic Revenue Department only. In the interim, the management has implemented a strategy to mitigate the shortage by deploying staff from other units to participate in enforcement activities, thereby enhancing EFD compliance. Also, other units monitor EFD usage compliance in the course of executing their daily duties, hence complementing the number of staff allocated to EFD unit. It is worth noting that the Authority is currently experiencing a general shortage of staff across all sections, especially in our regions, including EFD units.

However, there was no record that indicates the extent of the stated general shortages. Similarly, the audit noted that TRA had not established the standard on the number of staff required per EFD user.

**(d) Existing Information System at TRA did not Indicate Business TIN Exempt from EFD Usage**

Regulation 34(1) of the Tax Administration (General) Regulations, 2016, requires the Commissioner General to establish an EFDMS that transmits, receives, stores and monitors information relating to sales transactions done by users in the course of their daily business.

The audit found significant gaps in the information provided by TRA through the review of operational reports from the EFDMS and registration reports. The audit compared amounts declared in annual returns with EFD sales and EFD sales reports. It noted that TRA's information system did not specify which traders with TINs were not registered for EFDs, nor did it clarify their eligibility for EFD registration based on exemptions or sales thresholds.

This limitation hindered the online assessment of potential EFD users. For instance, in 2023, a total of 24,601 traders with sales turnovers exceeding TZS 11 million were not EFD users, and the information extracted from the system could not identify whether they were exempted from EFD acquisition or not.

**(e) Turnover for 89% of the Registered Traders was Unknown**

Sections 36(1) and (2) of the Tax Administration Act [CAP. 438 R.E. 2019], requires a person whose annual sales exceed TZS 11 million to register for the use of an electronic fiscal device unless exempted. To enhance identification, it is important for turnover to be known by TRA.

The auditors’ analysis of registered traders and those with known turnover for the calendar years 2021 to 2023, from the analysis of trader’s turnovers (presumptive assessment and submitted return on income), noted that, on average, TRA did not know the turnover of 89% of the 1,907,680 registered traders. **Table 3.5** presents the comparison between turnover and registered traders.

**Table 3.5: Comparison between Turnover and Registered Traders**

| Calendar Year | Traders           |                     |                       | Traders with Unknown Turnovers (%) |
|---------------|-------------------|---------------------|-----------------------|------------------------------------|
|               | With Business TIN | With Known Turnover | With Unknown Turnover |                                    |
| 2023          | 2,056,723         | 327,051             | 1,729,672             | 84                                 |
| 2022          | 1,882,031         | 172,944             | 1,709,087             | 91                                 |
| 2021          | 1,784,286         | 161,155             | 1,623,131             | 91                                 |
| Average       | 1,907,680         | 220,383             | 1,687,297             | 89                                 |

*Source:* Auditors’ Analysis of Registered Traders from Calendar Year 2021 to 2023,2024

**Table 3.5** shows that the trend of unknown turnover declined from 91% in 2021 to 84% in 2023. This indicates that TRA was limited in its awareness of the turnover of the registered taxpayers, which limits the Authority from assessing threshold eligibility for EFD acquisition regardless of whether they were exempted or not. This was attributed to inadequate monitoring and enforcement of registered traders in undertaking presumptive assessment and submission of returns on income.



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**(f) 21,592 Eligible Traders did not Acquire EFDs**

Auditors' analysis of the presumed assessments and income returns for the year 2024 revealed that about 21,592 traders with annual sales above TZS 11 million eligible for EFD registration were not registered. However, as of December 2024, a total of 3,796 identified eligible traders had acquired EFDs, whereas 21,592 traders eligible for EFDs acquisition had not acquired them, which is contrary to Regulation 46 of Tax Administration (General) Regulations, 2016, which makes it an offence for any person who is required to acquire EFDs not to have one. **Table 3.6** and **Appendix 8** indicate the number of traders who were eligible for EFDs but did not acquire them.

**Table 3.6: Traders who were Eligible for EFDs but did not Acquire them in the Visited Tax Regions**

| Tax Region   | No. of Eligible EFD Users Not Registered |
|--------------|--|
| Rukwa        | 299                                      |
| Kariakoo     | 735                                      |
| Arusha       | 790                                      |
| Dodoma       | 1,297                                    |
| Kinondoni    | 1,855                                    |
| <b>Total</b> | <b>4,976</b>                             |

*Source:* Auditors' Analysis of Turnover from Presumptive Assessment and Returns of Income, 2024

**Table 3.6** shows that the Kinondoni Tax Region and the Dodoma Tax Regions, had the largest number of eligible EFD traders who did not acquire EFDs. During the audit, TRA officials revealed that they were making follow-ups to 1,716 traders and issued notices to 1,460 traders for EFD acquisition.

**Table 3.7** and **Appendix 9** show the reasons for not registering eligible EFD users in the visited tax regions.

**Table 3.7: Classification of Reasons for Not Registering Eligible EFD Users in the Visited Tax Regions**

| Reasons  | Frequency of the Stated Reasons in Number |
|--|---|
| Follow-up  | 1,716                                     |
| Issue notice   | 1,460                                     |
| Fall of turnover   | 27  |
| Located in remote areas where there is a network problem | 17  |
| Dealing with tractors (renting tractors to farmers)      | 10  |
| Multiple small businesses                                | 5   |
| Landlord   | 2   |
| Dealing with animal business                             | 1   |
| Dealing with building materials                          | 1   |
| Dealing with gas   | 1   |
| Dealing with phone repair                                | 1   |
| Dealing with soft drinks                                 | 1   |
| Has no business  | 1   |
| Sales containers ( <i>madumu</i> )                       | 1   |
| Sales soap in retail                                     | 1   |
| Sales traditional medicines                              | 1   |
| Sales water in retail                                    | 1   |

*Source:* Auditors' Analysis of Clarifications Issued by TRA, 2024

**Table 3.7** indicates that there was a significant number of traders who were eligible for EFD acquisitions but did not acquire them. This observation is attributed to inadequate implementation of strategies for the monitoring and enforcement of EFD usages.

### 3.3.2. A Total of 75% of EFD Users were Registered on Time

Overall, the audit found that 75% (152,139 out of 202,100) of UIN applications were attended within two days. This implies that only 25% of the approvals were approved after two days, contrary to Part 8 of Service Level Standards of the Tanzania Revenue Authority's Client Service Charter, 2024, which requires TRA to review and approve/disapprove a UIN within two days from the date of receipt.

Table 3.8 and Appendix 10 compare the standard time and the actual time taken to approve UIN across the audited period.

**Table 3.8: Comparison between the Standard Time and the Actual Time Taken to Approve UIN**

| Financial Year | Total No. of UIN | UIN approved within the time | UIN approved beyond the standard time | Efficient in approval of UIN in % |
|----------------|------------------|------------------------------|---------------------------------------|-----------------------------------|
| 2020/21        | 45,952           | 32,156                       | 13,796                                | 70                                |
| 2021/22        | 47,549           | 35,897                       | 11,652                                | 75                                |
| 2022/23        | 58,742           | 45,938                       | 12,804                                | 78                                |
| 2023/24        | 49,857           | 38,148                       | 11,709                                | 77                                |
| <b>Total</b>   | <b>202,100</b>   | <b>152,139</b>               | <b>49,961</b>                         | <b>75</b>                         |

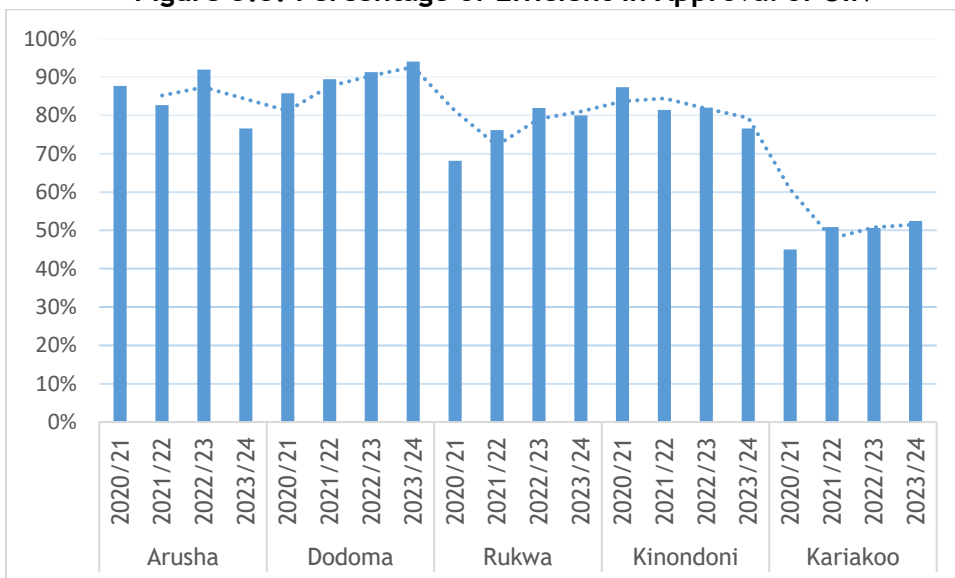
*Source:* Auditors' Analysis of UIN Approvals from 2020/21 to 2023/24, 2024

Table 3.8 indicates that, in the financial year 2022/23, a large number of UINs were applied and approved. In the visited tax regions, the audit found that the efficiency of approving UIN applications was lower in the Kariakoo Tax Region compared to the Kinondoni Tax Region, which has a similar business environment. The audit analysed the extent of delays in issuing UIN.

ISO 9001:2015 Certified

Figure 3.3 shows a comparison between the standard time and the actual time taken to approve UIN in the visited tax regions.

**Figure 3.3: Percentage of Efficient in Approval of UIN**



*Source: Auditors' Analysis of UIN Approvals, 2024*

**Figure 3.3** indicates that the highest efficiency of UIN approval was witnessed in the financial year 2023/24, as attained by the Dodoma Tax Region while the lowest was in the financial year 2020/21, as noted in the Kariakoo Tax Region.

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TRA revealed that the delay in processing EFD Users is necessitated by thorough vetting and verification of applications before approving UIN to avoid issuing the EFDs to unauthenticated applicants. This vetting is critical to mitigating future misuse of EFDs, such as the issuance of EFDs to non-compliant persons who may use them in the issuance of fictitious receipts (ghost transactions). However, there was no timeline for the duration allocated for the completion of the vetting process.

Additionally, a review of reports from EFDMS and annual performance reports audit noted that the reports did not indicate the status of an unapproved UIN (including overdue days and its reasons), thus preventing immediate supervision and follow-up.

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### **3.3.3. TRA did not Verify the Physical Location of Eligible EFD Users during Registration**

The audit found that EFDs were installed, configured, and activated at the supplier's premises, contrary to Para 8.1.2 of the EFD Operation Manual (R.E. 2019), which requires TRA to verify the application form and assign a UIN. Also, it contradicts regulation 32 (1) of the Tax Administration (General) Regulations, 2016, which requires EFD suppliers to install, configure, and activate the supplied electronic fiscal device at the user's premises.

Moreover, the audit noted that TRA approved UINs without verifying the physical address of the user of EFDs. TRA could not verify that the EFD data were specific to that location, product details, and types of the business. This created the possibility of registering ghost traders.

This lack of verification of physical addresses was attributed to TRA's operating procedures, which did not include physical verification as one of the requirements. It also resulted from inadequate follow-up by TRA to ensure EFD suppliers registered EFD users at their premises. The impact of this was inadequate identification of EFD users, which in turn could create the loophole for the creation of ghost traders, who engaged in the misuse of EFDs and make it difficult to recover uncollected revenue as stated in Section 3.5.7 (i) of this report.

### **3.3.4. TRA did not Adequately Monitor the EFD Users' Credentials to Ensure that they were Secured Properly by Suppliers**

The audit found that EFD suppliers maintain user information, including TIN, business license, and identification card, for five years after the contract period. This was in line with Clause 4 of the contract between the Tanzania Revenue Authority and Supplier signed in 2022, which mandates suppliers to maintain records of users submitted during the acquisition of EFDs.

However, this Clause provides a chance for information to get lost or land in the hands of unintended persons, who may misuse it. For instance, in March 2023, TRA issued a public notice to all EFD users to verify all registered devices in their names. This measure was taken after discovering

that some traders who disowned EFDs that were involved in malpractices revealed that they had not applied for additional EFDs. This indicates that credentials submitted initially might have been re-used for the registration of additional devices without the consent of the respective traders.

### 3.3.5. Inadequate Settlement of the Cost for the First EFD Acquisition

A review of cost offset reports for 2021, 2022, and 2023 noted that costs incurred by traders with turnover of less than 100 million who acquired EFDs for the first time were not adequately offset. This is contrary to Para 8.2 of the EFDs Operations Manual, which requires the government to bear the cost of the first acquisition. Table 3.9 shows the number of traders who acquired EFDs for the first time and did not receive cost offsets.

**Table 3.9: Comparison between the Number of Traders who Acquired EFDs and those who did not Receive Cost Offset**

| Region    | Calendar Year | No. of Traders Acquired EFDs | No. of Traders who did not receive Cost Offset | Percentage of Traders who Did Not Receive Cost Offset |
|-----------|---------------|------------------------------|--|---|
| Kinondoni | 2021          | 5,831                        | 5,810  | 99.6  |
|           | 2022          | 8,953                        | 8,902  | 99.4  |
|           | 2023          | 7,808                        | 7,627  | 97.7  |
| Kariakoo  | 2021          | 3,461                        | 3,459  | 99.9  |
|           | 2022          | 4,195                        | 4,191  | 99.9  |
|           | 2023          | 3,135                        | 3,034  | 96.8  |
| Rukwa     | 2021          | 258                          | 251  | 97.3  |
|           | 2022          | 333                          | 306  | 91.9  |
|           | 2023          | 463                          | 349  | 75.4  |
| Dodoma    | 2021          | 1,990                        | 1,979  | 99.4  |
|           | 2022          | 2,256                        | 2,237  | 99.2  |
|           | 2023          | 2,098                        | 1,963  | 93.6  |
| Arusha    | 2021          | 2,962                        | 2,960  | 99.9  |
|           | 2022          | 3,417                        | 3,415  | 99.9  |
|           | 2023          | 3,632                        | 3,557  | 97.9  |

| Region | Calendar Year | No. of Traders Acquired EFDs | No. of Traders who did not receive Cost Offset | Percentage of Traders who Did Not Receive Cost Offset |
|--------|---------------|------------------------------|--|---|
| Total  |               | 50,792                       | 50,040   | 98.5  |

Source: Auditors' Analysis of the Registered EFDs Users and Trader with Cost Offset, 2024

**Table 3.9** shows the gaps between the number of traders who acquired EFDs and those who had their acquisition costs offset across regions from 2021 to 2023. In the Kinondoni Tax Region, 5,831 traders acquired EFDs in 2021, but only 21 had their costs offset, leaving 99.6% without cost offset. This trend continued in 2022 and 2023, with 99.4% and 97.7% of traders not receiving cost offsets. In the Kariakoo Tax Region, 99.9% of traders did not have cost offsets in both 2021 and 2022. In 2023, the percentage decreased to 96.8%. In the Rukwa Tax Region, 97.3% of traders who acquired EFDs in 2021 did not have their costs offset.

This percentage decreased to 91.9% in 2022 and 75.4% in 2023. A similar trend was noted in the Dodoma Tax Region, where 99.4% of traders did not have costs offset in 2021. Also, 99.2% and 93.6% of traders did not receive their costs offset in 2022 and 2023, respectively. A related observation was noted in the Arusha Tax Region, where 99.9% of traders did not have costs offset in 2021 and 2022, with a slight decrease to 97.9% in 2023.

It can be noted that 50,792 traders acquired EFDs from 2021 to 2023 in the audited tax regions. However, only 752 traders had their acquisition costs offset, resulting in 99% of traders not receiving cost offsets. This indicates that while more traders obtained EFDs, cost offset was inadequate, which impacted most traders who acquired EFDs.

According to TRA Management, the cost offset for EFDs is a privilege granted to taxpayers, ensuring that the government bears the cost of the devices. However, according to the regulations, the cost of the device can be offset through various methods, including amending tax assessments, claiming the full cost in the VAT return, or including the cost in operational expenses. However, taxpayers must fulfil specified conditions to utilise these rights.

During the years under review, TRA did not have a system developed to accommodate adjustments of assessment electronically, and as a result, all adjustments were conducted manually. This manual process increases the likelihood of the benchmark data used (acquired devices) to include second-device purchases and adjustments made manually.

### 3.3.6. Delays in the Launching of TRA POS as the Strategy of Cost Minimisation of EFDs Acquisition

A review of the TRA POS implementation report, 2024 indicates that until June 2024, the TRA POS mobile app had not been launched. This was contrary to TRA's Sixth Corporate Plan (2021/22 - 2025/26), which set a target to develop a mobile app to reduce EFD acquiring cost expenses and launch it on 30 June 2023. The app was designed to be freely available for download on the Google Play Store, ensuring access to all taxpayers and minimizing the cost of acquiring Virtual Fiscal Devices (VFDs). The development process started in 2020.

The audit noted the delays of more than four years in the launch of the TRA POS mobile app, a key strategy intended to minimize the costs associated with acquiring EFDs. **Table 3.10** depicts the milestones related to the development and launching of the TRA POS.

**Table 3.10: Revised Milestones for the Launching of TRA POS**

| Milestone                                      | Planned Completion Date | Date Completed | Key Deliverable                                | Reasons for Delays   |
|--|-------------------------|----------------|--|--|
| Completion of EFD API Development              | Not indicated           | 2019           | Fully functional EFD API                       | N/A  |
| Integration with Billing Systems               | Not indicated           | March 2019     | Registered VFDs for integrated billing systems | N/A  |
| Design and Development of Mobile App (TRA POS) | Not indicated           | 2020           | Initial version of the mobile app              | The app design process involved understanding requirements and documentation, which took time. New APIs were |



| Milestone                                     | Planned Completion Date | Date Completed | Key Deliverable                              | Reasons for Delays  |
|---|-------------------------|----------------|--|---|
|   |                         |                |  | created to support the app, including registration APIs, automating certificate generation, and processing EFD commands. Some features were added or removed due to user complexity, such as requiring taxpayers to input the HS Code for new item registrations. |
| Testing and Debugging of Mobile App (TRA POS) | Not indicated           | July 2024      | User-friendly, bug-free mobile app           | More requirements were added to protect databases, hide APIs and sanitize user inputs against SQL injections.   |
| App Deployment Preparation                    | Not indicated           | July 2024      | App signing, compliance with Google policies | Some changes had to be made in order to comply with Google policies, such as targeting API level 34, removing restricted/sensitive permissions, and replacing deprecated APIs   |
| App Publishing                                | Not indicated           | August 2024    | Published on Google Play Store               | The app is currently available on Play Store, but we are currently training the trainers before pointing to real environments and officially  |

| Milestone | Planned Completion Date | Date Completed | Key Deliverable | Reasons for Delays  |
|-----------|-------------------------|----------------|-----------------|---------------------|
|           |                         |                |                 | announcing the app. |

Source: Progress Report for the Implementation of TRA POS, as of June 2024

Table 3.10 indicates that the initial version of the mobile app was developed in 2020. However, until June 2024, which is about four years later, the app had not yet been launched.

TRA officials attributed the delay to the time taken to understand user business process requirements, create new APIs (Application Programming Interface) for registration, automate certificate generation, and process EFD commands. They stated that some features were added or removed due to user complexity, while others were added to protect databases, hide APIs, and sanitize user input against SQL injections.

In addition, the interviewed TRA officials revealed that the delay was also caused by changes made to comply with Google policies, targeting API level 34, removing restricted permissions, and replacing depreciated APIs. This process took time and effort to ensure the developed App met user and business needs. However, the audit noted that the absence of set milestones and strategy for achieving a certain output contributed to the delays.

The impact of the delays was such that traders incurred costs in the acquisition of VFDs, which ranged between TZS 50,000 and TZS 570,000, and those of EFDs, which stood at TZS 580,000. These costs placed a financial burden on traders who needed to use EFDs or VFDs. The app could also encourage traders to use, install, and issue electronic receipts.

### 3.4. Operationalization and Maintenance of EFDs

TRA is responsible for managing, controlling, and administering EFDMS. It is also responsible for monitoring operations and maintaining EFD machines. The audit recognises efforts made by TRA to improve EFD operations in the country, including conducting awareness and enforcement campaigns. The audit noted the following with regard to the operationalization and maintenance of EFDs:

### 3.4.1 Operationalization of EFDs

The audit noted the following with regard to the operationalization of EFDs:

#### (i) A Total of 9% of the Reported Active EFDs were not in Use

A review of the EFD database and sales report of the EFD users in June 2024 noted that 9% (equivalent to 31,712 traders out of 334,151 traders) of the reported active EFDs were not used in reporting daily sales.

This was contrary to Regulation 35 (1 and 2) of Tax Administration (General) Regulations, 2016, which requires any person with annual sales above TZS 11 million to use electronic fiscal devices in his daily business transactions and ensure that all his business transactions are electronically transmitted into the system through their electronic fiscal devices.

However, the audit found that the trend of non-use of active EFDs in recording sales transactions was declining from 16% to 9%, as presented in Table 3.11.

**Table 3.11: Comparison between the Reported Active EFDs and Sales Records at the National Level**

| Calendar Year | Reported Active EFDs | No. of EFDs not Issuing Receipts | Percentage of EFDs not Issuing Receipts (%) |
|---------------|----------------------|----------------------------------|---|
| 2020          | 170,087              | 26,525                           | 16  |
| 2021          | 209,514              | 26,627                           | 13  |
| 2022          | 257,891              | 27,491                           | 11  |
| 2023          | 303,999              | 28,185                           | 9   |
| 2024          | 334,151              | 31,712                           | 9   |

*Source:* Auditors' Analysis of EFD Database and Sales Record, 2024

Table 3.11 shows that the number of reported active EFDs increased each year from 170,087 in 2020 to 334,151 in 2024. However, during the same period, the percentage of EFDs not issuing receipts declined from 16% to 9%.

In the five visited tax regions, the percentage of EFDs not issuing receipts ranged from 6% to 25%. **Table 3.12** presents the number of reported active EFDs without sales records in the visited tax regions.

**Table 3.12: Comparison between the Reported Active EFDs and Sales Records in the Visited Tax Regions**

| Region    | Calendar Year as of 31 <sup>st</sup> December | No. of Active EFDs | No. of EFDs not Issuing Receipts | No. of EFDs Issuing Receipts | Percentage of EFDs not Issuing Receipt (%) |
|-----------|---|--------------------|----------------------------------|------------------------------|--|
| Arusha    | 2020  | 14,657             | 2,141                            | 12,516                       | 15   |
|           | 2021  | 17,432             | 2,145                            | 15,287                       | 12   |
|           | 2022  | 20,535             | 2,171                            | 18,364                       | 11   |
|           | 2023  | 24,053             | 2,204                            | 21,849                       | 9  |
| Dodoma    | 2020  | 5,276              | 634                              | 4,642                        | 12   |
|           | 2021  | 7,047              | 640                              | 6,407                        | 9  |
|           | 2022  | 9,150              | 650                              | 8,500                        | 7  |
|           | 2023  | 11,190             | 670                              | 10,520                       | 6  |
| Rukwa     | 2020  | 1,117              | 130                              | 987                          | 12   |
|           | 2021  | 1,342              | 131                              | 1,211                        | 10   |
|           | 2022  | 1,660              | 136                              | 1,524                        | 8  |
|           | 2023  | 2,095              | 139                              | 1,956                        | 7  |
| Kinondoni | 2020  | 20,567             | 4,580                            | 15,987                       | 22   |
|           | 2021  | 25,516             | 4,599                            | 20,917                       | 18   |
|           | 2022  | 32,453             | 4,809                            | 27,644                       | 15   |
|           | 2023  | 38,853             | 4,965                            | 33,888                       | 13   |
| Kariakoo  | 2020  | 16,502             | 4,139                            | 12,363                       | 25   |
|           | 2021  | 19,157             | 4,139                            | 15,018                       | 22   |
|           | 2022  | 22,802             | 4,191                            | 18,611                       | 18   |
|           | 2023  | 25,745             | 4,217                            | 21,528                       | 16   |

*Source:* Auditors' Analysis of EFD Database and Sales Record in the Tax Regions Visited, 2024

**Table 3.12** indicates that in the year 2023, Dodoma, Rukwa and Arusha Tax Regions had 6%, 7% and 9% of the reported active EFDs not issuing any receipts, respectively. These percentages were relatively lower compared

to Kinondoni and Kariakoo Tax Regions, which had 13% and 16%, respectively.

However, TRA did not provide information indicating that the status of some EFDs has not changed due to their failure to receive commands for blocking or repair status, or because they were blocked for failing to submit the Z listing report.

This limited effective monitoring and enforcement of EFD operations because the status of being active for those who did not report any sales did not reflect reality.

### (ii) Misuse of the EFD Machines

A review of data regarding EFDs being blocked indicated that 380 EFDs owned by 300 EFD users were involved in fraudulent activities. These users issued fake EFD receipts to 504 traders who subsequently used the receipts to claim VAT refunds from TRA amounting to TZS 146,467,863,446.

In addition, the audit noted that the Tax Regions in Dar es Salaam (Ilala, Kariakoo, Kinondoni and Temeke) were highly ranked by having a large number of taxpayers (284) who misused EFD machines. Table 3.13 depicts the number of suspected misuses of EFDs in the tax regions in the financial year 2023/24.

**Table 3.13: Number of Misused EFDs per Region in 2023/24**

| Tax Region | Number of Taxpayers | Principal Amount in TZS |
|------------|---------------------|-------------------------|
| Arusha     | 10                  | 1,696,828,366           |
| Dodoma     | 11                  | 2,290,647,386           |
| Geita      | 6                   | 4,889,611,380           |
| Ilala      | 86                  | 29,783,621,814          |
| Iringa     | 7                   | 1,276,724,736           |
| Kagera     | 2                   | 272,009,647             |
| Kahama     | 1                   | 139,190,339             |
| Kariakoo   | 40                  | 11,629,895,033          |
| Kigoma     | 7                   | 1,913,310,407           |

| Tax Region      | Number of Taxpayers | Principal Amount in TZS |
|-----------------|---------------------|-------------------------|
| Kilimanjaro     | 4                   | 598,023,155             |
| Kinondoni       | 126                 | 29,810,858,613          |
| Lindi           | 2                   | 115,599,158             |
| Large Taxpayer  | 9                   | 4,733,317,843           |
| Manyara         | 1                   | 157,029,678             |
| Mara            | 9                   | 2,215,088,326           |
| Mbeya           | 4                   | 488,133,734             |
| Morogoro        | 9                   | 767,327,258             |
| Medium Taxpayer | 45                  | 19,967,235,818          |
| Mtwara          | 4                   | 896,425,045             |
| Mwanza          | 20                  | 3,755,260,067           |
| Njombe          | 5                   | 700,844,885             |
| Pwani           | 8                   | 3,423,707,665           |
| Rukwa           | 7                   | 71,012,287              |
| Ruvuma          | 4                   | 577,397,883             |
| Shinyanga       | 3                   | 307,104,174             |
| Tabora          | 4                   | 700,401,474             |
| Tanga           | 4                   | 2,012,007,542           |
| Tegeta          | 33                  | 9,414,794,101           |
| Temeke          | 32                  | 11,669,927,805          |
| Zanzibar        | 1                   | 194,527,830             |
| <b>Total</b>    |                     | <b>146,467,863,446</b>  |

*Source:* Auditors' Analysis of Identified Traders who Misused EFDs and their Associated Loss, 2024

**Table 3.13** indicates that the Ilala Tax Region had the largest number of EFDs involved in malpractices, followed by the Kariakoo Tax Region, Kinondoni Tax Region, Temeke Tax Region, and Large Taxpayers.

The noted malpractices were mainly attributed to various reasons, including approval of EFDs by TRA without physical verification of traders, which could trigger registration of non-active traders; handling of the registration credentials by EFD suppliers who could misuse the information for issuing additional EFDs; and inadequate use of EFDMS information as follow-up on tax compliance.

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The audit noted that TRA was undertaking an investigation to detect EFD owners who were involved in malpractice.

**(iii) EFDMS did not Capture Information on Quantities of the Imported Goods to the Individual Importers**

The audit noted that the EFDMS system captures only local stock details. The imported quantities cannot be linked without TRA officials processing them in the system. This created an opportunity for human intervention, which is prone to errors and fraud, time-consuming, and creates difficulties in determining stock levels for traders. In general, the non-integration of importation systems and EFDMS limited stock controls.

This was contrary to para 4 of the Electronic Fiscal Devices Manual (R.E) of 2019, which emphasises that EFDs are meant for efficient management of sales analysis and stock control.

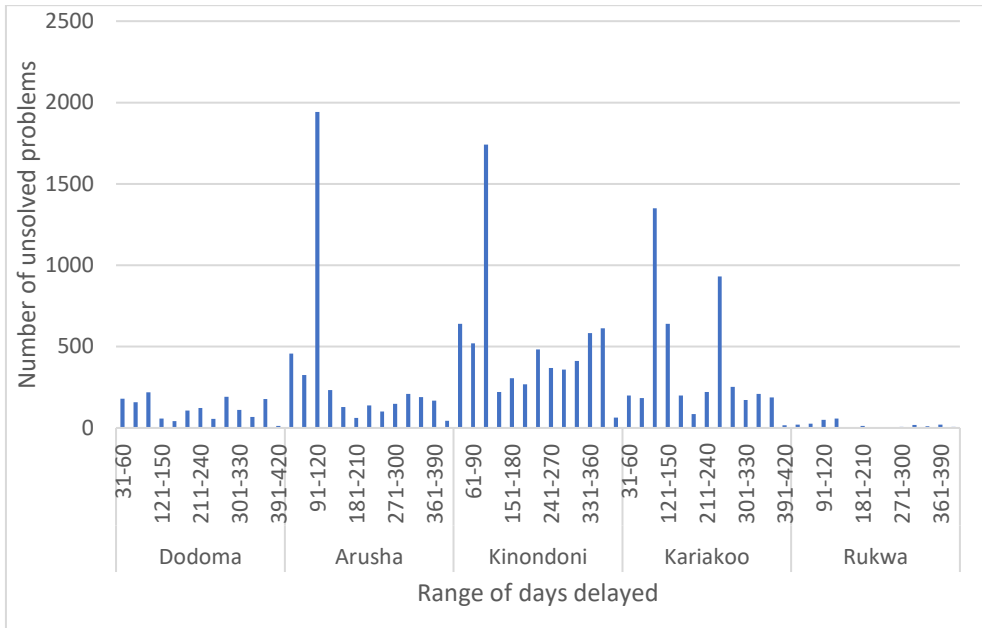
Also, interviews with TRA officials in the visited regions revealed that enforcing EFD usage and street surveillance to find customers who did not demand receipts and traders who did not issue receipts made it difficult to achieve the intended goal of getting accurate information on traders' sales. If the trader's purchase information were captured in EFDMS for both imported and locally manufactured products, TRA would only verify the remaining stocks at the trader's premises, and any variation would imply that the trader did not issue the receipt.

**(iv) A Total of 39% of the Reported EFD Problems were not Addressed on Time**

A review of the EFDs database indicates that 39% (53,711 out of 138,644 reported problems) of the reported EFD problems were not addressed within the required seven working days. This was contrary to the TRA Client Service Charter of 2017, which requires the supplier to respond to written correspondence regarding complex situations, including EFD problems, within seven working days and to ensure that the supplier promptly

addresses genuine EFD issues from traders<sup>2</sup>. **Figure 3.4** shows the extent of delays in addressing the reported EFD problems.

**Figure 3.4: The Extent of Delays in Solving EFDs Reported Problems at the National Level for the Period between 2023-2024**



*Source: Auditors' Analysis of the EFDs Reported Problems, 2024*

**Figure 3.4** shows that many unresolved EFD problems took 91-120 days to resolve. Unresolved EFD problems were noted in Arusha Tax Region (1,942 cases), Kinondoni Tax Region (1741 cases), Kariakoo Tax Region (1349 cases), Dodoma Tax Region (219 cases) and Rukwa Tax Region (26 cases). Also, as shown in **Table 3.14**, the overall number of unresolved problems increased by 16,761 (91%) from 2023 to 2024.

<sup>2</sup> Guideline 8.3 of the EFD Operational Manual, R.E 2019



**Table 3.14: Extent of Delays in Solving EFDs Reported Problems**

| Year         | Range of days delayed | Number of unsolved problems |
|--------------|-----------------------|-----------------------------|
| 2024         | 31-210                | 35,236                      |
| 2023         | 212-395               | 18,475                      |
| <b>Total</b> |                       | <b>53,711</b>               |

*Source:* Auditors' Analysis of the EFDs Reported Problems, 2024

**Table 3.14** depicts the increase in the number of unresolved problems. These delays hinder users' ability to record transactions and issue correct fiscal receipts accurately. This, in turn, makes it difficult for TRA to obtain reliable sales data and reconcile them against tax returns. Prolonged EFD problems increase the risk of non-compliance. This happened because TRA did not monitor EFD suppliers to address the unresolved problems.

#### **(v) Ineffective Use of EFDs Sales Records for Enhancing Tax Compliance**

In the visited tax regions, the audit found that EFD users with annual sales exceeding TZS 200 million were not VAT registered, indicating that TRA did not use the data collected through EFDMS to enhance tax compliance (see **Table 3.15**). This is contrary to Section 28(1) of the Value Added Tax Act, which requires VAT registration for persons with TZS 200 million annual sales or more. **Table 3.15** depicts businesses that were not registered despite having sales above TZS 200 million.

**Table 3.15: Number of Traders with Annual Sales above TZS 200 million but were not VAT Registered by July 2024**

| Tax Region   | Total Number of Traders | Number of Traders who were not VAT Registered |
|--------------|-------------------------|---|
| Arusha       | 26,031                  | 26  |
| Dodoma       | 12,623                  | 79  |
| Kariakoo     | 29,704                  | 106   |
| Rukwa        | 2,388                   | 16  |
| Kinondoni    | 45,125                  | 644   |
| <b>Total</b> | <b>115,871</b>          | <b>871</b>                                    |

*Source:* Auditors' Analysis of Business Sales Data from TRA, 2024

**Table 3.15** indicates that the Kinondoni Tax Region had the largest number of traders who were eligible for VAT registration, but they were not registered. This is followed by the Kariakoo and Dodoma Tax Regions. On the other hand, the Rukwa Tax Region had the lowest number of traders who did not register for VAT. Overall, this problem is attributed to TRA's non-use of information from EFDMS to ensure tax compliance.

### 3.4.2 EFDs were not Adequately Maintained

The audit noted through the review of Electronic Fiscal Maintenance records of the financial years 2020/21-2023/24 in the visited regions that only 3% of EFDs were reported to be maintained. This is contrary to Para 11 of the EFD Manual (R.E), 2019 and Regulations 45 (2) & (3) of the Tax Administration (General) Regulations of 2016, which require the supplier to be responsible for carrying out the maintenance as per the requirements specified in the agreement between TRA and the device supplier. This also suggests that TRA did not effectively enforce and monitor compliance with the stated requirements. **Table 3.16** shows the status of periodic maintenance of EFDs across regions from the financial year 2020/21 to 2023/24.

**Table 3.16: Status of Maintained EFDs in the Audited Regions (2020/21-2023/24)**

| Tax Regions  | Number of Available EFDs as of June 2024 | Number of Periodically Maintained EFDs | Percentage of Maintained EFD (%) |
|--------------|--|--|----------------------------------|
| Dodoma       | 12,590                                   | 51                                     | 0.4                              |
| Arusha       | 26,258                                   | 3,045                                  | 11.6                             |
| Kariakoo     | 27,810                                   | 330                                    | 1.2                              |
| Kinondoni    | 42,491                                   | 83                                     | 0.2                              |
| Rukwa        | 2,371                                    | 127                                    | 5.4                              |
| <b>Total</b> | <b>11,1520</b>                           | <b>3,636</b>                           | <b>3.3</b>                       |

Source: Auditors' Analysis of Maintenance Records and Available EFDs, 2024

**Table 3.16** shows that the periodic maintenance of EFDs across regions was very low, with only 3,636 out of 111,520 EFDs maintained during the audited period. It can be further noted that the Arusha Tax Region had the highest rate of the maintained EFDs, which is 11.6% (3,045 out of 26,258 EFDs) while the Kinondoni Tax Region had the lowest rate of 0.2% (maintaining 83 out of 42,491 EFDs). On the other hand, the Dodoma Tax Region maintained 51

out of 12,590 EFDs (0.4%), the Kariakoo Tax Region maintained 330 out of 27,810 EFDs (1.2%), and the Rukwa Tax Region maintained 127 out of 2,371 EFDs (5.4%).

The above percentages show inherent weaknesses in the enforcement and monitoring of the EFDs. Without adequate maintenance, the effectiveness of EFDs in recording transactions and ensuring tax compliance could be reduced.

The audit noted that the reasons for the inadequacy of maintenance of the EFD machines were as follows:

**(a) EFD Suppliers did not have Service Level Agreements (SLAs) with EFD Users**

The audit noted, through the review of information on EFD suppliers, that EFD users did not have Service Level Agreements (SLAs), and the percentage of users without agreements increased over time, reaching the highest level of 93% in the financial year 2022/23. This is contrary to Regulation 32(1)(m) of the Tax Administration (General) Regulation, 2016, which requires suppliers to enter into contract after-sales service agreements with EFD users to ensure the provision of maintenance services to EFD. **Table 3.17** shows the comparison between registered EFD users and users without service level agreements with EFD suppliers.

**Table 3.17: Comparison between Registered EFD Users and Users Without Service Level Agreements (SLAs) with EFD Suppliers**

| Financial Year | Registered EFDs Users | Number of Users without SLAs with EFD Suppliers | EFD Users without SLAs with Suppliers (%) |
|----------------|-----------------------|---|---|
| 2020/21        | 8,488                 | 6,537   | 77  |
| 2021/22        | 9,069                 | 7,257   | 80  |
| 2022/23        | 21,807                | 20,389  | 93  |
| 2023/24        | 18,087                | 16,111  | 89  |

*Source:* Auditors' Analysis of EFDs Suppliers with Service Level Agreement Customers, 2024

It can be noted from **Table 3.17** that during the financial year 2020/21, there were 8,488 registered EFD users. Out of these, 6,537 (77%) did not have SLAs. The situation varied across the years. For instance, in the financial year 2021/22, the number of registered users increased to 9,069. However, 7,257 users (80%) did not have SLAs. A similar trend was noted in the financial years 2022/23 and FY 2023/24, when the numbers of EFD users without SLAs were 20,389 (93%) and 16,111(89%), respectively.

The audit noted that this problem was attributed to the conduct of TRA officials who ignored aspects related to EFD maintenance during monitoring and compliance enforcement. As a result, EFD users did not have access to regular maintenance services, which could cause problems with the functioning of the EFDs and affect overall tax compliance.

**(b) All EFD Suppliers did not Establish Service Centres in Each Tax Regions**

The audit found that all EFD suppliers did not establish service centres at each region as per TRA requirements. **Table 3.18** depicts the status of EFD service centres in the tax regions. This is contrary to Regulation 32 (1) (l) of the Tax Administration (General) Regulations, GN. 101 of 2016 which requires EFD suppliers to establish and operate service centres in every region of the United Republic of Tanzania.

**Table 3.18: Status of EFDs Service Centres in Regions**

| EFDs Supplier | Number Tax Region | No. of Service Centres Established | Percentage of Coverage (%) |
|---------------|-------------------|------------------------------------|----------------------------|
| 1             | 31                | 3                                  | 10                         |
| 2             | 31                | 6                                  | 19                         |
| 3             | 31                | 10                                 | 32                         |
| 4             | 31                | 15                                 | 48                         |
| 5             | 31                | 15                                 | 48                         |
| 6             | 31                | 15                                 | 48                         |
| 7             | 31                | 17                                 | 55                         |
| 8             | 31                | 17                                 | 55                         |
| 9             | 31                | 18                                 | 58                         |
| 10            | 31                | 18                                 | 58                         |

| EFDs Supplier | Number Tax Region | No. of Service Centres Established | Percentage of Coverage (%) |
|---------------|-------------------|------------------------------------|----------------------------|
| 11            | 31                | 23                                 | 74                         |
| 12            | 31                | 27                                 | 87                         |
| 13            | 31                | 30                                 | 97                         |

*Source:* Auditors' Analysis of EFD Service Centres, 2024

It can be noted from **Table 3.18** that three EFD suppliers had coverage of 74%, 87%, and 97% by establishing between 23 and 30 service centres.

On the other hand, six EFD suppliers had established only 3 to 15 centres, resulting in 10% to 48% coverage, which indicates a very limited presence. This insufficient establishment impacted EFD users' compliance with EFD maintenance requirements and increased operational costs.

The following was the cause of EFD suppliers' insufficient establishment of service centres across tax regions.

**(c) Contract with EFD Suppliers Contradicts the Tax Administration (General) Regulation**

The audit noted that the contract between TRA and the EFD supplier only requires the establishment of service centres in at least 50% of the regions. It was noted that only 7 out of 13 EFD suppliers had met the contractual requirement of establishing service centres in at least 50% of the regions. Nevertheless, this requirement contradicts Regulation 32 (1)(l) of the Tax Administration (General) Regulations, 2016, which requires the EFD supplier to establish and operate a service centre in every region in the United Republic of Tanzania.

TRA revealed that it agreed to waive the requirement for EFD suppliers to have offices in each region to 50% of the country's regions to reduce acquisition and operating costs for EFD users. This was attributed to the complaints regarding the EFD acquisition costs. TRA officials further stated that the Authority focused on a Virtual Fiscal Device (VFD) as a replacement for the EFD machine; hence, the requirement of having an office in each region is unrealistic because VFD was more focused on applications rather than physical devices.

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Notwithstanding the above response from TRA officials, the audit emphasized that the requirement for EFD suppliers to have offices in each tax region was stated in the Tax Administration (General) Regulations, 2016 and has not been amended. Furthermore, VFD users still incur costs due to delays in launching TRA POS. As a result, most of the traders still use EFDs as opposed to VFDs. Therefore, it is important to ensure compliance with the requirements of Tax Administration (General) Regulations, 2016, in relation to the establishment of EFD suppliers to establish an office in each tax region.

The practice had created a compliance issue, which resulted in suppliers neglecting to establish service centres in all regions as required by regulations. Despite this regulatory inconsistency, the audit further observed that only 7 out of 13 EFD suppliers had met the contractual requirement of establishing service centres in at least 50% of the regions.

#### **(d) TRA did not Conduct Verification of Periodic Maintenance**

The audit noted that TRA compliance officers in the visited tax regions did not verify the performance of periodic maintenance or confirm that transactions conducted manually during maintenance periods were subsequently captured into the devices. This is contrary to Para 11 of the TRA EFD Manual [R.E 2019] and Regulation 45 (2) & (3) of the Tax Administration (General) Regulations of 2016, which requires the EFD compliance officer to verify the performance of periodic maintenance and to be guided by the periodic maintenance checklist.

This happened because TRA's regional office did not include reports regarding the periodic maintenance in the checklist, which was not systematically utilised as a tool to guide compliance officers in performing these duties. The absence of this verification process undermines the reliability of EFD periodic maintenance, which is the measure intended to ensure device functionality and accurate reporting.

#### **(e) Inadequate EFD Consultative Meetings**

Clause 3 of the technical specification of the contract between TRA and EFD suppliers requires quarterly meetings to be held between TRA and EFD suppliers. The audit found that only 2 out of 16 consultative meetings

required within the audit period were conducted. **Table 3.19** shows consultative meetings conducted between TRA and EFD Suppliers.

**Table 3.19: Consultative Meetings between TRA and EFD Suppliers**

| Financial Year | Number of Required Meetings | Number of Conducted Meetings | Number of Meetings not Conducted (Variance) |
|----------------|-----------------------------|------------------------------|---|
| 2020/21        | 4                           | 0                            | 4   |
| 2021/22        | 4                           | 0                            | 4   |
| 2022/23        | 4                           | 0                            | 4   |
| 2023/24        | 4                           | 2                            | 2   |
| <b>Total</b>   | <b>16</b>                   | <b>2</b>                     | <b>14</b>                                   |

*Source: Auditors' Analysis of the Responses Regarding Consultative Meetings, 2024*

**Table 3.19** shows that only two consultative meetings were conducted in two quarters for the financial year 2020/21 to 2023/24. The absence of regular required meetings weakened TRA's ability to monitor supplier performance, enforce maintenance standards, and resolve systemic issues affecting EFD operationalisation.

#### (f) Absence of a Scheduled Periodic Maintenance for EFDs

The audit noted that TRA did not comply with Regulation 45(1) of the Tax Administration (General) Regulations, 2016, which requires the Authority to set and communicate a periodic technical maintenance schedule for EFDs. This regulation mandates that the maintenance schedule be communicated through the system and published in widely circulated national newspapers. The absence of a defined and communicated schedule resulted in a lack of awareness of maintenance timelines among EFD users. As a result, only 3% of EFDs undergo periodic maintenance.

### 3.5. Inadequate Monitoring and Enforcement of Operationalization of EFDs

Part 9.5 of the EFD Operations Manual [R.E. 2019] stated that TRA is required to undertake compliance monitoring and enforcement programs to enhance and sustain continuous compliance, expand the tax base, and minimize tax loss. The audit noted the following with regard to the implementation of compliance monitoring and enforcement programs.

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### **3.5.1. Desk Examination Programs were Conducted Contrary to the Requirements of the EFD Operations Manual**

The audit noted that monthly desk examination programs were not conducted by EFD Compliance and Enforcement Officers. In the five visited tax regions, there were no reports that showed the number of receipts issued (serially issued), daily Z- reports, weekly and monthly gross sales, and sales declared in the VAT return.

This was contrary to Part 9.5.1 of the EFD Operations Manual [R.E. 2019], which requires TRA to conduct a monthly desk examination program to identify and eliminate risks related to falsified discount allowances, errors, multiple sales adjustments, sale omissions, and registered taxable persons' literacy level in EFD usage. The program aims to minimize these risks by comparing the information submitted by a user/taxable person in monthly VAT returns with the system's information for accuracy testing and other comparable information for accuracy test.

Also, the audit noted that during tax examination, TRA conducts desk examinations by the use of internal sources of information, especially EFDMS, to assess tax compliances, which is done yearly. VAT returns should also be examined on a monthly basis through the use of EFDMS. However, this was not done for all EFD users; selection was based on risk profiling.

### **3.5.2. Online Checks Program was Inadequately Conducted**

In the visited tax regions, the audit noted that TRA did not produce a daily report showing that online checks were conducted daily. This contradicts Part 9.5.3 of the EFD Operations Manual (R.E.) 2019, which mandates daily online checks for receipts/invoice issuance. This was supposed to be done daily from 9.00 am to 11.00 pm and from 2.00 pm to 5.00 pm. The audit further found that TRA did not identify customers for daily online checks despite the requirement to do so in areas prone to non-issuance of EFD receipts or high sales volume.

This anomaly was attributed to inadequate follow-up by the TRA management on the implementation of the monitoring and enforcement programs. This impacts the attainment of the program objectives, which



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include the online monitoring of the users in terms of receipts/invoice issuance with respect to time and values to eliminate or minimise the risk of non-issuance of receipts.

### **3.5.3. Spot Check Programs were Inadequately Conducted**

The audit noted that spot checks were not conducted, as there were no reports on the EFD Spot Check Form (EFD-CME-06), which is used to initiate the spot check program by EFD Compliance and Monitoring Officers to monitor the issuance of receipts at traders' premises. This is contrary to Part 9.5.4 of the EFD Operations Manual [R.E. 2019], which requires TRA to undertake the spot checks program at EFD users' premises with the aim of enhancing issuance/demanding fiscal receipts for continuous compliance.

Furthermore, the audit did not find any exit forms (EFD-CME-02) that were required to be issued and signed by compliance officers upon the completion of spot checks.

### **3.5.4. Field Visit Programs were Inadequately Conducted**

Through interviews with officials at TRA headquarters and the tax regions visited, the audit noted that field visit programs were inadequately planned and conducted monthly from the financial year 2020/21 to 2023/24. This is contrary to Part 9.5.2 of the EFD Operations Manual [R.E. 2019], which requires TRA to undertake a field visit program to address risks associated with deliberate machine usage abandonment, uncalled-for persistent breakdowns, duplicate or faked machines (ghost EFDs) as well as dormancy in registration of business activities.

The field visits were supposed to be conducted monthly to clarify any information obtained from desk examination, surveillance and online monitoring so as to enhance compliance. The audit further noted that there were no plans with specific targets or reports on field visit programs available to demonstrate the implementation of this activity.

### **3.5.5. Surveillance Programs**

The audit found that the surveillance reports addressed the non-issuance of EFD receipts only. Other aspects like persistent breakdowns or duplicate or

fake machines were not reflected in the surveillance reports. This contradicts Part 9.5.5 of the EFD Operations Manual [R.E. 2019], which mandates TRA to conduct surveillance programs to address public compliance behaviour, trader non-issuance of receipts, and issuance of fake receipts. As per the cited manual, surveillance needs to be conducted in suspected high-sales streets, godowns, and manufacturing places. The audit further noted that there were no targets regarding the number of surveillances planned to be conducted.

The following were the reasons for the inadequate implementation of the monitoring and enforcement programs:

**(i) Target for the Monitoring and Enforcement Programs was for the Surveillance Program Only**

A review of Domestic Revenue Department Plans for the financial years 2020/21 to 2023/24 and the visited tax regions’ annual plans indicate that plans for monitoring and enforcement programs were earmarked for surveillance and field visits, as stated in **Table 3.20**.

**Table 3.20: Planning for Monitoring and Enforcement Programs**

| Name of Enforcement Program     | Availability of Plans and Targets |         |         |         |
|---------------------------------|-----------------------------------|---------|---------|---------|
|                                 | 2020/21                           | 2021/22 | 2022/23 | 2023/24 |
| Spot Check                      | X                                 | X       | X       | X       |
| Surveillance Programs           | 20-90                             | 20-90   | 20-90   | 20-90   |
| Field Visits                    | 12                                | 12      | 12      | 12      |
| Online Check                    | X                                 | X       | X       | X       |
| Special Enforcement Assignments | X                                 | X       | Yes     | X       |

*Source:* Auditors’ Analysis of DRD Plan and Performance Reports, 2024

**Note:**

X- Stands for absence of plans and targets

**Table 3.20** indicates that plans and targets for both HQ and the visited tax regions for all enforcement programs, including spot checks and online checks, were not available for the financial years 2020/21, 2021/22, 2022/23, and 2023/24. The audit noted that TRA only managed to plan for a surveillance program called “KAMATA WOTE” in the financial year 2022/23.

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The absence of plans and targets for key enforcement programs such as spot checks and online checks significantly undermined the ability of TRA to systematically monitor the administration of EFDs. Without clear objectives, these programs lacked strategic direction, reducing their effectiveness in detecting and addressing non-compliance.

According to TRA Management, programs such as online checks and spot checks are typically performed in conjunction with field and surveillance programs. However, the audit noted that the nature and essence of these enforcement programs were different, as stated in EFDs Operation Manuals (R.E) of 2009.

**(ii) The EFD Operation Manual was not Disseminated to Regional Tax Offices**

Interviews with officials in the five visited tax regions revealed that TRA officials had limited awareness of some EFD enforcement programs that needed to be conducted and how they were supposed to be conducted and reported, as stated in the EFD Operation Manual of 2012 and its Revised Edition of 2019. TRA officials in the visited tax regions indicated that the EFDs Operation Manual was not disseminated to lower levels. Further interviews with officials at TRA HQ revealed that the EFD Operation Manual of 2019 had not been disseminated to EFD enforcement officers as it underwent revisions. Once approved, it will be disseminated to all officers involved in EFD monitoring and enforcement.

Non-dissemination of the EFD Operational Manual of 2019 could result in inconsistency in the enforcement of EFD due to unawareness of the methods for carrying out and reporting the EFD enforcement programs. Non-implementation of the earmarked monitoring and enforcement has resulted in TRA conducting special enforcement programs which are reactive in nature and costly.

According to the TRA Management, the existing EFD Operation Manual is outdated, and TRA has revised it. However, the revised draft was yet to be approved at the time of this audit.

### (iii) Workload for Officials Involved in EFD Activities

In the visited tax regions, the audit noted that officials involved in EFD activities were involved in other activities as well, which limited the efficient undertaking of EFD activities. Table 3.21 shows the workload of EFD Compliance and Enforcement Officers in relation to the unregistered eligible EFD users.

**Table 3.21: Ratio Analysis for the Workload of Officers in Relation to Unregistered EFD Users**

| Tax Region | No. of EFD Compliance Officers (A) | Eligible EFDs not Registered (B) | Ratio of Officers <sup>3</sup> to Eligible EFDs not Registered (B/A) |
|------------|------------------------------------|----------------------------------|--|
| Kinondoni  | 7                                  | 1,112                            | 159  |
| Arusha     | 5                                  | 1,126                            | 225  |
| Kariakoo   | 11                                 | 193                              | 18   |
| Dodoma     | 4                                  | 619                              | 155  |
| Rukwa      | 2                                  | 197                              | 99   |

*Source:* Auditors' Analysis of Turnover from Presumptive Assessment and Returns of Income for 2023 and 2024; and Staff Level for the visited Tax Region, 2024

Table 3.21 indicates that the Arusha Tax Region had the highest workload per staff, followed by the Kinondoni Tax Region, the Dodoma Tax Region and the Rukwa Tax Region. The Kariakoo Tax Region had the lowest workload.

In the Arusha Tax Region, for instance, each officer was responsible for handling 225 unregistered devices, creating a high workload. The Kinondoni Tax Region had many unregistered devices, with a ratio of 159 devices per officer. On the other hand, the Kariakoo Tax Region had the lowest ratio, with each officer handling 18 unregistered devices.

#### 3.5.6. TRA Implemented Special Operations and Campaigns

The audit review of the Domestic Revenue Annual Reports for the financial years 2019/20-2023/24 revealed that TRA conducted special operations and enforcement campaigns at checkpoints, including Mikumi, Migori, Segera, Mkuranga, and Dumila, by increasing the number of officers at each

<sup>3</sup> Compliance and Enforcement Officers

checkpoint from 8 to 15. It also established two new checkpoints at Makuyuni and Hanang to expand monitoring activities.

The audit noted that checkpoint enforcements of EFDs were conducted only in the financial years 2022/23 and FY 2023/24. The enforcement results for these years showed differences in performance. A total of 2,158 offences were noted during the financial year 2022/23. Out of these, 1,163 were resolved, and 1,138 offences were paid for, resulting in a payment rate of 97.8% and TZS 1,489 million collected in fines. In 2023/24, 265 offences were compounded, 148 were fully paid, and TZS 172.11 million was collected.

Similarly, a review of DRD annual performance reports from the financial years 2020/21 to 2023/24 revealed that TRA conducted EFD special enforcement in the Kariakoo Market area in 2023/24, deploying 170 newly recruited. Out of these, 127 were assigned to the Kariakoo Tax Region and 46 to the Ilala Tax Region. These officers were responsible for enforcing the acquisition and usage of EFDs. The results of the special enforcement are presented in **Table 3.22**.

**Table 3.22: Output of Special Enforcement Report at Kariakoo Tax Region**

| Details              | No. of Traders |
|----------------------|----------------|
| Traders visited      | 15,410         |
| Issued with offences | 584            |
| Acquired EFDs        | 1,526          |
| Not assessed         | 4,899          |
| Not TIN              | 1,051          |
| New TIN registration | 536            |

*Source:* Auditors' Analysis of Special Enforcement Report, 2024

**Table 3.22** indicates that, of the 15,410 traders covered during special enforcement, 4,899 traders, which is equivalent to 32% of the visited traders, were not assessed. Also, 584 traders were noted to have committed offences, while 1,526 traders acquired EFDs, showing progress in expanding the usage of EFDs.

Additionally, 1,051 traders were found operating without a TIN, and only 536 new TIN registrations were recorded. This implies that their turnovers were unknown, and they did not pay taxes. Furthermore, the audit noted that TRA had not set specific targets to be achieved during the enforcement initiatives conducted at the Kariakoo Tax Region.

### 3.5.7. EFD Users who Commit Offences not Sufficiently Fined

The audit examined whether EFD users who commit offences are fined in accordance with tax regulations. Regulation 47 of the Tax Administration (General) Regulations, 2016, mandates that any individual who fraudulently uses an EFD to mislead the Commissioner General of TRA is committing an offence and should face penalties as prescribed by law. In relation to this requirement, the audit noted the following:

#### (i) Uncollected Revenue of TZS 249.4 billion due to Misuse of EFDs

A review of data from TRA regarding misuse of EFDs indicates that 380 EFDs, owned by 300 EFD users, were involved in fraudulent activities. These users issued fake EFD receipts to 504 traders who subsequently used the receipts to claim VAT refunds from TRA. This misuse caused a total revenue loss of TZS 249.4 billion, including an additional amount related to interest and penalties. Specifically, the recovered amounts included TZS 5.4 billion of interest, TZS 110.4 billion of penalty and TZS 12.8 billion of the amount recovered. Table 3.23 provides details of the uncollected revenue due to the fraudulent activities by EFD users.

**Table 3.23: Details of Uncollected Revenue Due to Misuse of EFDs**

| Activity                         | Amount in TZS          |
|----------------------------------|------------------------|
| Principal amount                 | 146,467,863,446        |
| Interest                         | 5,392,087,325          |
| Penalty                          | 110,374,009,894        |
| <b>Total</b>                     | <b>262,233,960,665</b> |
| Amount recovered                 | 12,806,651,279         |
| <b>Total Uncollected Revenue</b> | <b>249,427,309,386</b> |

*Source:* Auditors' Analysis of Traders who Misused EFDs and their Associated Loss, 2024

**Table 3.23** shows that TZS 249.4 billion, including interest and penalty, remains unrecovered due to fraudulent issuance of receipts used to claim VAT refunds. The audit noted that TRA managed to collect TZS 12.8 billion out of TZS 262 billion from customers who were issued with the receipts and submitted those receipts for VAT refunds.

Also, the audit noted that TRA was undertaking an investigation to detect EFD owners who were involved in malpractice.

**(ii) About 3,206 Registered Traders were Penalized for not Using EFDs in Business Transactions**

A review of Offence Reports from the visited tax regions audit found that, about 3,206 traders were fined TZS 7.1 billion for not issuing EFD in their daily transactions from the financial year 2020/21 to 2023/24. This is contrary to Regulation 35 (1 and 2) of Tax Administration (General) Regulations, 2016, which requires any person with annual sales above TZS 11 million to use EFDs in his daily business transactions and ensure that all his business transactions are electronically transmitted into the system through EFDs. **Table 3.24** shows the traders who were penalised for not using EFDs in business transactions.

**Table 3.24: Traders who were Penalised for not Using EFDs in Business Transactions**

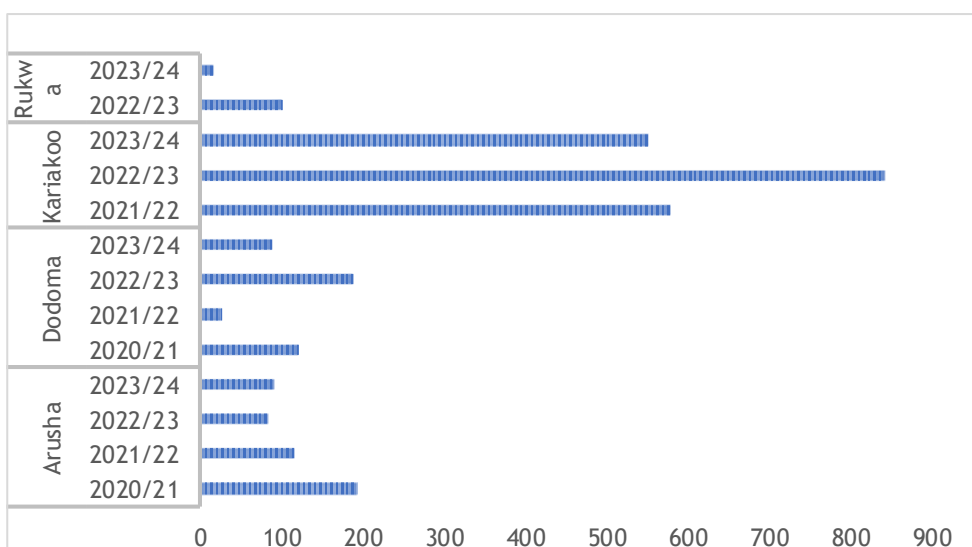
| Tax Region | Financial year | No. of Traders Reported Not Using EFDs | Imposed Fine in TZS |
|------------|----------------|--|---------------------|
| Arusha     | 2020/21        | 196                                    | 483,960,000         |
|            | 2021/22        | 117                                    | 344,530,000         |
|            | 2022/23        | 85                                     | 164,450,000         |
|            | 2023/24        | 93                                     | 136,712,000         |
| Dodoma     | 2020/21        | 124                                    | 367,650,000         |
|            | 2021/22        | 29                                     | 40,500,000          |
|            | 2022/23        | 191                                    | 555,810,000         |
|            | 2023/24        | 90                                     | 137,850,940         |
| Kariakoo   | 2021/22        | 581                                    | 2,116,816,228       |
|            | 2022/23        | 844                                    | 1,828,861,417       |
|            | 2023/24        | 554                                    | 396,931,000         |
| Kinondoni  | 2023/24        | 180                                    | 276,092,004         |

| Tax Region | Financial year | No. of Traders Reported Not Using EFDs | Imposed Fine in TZS |
|------------|----------------|--|---------------------|
| Rukwa      | 2022/23        | 103                                    | 226,740,000         |
|            | 2023/24        | 19                                     | 26,130,000          |

*Source:* Auditors' Analysis of Offences Issued in the Visited Tax Regions, 2024

As shown in **Table 3.24**, the amount of imposed fines and number of traders involved tend to vary over the years across the five audited tax regions. The highest fine was noted in the Kariakoo Tax Region in the financial year 2021/22, when 581 traders were fined TZS 2,116,816,228. On the other hand, the Rukwa Tax Region had the lowest fine of TZS 26,130,000 involving 19 traders in financial year 2023/24. **Figure 3.5** presents the reported trend of non-usage of EFDs in the visited tax regions.

**Figure 3.5: Reported Trend of Non-usage of EFDs in the Five Visited Tax Region**



*Source:* Auditors' Analysis of Offences Issued in the Visited Tax Regions, 2024

**Figure 3.5** shows that the trend of non-usage of EFD was declining.

### (iii) Non-imposing of Fines on EFD-Related Offences

A review of EFD enforcement at checkpoints, as reported by the audit, found that 1,555 offences were not penalized. This represents an uncharged



fine of TZS 4,665,000,000 for EFD-related offences committed by traders. Table 3.25 indicates the status of EFD-related offences that were not fined.

**Table 3.25: Status of Checkpoints Offences and Estimated Fines**

| Issue  | Checkpoints     | No. of Offences | Fine per Offence | Total Fines not Charged in TZS |
|--|-----------------|-----------------|------------------|--------------------------------|
| Failure to acquire EFD machine                         | Dumila Morogoro | 927             | 3,000,000        | 2,781,000,000                  |
| Failure to issue EFD receipt S. 86 (1) (B) Of TAA 2015 | Mkuranga        | 266             | 3,000,000        | 798,000,000                    |
|  | Migoili Iringa  | 56              | 3,000,000        | 168,000,000                    |
|  | Dar             | 213             | 3,000,000        | 639,000,000                    |
|  | Mikumi          | 93              | 3,000,000        | 279,000,000                    |
| <b>Total</b>   |                 | <b>1,555</b>    |                  | <b>4,665,000,000</b>           |

*Source:* Auditors' Analysis of EFD Enforcement Reports, 2024

Table 3.25 indicates that the offences were distributed across various checkpoints, with Dumila and Morogoro recording the highest number of offences (927) and the largest uncharged fines totalling TZS 2.781 billion. Also, Mkuranga reported 266 offences, resulting in uncharged fines of TZS 798,000,000, while Dar es Salaam recorded 213 offences, leading to uncharged fines of TZS 639,000,000. Furthermore, Mikumi recorded 93 offences, with uncharged fines amounting to TZS 279,000,000, and Migoli (Iringa) recorded 56 offences, resulting in uncharged fines of TZS 168,000,000. Non-charging of offences could lead to further non-compliance with EFD regulations.

TRA revealed that offences were issued at the TRA checkpoint and compounded (issuing or non-issuing of fine and collection of amounts fined) at the respective taxpayer region.

**(iv) About TZS 1.66 billion Penalties were not Paid**

A review of offences and payment status in the visited tax regions revealed that fines of TZS 1.66 billion out of TZS 7.08 billion for EFD-related offences remained unpaid. Table 3.26 provides a detailed comparison of non-compliant EFD users and the payment of fines.

**Table 3.26: Comparison of Non-Compliant EFD Users and Payment of Fine**

| Financial Year | No. of Traders Reported not Using EFDs | Imposed Fine in TZS Billion | Paid Amount in TZS Billion | Balance in TZS Billion |
|----------------|--|-----------------------------|----------------------------|------------------------|
| 2020/21        | 320                                    | 0.85                        | 0.62                       | 0.23                   |
| 2021/22        | 727                                    | 2.50                        | 1.9                        | 0.71                   |
| 2022/23        | 1,223                                  | 2.76                        | 2.3                        | 0.49                   |
| 2023/24        | 936                                    | 0.97                        | 0.74                       | 0.23                   |
| <b>Total</b>   | <b>3,206</b>                           | <b>7.08</b>                 | <b>5.56</b>                | <b>1.66</b>            |

*Source:* Auditors' Analysis of Offences and Payment Made, 2024

**Table 3.26** shows that every year, there was an unpaid balance ranging from TZS 0.23 billion to TZS 0.71 billion. For instance, in the financial year 2023/24, a total of 936 traders were reported, and fines totalling TZS 0.97 billion were imposed. It is important to note that, out of TZS 0.97 billion, TZS 0.23 billion remain unpaid. This shows that unpaid fines continue to reduce the revenue collected. This was attributed to inadequate follow-up of the outstanding penalties.

### **3.5.8. Resources for Monitoring the Enforcement of EFDs at HQ were Allocated and Used at Checkpoints only**

The review of budget and expenditure for the financial year 2020/21 to 2023/24 revealed that the trend of budget allocation for monitoring and enforcement of EFDs increased from TZS 0.65 billion to TZS 3.8, respectively. On the other hand, fund disbursement ranges from 100% to 99%, as shown in **Table 2.2**.

According to TRA, the allocated financial resources were for enforcement activities for TRA checkpoints monitored from HQ. This implies that the other monitoring and enforcement programs that were stated in the EFD operation manual, such as desk examination programs, field visit programs, online checks programs, spot check programs, and surveillance programs, were not allocated adequate resources to be undertaken at the lower level. However, at the regional level, all funds allocated for EFDs administration were disbursed and spent with no variance, except for the Rukwa Tax

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Region, where in the financial year 2022/23, TZS 16,227,000 was not spent, as shown in **Table 2.3**.



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## CHAPTER FOUR

### AUDIT CONCLUSION

#### 4.1 Introduction

This chapter presents the audit conclusions based on the main and specific objectives of the audit. The conclusions have been drawn from the findings of the audit are organized into two parts: general conclusion and specific conclusions.

#### 4.2 General Conclusion

Overall, TRA has not adequately administered EFDs to monitor sales and stocks to ensure compliance in revenue collection in the country. The Authority has not sufficiently identified and registered eligible EFD users due to incomplete trader turnover data and ineffective use of the available information. Inadequate verification of business locations, unsecured user credentials, and delays in implementing cost-minimization strategies—such as the TRA POS and offsetting initial EFD acquisition costs—hinder traders from registering. Furthermore, TRA does not adequately ensure the proper operationalization and maintenance of EFDs. Suppliers have not established sufficient service centres, and service-level agreements with users are not enforced. On the other hand, monitoring and enforcement of EFD activities are ineffective, as programs such as desk examinations, online checks, and field visits are inadequately implemented.

#### 4.3 Specific Audit Conclusions

##### 4.3.1 Inadequate Identification and Registration of Eligible EFD Users

TRA does not adequately identify and register eligible EFD users. Objectives and targets for identifying and registering eligible EFD users are not based on the set interventions and are not attained. This is because TRA has limited awareness of the annual sales for all registered traders, which creates loopholes for eligible traders who do not use EFDs. This limits TRA from effectively identifying all the eligible users.

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Also, not all traders with known turnovers meeting the threshold for being registered and eligible for EFD acquisitions were registered. This is attributed to setting the EFD acquisition target without considering the number of registered traders in that tax region and failing to use available information about traders' turnover to monitor and enforce EFD acquisitions.

In addition, despite the fact that UINs were efficiently approved for about 75%, there are still UINs that have been approved for more than a year.

Furthermore, TRA does not verify the physical location of eligible EFD users for effective identification and registration because verification procedures do not require them to undertake physical verification prior to approval of a UIN. On the other hand, TRA does not monitor the supplier properly, securing the credentials of EFD users used in registration. This creates a loophole for registering ghost traders.

Moreover, TRA's strategies for cost minimization in the acquisition of EFDs are not attained to enhance the registration of eligible EFD users. There were delays in the launch of TRA POS, which limited the free access of VFDs, and the costs of the EFDs on the first acquisition were not offset for each identified user, which hindered the registration of EFD users.

#### **4.3.2 EFDs are not Effectively Operationalised and Maintained**

TRA does not ensure that EFDs are effectively operationalized and maintained. As evidence of this, it was noted that 9% of active EFDs are not used to issue receipts. Also, some EFDs are misused, causing a loss of TZS 146 billion. Moreover, TRA does not verify EFDs properly, and it does not use its data system effectively to track compliance.

Similarly, maintenance of EFDs is not effectively conducted as only 3% of devices receive periodic maintenance because suppliers do not have agreements with users, and there are no sufficient service centres in all regions. Additionally, maintenance costs are not included in the agreements between TRA and suppliers, and users must pay for repairs themselves. This was noted to be costly.

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Moreover, reported problems of EFDs are not addressed in a timely manner to enhance the operations of EFDs. This is partly attributed to delays in addressing the reported problem by both parties.

#### **4.3.3 Ineffective Monitoring Compliance and Enforcement of EFD Activities**

TRA does not effectively implement monitoring and enforcement programs as required under the EFD Operations Manual (2019). Desk examinations, online checks, spot checks, field visits, and surveillance programs are not adequately conducted as per the manual. Similarly, there are no reports which indicate that online checks are conducted daily, and spot checks lack evidence of implementation or targets.

Similarly, surveillance reports focus only on the non-issuance of receipts and do not address other compliance risks, such as duplicate or fake EFDs. Furthermore, penalties for non-compliance are not collected. For instance, between the financial year 2020/21 and FY 2023/24, penalties of TZS 1.66 billion out of a total of TZS 7.08 billion imposed for non-compliance were not paid. Additionally, revenues worth TZS 249.4 billion remain uncollected due to fraudulent activities involving EFDs.

Moreover, the EFD Operations Manual is not disseminated to regional offices, consequently, some TRA officers are unaware of the required enforcement activities. Also, TRA does not consistently issue fines for EFD-related offences. As a result, fines amounting to TZS 4.67 billion for 1,555 offences at various checkpoints were left unchanged.

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## CHAPTER FIVE

### AUDIT RECOMMENDATIONS


#### 5.1 Introduction

This chapter provides recommendations regarding the administration of EFDs. The audit findings and conclusions indicated areas that need improvement for the effective administration of EFDs based on the principles of economy, efficiency and effectiveness.

TRA is required to rectify the noted weaknesses and improve the level and extent of administration of EFDs in the country. The National Audit Office believes that, if fully implemented, these recommendations will improve the performance of TRA in administering EFDs and enhance revenue collection in the country.

#### 5.2 Specific Recommendations

TRA is urged to:

- 
- The logo of the National Audit Office is centered in the background. It features a stylized eye with a yellow sun-like center, surrounded by the text 'NATIONAL AUDIT OFFICE' in a circular arrangement. Below the eye, it says 'ISO 9001:2015 Certified'.
- (i) Take into account past performance of registered traders and eligible EFD users when setting targets for EFD identification and acquisitions in order to ensure all eligible traders are identified and supplied with EFDs;
  - (ii) Develop an Electronic Fiscal Management System with a Taxpayer Registration System that would indicate eligibility for EFD registration and facilitate monitoring and compliance of taxpayers;
  - (iii) Update EFD acquisition and registration procedures to enable eligible EFD users to apply for EFDs and submit their credentials directly to TRA;
  - (iv) Improve EFDMS to capture stock movement and all transactions (purchases and sales) to all registered traders for goods imported and locally manufactured;
  - (v) Ensure data cleaning of EFD database to get accurate status of EFDs activeness for efficient compliance monitoring and enforcement;


- 
- (vi) Take appropriate actions against traders involved in the misuse of EFDs and recover uncollected revenues;
  - (vii) Finalise the revision of the EFDs Operation Manual to align with the current operational set-up of the EFD unit so as to strengthen monitoring and enforcement programs; and
  - (viii) Disseminate the EFD Operation Manual and undertake capacity building for EFD Compliance Officers to enhance understanding of EFD monitoring and enforcement programs.





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## APPENDICES



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## Appendix 1: Responses from the Tanzania Revenue Authority

This part provides details on the overall responses from the Tanzania Revenue Authority, comments, actions to be taken, and an implementation timeline for each of the issued recommendations.

### General Comment

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|--|
| The management has noted the recommendations and is committed to ensuring full implementation. |
|--|

### Specific Comment

| SN  | RECOMMENDATIONS  | COMMENT(S)   | ACTIONS TO BE TAKEN   | TIMELINE  |
|-----|--|--|---|---|
| (i) | Take into account past performance of registered traders and eligible EFD users when setting targets for EFD identification and acquisitions in order to ensure all eligible traders are identified and supplied with EFDs | <p>The recommendation has been noted.</p> <p>The target setting will continue by considering the previous year's performance together with other factors such as the impact of annual tax law reforms, the level of economic activities, emerging markets, etc.</p> <p>In addition, the Authority continues to enhance its internal collection</p> | To speed up the enhancement of the inventory and e-invoicing modules. | The initial phase of the system is expected to be launched in October 2025. |

| SN   | RECOMMENDATIONS   | COMMENT(S)  | ACTIONS TO BE TAKEN   | TIMELINE   |
|------|---|---|---|--|
|      |   | <p>system through the ongoing development of the Integrated Domestic Revenue Administration System (IDRAS). This system aims to improve data integrity and enable real-time retrieval of taxpayer business activities and turnover information. The enhanced functionality will facilitate the accurate identification of EFD-eligible users and support the achievement of registration targets for EFD users.</p> |   |  |
| (ii) | <p>To develop an Electronic Fiscal Management System with a Taxpayer Registration System that would indicate eligibility for EFD registration and facilitate monitoring and compliance of taxpayers</p> | <p>The development of the new system (IDRAS) has taken into account the recommendation of minimizing human intervention. Eligibility for EFD acquisition will be enhanced through data matching and</p>   | <p>To speed up the enhancement of the data matching and warehousing module.</p> | <p>The initial phase of the system is expected to be launched in October 2025.</p> |

| SN   | RECOMMENDATIONS   | COMMENT(S)   | ACTIONS TO BE TAKEN   | TIMELINE  |
|------|---|--|---|---|
|      |   | warehousing modules.   |   |   |
| (ii) | Update EFD acquisition and registration procedures to enable eligible EFD users to apply for EFDs and submit their credentials directly to TRA.           | Currently, the EFDMS system is being re-developed as a new module incorporated within IDRAS. As part of the improvement, one of the key features in the acquisition process is to enable taxpayers to submit credentials and consent directly through the taxpayer portal. | To fast-track incorporation of the taxpayer consent feature within the EFD/VFD registration system under the IDRAS. | The new feature will come into operation together with the deployment of IDRAS in Phase One, which is planned for October 2025. |
| (i)  | Improve EFDMS to capture stock movement and all transactions (purchases and sales) to all registered traders for goods imported and locally manufactured. | As part of the ongoing improvements under the IDRAS project, the Authority has introduced a new module called the Inventory Management System. This module will be closely integrated with the newly enhanced EFDMS system, now renamed E-Tax Invoice, and equipped with   | To fast-track completion of the Inventory Management Module in the IDRAS project.                                   | The new Module for Inventory Management will be deployed in IDRAS Phase One, which is planned for October 2025.                 |

| SN  | RECOMMENDATIONS  | COMMENT(S)   | ACTIONS TO BE TAKEN   | TIMELINE            |
|-----|--|--|---|---------------------|
|     |  | <p>advanced features to enhance taxpayer monitoring and compliance. The system will provide tracking capabilities for all inventories, including imported and locally acquired goods/stock, while enabling real-time monitoring of stock movements (sales and purchases).</p>                            |   |                     |
| (v) | <p>Ensure data cleaning of the EFDMS database in order to get accurate status of EFDs' activeness for efficient compliance monitoring and enforcement.</p> | <p>As part of the strategy to deal with noted data clean-up needs, the Authority will initiate regular retrieval of various statuses of EFD from the EFDMS system to update the said status.</p> <p>Management has started reviewing the EFDMS database to ensure the completion of commands and the</p> | <p>To implement close monitoring and data cleaning.</p> <p>The management will continue reviewing the EFDMS command to reflect the actual status of the device in the EFDMS system.</p> | <p>October 2026</p> |

| SN  | RECOMMENDATIONS  | COMMENT(S)  | ACTIONS TO BE TAKEN   | TIMELINE                        |
|-----|--|---|---|---------------------------------|
|     |  | accuracy status of EFD.   |   |                                 |
| (v) | Take appropriate actions against traders involved in the misuse of EFDs to provide lessons learnt and recover uncollected revenue;                                 | The management has been taking appropriate action by compounding the offence and prosecuting it after the investigation.                    | To continue enforcing legal prosecution actions for those found guilty of malicious acts through investigation. | November 2026                   |
| (v) | Finalise the revision of the EFDs Operation Manual to align with the current operational setup of the EFD unit and strengthen monitoring and enforcement programs. | The management has already taken proactive steps to revise the EFDs Operational Manual, which is currently in its final stages of approval. | To fast-track approval of the revised EFDs Operational Manual.  | By March 2025.                  |
| (v) | Disseminate the EFD Operation Manual and capacity build to EFD Compliance Officers to enhance understanding of EFD monitoring and enforcement programs.            | The recommendation has been noted. Once the revised manual is approved, awareness and dissemination programs will commence immediately.     | Fast-tracking the finalization of the revised EFDs operational manual to ensure its prompt implementation.      | Immediately after the approval. |

## Appendix 2: Audit Questions and Sub-Audit Questions

This part presents the questions formulated for the audit to address the audit objective.

|          |   |
|----------|---|
| <b>1</b> | <b>Does TRA adequately identify and register the eligible EFD users?</b>  |
| 1.1      | Are objectives and targets of identifying and registering eligible EFD users based on the set interventions achieved?               |
| 1.2      | Are requests for the acquisition of EFDs approved timely?   |
| 1.3      | Does TRA verify the physical location of eligible EFD users for effective identification and registration?                          |
| 1.4      | Does TRA monitor whether EFD users' credentials used in registration are secured properly by suppliers?                             |
| 1.5      | Are TRA strategies of cost minimization for the acquisition of EFDs attained in order to enhance the registration of eligible EFDs? |
| 1.6      | Are the costs of the EFDs on the first acquisition offset for each identified user to enhance the registration of EFD users?        |
| <b>2</b> | <b>Does TRA ensure EFD users adequately operate and conduct maintenance of EFDs?</b>  |
| 2.1      | Does TRA ensure suppliers enter into service-level agreements with EFD users?   |
| 2.2      | Do the EFD suppliers have functioning service centres in each region as per the TRA agreement?                                      |
| 2.3      | Are reported problems addressed in a timely manner to enhance the operation of EFDs?  |
| 2.4      | Does TRA monitor information from EFDMS to enhance tax compliance?  |
| 2.5      | Does TRA ensure that the EFDs are effectively operated by EFD users?  |
| <b>3</b> | <b>Does TRA adequately monitor and enforce EFD operationalization in the country?</b>   |
| 3.1      | Does TRA undertake periodic monitoring and enforcement of EFD operationalizations in the country?                                   |
| 3.2      | Are EFD users who commit offences fined according to tax regulations?   |
| 3.3      | To what extent does TRA monitor sales and stock of EFD machines and spare parts maintained by suppliers?                            |
| 3.4      | Does TRA efficiently use the resources to monitor and enforce EFD operationalization in the country?                                |



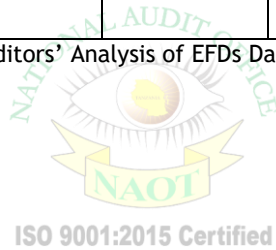
### Appendix 3: Sampled Regions

This part presents sampled TRA Tax regions.

| S/N | Tax Region  | No. EFD users | Zone     | Status       | Reasons  |
|-----|-------------|---------------|----------|--------------|--|
| 1.  | Shinyanga   | 2,797         | Central  | Not Selected | Dodoma Tax Region represents the highest number of EFD users in the central zone.    |
| 2.  | Singida     | 3,516         |          | Not Selected |  |
| 3.  | Kahama      | 4,416         |          | Not Selected |  |
| 4.  | Tabora      | 5,435         |          | Not Selected |  |
| 5.  | Iringa      | 7,411         |          | Not Selected |  |
| 6.  | Dodoma      | 13,341        |          | Selected     |  |
| 7.  | Kigoma      | 4,137         |          | Not Selected |  |
| 8.  | Kagera      | 5,500         |          | Not Selected |  |
| 9.  | Pwani       | 8,322         | Coastal  | Not Selected | Kinondoni Tax Region represents the highest number of EFD users in the eastern zone. |
| 10. | Tanga       | 10,105        |          | Not Selected |  |
| 11. | Morogoro    | 10,633        |          | Not Selected |  |
| 12. | Tegeta      | 12,929        |          | Not Selected |  |
| 13. | Temeke      | 22,592        |          | Not Selected |  |
| 14. | Ilala       | 38,726        |          | Not Selected |  |
| 15. | Kinondoni   | 48,905        |          | Selected     |  |
| 16. | Simiyu      | 1,886         | Northern | Not Selected | Arusha Tax Region represents the highest number of EFD users in the northern zone.   |
| 17. | Manyara     | 4,029         |          | Not Selected |  |
| 18. | Mara        | 5,700         |          | Not Selected |  |
| 19. | Kilimanjaro | 14,468        |          | Not Selected |  |
| 20. | Mwanza      | 17,162        |          | Not Selected |  |
| 21. | Arusha      | 29,081        |          | Selected     |  |
| 22. | Geita       | 5,734         |          | Not Selected |  |
| 23. | Lindi       | 2,439         | Southern | Not Selected | Rukwa Tax Region represents regions with the lowest number of                        |
| 24. | Songwe      | 4,245         |          | Not Selected |  |
| 25. | Mtwara      | 4,529         |          | Not Selected |  |
| 26. | Ruvuma      | 4,665         |          | Not Selected |  |
| 27. | Njombe      | 5,568         |          | Not Selected |  |
| 28. | Mbeya       | 11,990        |          | Not Selected |  |

| S/N | Tax Region                | No. EFD users | Zone                             | Status       | Reasons  |
|-----|---------------------------|---------------|----------------------------------|--------------|--|
| 29. | Katavi                    | 1,901         |                                  | Not Selected | EFD users in the southern Zone.  |
| 30. | Rukwa                     | 2,545         |                                  | Selected     |  |
| 31. | Iringa                    | 7,411         |                                  | Not Selected |  |
| 32. | Medium Taxpayers Division | 12,632        | Complex nature of the Tax Region | Not Selected | Kariakoo Tax region represents the highest number of EFD users in tax regions with a complex nature of business. |
| 33. | Large Taxpayer            | 12,929        |                                  | Not Selected |  |
| 34. | Kariakoo                  | 31,900        |                                  | Selected     |  |

Source: Auditors' Analysis of EFDs Database, 2024



## Appendix 4: Officials Interviewed and Reasons for their Interviews

This part provides the list of officials interviewed and reasons for interviewing them.

| Institution | Official Interviewed   | Reason(s) for Interviewing   |
|-------------|--|--|
| TRA         | Deputy Commissioner Small Taxpayers  | <p>(i) To assess how TRA ensures all eligible EFD users are identified and registered. To assess the way TRA ensures that registered EFDs are functioning well and that suppliers maintain EFDs as required, and to assess the extent of TRA monitoring compliance and enforcement of the proper usage of EFDs.</p> <p>(ii) To assess the approaches adopted by TRA to minimize the acquisition and maintenance costs of EFDs.</p> <p>(iii) To assess the efficiency of the allocated resources in EFD management.</p> |
|             | <ul style="list-style-type: none"> <li>• Manager of Taxpayer Services-EFD-TRA HQ</li> <li>• Assistant Manager of Taxpayer Services-In the visited regions (Arusha tax region, Dodoma Tax region, Rukwa Tax region, Kinondoni tax region and Kariakoo Tax region)</li> <li>• Former Manager of EFD</li> <li>• Team Leader of EFD in the visited regions (Arusha tax region, Dodoma Tax region, Rukwa Tax region,</li> </ul> | <p>(i) To assess the way TRA ensures all eligible EFD users are identified and registered on time.</p> <p>(ii) To assess the way TRA ensures that registered EFDs are functioning well and that suppliers maintain EFDs as required, and to assess the extent to which TRA monitors compliance and enforcement of the proper usage of EFDs.</p> <p>(iii) To assess the approaches adopted by TRA to minimize the acquisition and maintenance costs of EFDs.</p>  |

| Institution | Official Interviewed                          | Reason(s) for Interviewing   |
|-------------|---|--|
|             | Kinondoni tax region and Kariakoo Tax region) | (iv) To assess the efficiency of the allocated resources in EFD management.    |
|             | Director of Information Communication System  | To assess the functionality of the Electronic Fiscal Device Management System. |

Source: Auditors' Analysis on the List of Reviewed Officials, 2024



## Appendix 5: Documents Reviewed and Reasons for the Reviews

This part provides the reviewed documents and reasons for reviewing them.

| Institution | Category             | Name of Document   | Reason for the Reviewing the Documents   |
|-------------|----------------------|--|--|
| TRA         | Strategies and Plans | (i) TRA Corporate Plan (2022/23-2026/27)<br><br>(ii) TRA Domestic Revenue Department-Annual Plans  | To assess strategies employed in EFD management, specifically in the identification and registration, operations and enforcement and compliance monitoring and enforcement |
|             | Performance reports  | (i) TRA-DRD Annual Performance Report (2020/21-2023/24)<br><br>(ii) Target and actual performance of EFD acquisitions for 2020/21 to 2023/24<br><br>(iii) Operational Reports from EFDMS and registration report | To assess the extent of attainment of the set strategies   |
|             | Database             | (i) EFDs users;<br>(ii) Registered Traders;<br>(iii) UIN Application and approval;<br>(iv) EFD users' sales records<br>(v) Electronic Fiscal Maintenance records of 2020/21-2023/24                              | To assess the effectiveness and efficiency of the registered EFD user  |
|             | Reports              | (i) EFD maintenance reports;   | To assess the effectiveness of the maintenance of EFDs   |

| Institution | Category                           | Name of Document   | Reason for the Reviewing the Documents  |
|-------------|------------------------------------|--|---|
|             |                                    | (ii) Cost offset report (2021, 2022 and 2023);<br>(iii) Offence Report (2020/21 to 2023/24);<br>(iv) Report of Service Centres;<br>(v) Budget and Expenditure for 2020/21 to 2023/24 |   |
|             | Monitoring and enforcement reports | (i) Special Enforcement reports; and<br>(ii) Checkpoint reports<br>(iii) Special Enforcement report conducted at Kariakoo tax region   | To assess the effectiveness and efficiency of the monitoring compliance and enforcement of EFDs |

Source: Auditors' Analysis on the List of Reviewed Documents, 2024



ISO 9001:2015 Certified

## Appendix 6: Strategies for Enhancement of EFDs from Financial Year 2020/21 to 2023/24

This part presents strategies planned to be employed by TRA to improve EFDs in Tanzania.

| 2020/21  | 2021/22  | 2022/23  | 2023/24  |
|--|--|--|--|
| (i) Deploying mobile app and web portal to be used by buyers for online verification of the receipts issued to check their genuineness.  | (i) Deploying mobile app and web portal to be used by buyers for online verification of the receipts issued to check their genuineness.  | (i) Deploy regional and zonal enforcement teams  | (i) Deploy Regional and zone enforcement team  |
| (ii) Enforcing the acquisition and usage of EFD while conducting massive sensitization to the public to demand fiscal receipts/invoices for the goods purchased and services rendered. | (ii) Enforcing the acquisition and usage of EFD while conducting massive sensitization to the public to demand fiscal receipts/invoices for the goods purchased and services rendered. | (ii) Strengthening EFD Check-points to enhance compliance  | (ii) Strengthening EFD Check-points to enhance compliance                                  |
| (iii) Involvement of state organs and other stakeholders in the administration of the use of EFDs.   | (iii) Involvement of state organs and other stakeholders in the administration of the use of EFDs.   | (iii) Conduct surveillance focusing on an area prone to non-issuance of EFD receipts, e.g., construction sites, bars, and restaurants. | (iii) Conduct surveillance focusing on an area prone to non-issuance of EFD receipt, e.g., |

| 2020/21   | 2021/22  | 2022/23  | 2023/24  |
|---|--|--|--|
|   |  |  | construction sites, bars, and restaurants.   |
| (iv) In liaison with Street & Ward Executives, conduct special EFD receipts enforcement campaigns by zones, sectors and trade centres prone to tax evasion. This shall include using approved EFD stickers to remind the public to demand and retain their fiscal receipts upon the purchase of goods and services. | (iv) Station resident Officers in areas prone to non-issuance of receipts (e.g., Retail businesses, Night Clubs & Restaurants, Trade Fairs, etc.) for compliance monitoring. | (iv) Sensitize the use of a Mobile app to verify receipts  | (iv) Sensitize the use of a mobile app to verify receipts                                    |
| (v) Station resident officers in areas prone to non-issuance of receipts (e.g. retail businesses, nightclubs & restaurants, trade fairs, etc.) for compliance monitoring.   | (v) Provide EFD seminars to RCs, DCs, WEOs, & MEOs and law enforcers such as the Police Force to win their support in EFD enforcement activities.                            | (v) Conduct sensitization campaigns to government institutions and the general public on the importance of demanding receipts. | (v) Conduct sensitization campaigns to government institutions and the general public on the |



| 2020/21   | 2021/22   | 2022/23   | 2023/24  |
|---|---|---|--|
|   |   |   | importance of demanding receipts .                                 |
| (vi) Provide EFD seminars to RCs, DCs, WEOs, & MEOs and law enforcers such as the Police Force to win their support in EFD enforcement activities.      | (vi) Monitoring compliance of the passenger transportation industry through the use of electronic bus tickets and other transport related businesses  | (vi) Instituting Legal proceedings against perpetual EFD defenders  | (vi) Instituting legal proceedings against perpetual EFD defenders |
| (vii) Monitoring compliance of the passenger's transportation industry through the use of electronic bus tickets and other transport related businesses | (vii) Monitoring compliance of fuel stations on the use of Electronic Fuel Pump Printers (EFPP). This includes the implementation of automatic alerts when the EFPP is disconnected from the fuel pump. Also, paying surprise visits, surveillance and quality assurance reviews on the installed EFPP sharing solution | (vii) Implementation of lottery through EFD receipts verification to motivate citizens to the habit of claiming receipts after purchasing goods |  |

| 2020/21   | 2021/22   | 2022/23   | 2023/24 |
|---|---|---|---------|
|   | (cabling and wireless solutions)  |   |         |
| (viii) Monitoring compliance of fuel stations on the use of Electronic Fuel Pump Printers (EFPP). This includes the implementation of automatic alerts when the EFPP is disconnected from the fuel pump. Also, conducting surprise visits, surveillance and quality assurance reviews on the installed EFPP sharing solution (cabling and wireless solutions) | (viii) Conducting special 24-hour surveillances in the identified risk businesses such as hotels, night clubs, warehouses, load packing areas, industrial areas and the Kariakoo area, especially during peak hours, weekends and public holidays | (viii) Introducing a centralized EFD rapid response team to cater for Dar es Salaam and coastal regions |         |
| (ix) Conducting Special 24-hour surveillances in the identified risk businesses such as hotels, night clubs, warehouses, load packing areas, industrial areas and the Kariakoo area, especially during peak hours, weekends and public holidays   | (ix) Conducting online checks, i.e., making use of proactive measures through desk monitoring of taxpayers' trends on EFD receipt issuance and follow-up on identified anomalies.   |   |         |
| (x) Conducting online checks, i.e.,   | (x) Conducting a survey of  |   |         |

| 2020/21   | 2021/22   | 2022/23 | 2023/24 |
|---|---|---------|---------|
| <p>making use of proactive measures through desk monitoring of taxpayers' trends on EFD receipt issuance and follow-up on identified anomalies.</p>   | <p>peculiar business arrangements that pose challenges in complying with the legal requirements for proper usage of EFDs and providing clear guidelines for EFD compliance. This will include identifying and monitoring supply chains involved to determine stages prone to non-compliance across the chain (e.g., fiscalization of online business transactions through mobile money payment and social media platforms).</p> |         |         |
| <p>(xi) Conducting a survey of peculiar business arrangements that pose challenges in complying with the legal requirements for proper usage of EFDs and providing clear guidelines for</p> | <p>(xi) Conducting monitoring and evaluation of EFD suppliers and manufacturers, i.e., assessing the level of compliance of EFD suppliers as per the terms and</p>  |         |         |

| 2020/21  | 2021/22   | 2022/23 | 2023/24 |
|--|---|---------|---------|
| EFD compliance. This will include identifying and monitoring supply chains involved to determine stages prone to non-compliance across the chain (e.g., fiscalization of online business transactions through mobile money payment and social media platforms).                        | conditions of their contracts with the aim of finding solutions to chronic complaints from the involved EFD stakeholders. |         |         |
| (xii) Conducting monitoring and evaluation of EFD suppliers and manufacturers, i.e., assessing the level of compliance of EFD suppliers as per the terms and conditions of their contracts with the aim of finding solutions to chronic complaints from the involved EFD stakeholders. | (xii) Publicize concluded EFD court cases to instil a culture of demanding and issuing receipts.                          |         |         |
| (xiii) Publicize concluded EFD court cases to instil a culture of demanding  | (xiii) Involve the Legal Department to enhance staff capacity in building strong  |         |         |

| 2020/21                   | 2021/22   | 2022/23 | 2023/24 |
|---------------------------|---|---------|---------|
| and issuance of receipts. | case evidence that will facilitate smooth compounding of EFD offences or court proceedings. |         |         |

**Source:** Annual Revenue Collection for TRA Domestic Revenue Department from the Financial Year 2020/21 to 2023/24



## Appendix 7: TRA Human Resources Allocation for EFD Compliance and Enforcement

This part provides information about officers allocated to enforce the use of EFDs in each region.

| TRA-Tax Region             | Number of Officers |
|----------------------------|--------------------|
| Mbeya                      | 4                  |
| Mtwara                     | 3                  |
| Pemba                      | 0                  |
| Rukwa                      | 2                  |
| Temeke                     | 4                  |
| Zanzibar                   | 0                  |
| Medium Taxpayer Department | 4                  |
| Large Taxpayer Department  | 7                  |
| Geita                      | 1                  |
| Kahama                     | 1                  |
| Kigoma                     | 2                  |
| Simiyu                     | 2                  |
| Tabora                     | 1                  |
| Katavi                     | 2                  |
| Lindi                      | 2                  |
| Manyara                    | 1                  |
| Mara                       | 2                  |
| Pwani                      | 2                  |
| Shinyanga                  | 2                  |
| Singida                    | 2                  |
| Songwe                     | 2                  |
| Iringa                     | 3                  |
| Kagera                     | 2                  |
| Morogoro                   | 3                  |
| Mwanza                     | 3                  |
| Njombe                     | 3                  |
| Ruvuma                     | 3                  |
| Arusha                     | 5                  |
| Kilimanjaro                | 4                  |

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| TRA-Tax Region | Number of Officers |
|----------------|--------------------|
| Dodoma         | 4                  |
| Tanga          | 6                  |
| Tegeta         | 4                  |
| Kariakoo       | 11                 |
| Kinondoni      | 7                  |
| Ilala          | 9                  |

Source: Auditors' Analysis of Staff Assigned to Deal with EFD Compliance, 2024



## Appendix 8: Traders who were Eligible for EFDs but did not have them

This part presents information on the number of traders who were eligible for using EFDs but did not acquire them.

| Tax Region  | No. of Eligible EFDs Users who were not Registered |
|-------------|--|
| Pemba       | 64   |
| Shinyanga   | 142  |
| Mtwara      | 209  |
| Kahama      | 222  |
| Lindi       | 239  |
| Iringa      | 244  |
| Manyara     | 252  |
| Kigoma      | 298  |
| Rukwa       | 299  |
| Simiyu      | 309  |
| Songwe      | 351  |
| Mara        | 363  |
| Kagera      | 384  |
| Geita       | 423  |
| Singida     | 443  |
| Pwani       | 464  |
| Kilimanjaro | 483  |
| Katavi      | 503  |
| Ruvuma      | 508  |
| Njombe      | 513  |
| Tabora      | 631  |
| Kariakoo    | 735  |
| Arusha      | 790  |
| Morogoro    | 796  |
| Tegeta      | 862  |
| Tanga       | 982  |
| Temeke      | 1,054  |
| Zanzibar    | 1,143  |
| Dodoma      | 1,297  |
| Ilala       | 1,347  |



| Tax Region   | No. of Eligible EFDs Users who were not Registered |
|--------------|--|
| Mwanza       | 1,628  |
| Mbeya        | 1,759  |
| Kinondoni    | 1,855  |
| <b>Total</b> | <b>21,592</b>                                      |

Source: Auditors' Analysis of Turnover from Presumptive Assessment and Returns of Income for 2024



## Appendix 9: Analysis of Reasons for Non-Registering Traders with Annual Sales of More than TZS 11 million in the Visited Tax Regions

This part presents information on reasons stated by TRA for not registering traders with annual sales of more than TZS 11 million in the visited tax regions.

| Tax Region | Reason  | Frequency of the Stated Reasons |
|------------|---|---------------------------------|
| Rukwa      | 1. Fall of turnover   | 27                              |
|            | 2. Follow-up  | 57                              |
|            | 3. Issue notice   | 91                              |
|            | 4. Located in remote areas where there is a network problem                         | 17                              |
|            | 5. Multiple business  | 5                               |
| Kinondoni  | 1. Issue Notice   | 1,112                           |
| Kariakoo   | 1. Deals with animal business   | 1                               |
|            | 2. Deals with building materials  | 1                               |
|            | 3. Deals with gas   | 1                               |
|            | 4. Deals with phone repair  | 1                               |
|            | 5. Deals with soft drinks   | 1                               |
|            | 6. Has no business  | 1                               |
|            | 7. Landrod  | 2                               |
|            | 8. Phone number not reachable and make a follow-up to the taxpayer for confirmation | 181                             |
|            | 9. Sales containers ( <i>madumu</i> )   | 1                               |
|            | 10. Sales of soap by retail   | 1                               |
|            | 11. Sales traditional medicines   | 1                               |
|            | 12. Sales of water by retail  | 1                               |
| Dodoma     | 1. Deals with tractors (renting tractors to farmers)                                | 10                              |
|            | 2. Follow-up  | 356                             |
|            | 3. Issue notice   | 253                             |
| Arusha     | 1. Follow-up  | 1,122                           |
|            | 2. Issue notice   | 4                               |

Source: Auditors' Analysis of the Clarifications Issued by TRA, October 2024

## Appendix 10: Analysis of the Efficiency of UIN Approvals

This part presents information on approvals of UIN for the visited Tax Regions.

| Region    | Financial Year | Total No. of UIN approved | UIN within time | UIN approved beyond the standard time | Efficient in approval of UIN in % |
|-----------|----------------|---------------------------|-----------------|---------------------------------------|-----------------------------------|
| Arusha    | 2020/21        | 2,750                     | 2,411           | 339                                   | 88                                |
|           | 2021/22        | 1,532                     | 1,267           | 265                                   | 83                                |
|           | 2021/22        | 3,678                     | 3,382           | 296                                   | 92                                |
|           | 2023/24        | 3,698                     | 2,833           | 865                                   | 77                                |
| Dodoma    | 2020/21        | 1,754                     | 1,505           | 249                                   | 86                                |
|           | 2021/22        | 1,934                     | 1,730           | 204                                   | 89                                |
|           | 2022/23        | 2,405                     | 2,195           | 210                                   | 91                                |
|           | 2023/24        | 2,163                     | 2,033           | 130                                   | 94                                |
| Rukwa     | 2020/21        | 248                       | 169             | 79                                    | 68                                |
|           | 2021/22        | 260                       | 198             | 62                                    | 76                                |
|           | 2022/23        | 438                       | 359             | 79                                    | 82                                |
|           | 2023/24        | 456                       | 365             | 91                                    | 80                                |
| Kinondoni | 2020/21        | 5,560                     | 4,856           | 704                                   | 87                                |
|           | 2021/22        | 6,981                     | 5,687           | 1,294                                 | 81                                |
|           | 2022/23        | 8,829                     | 7,242           | 1,587                                 | 82                                |
|           | 2023/24        | 7,463                     | 5,716           | 1,747                                 | 77                                |
| Kariakoo  | 2020/21        | 3,878                     | 1,745           | 2,133                                 | 45                                |
|           | 2021/22        | 3,250                     | 1,653           | 1,597                                 | 51                                |
|           | 2021/22        | 4,067                     | 2,060           | 2,007                                 | 51                                |
|           | 2023/24        | 3,356                     | 1,761           | 1,595                                 | 52                                |

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