

**North-East Africa Appendix 3:
Tanzania**

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Country: Tanzania

Contextual Data

<i>Basic Country Information</i>			
Geographic size (km ²)	945,087 km ²	Date of independence	9 th December 1961 (Tanganyika) 10 December 1963 (Zanzibar) 27 th April 1964 (United Republic of Tanzania)
Capital city	Dodoma (Administrative) Dar-es-salaam (Commercial)	Population (2008 est.)	35 million
Secondary cities	Arusha, Iringa, Mbeya, Moshi, Morogoro, Mwanza, Tabora and Tanga	Urbanization	23%
System of government	Constitutional Republic Multi-party democracy	GDP(per capita)	US\$1300 (2007)
<i>Government Structures</i>			
Levels/Tiers of government	2 tier system of government namely: Central government and Local government (Urban Authorities and Rural Authorities)		
<i>Land Issues and the Property Market</i>			
Land tenure systems	Dual land tenure system- statutory and customary rights of occupancy (public land vested in the President as trustee). Certificate of occupancy provides explicit security of tenure. Customary tenure system only applies in rural areas or registered villages within the urban areas.		
Land titling/registration	<ul style="list-style-type: none"> • Torrens system as well as the Deeds system • Parts of the country with unregistered land 		
Does national government charge land/ground rent	Yes. Ground rent chargeable on government leases. Besides local authorities also charge ground rent on leases issued by them		
Property market (developed, formal/informal)	Active as the number of properties changing hands has been increasing after Land (Amendment) Act No. 2 of 2004. There is however, problem of scarcity of market data.		

<i>Most Important Taxes and sources of Revenue</i>	
National taxes	Income Tax, VAT,, Excise & Customs Duties, Stamp Duty, Capital Gains Tax, Corporation Tax.
Local authority taxes	Business Licenses, Property tax, Building permit fee, Liquor license, Advertising fee, Development levy, Bus terminal fee, Hotel levy.
<i>Property-related Taxes</i>	
National	<ul style="list-style-type: none"> • Capital Gains • Stamp duty • Annual land rent on land parcels held under the right of occupancy as per the Land Act No. 4 of 1999
Local Authority	Rates on property, Development approvals

Annual Property Tax

<i>Property Rates</i>		
Ordinances <i>Urban Authorities (Rating) Act 1983, Local Government Finances Act 1982</i>		
	Legislation	Practice
Tax Base & Taxpayer		
Tax base: Buildings only	In terms of the Urban Authorities (Rating) Act 1983 and Local Government Finances Act, 1982 the tax base is buildings only	Capital Market Value of property or replacement cost of the building, structures and other developments (depreciation rate of 25% is allowed). Based on value of improvements. Taxing land will be tantamounting to double taxation as there is already levy of land rent
Tax Base Coverage (extensive or poor)	Applied on all properties excluding those that are exempted.	<ul style="list-style-type: none"> • Coverage haphazard in both rural and urban areas • Success does not necessarily depend on coverage but on taxpayers compliance informed by administration mechanisms in practice • In Illala Municipality, tax coverage is less than 50 percent.
Taxpayer (owner or occupier)	Rateable property owner or a tenant or occupier	
Valuation & Assessment		
Value based or area based system?	Value based (market value)	Value based. For properties that are not in the valuation roll, a flat rate system is used.
Valuation (e.g. annual/rental or capital value)	Capital market value	Capital value of improvements
Responsibility for valuations (central or local government and/or private sector)?	Local Government	In Illala Municipality outsourced to consultants/private valuation firms. Only supplementary rolls are done in house with the 4 valuers.

Valuation cycle	After 5 years	Massive after 5years except for supplementary valuation which is done any time when need be.
Objection and appeal	Urban Rating Tribunal	Objection in not later than 23 days after the date of publication (Section 13 of the Rating Act). Both property owner or occupier and rating authority can lodge objection in writing. All objections are referred to the Rating Valuation Tribunal. Appeal is allowed to the High Court.
External quality control measures		Central government/Chief Government Valuer
Rate Setting & Tax Relief		
Responsibility (local or central)?	Local Government	Local Authority in consultation with National Construction Council and approval by Chief Government Valuer.
Tax rates	N/A	There is no uniform tax rate for the whole country. Illala Municipality, the rates are set out for various categories of properties - residential, commercial and industrial all are in three categories with the maximum and minimum rate per square meter. Kinondoni Municipality commercial properties 0.2% and residential 0.15%
Exemptions	Section 23, Urban Authorities (Rating) Act, of 1983. Section 13, Local Government Finances Act, 1982. The following properties are exempted: <ul style="list-style-type: none"> • Property in the personal occupation of the President. • Property used for public utility undertakings • Premises used primarily for public worship • Public libraries and public museums • Cemeteries and crematoria 	All stipulated in the Act. In practice all government buildings are excluded from the property tax base. However, the Minister responsible is required to pay service charge in lieu of property rates (No remittance from Central government)

	<ul style="list-style-type: none"> • Civil and military aerodromes • Property appropriated for sporting purposes and that used solely for educational purposes • Railway infrastructure • Other property as may be prescribed by the concerned urban authority • Section 19 authorizes a council to exempt any tenement from paying rates subject to ensuring that there are other sources of revenue to compensate for the revenue of exempted property. <p><u>Exemptions under Local Government Finances Act, 1982</u></p> <ul style="list-style-type: none"> • Property owned and used exclusively as office accommodation, laboratories and godowns by the government and its departments • Government residential property used exclusively by government officers and employees. • Property used by or reserved for use by a Local Authority • Property used exclusively for educational institution • Property owned by a religious institution not used in any way for commercial purposes. 	
Tax relief measures	Prime Minister Exemption Order, 1997. Residential properties	Municipal by laws

	occupied by old people.	
<i>Tax Administration</i>		
Billing	Annually done by valuation offices of the rating authorities	
Collection	By Tanzania Revenue Authority (TRA) for Dar-es-salaam (Commission payable is between 20% and 25% of total tax collection).	TRA and Town Treasurer's office. Other regions doing their own collections. Collection rate is low.
Enforcement	Penalty imposed at the rate not exceeding 1% p.a Distrain upon the personal goods and chattels of rates defaulters Recovery through deduction from salary/wage A penalty of 25 % p.a. of amount of tax in arrears or imprisonment less or equal to 12 months Fines and penalties, 1 percent per month interest penalty	Local government and TRA
Compliance	Quite Low	Widespread non-compliance. In Dar-es-salaam, the collection rate is less than 30 – 50%
<i>Additional Comments</i>		
Significance of property tax	A very important source of own revenue especially in city and municipalities. For Illala Municipality, property tax contributes about 30% of the total local revenue.	
What is property tax revenue used for?	Provision of social services (street lighting, local authority roads, schools, health facilities, waste management etc)	
Tax effort	Most authorities grapple with challenges associated with collection and enforcement mechanisms	
Possible indirect support systems	TRA doing billing and collection for Dar-es-salaam.	
Other relevant issues	Main challenges include non compliance by tax payers, lack of political will, unwillingness of local authorities to invest in its improvement (data collection, adequate facilities, computerization etc), and people's attitude (culture) of expecting government to do everything. Valuation rolls are outdated. Collections are all put in the general account and used for other purposes, not necessarily for delivery of services.	

Property Transfer Tax		
Relevant Legislation: Stamp Duty Act, 1972		
	Legislation	Practice
Tax Base & Taxpayers		
Tax base	It is payable upon acquisition and transfers of real property, or rights in or to such property, located within Tanzania.	
Coverage of tax	Property generally refers to immovable property (i.e. transfer of ownership)	
Taxpayers (e.g. buyer, seller, or both)	The person who acquires property, i.e. buyer or purchaser	The tax payer can either be buyer or seller depending on the conditions specified in the sale agreement.
Valuation & assessment		
Valuation	Fair market value of the property, but never on a value lower than the sale price.	
Responsibility for valuations	<ul style="list-style-type: none"> The taxpayer. The person who acquires property – must provide a declared value to TRA in a standard form) Government valuer will undertake a valuation to determine the market value. 	
Objection & appeal	No data	No data
Rate Setting and Tax Relief		
Responsibility to set rates	Central government	Central government
Tax Rates		1% of the market value of the property
Exemptions	None	None
Tax relief measures	None	None
Tax Administration		
Billing	Central Government	
Collection	Tanzania Revenue Authority.	Ministry of Lands and Local Authorities.
Enforcement	No transfer of rights allowed before payment of tax.	
Compliance	No transfer ownership will be effected in the Deeds Office unless a receipt	Excellent in practice due to the fact that the

	(for transfer duty or VAT) is proven.	Deeds Office polices the payment of this tax.
Additional Comments		
Importance Stamp Duty	Insufficient/Minimal	
Tax revenues (central or local)?	National revenue fund	
Other issues	Adjustments of rates are undertaken regularly to assist the low-income earners to acquire residential property. However, tax rates are high in comparison with the rates in many developed countries.	

Annual Land Rent		
Relevant Legislation: The Land Act No.4 of 1999		
	Legislation	Practice
Tax Base & Taxpayers		
Tax base	On all land parcels held under right of occupancy as per section 33 of the Land Act No.4 of 1999. It is the rent paid for use and occupation of any parcel of land.	All surveyed plots (general land) with legal ownership in both urban and rural areas. Letter of offer or certificate of occupancy
Coverage of tax base	Property generally refers to immovable property (i.e. ownership or use)	
Taxpayer (e.g. buyer, seller, or both)	Holder of a right of occupancy.	
Valuation & assessment		
Valuation Assessment value based or area based system.	Based on market value of bare land	
Responsibility for valuations	Central government – Chief Government Valuer	Government Valuers
Objection & appeal	There are many objections	Tax payers are only educated on the basis of arriving at rates.
Rate Setting and Tax Relief		
Responsibility to set rates	Central government	
Tax rates	Not in legislation	Set by Ministry of Lands for all the regions in the country
Exemptions	Section 33 (7) of the Act empowers the Commissioner of Lands to exempt from paying rent any person or organization holding land exclusively used for religious worship or for burial or for both religious worship and for burial. Exemptions are also granted on land holdings under informal arrangements. A nominal rate is payable if the land is to be used exclusively for charitable purposes.	Government allocations without titles including public facilities such as schools. Government allocations without titles including public facilities such as schools.
Tax relief measures		
Tax Administration		
Billing	Annually	In July/August – Reminder to all land rent payers. Demand notes sent – giving 14

		days notice for payment
Collection	Central government, private collection agents	Collection agents
Enforcement	Penalty for late payment 1 st 6 months – grace period, no penalty. Thereafter 1% per month. Those not paying are taken to court.	Charge 1% commission
Compliance	Good	
Additional Comments		
Importance of Annual Rent	It's contribution is substantial. In the year 2008, the target was Tshs. 18 Billion and collection was Tshs. 13 Billion. The target for 2009 is Tshs. 14 Billion.	
Tax revenue (central or local)?	Central Government – Ministry of Lands	
Other issues	Annual land rent is shared revenue with Local Government Authorities allocated 20% of the annual collection. 20% is retained at the collection stations to be used for land development activities such as surveying, subdivisions, planning etc.	

Capital Gains Tax		
Relevant Legislation: The Income Tax Act, Chapter 332 Revised Editions of 2006		
	Legislation	Practice
Tax Base & Taxpayers		
Tax base	Tax paid on a gain derived in conducting an investment from the realization of an interest in land or building. Income tax by way of single installment. Section 90 of Income Tax Act.- Tax on profits realized from transactions on land and buildings.	
Coverage of tax base	Gains on transactions on land and buildings..	
Taxpayer	An installment payer – a person who has realized a gain /profit from transactions	
Valuation & assessment		
Valuation	Market value based on prevailing parameters considering the gains realized. Present market value.	
Responsibility for assessment	Tanzania Revenue Authority (TRA)	
Objection & appeal	No data	No data
Rate Setting and Tax Relief		
Responsibility to set rates	Central government	Central government
Tax Rates	On disposal of property: <ul style="list-style-type: none"> • A resident person – 10% of the gain • A non-resident person – 20% of the gain upfront payment. 	
Exemptions	None	None
Tax relief measures	None	None
Tax Administration		
Billing	Self declarations on standard form submitted to TRA together with sale agreement on purchase. Income Tax Assessment – Tax liability as established by individuals themselves.	
Collection	Tanzania Revenue Authority. (TRA). Then Tax Clearance Certificate issued by TRA as evidence of payment to be submitted to Registrar of Titles to effect ownership transfer.	
Enforcement	True values are never declared by the tax payers. Assessments are few/rare	

Compliance	Good/High	
Additional Comments		
Importance Capital Gains Tax	Minimal, insignificant as there are no properties to sell	
Other issues	<p>It was abolished in 1998 and reinstated in 2000. There is great potential for the future as many developments are coming up in urban areas and level of transactions increasing. Generally, TRA has got limited capacity to police all potential tax payers. Those in formal employment bear the tax burden. Informal sector – not paying taxes due to lack of properly kept records, no ETR number.</p> <p>There is no payment of true tax liability – lots of cheating, corruption etc with the private sector exaggerating operating expenses to avoid tax payment. Tax rates are very high – encouraging cheating and dishonesty. Government is completely unable to put everyone on the tax net. Capital Gains fall under the Investment Income as opposed to Business or Employment Income as provided for under tax systems. It is not a final tax.</p>	