

Tanzania Chamber of Commerce, Agriculture and Industry (TCCIA)

A Report for the Study on Levy system in LGAs in Mainland Tanzania: opportunities and Challenges

(First Draft)

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EXECUTIVE SUMMARY

The Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) was established in 1988. Its establishment was a culmination of the initiative/efforts of the private sector and the government support which sought to evolve a means through which the private sector would be strengthened in order to play a more significant role in contributing to national economic growth and development. Government support to the establishment of TCCIA marked an important step in the development of the private sector in the Country and emphasizes a departure from the former statist approach to economic development to a more private sector cherishing stance with a more open, mixed economy driven by privately owned enterprises including farmers.

TCCIA represents business of all sizes operating in Commerce, Industry and Agricultural sectors. Currently, the Chamber has a network of regional offices in all 21 regions of Tanzania Mainland. One of the major services offered by TCCIA to its members is advocacy for a better business environment. The issue at the hand is one of the several issues in the business environment in Tanzania that TCCIA seek to advocate its improvement so that its members operate in a business-friendly environment. This study represents the efforts to understand this issue in detail in order to inform the next steps of advocacy work of the Chamber and other initiatives meant to improve the business operating environment. The approach employed to accomplish this part of the study was review of relevant existing studies and a limited number of interviews.

A number of issues emerged from this phase of the study. They include lack of clarity on abolished levies. The names of the current levies are similar to the names of those which were abolished making it difficult to tell them apart. It was also found that the abolition of nuisance taxes has led to proliferation of street vendors and unlawful business but this is seen as reflection of problems in LGAs regarding execution of their regulatory and administrative mandate. On the business side, unregulated business creates unfair competition because they are operating on unlevelled ground.

The ineffectiveness of regulatory authorities came to light. From the reviewed studies, it has been found that the regulatory machinery of government has not been effective in ensuring compliance with the law: PMO-RALG has been approving new bylaws that are more or less the same as the abolished ones; MOFEA has not enforced Act No. 15 which relates to Abolition of some levies and the National Audit office (CAG) has not been able to pinpoint these anomalies. Further, political representatives (council inclusive of MPs) have not been successful in overseeing implementation of the Act.

The process of developing levies as provided for in law is found to be transparent and provides adequate room for the business community including the TCCIA and its members to influence the process and the outcomes. The process provides opportunities for stakeholders (including

TCCIA members) the design, rate and manner of administration. Ideally, the process provides for consideration of the principles of a good tax system. Indeed, the officials interviewed at LGAs noted that TCCIA members do not take the trouble to participate in the levy development processes which affect them. They usually come to complain after the event.

The present system allows LGAs to impose rates that they so wish depending on their situation. This means that there might exist differences between LGAs regarding levels of levies charged from one Council to the next. This was explained as being acceptable because it was the local conditions that determined the level of levy to be imposed by a given LGA.

The levies that are charged by the LGAs are seen by the majority of the business community to be many, unclear and involve high rates. This could be one of the reasons why collection of revenues by LGAs is low, i.e. administrative involvement called upon by the many levies that are not well understood would be causing revenues due to LGAs to go uncollected. The multiplicity of levies could be responsible for the lack of clarity that the business community has reported. We recommend that PMO-RALG to encourage LGAs to undertake a review of their levies with the view to rationalizing them.

The role of TCCIA in the development of levies and other issues that affect the business environment have been highlighted. Of significance is the fact that Local government authorities are interested in engaging with TCCIA to discuss issues that affect their members. Commenting on the bylaws at full council and communicating directly with LGA management are some of the aspects of the broader private sector- Government interactions that TCCIA should take advantage of. Further, it appears that TCCIA is well perceived and a large number of people appear to be interested in joining and having TCCIA represent them in various dialogues with government. One major challenge that was observed during the case studies was the capacity of the regional offices to interact with LGAs in their regions.

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Abbreviations

CAG:	Controller and Auditor General
CMP:	Common Market Protocol
CMT:	Council Management Committee
BEST:	Business Environment Strengthening Programme
ESRF:	Economic and Social Research Foundation
GTZ:	German Technical Assistance
LGAs:	Local Government Authorities
LFA:	Local Government Finance Act
MDCB:	Management Development and Consultancy Bureau
PAYE:	Pay As You Earn
PFA:	Planning, Finance and Administration
PMO-RALG:	Prime Minister's Office- Regions and Local Government
RC:	Regional Commissioner
REPOA:	Research on Poverty Alleviation
TBC:	Tanzania Business Council
TORs:	Terms of Reference
TTCIA:	Tanzania Chamber of Commerce, Industry and Agriculture
UDBS:	University of Dar es Salaam Business School
USD:	United States Dollar
VAT:	Value Added Tax
DAS	District Administrative Secretary
DC	District Council
DED	District Executive Officer
DPLO	District Planning Officer
CMT	Council Management Team
LGA	Local Government Authority
LGF	Local Government Finance Act
MED	Municipal Executive Director
MC	Municipal Council
PFA	Planning Finance and Administration
RC	Rural Council
RCCIA	Rombo Chamber of Commerce, Industries and Agriculture
WDC	Ward Development Committee

1: INTRODUCTION AND METHODOLOGY

1.1 INTRODUCTION

The Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) was established in 1988. Its establishment was a culmination of the efforts of the private sector with the government support aimed at evolving a mechanism through which the private sector would be strengthened to play a more significant role in national development efforts. Government's support toward the establishment of TCCIA was a departure from the former statist approach to economic development to a more private sector cherishing stance with a more open, mixed economy driven by privately owned enterprises. The Chamber was established to achieve the following objectives:

- i. To unite the business community in the country.
- ii. To advise the government in policy formulation.
- iii. To act as an instrument for its members' in managing dialogue with the public sector.
- iv. To formulate and uphold highest standards of business ethics.
- v. To promote, coordinate and protect economic business interests in the various sectors of the economy.
- vi. To collect and disseminate business and overall economic information.
- vii. To provide such services as the Chamber shall determine from time to time etc.

TCCIA represents business of all sizes operating in Commerce, Industry and Agricultural sectors. Currently, the Chamber has a network of regional offices in all 21 regions of Tanzania Mainland. Part of managing dialogue with government involves TCCIA advocating for a better business environment. The levies imposed by Local Governments constitute one broad set of the issues in the business environment that is considered to constraint business development and growth in Tanzania. The issue has been raised at several of the Chamber's meetings at national level as well as at meetings of the Tanzania Business Council (TBC) where the Chamber is represented. Levies and the way in which they are collected affect business development between councils within the country and between councils located in different countries. The latter is more applicable to councils that border other countries.

At issue, is the fact that levies at local government level are claimed to be many and affect adversely the competitiveness of the Tanzanian Private Sector compared to similar business in the neighbouring countries. The system of taxation at this level is also said to be administratively inefficient. The Prime Minister's Officer- Regional and Local Governments (PMO-RALG) makes the following observation to emphasize the inherent weaknesses in the LGAs revenue/levy system:

“The local government revenue system in Tanzania is arguably the weakest component of Tanzania’s local government finance system. The previous relatively “permissive” (open-list) approach to local taxation in Tanzania resulted in a local revenue system that virtually lacked any sense of uniformity. Concerned with the efficiency and equity effects of local government revenues, the Government rationalized the local revenue system in 2003 and 2004 by abolishing a number of local revenues while restricting local rate-setting discretion over the remaining local revenue sources. As a result, local government revenues in Tanzania have witnessed a relative decline in recent years.” (URT, 2003/04)

Moreover, the business community has claimed that their involvement in the establishment of the levies at LGA level is not participatory in practice. This goes against the currently accepted approach to development of Policy in the Country which requires participation of various stakeholders in the development of various policies. Due its recurrence of the issue of levies in various high level meetings of the Chamber, the Chamber treated the matter as important to warrant further study. This study report provides information about this issue and should contribute to increased understanding of the issue. Such understanding should in turn inform the next steps of advocacy work of the Chamber focused on improving the business operating environment in the local governments. The study has been conducted by the Management Development and Consultancy Bureau (MDCB) of the University of Dar es Salaam Business School. Dr. Mushi and Dr. Melyoki have represented in executing the study. The study was guided by the Terms of Reference which are summarized below.

1.2 TERMS OF REFERENCE (TORS)

The overall objective of the study was to understand the levy system in Tanzania to identify opportunities and challenges in the system with the view to informing advocacy work of the TCCIA. The Specific Terms of Reference (TORs) required the consultant to:

- i. Develop a clear overview of the levies used, the way they are raised and the differences between districts
- ii. Develop a clear understanding of the implications of the levies used, the way they are raised and the differences between districts.
- iii. Develop a complete overview of the studies being done or under construction and by whom.
- iv. Develop an overview of the criteria for determining each level of levy by different LGA’s
- v. Determine how the issue of levies is affecting competitiveness in bordering districts (for LGAS bordering other countries).

- vi. Involve and commit the stakeholders.

1.3: METHODOLOGY

This study was divided into two main phases. Phase I involved planning for the assignment. The second part was deskwork followed by the final phase which was the field work. The field work was divided into case study and survey sub-phases. The methodology described below covers each of the phases involved to produce the report.

1.3.1 DESKWORK PHASE

The methodology for part I of this assignment consisted of discussions/brainstorming within the Team to generate an activity plan. The Plan was discussed with TCCIA management and the representatives of BEST-AC. As part of planning, the consultant held detailed discussions with the Client in order to clarify roles of the consultant and that of the Client and her members in the study. The deskwork involved reviewing key documents and studies listed in appendix 1. A visit was made to Dodoma to conduct limited interviews with officials from PMO-RALG (as a coordinating ministry) to further understand the general framework for development of levies by LGAs in mainland Tanzania.

A number of other organizations that are active in LGAs were consulted to gather their experience and knowledge on the issue of Levies as practiced in the LGAs. These organizations included: GTZ, REPOA World Bank, ESRF and Foundation for Civil Society. The organizations were mainly requested to provide reports they had which addressed issues of levies in LGAs. The Team managed to obtain some written from one regional office of TCCIA i.e. Arusha and Mbeya. Both these studies were funded by BEST-AC and are included in the list of studies reviewed as stated previously. As stated earlier these studies were reviewed and the key lessons included in this report. The report from the deskwork informed the decision to split field work into two sub-phases, the case study phase and the large survey case. The idea was to develop some deeper insight about the levy system in the country and use insights to inform the large survey.

1.3.2 CASE STUDIES

Four councils were selected for the case studies. The selection was performed in consultation with the management of TCCIA. The selected councils were Morogoro municipal council, and Iringa, Kyela and Rombo District Councils. The main factor which was considered in selecting councils was primarily the socioeconomic environment of councils. Socioeconomic environment

of councils affects or determines the levies and rates that can be charged since it influences the types of economic activities that citizens can engage in and consequently the type of levy which can be charged. Urban councils have a different socioeconomic environment that is different from that of rural councils. In the same way, councils located near the borders between countries have a different socioeconomic environment that is different from those located far away from the borders. Selection of councils for this study was therefore performed taking into consideration:

- i. The need to obtain information to enable the team to assess the effect of being located on the border with neighboring countries. Based on these aspects, Kyela and Rombo District Councils were selected. Kyela DC was selected in order to assess the effect of being located next to the neighboring countries in the south of Tanzania while Rombo was selected because it is located in the north of Tanzania.
- ii. The need to obtain the perspectives of rural and urban councils. To this end, Morogoro Municipal Council was selected to provide the perspective of the urban based council. Iringa District Council was included in order to provide the perspective of a rural council.

The case studies were conducted between May and August of 2010.¹ The aim was to confirm the findings reported under the desk review but also develop a sense of issues that the large survey needed to cover. The study was affected by the political heat which was gaining momentum at that time as Tanzania was gearing up for the general elections which took place in October, 2010.

In terms of methods, the study involved in-depth interviews with a number of people as shown in appendix 2. These include Councils' officials: the District or Municipal Executive Directors (DEDs/MED), Treasurer, DPLO/Economist, Trade Officers, and legal officers. The Council PFA Committee chairmen or members of the PFA committee were also interviewed where it was possible. Although efforts were made to have interviews with councilors, the election processes were already on at the time of the study affected their availability. In fact the Full Councils had already been dissolved. One obvious effect of the political heat referred to above was the difficulty to reach councillors to interview. Most of them were struggling to be re-elected in the constituencies. That this group was not well represented in the interviews is important because it constitutes a group that plays the role of balancing the need for high levies so that their councils have high revenues to provide more social services to their citizens and the need to appease their electorates by ensuring that they were not charged high levies. The in which this balancing is

¹ The visits schedule to the councils was interrupted by two major events, one being the Parliamentary Budget session which ended in July, and secondly, the preparations for the forthcoming general elections, particularly the primaries for the various political parties. The involvement of both the council officials and the elected leaders in the councils in these events was high, thus forcing the study team to reschedule visits several times.

achieved could therefore not be captured well. The few that were interviewed showed the tendency to take the position that council officers take.

From the business community side, the District TCCIA officer, farmers, traders in local markets and industrialists were interviewed. Visits to local markets were also made and discussions held with actual sellers and buyers of goods from the markets. This presented the Team with an opportunity to learn from the real players the effect of levies on business. The District Commissioners and in some cases District Administrative Secretaries were also interviewed.

For the border Councils, namely Kyela and Rombo, some interviews were also carried out on both sides of the border as follows:

- i. In Kyela, the consultants visited the Tanzania/Malawi border post where some interviews were carried out with the business community on both sides of the border. This border post is growing into a mini township due to existence of both public businesses (TRA Customs activities, and Immigration) and private enterprises.
- ii. In Rombo, two border posts were visited, namely Tarakea and Holili. Tarakea border post serves mainly for trade between Kenya and Tanzania involving goods produced and/or manufactured in either of the two countries. There is a big growth of business establishments on both sides of the border. On the other hand, at Holili the post caters for import/export goods in transit through Mombasa Port. On both sides of the border there are limited trade activities taking place there except for a few foods and drinks catering facilities.

In addition to the interviews and observations, data on levies and levies system were also collected from official documents. The interviews with the various people were guided by a general checklist which is included in this report as appendix 3.

As can be expected, a major limitation of case studies that employ qualitative approaches to data collection is that the number of informant that could be interviewed tended to be low as the objectives is usually to gain a deeper understanding of the phenomenon being investigated rather than the frequency with which the phenomenon occurs/ is observed. This is because of the time that interviews took tended to be long lasting for between one to two hours or even more depending on the person being interviewed. Consequently, the selection of interviewees was done based on strategic considerations such as knowledge of the issue being inquired into, availability etc. This was the case of LGA officials. In the case of other informants, such as business persons who were interviewed at the open markets, the selection was more random.

In terms of data analysis and result presentation, the study relied on detailed descriptions of observed phenomenon and reflection. In case study where qualitative methods are used, data collection and analysis are usually closely intertwined processes. Results are usually presented using descriptions, tables and graphs where applicable.

1.3.3 SURVEY

The large survey was completed by collecting data from twelve councils in mainland Tanzania. The councils were purposively selected to ensure that councils bordering other countries were covered and all five zones were represented in the survey. Villages and mitaas were randomly selected. Three sets of the questionnaires were prepared and administered. This was preceded by pre-testing of the questionnaire that was carried out at Bagamoyo District council. The pre-test exercise found that it was useful to have different sets of questionnaires for each category of respondents. Thus, the first set was addressed to LGA staff at Council level: legal officers, Trade officers, Council Planning officers (DPLOs or ME) and Council community officers. Councilors were also asked to fill this questionnaire. The second set was addressed to LGA staff at community level: VEOs or MEOs to. The third set was addressed to the business community (farmers, traders, and industrialist).

A total of 276 questionnaires were planned to be administrated: 24 councilors, 48 LGA staff at district level, 24 LGA staff at community level and 180 members of the business community (industrialists, farmers and traders). The aim was to capture the views of the key actors in the implementation of the levy system: Council level officials and councilors who enforce the system through collection of revenues; business community who pay levies and community level leaders (VEOs and MEOs) who are administratively close to citizens. To ensure that the questionnaires were well understood, a one-day workshop was held to explain the questionnaire to data collectors. The questionnaires were revised following comments from the data collectors.

Analysis of Responses to the questionnaire

Of the 276 questionnaires which were administered, 246 were filled and returned. This is equivalent to 89.13% of all questionnaires administered. Most responses (i.e 52%) were received from traders and the LGA staff at Council level including councilors. This was expected given that they were the largest group in the sample. During analysis, it was not possible to isolate the category of councilors from that of LGA staff at Council level because they did not include information to help in indentifying this group. They were therefore included in the category of LGA staff at council level. Such inclusion is not expected to distort the results - the case studies revealed that their perspective on levy issues were not different from that LGA staff at council level. The group of 'others' refers to respondents in the business community who did not specify their economic activities. Table 1 presents information on the response rate.

TABLE 1: RESPONDENTS BY LGA AND CATEGORY

S/N	Region	Business Community			LGA staff at			TOTAL
		Farmer	Trader	Industrial ist	Others	C- level*	Cm-level*	
1	Mbeya MC	5	5	5	0	5	2	22
2	Kigoma – DC	5	7	1	0	6	4	23
3	Singida MC	5	7	3	0	6	2	23
4	Morogoro MC	9	5	0	3	6	3	26
5	Mtwara	5	5	5	0	6	2	23
6	Mtukula DC (kagera)	1	10	4	0	7	0	22
7	Arusha MC	3	2	2	8	0	2	17
8	Hanang DC (Manyara)	4	5	5	0	4	2	20
9	Iringa DC	0	11	1	0	2	1	15
10	Horohoro DC(Tanga)	5	4	7	0	4	2	22
11	Nyamagana MC	4	6	0	2	3	0	15
12	Bahi DC (Dodoma)	3	4	2	0	7	2	18
	TOTAL	49	71	35	13	56	22	246
As % of overall Total		20%	29%	14%	5%	23%	9%	100%

Source: Field Survey

Key: C-level means Council staff while Cm-level means community level.

2: THE LEGAL FRAMEWORK FOR LEVIES IN TANZANIA MAINLAND

2.1 THE CONCEPT OF LEVY

The available literature including a dictionary definition treats a levy as something that goes beyond a tax to include non-tax charges. The act of levying implies ‘the raising or collecting of anything by authority or force; compulsory satisfaction of a requirement, claim, or demand. Levy can also be in kind; a tax or toll paid in produce or commodity, in lieu of money. Considering this view, the word ‘levy’ is broad and includes taxes and non-tax charges.

For the purpose of this study, the broad definition of levy is adopted. Thus levies are considered to be taxes and non-tax charges (licenses fees, other fees, dues and other charges) imposed by the local authority. This treatment is consistent with the manner in which LGAs treat levies mainland Tanzania. They are viewed as the charges that LGAs impose on people and business entities residing or operating within their jurisdiction. The purpose for imposing levies can be: to raise revenue, to regulate behavior (business license) to enforce rules (penalties) or to recover costs for facilities used to provide services (e.g user fees). Although LGAs try to make a distinction between taxation and levies as in their view taxation is a prerogative of central government while levies (*Ushuru* as known in Kiswahili) is what LGAs can collect, such a distinction does not make things any clearer. Even in the own categorization, taxes are included as part of levies. It is therefore more useful to see levies as including all charges imposed by LGAs.

2.2 THE LEGAL BASIS OF LEVIES IN TANZANIA MAINLAND

The legal basis of levies in the mainland is the Constitution of the United Republic of Tanzania. The Constitution provides for the establishment of Local Governments and their sources of funds to enable them accomplish the functions stated in the constitution. Articles 145 (2) of the Constitution states as follows:

‘Parliament or House of Representatives, as the case may be, shall enact a law providing for the establishment of local government authorities, the structure and composition, sources of revenue and the procedure for the conduct of the business’

This provision was operationalized through the enactment of Local Government Acts No. 7 and 8 Of 1982 and the Local Government Finance Act of 1982. Thus, the Local Governments levy system consists of the process for establishing revenue sources and the manner of administration as governed by the cited Acts. The Local Government Finance Act provides a long and broad list or menu of levies that can be imposed by Local Government Authorities on the citizens and business entities operating in their areas of jurisdiction (see Appendix 4). The permissiveness of

the law appears to reflect the fact that local conditions of LGAs vary in terms of economic activities which are carried out by citizens and therefore the menu needs to be long to provide for a general framework in which LGA can fit. Because of this, it is unlikely that uniformity in terms of the types of levies to be imposed can be achieved except where the socioeconomic conditions are similar.

As can be seen in Appendix 4, there only a few areas where the upper limit in terms of the rates is specified in law. These are: crop cess- not exceeding 5% of the farm gate price; 20% of the hunting fees charged under the Wild life conservation Act and 0.3% of the turnover net of VAT and Excise Duty in respect of Service Levy. Interviews with officials from PMO-RALg revealed that local authorities divide levies into four categories: taxes, Licenses and permits, fees and charges and other revenues.

2.2.1 TAXES

Local taxes (rates, levies and cesses) are broad-based local revenue sources which are collected with no quid pro quo consideration involved. The primary function of taxes is to raise revenues for LGAs. The sub-categories involved include: property tax (LFA (4b), land rent (LFA 5d), service levy (LFA 4a), guest house levy (LFA 4d), other levies on business activity e.g. fish landing or auction levy, (LFA (4) etc. Cess which included as part of tax is tied to agricultural production and is paid by the buyer. These include crop cess, (LFA 1: beans, charcoal produce, coffee, cotton, maize, other export crops, other food crops, other produce, rice, sisal, tea, timber produce, tobacco, forest produce), livestock cess etc). Although Mining cess is being charged by central government, LGAs believe that it should be their prerogative to charge this cess. This issue is being contested by PMO-RALG. Currently companies carrying out mining are only requested to make voluntary contributions to local governments to the tune of USD 200,000 per annum. Most companies are actually not paying this contribution and there are no sanctions in place for non-complying companies.

2.2.2 LICENSES AND PERMITS

Local licenses and permits consist of revenue instruments that have the following features: (1) Licenses and permits are issued for specific activities; and (2) while their primary purpose is typically regulatory, the revenues raised from these sources may exceed cost recovery (*see LFA se 3*). Categories involved are:

- Licenses and permits on business activities e.g. business license fees, intoxicating liquor licenses fees, local liquor license fee, and permits for billboards, posters etc
- Permits on construction activities e.g. building permit fee, scaffolding/hoarding permit fees

- Licenses on extraction of forest products e.g. forest produce license fees , building materials extraction license, muzzle loading guns licenses fees, hunting licenses fees, commercial fishing license fees, fishing vessel licenses fees
- Licenses/permits on vehicles and transport e.g. vehicle licenses fees, taxi licenses fee, vehicle plying permit fees

Although licenses and permits are meant to be regulatory in nature, they can actually constitute a large source of revenue especially for urban councils. There is actually a real possibility that LGAs use exploit these sources to raise revenue.

2.2.3 FEES AND CHARGES

Local fees and charges are defined by the fact that (1) there is a specific quid pro quo, and (2) fees and charges are collected exclusively for cost recovery of the provided service. Categories of fees and charges:

- i. Market fees and charges e.g. livestock market fee, market stall, magulio fees auction mart fees,
- ii. Sanitation fees and charges e.g. refuse collection service fee, cesspit emptying service fee, clearing of blocked drains service.
- iii. Specific service fee: e.g. abattoir slaughter service fee, meat inspection charges, clean water service fee, health facility user charges livestock dipping service fee, land survey service fee, building valuation service fee, parking fees, central bus stand fees, tender fees, artificial insemination charges

In general, fees and charges are meant to ensure sustainability of the facilities used to provide services. However, there is also a possibility of commercializing facilities, which turns them into significant revenue sources. For example, abattoir slaughter service fee has the potential for becoming a money making activity for an LGA.

2.2.4 OTHER OWN REVENUE SOURCES

As stated in LFA section 6, these are other local revenue sources are local revenue sources that are not included in any of the previous local revenue categories. These other revenue sources include fines and penalties, interests, and dividends as well as income from (the sale or rent of) property, goods or services. Categories include:

- Fines and penalties e.g. by-law fines and penalties including forfeitures, stray animals penalty, other fines and penalties.
- Income from sale and rent e.g. revenue from renting of houses, revenue from renting of assets, entrepreneurial and property income, dividend from non financial public, dividend

from non financial joint venture , dividends from other domestic property,- bank interest and other investment income, insurance commission, sale of fixed assets, sale of redundant stocks sale of seedlings, sale of building plans, etc.

- Other own revenue e.g. other revenue and voluntary contributions and other.

The different types of levies currently being charged by different LGAs are listed in Appendix 5 (a and b). As can be seen, the types of levies imposed in urban and rural are not really significantly different. This reflects the fact that nearly all LGAs have features that both rural and urban at the same time.

2.3 ABOLITION OF NUISANCE LEVIES

It is important to appreciate the fact that the Finance Bill of 2003/04² tabled and approved by the Minister for Finance had abolished a number of revenue sources that LGAs were initially allowed to collect according to the LGA Finance Act of 1982. The Bill abolished a number of taxes which were considered a ‘nuisance’ to citizens as well as to business community. The list of ‘nuisance’ taxes is given in Appendix 6

The list of nuisance levies was moderated by the re-introduction of two items which were included in the list of nuisance taxes: bill board charges and Hotel Levy. These types of levies are now being charged by the LGAs³. A study that was recently conducted in Arusha investigated the issue of taxes in LGAs focusing on Arusha region (reviewed later) found that a large number of the levies that were abolished in 2003 have continued to be either charged by LGAs or were somehow re-introduced but with a slight change in the name of the levy. An examination of the list of the taxes claimed to have been re-introduced has shown that it is hard to tell from the naming of the taxes whether they are the old ones that were abolished or indeed they are new ones. For example, while the list of abolished taxes shows that produce cess on sales was abolished in all LGAs, the list of re-introduced taxes for Monduli District Council indicates that produce cess continues to be charged (TCCIA, 2008) but it is unclear whether is a produce cess paid by sellers or buyer. A whole list of levies uses different naming which makes comparison impossible. This suggests that either LGAs re-introduced the taxes under different names or indeed the taxes are new ones.

As indicated in Table 1 above, the charging of levies depend on the Council whether it is Rural (District) Council or an Urban Council (Municipals and townships) because of the nature of economic activities that take place in councils. District Councils benefit mainly from Produce Cess while Municipals and townships benefit more from Property tax. In terms of importance of

² It was claimed that the process of banning these taxes was not consultative. Even POM-RALG was not involved in the decision to scrap off the so called nuisance taxes.

³ This was revealed at the interviews with officials at PMO-RALG

levies to LGAs, it is important to note that LGAs in Tanzania depend heavily on intergovernmental transfers to finance service delivery activities.

2.4 THE FRAMEWORK FOR DEVELOPING BY-LAWS

The charging of any levy in LGAs must first be preceded by the passing and adoption of a by-law which is the mechanism to operationalise the powers bestowed upon LGAs to levy charges on citizens and business in their jurisdiction. The by-law contains information regarding: the purpose of the levy or tax to be raised, definition of key terms, the applicable rate, the payment procedures and the penalties for non-compliance.

LGAs may develop By-laws for any of three reasons: to raise revenue, to regulate activities and behavior and to administer affairs or give guidance to citizens and business entities. Irrespective of the reason for developing a by-law, the process for developing such by-law is similar in all LGAs in the mainland. The LGA Act, No. 7 and 8 for Rural (district) and Urban Councils respectively provides for the process of establishing bylaws. The LGAs Finance Act No. 9 of 1982 stipulates the process to be followed in developing the by-law intended to impose a levy. The process has a number of steps and actors with various roles as summarized below.

- i. The responsible department at the Local Government identifies the need for a by-law. For the purposes of levies, it is usually the Treasurer's Department which evolves a proposal to raise revenue. Other departments would take the lead in developing other types of bylaws.
- ii. The Department tables the proposal at Council Management Committee Meeting (CMT). If CMT accepts the proposal, the same is tabled at the relevant Council Standing Committee. For a levy-related issue, the proposal is tabled at the Planning, Finance and Administration Committee of Full Council.
- iii. If the PFA Committee agrees with the proposal, it makes a resolution and directs the CMT through the DED to announce to the public the intention to develop the by-law approved by the Council Committee. The announcement would usually have details of the rate and purpose of the levy. The announcement invites citizens and other entities likely to be affected by the by-law to give views or opinion on the by-law. The views/opinion may be given in writing or a citizen or representative of the entity likely to be affected by the by-law may request permission to be allowed to appear before the Full Council and make an oral presentation to the Full Council on the proposed by-law. Comments or request for permission to appear before Full Council must be lodged with the Council within fourteen (14) days for urban councils and twenty one (21) days for District (or rural) Councils.
- iv. The proposed By-law is then tabled at the Full Council. It is a requirement that all councilors must be present at a session that approves the bylaw. Citizens are invited to listen to the deliberations. The views presented by citizens are also tabled at this meeting for the Full

Council to consider and make a resolution. Two possibilities exist here: rejection or approval of the proposal.

- v. If the Full Council approves the proposed by-law the next step is for the DED to submit the proposal to Regional Commissioner for comments by him/her and onward transmission to PMO-RALG. The proposal should contain the following things which were also verified during the study:
 - Four (4) copies of the proposed by-laws which are signed and sealed. The resolution of the Full Council meetings approving the use of the Council Seal for that purpose must be provided along with the copies. The copies must be signed by the DED and the Council Chairperson. The whole package submitted should consist of the following:
 - a) Extracts of the Full Council Meeting which approved the by-law
 - b) Filled and signed up certificate of compliance stating that as DED he/she has complied with the required procedures. Appropriate announcements from newspapers cuttings have to be provided as evidence of compliance.
 - c) Certificate of no objection if there are no any or the objections expressed by citizens if they exist.
 - d) Minutes from the Citizens' meetings at village level and resolutions made at those meetings. The signatures of the villagers that attended the meetings to discuss those by-laws must accompany the minutes. This additional requirement was meant to ensure that indeed citizens participated in the making of the by-law.
- vi. The Regional Commissioner (RC) submits the whole package with his/her comments to PMO-RALG for further guidance and approval. The Technical persons at PMO-RALG study the proposed by-laws and advise the Minister or send them back to LGA if they find that they need major correction or are not acceptable.
- vii. If the by-laws are found to be in order, the Minister approves and forwards them to the Attorney General for further vetting and checking of drafting aspects. LGAs are also issued with copies of the approved by-laws so that they know how the approved by-laws look like.
- viii. The Attorney General transmits the vetted copies to the Editor who issues a Notice number and Date and forwards to the Government Printer for Printing.

Table 2 below provides the list of steps, actors and role of each actor in the development of bylaws in LGAs as required in law.

TABLE 2: STEPS, ACTORS AND ROLES IN THE DEVELOPMENT OF LGA BY-LAWS

Step	Actor	Activity/role
Step 1	Department in LGA	Identify need for By-law; enforce the by-law once approved
Step 2	CMT	Support or Reject the Proposal. Forwards to PFA committee.
Step 3	PFA Committee	Support or Reject by-law. Directs CMT to Announce Proposal
Step 4	Citizens and Other entities (TCCIA and its members, etc)	Give views: object, agree, suggest
Step 5	Full Council	Receive consider and Reject or Approve Proposed By-law.
Step 6	Regional Commissioner (RC)	Give comments
Step 7	PMO-RALG	Study and Guide LGAs: Reject proposal or Approve the by-law
Step 8	Attorney General	Vet and Draft By-law
Step 9	Editor	Issue Government Notice Number and Date
Step 10	Government Printer	Print the By-law and avail to Government Shop

Source: Based on Interviews with PMO-RALG officials

3: REVIEW OF STUDIES ON THE LGAS LEVY SYSTEM

3.1 FINDINGS FROM THE STUDIES

Study by Maal, 2007

The study by Maal (2007) reported a number weakness in the LGA tax system in mainland Tanzania. It found that the local governments in Tanzania are generally weak in collecting taxes due to them. This in turn is caused by low capacity and lack of administrative incentive. Corruption has also been pointed out as a major problem leading to low collections of taxes by LGAs. The implication of this finding for this study is significant. The inability to collect all taxes could mean that the tax base for LGAs is narrow which forces them to impose higher

rates/charges to meet their revenue needs than would be the case if all sources were identified and taxed. It means the rates being charged could be reduced and spread over a large base and that would stimulate new business and as well as allow existing businesses to invest more into productive capacity. This would be better for the whole economy of the local governments.

There is another implication of the findings: that LGAs cannot collect all the revenues means that the playing field for business is not leveled as those businesses that pay the levies are being disadvantaged vis-à-vis competitors who do not pay. This means the principle of fairness is not being fulfilled. The study by Mall (2007) further states that the extent of revenue collected is contingent upon the extent of coercive force wielded and applied by a given LGA. The general issue of lack of clear link between taxes paid (by citizens and businesses) and services provided by LGAs on a one-on-one which the study of Mall claims is pedantic. In general citizen, cannot directly link taxes and the type of services they receive. What may be true is that citizens expect to receive quality services if they pay taxes. For the purpose of this study, it can be said that for the business community to be tax-compliant, it is important to have them perceive that with taxes they pay better services will be provided.

Connected to the issues raised by Maal, the World Bank and others argue that a well designed revenue systems can take into account the tension between local governments' need for revenue on the one hand, and economic growth (business development) and poverty reduction on the other. A well-designed tax system is seen as one that generates revenue in a pro-poor way and reconciles the needs of different stakeholders. For citizens, the tax system should be transparent and easy to understand, fair and equitable in design and administration, linked to services and low in compliance costs. In addition, the tax system should be conducive to the business environment, efficient and avoid barriers to enterprise development. The inefficiency in the tax collection pointed out by Maal, may be starting to be improved. Efforts were being by PMO-RALG to develop a system that will enhance tax compliance on property tax. It is expected that this system will improve tax collection for urban councils which depend on this levy. The effort related mainly to the development of a fiscal cadastre construction system for administration of property tax.

Study by Tax Plan, 2008 in Arusha

The study by Tax Plan conducted in Arusha Region investigated issues of compliance with respect to levies that were abolished in 2003. The study covered 3 councils: Arusha Municipality, Arumeru and Monduli District Councils. It involved 104 business units and sought to identify levies being charged by councils and the perception of the business community on a number of aspects concerning levies. The study revealed a number of issues:

The views of the LGAs officials:

- Local government authorities claimed to have implemented the Government decision to abolish nuisance taxes but in reality only Arusha Municipality and Arumeru DC took steps to introduce other taxes that were allowed by law following the decision to abolish some levies. Monduli DC had not done so by the end of 2008. Interestingly, the two Councils that acted within the law continued to collect the abolished taxes or introduced taxes that were similar to the abolished ones but used different wording.
- All the three councils indicated that they had been severely hit by the abolition of nuisance taxes although they were not in a position to quantify the loss of revenue arising from abolition of taxes. At the same time, government subvention meant to bridge the gap was either inadequate or was disbursed late.
- Another impact of abolition of nuisance taxes reported by the councils is the proliferation of street vendors and unlawful business undertakings. Abolition of license fees for small traders had led to greater demand for the licenses which in turn generated high administrative costs. It was reported that in some case traveling was required to distant areas to issue licenses which were not paid for. This is an important observation in that the lifting of licenses encouraged more people to start small business. It should be seen as a positive move which should pay in the long run.

Business community perspective:

- The study revealed that a large number of members of the business community (over 90% of those interviewed) was aware of the issue of nuisance taxes, but did not understand what it meant. For example, some of the respondents included PAYE, stamp duty etc as one of the abolished taxes. While the business community continued to pay some of the abolished levies (no examples given), they were also confused about them. For example, they thought service levy had been abolished but in fact it was not. The majority of the business community stated that they heard about the issue of nuisance taxes through radio broadcasts.
- The ignorance of many of the taxpayers or lack of information on the abolished nuisance taxes is being *exploited, by the local authorities hence they are still complying though with disquiet. At any rate the* problem of the burden of payment of nuisance taxes appears to afflict much more the less educated/informed taxpayers than the enlightened ones.
- The business community expressed resentment toward the additional request or demands made on them by Government on top of the other tax burdens levied by the local government Authorities. On average 80% of respondents in all the three districts said they received frequent requests/demands for financial support. It was revealed by respondents that requests/demands specified the amount needed and one was not at liberty not to pay. They mostly feared reprisal from government.

- While respondents were happy for being relieved of the requirement to pay development levy, they noted the abolition of nuisance taxes/levies did not translate into opening up of more business opportunities. 80% of the respondents expressed the view that the move did not generate business opportunities. This is because the order was either not implemented properly or not implemented at all which was the situation in most cases. On the issue of whether the abolition of taxes led to decreased corruption in tax administration, the findings were clearly at odd with expectation. Only 15% of the people interviewed thought it reduced as a result of the abolition of nuisance taxes. This finding contradicts what the LGAs consider to be the case. Further work is needed to find out more on this issue. The report from Mbeya, which studied similar phenomenon, arrived at similar findings as the one from Arusha. We therefore do not repeat these findings (Mbeya Study, 2008).

A study by the East Africa Local Government Association, 2009

This study explored the extent to which levy systems in the East African Countries are compatible with the Common Market Protocol which is anticipated to begin to take effect from 2010. It found that the levy system in Tanzania and other countries in East Africa may see major changes in the long run. The EALGA study observed that the coming of Common Market Protocol (CMP) will make some taxes illegal and will necessitate the abolition of such taxes. Taking Rombo District Council as a case study on the Tanzanian side, the study found that taxes such as produce cess, livestock cess, levies on products entering the country at customs, levies on products, forest produce cess, gate fees are considered under the CMP as barriers to the free movement of goods and services and are therefore a form of ‘nuisance taxes’ from the CMP point of view⁴.

From a LGA point of view, the scraping off of such taxes will result into loss of revenue. However, considering the issue from a business point of view, the scrapping off would be favorable as it would mean an elimination of a constraint to business. It also might mean greater competition as more businesses may open up to taken advantage of the improved business environment. The study did not report any incidence of businesses finding it difficult to compete, or losing business due to higher levies being charged on the Tanzanian side (although this was not the focus of the study). It found that people from Tanzania were selling their goods and services, especially agricultural produce (bananas) and labor in Kenya because the price/wage was better on the Kenyan side. It was not because taxes were higher on the Tanzanian side.

⁴ The EALGA study examined the issue of levies among local governments located at the borders of East African Countries.

A study by the World Bank Group, 2009

A study⁵ conducted by the Investment Climate Advisory Services of the World Bank Group at the request of Government examined the burden of taxation on business in Tanzania which included the agriculture sector found the following:

- There were a number of levies which were imposed on the agricultural sector (nationally) which included land rent, agricultural produce cess, market stall fees, export licenses, business licenses, and value added tax. These taxes are listed in Table 3 and further details are given in appendix 7.
- Based on interviews with farmers as well as analyzing their profit statements, the study concluded that the direct tax burden on the agriculture sector was high for cashew nut but not for the other crops. The reason for this was that though the actual profits were low, they were a high percentage of the revenues and as a result the 5% cess did not on the whole cause a significant burden. However, in the case of cashew, the cess constituted 22% of the profits.
- On the other hand, the study found significant problems on the administration of the produce cess and related local taxes. As the enforcement of the produce tax involved the transportation in one way or the other, it imposed restrictions on the free movement of agricultural produce, and associated indirect marketing costs.
- On average, market fees and agricultural cess represent a small part of own source revenue in the areas where Coffee and Maize are produced, while it forms part of almost the entire own source on the cashew nut and cotton growing areas. Land rent plays a much smaller role, with about 1-2% of own-source revenue.

The study made some recommendations including the need to change the way the produce cess is calculated and collected in order to reduce cost of compliance for agricultural traders which in turn which would result in better prices for farmers. It further recommended the abolition of the produce cess and moving it to a non- distortionary tax. In the transition to a new system, the limited implied loss in overall LGA revenues could be covered though enhanced central government transfers. This recommendation appears to be problem. It goes against the spirit of the Decentralization reforms as contained in the LGRP II. The thrust of LGRP is to empower LGAs and make them more accountable to their citizens. One key means to empowering LGAs is to allow them to raise revenues from their sources as that would in turn strengthen the peoples' commitment/determination to hold LGAs to account.

⁵ It surveyed 80 farmers, agricultural traders and market participants covering 16 districts and 5 important crops grown in Tanzania namely Coffee, Cashew, Cotton, Rice and Maize.

TABLE 3: MAIN LEVIES AFFECTING THE AGRICULTURAL SECTOR

Name	Administration	Base	Rate
Land rent	<ul style="list-style-type: none"> Collected by LGAs on behalf of the central government LGAs are entitled to 20 percent of the revenue collected 	<ul style="list-style-type: none"> Annual rent levied on holders of right of occupancy 	<ul style="list-style-type: none"> In rural areas, land rent for farmland outside the township is TShs 200 per acre per year, and TShs 3,000 per acre per year within the township
Agricultural Produce Cess	<ul style="list-style-type: none"> Levied by District Councils Most of the time, collected through private agents at District markets; Also collected occasionally by District officials at farm-gate or District borders 	<ul style="list-style-type: none"> According to law, cess payable at source on the farm-gate price of any agricultural produce In most cases paid by buyers at market (fee per bag entering the market) In practice, often charged on market price (where collection happens), rather than farm-gate price 	<ul style="list-style-type: none"> According to law, max 5% of farm-gate price Rate varies across Districts, but lowest observed in Arumeru (4%) Districts estimate deemed value and publish price per quantity at markets to facilitate collection and transparency
Market stall fee	<ul style="list-style-type: none"> Collected on market days at the market Generally collected by private agent 	<ul style="list-style-type: none"> User fee levied on sellers at (and also outside) of organized markets. 	<ul style="list-style-type: none"> TShs 300 to 500 per day depending on crop sold
Export license (coffee)	<ul style="list-style-type: none"> Paid to Tanzania Coffee Board on an annual basis Light administrative compliance costs 	<ul style="list-style-type: none"> USD 60 per license per year 	<ul style="list-style-type: none"> USD 60 per license per year
Business License	<ul style="list-style-type: none"> Paid to LGA, as a one-off registration fee 	<ul style="list-style-type: none"> Applies to commercial farmers (and other business) above TShs 20 million turnover threshold only 	<ul style="list-style-type: none"> Fee varies Capped at TShs 20,000
VAT (see section below)	<ul style="list-style-type: none"> Collected by VAT registered companies and remitted to TRA 	<ul style="list-style-type: none"> Most agricultural inputs (supplies) are tax exempt but not all (esp. service inputs) 	<ul style="list-style-type: none"> 20%

Source: World Bank Group, 2009

3.2 EMERGING ISSUES FROM THE REVIEW OF STUDIES AND THE LAW

- a) Lack of clarity on abolished levies. The use of semantics has brought about confusion as it has obscured the actual levies being imposed by the LGAs. The names of the current levies are similar to the names of those which were abolished making it difficult to tell them apart.

- b) The role of regulator/compliance authorities. The findings from the reviewed studies imply that the regulatory machinery of government has not been effective in ensuring compliance with the law. Specifically, PMO-RALG has been approving new bylaws that are more or less the same as the abolished ones and MOFEA has not monitored and enforced Act No. 15 which relates to Abolition of some levies. Also, the National Audit office (CAG) has not been able to pinpoint these anomalies. In the same vein, political representatives (council inclusive of MPs) have not been successful in overseeing implementation of the Act.
- c) The process of developing levies as provided for in law is transparent and provides adequate room for the Business Community including the TCCIA and its members to influence the process and the outcomes. The process provides opportunities for stakeholders (including TCCIA members) the design, rate and manner of administration. Ideally, the process provides for consideration of the principles of a good tax system. Indeed, the officials interviewed at LGAs noted that TCCIA members do not take the trouble to participate in the levy development processes which affect them. They usually come to complain after the event.
- d) The present system allows LGAs to impose rates that they so wish depending on their situation. This means that there are might exist differences between LGAs regarding levels of levies charged from one Council to the next. This was explained as being acceptable because was the local conditions that determined the level of levy to be imposed by a given LGA. This has implications for perception of equity of the system: different LGAs may be charging different rates for the same type of levy. e.g LGA X may impose 1% of crop cess while LGA Y may impose 3% as crop cess on the same crop.

In view of these issues it was deemed appropriate to conduct four case studies to gain deeper insight about the process of developing by-laws and other related issues. The findings from the Case studies are given next.

4: CASE STUDY FINDINGS

4.1 OVERVIEW OF THE CASES

The earlier phase of the study had established the conceptual framework for developing levies and did show that opportunities existed for the business community to influence the process of establishing types of levies and rates. It showed that in general the process is democratic and provides for sufficient latitude for various players in the process to interact, debate and arrive at agreeable types of levies, mechanisms for enforcing compliance and the rates to be charged. The

finding in that earlier report is significant because it implies that the business community has the opportunity to influence the process of creating the environment in which they operate. The challenge is how this possibility plays out in real life. This part of the report provides the findings on these issues and recommends aspects that should be further explored in the larger survey that is expected to follow this case study phase.

4.2 THE FINDINGS

The findings from the four case councils is provided along the three broad areas covered during the study: (1) process of establishing bylaws, (2) Rates being charged and (3) the effect of levy on business location. However, issues reported in the course of the interviews which generally did not fit into any of the three clusters of issues are also commented upon. This should provide additional information to TCCIA to inform its advocacy work.

4.2.1 DEVELOPING BY-LAWS: THE PROCESS

The process for establishing by-laws as described in the earlier report (phase I and II) of this study, was generally being followed in all four case councils although there was one variation regarding the sequence of the steps. This variation was mostly the result of interpretation of the Local Government Laws.

The difference found was related to the point at which stakeholders could be involved in the process of by-law development by providing comments on the draft by-laws. Their comments are important because that is how they can influence the content of the by-laws. In three councils it was found that stakeholders were to be brought into the process before the draft by-laws had been passed by the Full Council: Morogoro municipal council and Iringa and Rombo DCs. In Rombo council, stakeholders were brought in after Full Council had approved the draft by-laws. The specific examples are illustrated by three councils: as shown in Box 1.

Box 1: Practices regarding stages at which stakeholders are involved in the by-law making processes in Councils

Morogoro Municipal, Iringa and Kyela District Councils

In these three councils information about the draft by-laws are sent to citizens for comments before the Full Council endorses for onward transmission to PMO-RALG via the Regional Secretariat. The process is, the Council Management Team (CMT) presents draft by-law to the Finance, Planning and Administration committee for scrutiny and endorsement. If endorsed, information is posted on notice boards at council premises and at ward offices inviting the public to come forward to scrutinize the draft and forward their comments. Also a copy of the bill is taken to the ward offices where the Ward Development Committee (WDC) is supposed to discuss it and forward written comments to the Council. These comments are appended to the draft that is tabled to the Full Council and forwarded to

the Minister for approval and gazetting. Despite this process, there were still complaints from the business community at Morogoro that they were not adequately involved in the establishment of bylaws in their council.

Rombo District Council

In this council, draft by-laws are taken to the public after the Full Council has endorsed them. The practice is, the Council Management Team (CMT) presents the draft to appropriate committee of the council for initial scrutiny depending on the nature of levy to be imposed e.g. if the levy is related to infrastructure development; the Economy, Infrastructure and Environment Committee undertakes the early screening of the by-law. If this committee is satisfied, the draft by-law would be forwarded to the Finance, Planning and Administration Committee for further consideration and tabling at the Full Council. Once approved by the Full Council, information is given to the public through notice boards and a copy of the draft is sent to all the Ward Offices for WDC consideration. Any comments made at the WDC meetings are captured in the minutes which are submitted to the Council Management. The Full Council decision, the WDC minutes and the comments from citizens are forwarded as a package to the Minister for approval.

In describing the process, the council officials always made reference to the appropriate sections of the Local Government Law (Local Government Acts: No. 7, 8 and 9 of 1982). Also reference was made to a directive from the Prime Minister's office to have all by-laws discussed by the Ward Development Committees (WDC) before they are forwarded to the Minister for approval⁶. The minutes of the WDC are required to be attached to the draft by-law submitted to Minister (PMO-RALG) for approval.

While local government officials appeared to understand and follow this process as contained in the legal framework, the business community did not seem to recognize this process. All other people, in particular, the members of the business community who were interviewed had less knowledge of the process and could not recognize or relate to it in practice. This raises questions about the adequacy of information that is being provided to citizens by the officialdom regarding levy issues as well as the methodology for doing so. In fact people interviewed could not remember the last time that information was posted on the wall or notice board inviting them to give comments on the by-laws. However, in the case of Rombo District council, this finding is important. It reveals that what the law provides in terms of opportunities for the citizens and the business community in particular for shaping the business environment is not being used.

The absence of participation by citizens in the establishment of by-laws is not in line the principles of good governance generally advocated by the government. For example, the Policy on decentralization put forth in 1998 and which continues to provide the overall direction of decentralization policy in Tanzania states as regards tax/levies that:

⁶ However, the Team was not provided with a copy of the directive despite the Team having requested it.

- Local Authorities should treat taxpayers courteously, as customers
- Local Authorities should ensure participation of taxpayers and business associations in the designing of a tax system and in creating a mechanism for enhancing taxpayers' rights.
- Taxes should be understandable to the public.
- Cost of administration and collection should amount to a small percentage of the amount collected. Situations where compliance is not more than 40% and the collection cost is in the tune of 33% should be discouraged. Tax reforms should address this problem.
- Tax design and legislation process must be participatory and inclusive. Taxpayers should participate in the dialogue through which important decisions on taxation are made. It is advisable that decisions related to tax and tax administration is discussed and resolutions made in village assembly meetings.

The foregoing reflects the general belief that Tanzania has good policies but the implementation of such policies remains problematic. In the case of the by-laws, there is a large gap between what the business community knows they can do and what they can in reality do. The business community feels that they have to take the business environment as a given rather than treat it as something they should participate in creating. This thinking leads to difficulty in compliance. For example, complaints were reported in Morogoro and Rombo councils by the business and agricultural community for not being consulted when making the by-laws on levies. This had led to low compliance which in turn caused the council to loose revenues.

The advantage of the approach followed in Iringa, Kyela and Morogoro councils is that the Full Council gets the opportunity to learn from the comments of the citizens in their council and in that might influence the resolution of the council to support the by-laws. This approach offers councilors the possibility to learn how their constituents think about the by-law and choose to vote in favour of their constituents' position. The main disadvantage is that councilor's resolution may be swayed by citizens opinions rather than their objective assessment of reality. This is also the strength of the approach followed in Rombo DC that the councilors can reason by considering reality e.g. need for a particular levy which is necessary to accomplish some defined end without being influenced by the opinion of the citizens. The challenge presented by this approach is that if councilors support a by-law which is not acceptable to citizens, it may become difficult and perhaps costly to implement it. This poses a challenge to the Minister when the comments of the citizens are different from comments from the Full Council: whose comment will the Minister consider as important? It would therefore appear that collecting information from citizens and table them at Full Council is a better approach in order to avoid complications and delays in later stages of the by-law development process.

Role of Ward development committees in screening the bylaws

As mentioned earlier, the Ward Development Committees have been included in the process of developing council by-laws. This is a recent requirement from the Ministry responsible for local governments. To ensure their participation, the minutes of the Committee addressing the by-law have to be appended to the draft by-law submitted to the Minister. WDC is seen to be sufficiently representative as its composition includes village chairpersons in the respective ward, the Councilor representing the Ward, the technical personnel in the ward (head teachers, (or education officer, health, agriculture, livestock etc) and the ward executive officer.

The problem with the WDC is that it is an integral part of the local government administration and does not include private business people/representatives. This means that the process is dominated by Council staff with the result that the views of the business community are not included in the discussions of the by-laws. In principle the by-laws should be forwarded to the village council (in rural areas) or Mtaa meeting (urban areas) with a directive that Village Assemblies or Mtaa meetings discuss the by-laws and provide comments which should then be consolidated by the WDC and transmitted to the CMT. But, Village assemblies and Mtaa meetings are not themselves without problems. Attendance to the meetings is usually a problem. Recognizing this, special efforts will need to be made to get the citizens to attend to these meetings in order to discuss by-laws. Councils must also be encouraged to follow up the feedback from the WDC and ensure that their comments are a consolidation of views from citizens at the Village or Mtaa level.

Summary on the Process of Bylaws

Practices on processes for making by-laws are broadly the same in all the four case councils with only variations occurring with respect to engagement of stakeholders. The factors that have contributed to this general position include, among others, availability of legal staff in the council who direct the processes of making by-laws (e.g. Rombo); the capacity of TCCIA branch management to engage with the councils⁷; and council staff perceptions regarding the levy payers, in that levy payers are unlikely to approve introduction of new levies or change of levy rates and therefore consulting them when making the by-laws is unnecessary.

As stated earlier, levy is affected by the socioeconomic environment in which local councils are located. For example, citizens in councils located in rural tend to engage in agricultural and livestock keeping activities. Levies to be charged in these councils tend to necessarily relate to these activities (examples include crop cess, livestock markets levies etc). In urban areas, businesses in services (e.g. Hotels) and manufacturing tend to be the pre-dominant activities. The levies charged tend to be related to these activities (i.e hotel levy, property tax, bill boards levy

⁷ to the effect that branches with low capacity e.g. Rombo, Kyela and Iringa Rural played very minimal role in influencing levy issues in the council

etc). The significance of the socioeconomic environment with respect levies is well recognized in policy documents including the local government laws. For example, the Local Government Act, No 7, 8 specify levies that can be charged in rural councils and urban council. This reflects recognition of the fact that councils operate in varying environments and so should the types of levies charged should be. As rural councils develop and become more urbanized, the socioeconomic environment changes- they move from being characterized by agricultural and livestock oriented activities to being more service oriented. These changes will also usually lead to changes in the type of levies charged.

4.2.2 RATES CHARGED VERSUS ABOLISHED LIST

In general compliance with the abolished list is high among the councils visited except for a few levies (see appendix 8). Approaches taken to comply with the abolished list varied among the councils. For example, it was found that in three case councils, where the legal office was staffed: Morogoro MC, Iringa RC and Kyela DC no action was taken repeal the old by-laws and enact new by-laws. The explanation given was that the Finance Bill passed by Parliament was sufficient for that purpose as those which were not abolished were considered to be legal and could continue to be charged/collected. On the other hand, Rombo Council had enacted new by-laws and repealed old ones in response to the abolition of certain levies (see text in box 1). These confusing ways to handling enactment of new bylaws and the repealing of old ones as demonstrated by this information reflect lack of clear guidelines on this matter from the responsible Ministry. This in turn creates opportunities for violating the principles of good governance (participation).

Box 1: Repealed By-laws by the Rombo DC

The new by-laws enacted in 2004 and appearing Gazette No. 107 dated 16/4/2004, it is pointed out that:

Sheria Ndogo sifuatazo za Halmashauri ya Wilaya ya Rombo **zimefutwa**:

1. (The Rombo District council (fees and charges) By laws 1998
2. (The Rombo District Council (Mining Fees) by laws 2000
3. (The Rombo District Council (Development Levy) By-laws, 1998,
4. (The Rombo District Council (Livestock Markets) By-laws 1995

Source: Rombo District Council records

Further, the findings of the case studies indicate that some councils have been revising the rates for different levies without changing the by-laws. For example:

- i. At Iringa Rural Council the rates on paddy were reduced from Tshs. 2,000 (based on a 5% produce cess) to Tshs. 1,000 per 100 kg bag. Council officials informed the Team that the change was approved by the Full Council and because it was a reduction in rate, it did not require a change in the by-law which would need to be approved by the Minister responsible for local governments.
- ii. In Rombo District Council the rates for various levies were changed also, the majority of them upwards (see Table 4), before changing the by-laws. At the time of the study, efforts were being made to change the by-laws to be in harmony with the revised rates.

TABLE 4: LEVY RATES CHANGED AND CHARGED BEFORE BY-LAWS WERE CHANGED

Type of levy	Elaborations	By-law approved levy rate (Tshs)	Rates in use (tshs)
Advertisement Boards	Large boards	5,000	20,000
	Ordinary boards	3,000	5,000
Vehicle parking fees	Taxis	60,000	20,000
	Motor cycles	5,000	10,000
Rent on Council kiosks	Bus stand kiosks (large size)	4,500	10,000
	Bus stand kiosks (small size)	4,500	5,000
	Market place kiosk (large size)	3,000	5,000
Building permits and plot surveying fees	Survey in low density	15,000	900,000
	Survey in medium density	12,000	500,000
	Survey in high density	5000	500,000
	Survey of commercial plot	20000	1,500,000
Shops/kiosk utility levy		5,000	10,000
Butcher utility levy		5,000	10,000
Restaurants utility levy		5,000	10,000

Source: extracted from records of the Rombo Council

An observation that can be made regarding change of rates without first changing the by-laws is that instituting changes without following the due-process denies various parties, as established in the law, the opportunity to intervene and be informed as well. It is the lack of compliance with

the legal framework that has been causing complaints and non-compliance. For example, in Rombo DC there was a complaint on license fees being collected, and sometimes by force. The business community interviewed pointed out that the Trade officer had been insisting that business licences be renewed every year. But to their understanding, business license for business with turnover of under Tshs 20 million was to be paid once when the business is established. The use of force to collect the license fees coupled with the fact that the tax payers are only given a receipt for the payment but the actual license was not being issued angered and frustrated business community.

On levels of rates and levies charged, there were no complaints regarding these aspects. However, citizens were concerned that the services provided by the councils (Rombo and Kyela) did not match the levies that citizens were paying in aggregate terms. This raises the perennial question about the correspondence between tax/levy paid and services provided to tax payers/citizens. One other hand the study found that some councils have not revised rates for a long time implying that what was being collected could not in fact support the provision of higher services being demanded by citizens. This was a major concern in Morogoro, Rombo and Kyela Councils where the by-laws being used were old and that the rates were too low considering that times had changed since the rates were approved. For example: at Kyela the market levy is Tshs 200 per day per stall; at Morogoro the stall rate was Tshs. 200 although the by-law puts it at Tshs. 3,000. Compliance was an issue in this case as the business community in the market refused to pay the new rates. In the case of Rombo, stall rate is Tshs 100 per day for non-industrial goods. The LGA officials reported that meagerness of these rates affect to both the council – which can not collect enough to provide services, and the business community which has to operate under very dilapidated market infrastructure: physical facilities were poorly maintained.

This finding suggests a lack of constructive dialogue between the council officials and the citizens including the business community to appreciate the concerns of each side and collectively agree on measures that work for the benefits councils. More effort are required especially on the part of the officialdom to enlighten citizens about the consequences of the low levy rates.

4.3 EFFECT OF LEVIES ON THE LOCATION OF BUSINESS

The findings in the four-case councils show that the levels of rates and number of levies in place did not influence or lead to relocation of business operations. However, it needs to be noted that the rural councils (Rombo, Kyela and Iringa Rural District council) depended much more on levies on agricultural products (the produce cess on coffee, rice, cocoa, bananas, palm oil,) which can not be easily relocated. Complications were also reported about the enforcement of fair levies charged in rural areas. These include: the council's inability to distinguish between a seller and a buyer when the crops are sold outside the formal markets; or existence of un-official exit

paths or points along the district borders (thus avoiding official tax collection gates) through which crops can be moved during awkward hours and sold in neighbouring council or country (rice in Kyela or Iringa Rural; and bananas in Rombo); or lack of cooperation from other government agencies (e.g. weigh-bridges under TANROADs or Ministry of Communication and Infrastructure) to monitor quantities bought by big buying agents who transport the products from a council to other places (case of Cocoa in Kyela which is transported to Dar es Salaam, and case of bananas and coffee in Rombo which is transported to Moshi Town and Dar es Salaam). This implies that opportunities for evading levies were many in councils such that relocating business because of levies was not seen as necessary. Thus, in all case districts, the type and level of levies (rate) did not have a major impact on business decisions to stay in the council or relocate to another council.

There was an exception to this general rule and this was in the case of Morogoro Council. It was claimed by a few businesses persons that some business persons shifted their operations to Dar es Salaam. Cases cited included those of petrol stations; these were required to pay the maximum service levy, but complained because in the neighboring regions of Dar es Salaam the rates charged were lower. This case did involve TCCIA regional authority who intervened to find a solution but the efforts failed. Alongside this development, other businesses which have moved out did not close the business completely. They retained an open window in Morogoro reflecting the importance of Morogoro growing market. The reaction of the few businesses to shift operations to Dar es Salaam reveals the fact that if levies are made indeed to be higher in one council compared to the neighboring ones, they will force relocation of business. That currently businesses are not making significant shifts from one council to the next suggests that levy rates are not significantly different. And this is true given the fact that the levy types and rates being used are determined by the Ministry of Finance and Economic Affairs and passed by the Parliament. The Councils can only fix rates within the set limits.

4.4 APPRECIATION OF LEVIES ISSUES IN LGAS BY GOVERNMENT AND POLITICAL ACTORS

Tax and levies issues were found to attract the attention of senior government officials at local level as well as politicians. This was because citizens who were affected by levies behaved in ways that government would not tolerate. The financing challenges which confront the councils draw the district political leadership to the activities of the council. The District commissioners (DCs) in the case councils felt that they had an overall responsibility for the development of the district and in particular ensuring that peace was maintained. Thus issues relating to levies, which in some cases have led to disturbances in the councils have been a pulling factor for the DC to intervene. A good example is Morogoro where the DC has used his office to try to bring the Council authorities and the levy payers into dialogue, thus getting them to agree on the rates to apply on hotel levy, service levy on petrol stations, renting of kiosks in the market etc. The DC emphatically pointed out that dialogue was the best way out and both councils and tax payers

needed to avoid going to court to seek solutions to levying problems. It was also interesting to note that the DC has used the institutional organs at his disposal, particularly the District Consultative Committee to address some of the problems faced by the council, which led to proposing a fee for environment care.

In Rombo the DC appeared visionary, and was concerned with business activities in the council, in particular cross border (with Kenya) activities. He was concerned that there weren't sufficient measures taken to address the issue of East African Community Market Protocol. His observation was that Kenyan side was developing necessary infrastructure to cope with the new developments, but Tanzania, and in particular his council did not have a strategy to cope with the unfolding situation. The fears centred on the likelihood of businesses such as Tourism relocating their operations from Rombo to Kenyan side of the boarder.

As regards the Councillors, the major role that was reported as regards involvement in levies matters related more to their sitting in either the Committees of Council or Full Council. It was pointed out that they tend to be supportive of the management proposals on development of by-laws. This could be explained by the fact that being part of the system of governance, they understood the problems facing the councils, with respect to finance and therefore would not object the institution of any measures aimed at raising funds. For that matter their actions are not necessarily motivated by the desire to earn money in form of sitting allowances (as it is sometimes believed) from the councils. Councillor allowances are not directly linked to levies collections but a variety of sources. It was reported during the interviews that as representatives of citizens, councillors have not been forthcoming in educating the public about the levies. Even as chairpersons of the WDC which are supposed to officially review and make comments on the proposed draft bylaws, not much comes out of such meetings. The reason for lack of active discussion of levy issues is reportedly the low capacity of these councillors to review documents and reflect on the information and appreciate the consequences of levy proposals. In Rombo there were obvious complains by the business community about these elected representatives not being effective in representing their people in such matters as levies.

4.6 BORDER EFFECT ON LEVIES AND BUSINESS

The visits to the local councils located on the borders of Tanzania in the north (Rombo DC) and south (Kyela DC) revealed no significant effect resulting from being located at the border with respect to levies. That is to say, levies charged by councils on either side of the borders did not influence decisions to shift business to either side of the board. Business persons from each of the countries located at the boarder (Malawi, Kenya and Tanzania) did not feel that levies in their councils influenced their decisions to operate on any of the countries mentioned. None of the business persons interviewed in any the countries reported that levy was inhibiting they business

development⁸. This finding is consistent with the finding of a study by the GTZ. According to that report:

‘The study did not report any incidence of businesses finding it difficult to compete, or losing business due to higher levies being charged due to higher levies being charged on the Tanzanian side (although this was not the focus of the study). In deed it found that people were selling their goods, especially agricultural produce (bananas) and labor in Kenya because the price/wage was better on the Kenyan side. Its was not because taxes were higher on the Tanzanian side’ (GTZ, undated).

4.7 ROLE OF TCCIA ON DEVELOPMENT OF LEVIES IN LGAS

The role of TCCIA in influencing levy issues in the case councils varied but reflected the varying capacities and resources of the Chamber’s regional braches in different councils. A brief description of the situation in each case council visited is provided hereunder.

Kyela Council

TCCIA is almost non existent. It does not have an office, and there are no office bearers. Active membership is not known. The study Team was informed that there is a self appointed chairperson, who is not a businessman, and does not have a known job. Worse still, the Council management pointed out that the TCCIA regional leadership based in Mbeya town does not visit the council. Hence the influence of TCCIA on levy issues is non-existent. Discussions with council officials in Kyela confirmed that the Chamber was inactive and it was no known how it was operating. This made it difficult for the council to think of interacting with the Chamber including possibly using it as a source of ideas regarding levies and other issues that affect business in the council.

Rombo Council

The situation for Rombo is not different from that of Kyela although there is a chairperson and some membership of about 60 people. The branch is very weak and its existence has been threatened by another local business chamber or association known as Rombo Chamber of Commerce, Industries and Agriculture (RCCIA) which, according to its chairperson, has a membership of about 1,700 people⁹. At one time RCCIA was having its offices in the Council

⁸ Team however, observed that good were bing siphoned into either side of the borders both in the south and north borders but the law enforces (tax authorise and police) did not seem to be concerned.

⁹ According to its chairperson, the RCCIA has been working closely with the Tanzania Revenue Authority – Rombo branch. The whole district, especially along the main road which connects Tanzania with Kenya, commercial activities are developing very fast, perhaps encouraged by the proximity to the border.

premises and was later pushed out. It had been invited to the LGA processes but increasingly not. Some business communities outside the Mkuu Township – the Council headquarters- have never head of TCCIA in the district. Discussions with several business members in Tarakea at the border (a small place with more than 35 timber saw mills) pointed out that they never heard of TCCIA¹⁰. Its influence on Council issues including levies was non-existence. In fact there was a strong feeling from the council management that the approach the establishment of TCCIA in Rombo was wrong because RCCIA was already there with a strong establishment. The influence of RCCIA itself on levy issues was not being felt. However, willingness was expressed by the RCCIA leadership to merge with TCCIA but the TCCIA leadership was still not decided. TCCIA should hasten to make their mind and form one chamber as two chambers do not appear to serve the business community well.

Iringa Rural Council

There is no TCCIA office in the council but business community interests are taken care of by the regional office. The regional office has a full time secretariat and elected leadership. However, the office's interaction with the Iringa Rural Council has not been there, and this was confirmed by the Council management, which also appreciated the fact that TCCIA could be helpful in addressing the challenges faced in enforcing by-laws. In fact the management pointed out that it has been talking to the businessmen directly whenever there were problems with levy compliance. As a result, there were agreements on how much cess to be paid on rice¹¹ and also livestock market fees, which amended the rates specified in the by-laws. Moreover, the Council Management has been working with the paddy growers and businessmen in Idodi and Pawaga to see how to add value to the paddy sold by providing rice mills (two of them at Tshs 10.0 mill each) which would enable the community to mill and pack rice before selling. But also efforts are on the way to provide entrepreneurship education to the community. This has resulted in very positive compliance. This is being done by the council itself and TCCIA has not played any role.

Morogoro Municipal Council

TCCIA is active but without proper premises in the city centre¹². This is a regional branch, but located at the hub of business in the region, and has elected office bearers with active membership. The Branch has identified problematic areas on levies, and formed some working groups. Three levy areas identified as being problematic: Hotel levy charged at rate of 20% on gross revenues, Service levy and the Billboards Levy charged for any advertisement information

¹⁰ The timber millers pointed out that they had their own association which linked them with other businesses dealing with timber milling in the northern zone (Kilimanjaro and Arusha).

¹¹ In fact the agreement on rice covered issues such as packing of rice in 100kg bags instead of the traditional packing which went over 100 kgs per bag (the 'lumbesa' phenomenon), and secondly agreed on a levy of Tshs 1,000 per bag instead of using the 3% cess rate existing under the by-laws). The move increased compliance tremendously.

¹² Offices had just been moved to Nane Nane area outside the city.

within the plot and outside the plot (any mark on the fence wall is considered an advertisement and one has to pay). The TCCIA branch is in dialogue with the Council on these issues.

To sum up the role that TCCIA has been playing in influencing the development of levies through its members one can only say it has been minimal. This is caused by its weak organizational set up at regional and council levels. However, opportunities for TCCIA to take part in the local government process that affect the members of TCCIA are abundant. All that is required is for TCCIA to claim its rightful place in these processes and play its role. In all the three councils visited (except Rombo which had RCCIA), local councils were eager to work with TCCIA if only it rose up to challenges affecting the business environment.

4.8 CONCLUSIONS AND RECOMMENDATIONS FROM THE CASE STUDIES

The case study phase of the study has come up with a number of findings which have added to the insight already established in the earlier report. However, other issues found may not necessarily be carried into the survey phase but are considered to further help TCCIA and her stakeholders in furthering their initiatives to strengthen the business environment. The case study phase concludes and recommends as follows:

- 1) The space provided by the legal framework for involvement of stakeholders in the development of levies exists in practices. However, it has not been used by citizens generally and specifically the business community. This is because of lack of knowledge and possibly incentives on the side of citizens. Yet, this is an opportunity for creating a business environment that would allow business to grow and flourish. It requires all actors and particularly TCCIA to assist in closing the information gap by creating more awareness among the business community that it can indeed take part in creating a business-friendly environment at the local level. The survey should assess issues related to the possibility of TCCIA and Citizens in general to play a more active role in local government processes as allowed by law.
- 2) The ambiguity in terms of the sequence of steps in the development of by-laws needs to be properly clarified. As discussed in the report, there are positive consequences for involving citizens in the process of providing comments on the by-laws: councilors will have the opportunity to learn the views of their constituents and support them if sound or not support them but assume the responsibility of educating their people on the merits of the by-law. In addition, the process of providing comments should be extended to the village assemblies and Mtaa meetings. The WDC should be consolidating point only. Special efforts should also be made to ensure that citizens attend meetings in which by-laws are discussed. This enhances ownership and strengthens compliance when by-laws go into implementation. The anticipated survey should explore these issues more broadly.

- 3) The organizational and capacity challenges of TCCIA are important elements that need to be addressed for the Chamber to play a meaningful role in exerting influence in the processes that generate outcomes that affect their members. The survey should assess how the TCCIA could enhance its capacity to better serve its members in the business environment including levies.
- 4) The number of levies and rates being charged at the moment appear to be about the same across councils leading to a situation where business operations have generally not shifted from one council to the next. However, where differences in rates between one council and the next are significant, certain business operations can be relocated. The case of petrol stations in Morogoro shifting to Dar es Salaam supports this assertion. It is therefore important for councils to be always aware of rates being charged in the neighbouring councils before they revise their own.
- 5) The link between the number of levies, the rates charged and the social services are important aspects that the citizens and the business community considers in order to either accept and comply with payment of a particular levy or indeed reject and refuse to comply. The cases of market stalls in Morogoro and Kyela point to these assertions.
- 6) Opportunities that have recently been presented by the introduction of District and Regional Consultative Forums could be effective avenues for TCCIA to efficiently present the views of its members. TCCIA should actively make use of these opportunities for furthering the interests of members. This includes raising concerns such as absence of public education on levies, lack of access to by-laws etc. TCCIA can also draw strength from initiatives being implemented by the government in the local government authorities, especially through the local government reform programmes whose Decentralisation by Devolution Vision is to empower citizens at the grassroots to play a greater role in making decisions which affect their lives, and also to be informed of all matters related to activities taking place in the community.
- 7) That the senior officials such as the District Commissioners are interested in creating a business enabling environment at local level is a positive thing. TCCIA should seek to work closely with these high-powered officials to further the interest of the business community through advocacy and information sharing.

5: THE FINDINGS OF THE SURVEY ON LEVIES

5.1 THE GENERAL ISSUE OF LEVIES

5.1.1 STATUS OF NUISANCE LEVIES/TAXES

The prevalence of nuisance levies¹³ was one of the issues explored in the survey. This was motivated by the fact although the case studies conducted in phase 2 of the overall study found generally that no incidences of nuisance taxes were reported, discussions among stakeholders of the case study report revealed that nuisance levies were still prevalent in LGAs. The survey found that over 82% of the business community who answered this question admitted that the local government in their area do charge nuisance levies (see Table 5 (a)). The community level LGA staff share the same view as that of the business community: about 64% of them admitted that nuisance levies are still being charged. Continued charging of nuisance tax is contrary to law as government had in its circular of 2003 banned these levies. It also suggests lack of enforcement of the government circular which against good governance.

TABLE 5: PERCEPTION ON PRESENCE OF THE NUISANCE LEVIES BY BUSINESS COMMUNITY

Presence of Nuisance Levies	Response by Business Community		Response by LGA staff-Community level	
	Frequency	Percent (%)	Frequency	Percent (%)
No	29	17.4	8	36.4
Yes	138	82.6	14	63.6
Total	167	100	22	100

Source: Field survey data

The members of the business were analyzed in terms of which category thought nuisance levies are still prevalent. The results are shown in Table 2 (b). The table shows that all the three categories of business: agriculture, trade and industry have experienced the presence of nuisance taxes in their councils.

TABLE 6: PERCEPTION ON PRESENCE OF THE NUISANCE LEVIES BY BUSINESS COMMUNITY

Presence of nuisance levies	Occupation of the respondent				Total
	Farmer	Trader	Industrialist	Other	
No	6	13	7	3	29
Yes	43	57	28	10	138
Total	49	70	35	13	167
(YES as a % of Occupation)	88%	81%	80%	77%	

Source: field survey data

¹³ Nuisance levies in this regard are defined as those which were outlawed by Government in FY 2003/04 through a government gazette and were termed nuisance taxes.

The business community and LGA staff at community level were also asked to specify the nuisance taxes they claim continued to be charged by the LGA. These are listed in Table 6. They include: Produce levy, community contributions, health levy and other dues.

TABLE 7: TYPES OF NUISANCE LEVIES CLAIMED TO BE CHARGED BY LGAS IN MAINLAND TANZANIA

S/N	Category of Levy	Specific Type of Levies
1	Produce Levy	Service fees, crop fees, livestock levy
2	Community contributions	Hospital construction, school constructions, village development charge
3	Health levy	Environmental levy, Garbage fees
4	Market fees	Market fees, table fees,
5	Other fees	Parking fees, Advertisement fees, weigh fees, bus stand fees, and national torch levy

Source: Field Survey data

A close examination of the levies that are said to be ‘nuisance’ reveals the point that perhaps there is confusion about the nuisance levies and suggests that citizens do not really understand what the nuisance levies are. For example, produce levy (usually called produce cess) has not been abolished. The Government gazette only stated the amount or percentage to be charged – it emphasized the rate and not abolishing it. There is therefore need to clarify to the business community as well as LGA staff what the nuisance tax is to prevent continued confusion. To clear the air about nuisance taxes, there is need for LGAs to work with other interested partners including TCCIA to educate the business community and citizens in general about the nuisance taxes that government abolished. This will end the current feeling that LGAs are charging ‘illegal’ levies. One other interesting observation is that community contribution toward various projects such as school construction; hospital construction and the like have come to be considered by citizens as some form of levy. This is perhaps due to its recurrence.

5.1.2 MULTIPLICITY, CLARITY AND EXTENT OF RATES OF LEVIES

The issue of multiplicity of levies was raised in the survey and the majority of respondents from the business community and LGA staff at community level are of the view that LGAs are charging too many levies: about 75% of the business community and 65% of LGA staff at

community level expressed such as view. Table 7 shows the survey results. This points to the cumbersomeness in the administration of the levies and could explain why LGAs are not collecting enough revenue from internal sources as found in several other studies (see Mlingwa, 2011). Too many levies present administrative complexity which in turn leads to poor collection. LGAs need to re-examine their sources and find ways of consolidating the levies into a few levies that can be easily administered.

TABLE 8: PERCEPTION OF THE BUSINESS COMMUNITY ON THE NUMBER OF LEVIES

Are levies too many?	Business Community		LGA staff at community level	
	Frequency	Percent (%)	Frequency	Percent (%)
No	38	24.7	7	35
Yes	116	75.3	13	65
Total	154	100	20	100

Source: Field Survey data

As regards clarity of the levies, about 81% of respondents from the business community who responded to this question replied that these levies are not clear and about 71 % of the LGA staff at community level who responded to the question are of the same view. Table 9 provides tabulated results. This finding is not surprising given that too many levies are being charged as reported earlier. It also suggests that adequate information regarding levies the LGAs are charging has been provided to citizens. This in turn creates opportunity for abuse of power (or corruption).

TABLE 9: PERCEPTION OF THE BUSINESS COMMUNITY ON THE CLARITY OF THE LEVIES

Are levies clear?	Business Community		LGA staff at community level	
	Frequency	Percent (%)	Frequency	Percent (%)
No	100	80.6	12	70.6
Yes	24	19.4	5	29.4
Total	124	100	17	100

Source: Field Survey data

On whether the levies being charged by LGAs was high or not, about 73 percent of the business community perceives that levies are at least high (Table 10). The views of LGA staff at community stated that around 45 percent of community leaders perceive the levies to be at least high. This finding is important in that if levy payers perceive that the levy is high they may try to evade it using various techniques including say engaging in corrupt activities (bring levy collectors) or other means. Moderate levies would probably encourage levy payers to comply and pay because they feel that the transaction costs of evading are higher than the benefit of doing so. LGAs may therefore need to rethink the rates being charged.

TABLE 10: PERCEPTION OF THE BUSINESS COMMUNITY AND LGAS STAFF ON THE LEVEL OF LEVIES

Level of Levies	Business Community		LGA staff at Community level	
	Frequency	Percent (%)	Frequency	Percent (%)
Too high	61	37.4	5	22.7
High	58	35.6	5	22.7
Modest/Average	40	24.5	12	54.5
Low	2	1.2	0	0
Very low	2	1.2	0	0
Total	163	100	22	100

Source: Field Survey data

5.1.3 USE OF LEVIES FOR IMPROVING BUSINESS ENVIRONMENT

Respondent's perceptions on the question whether levies collected were being used to improve the business environment are given in Table 11. Of the people who responded to this question, about 81% from the business community replied that levies collected by the local government authorities were not used to develop/strengthen the business environment. The majority of community level LGA staff held a similar view: about 62%. This finding reinforces the perennial issue that when citizens do not see the relationship between taxes paid (levies in this case), they may be reluctant to comply.

TABLE 11: PERCEPTION OF THE BUSINESS COMMUNITY ON THE USE OF LEVIES

Do you believe that levies collected are used to improve the business environment in your council?	Business Community		LGA staff at Community level	
	Frequency	Percent (%)	Frequency	Percent (%)
No	131	80.9	13	61.9
Yes	31	19.1	8	38.1
Total	162	100	21	100

Source: Field Survey data

Qualitative responses from the responded indicated that the basis of their response to the reported results in Table 6. Respondents stated that the fact that under-developed infrastructure exists, poor garbage management is prevalent and other social services are inadequate is evidence that levies collected by LGAs are not being used to improve the business environment. Issues of good governance were also reported including the lack of feedback on the collection and use of funds. This later issue is important is that perhaps collections are sufficient to provide such services but

because citizens are not provided with information about collection and actual utilization of funds, they are then not able to relate collections and the services they receive. LGAs would not themselves justice by being transparent enough towards citizens in their jurisdiction to assuage this concern.

5.2 BY-LAW DEVELOPMENT BY LOCAL GOVERNMENT AUTHORITIES

The involvement of citizens in developing the by-laws is a key issue in this survey and the whole study. As stated earlier, the legal framework allows for citizens and interested groups to provide comments on the draft by-laws provided that they follow the prescribed procedures. In particular, TCCIA has interest in the by-law making process which eventually affects the operations of its members (farmers, traders and industrialist). The business community or citizens are the payers of the levies charged by local government. They are therefore expected to be interested in the process of developing by-laws.

3.2.1 CITIZENS PARTICIPATION

Current practice

From the perspective of LGA staff at District level, LGAs usually involve citizens in the by-law making process before the full council approves them. Over 89% described practice in that way. Table 12 shows further results. Coincidentally practice generally matches the opinion of these LGA staff: over 92% of local government officials have the opinion that citizens should be involved in the process before the full council approves the by-laws. This appears to be good practice and it should followed by all LGAs in the country. Practices such as those found at Rombo District council where citizens are involved in the process after full council had approved the by-laws should be discarded. Indeed, it would be useful to have PMO-RALG issue a guideline on this process so that all LGAs follow a standard process when developing by-laws.

TABLE 12: LEVELS FOR INVOLVING CITIZENS IN DEVELOPING BY-LAWS

Point for involving citizens in By-law making	Practice		Opinion	
	Frequency	Percent (%)	Frequency	Percent (%)
After full council has approved the by-laws	5	8.9	2	3.6

Before full council approves the by-laws	50	89.3	52	92.9
We do not involve them at all	1	1.8	-	-
Other	-	-	2	3.6
TOTAL	56	100	56	100

Source: Field Survey data

Appropriate organs of LGAs to involve citizens

In terms of the forum at which citizens, should be involved in the by-law making process, 65 % of LGA staff at council level who responded to the question hold the view that all participatory organs provided under the LGA governance and administrative framework (Village/Mtaa meeting, Ward development committee and full council) are relevant forums. Citizens should therefore be involved in these forums. However, there is another significant portion (about 33%) which believes the village/mtaa meetings are the most suitable forums for citizens to give comments on the draft by-laws. No one recommends citizen involvement at full council which is surprising given that the LGA Act allows citizens to attend the Full Council meetings and PMO-RALG staff informed phase 1 of this study that citizens are allowed to give comments orally or in writing at Full Council provided they followed procedures.

TABLE 13: PERCEPTION OF THE LOCAL GOVERNMENT AUTHORITY ON APPROPRIATE FORUM FOR CITIZENS TO COMMENT ON BY-LAWS

Appropriate Forum for Business Community and citizens to comment on by-law	Frequency	Percent (%)
Village/Mtaa meetings	17	32.7
Ward Development Committee Meetings	1	1.9
Full Council	0	0
All	34	65.4
TOTAL	52	100

Source: Field Survey data

It would seem that because of practicalities, including geographical distances between villages or mitaas would make it difficult for citizens to attend all the meetings as enumerated in Table 8. However, village and mitaa meetings can be used by citizens to give views on the by-laws. WDC are usually meetings reserved for the VEOs/MEOs, village/mitaa chairpersons and are chaired by the Councilor. However, a similar approach that is used for Full Council meetings can also be applied at WDC, that citizens are invited to these meetings and should be allowed to make comments. In practice may be not many citizens will attend the WDC but those who can should be allowed to attend and express their views.

Experience of the by-law making process

In terms of participation in the by-law making process, about 68% of the LGA staff at community level have participated in making by-laws. But, the majority of business community has never participated in making by-laws: about 74% have never participated in the process. This may suggest that many farmers, traders, and industrialists have not had a voice in the bylaws currently being applied in their councils. This may explain the dissatisfaction of the business community on the current levies charged by the local government authority.

When asked to list reasons for not participating in the bylaw making process, a number of reasons were given. These include information gap (business community is not regularly informed of what is taking place); not inviting the business community; not interested; wrong timing of the meetings; and ignorance (some members of the business community do not see the importance of participating in such meetings while others do not consider by-law making as their duty). Other include top-bottom approach to decision making (decision mainly takes the positions of the top officials), limited transparency and disappointment at the fact that expectations are never met in terms of views of the community not counting.

TABLE 14: PARTICIPATION OF THE BUSINESS COMMUNITY AND COMMUNITY IN FORUMS CONCERNED WITH BY-LAW MAKING IN THE COUNCIL

Have you ever participated in By-law making process in your council?	Business Community		Community Leaders	
	Frequency	Percent (%)	Frequency	Percent (%)
No	123	73.7	7	31.8
Yes	44	26.3	15	68.2
Total	167	100.0	22	100.0

Source: Field Survey data

Knowledge of the role of by-laws

The poor participation of the members of the business community in the by-law making process may also be caused by lack of understanding of the role that by-laws play in shaping the business environment in their councils. The survey found that about 49% of members of the business community have limited understanding on the importance of by-laws in shaping the business environment. LGA staff at community level replied in a similar way, i.e. 41% of them have limited understanding on such importance. It means, there is need to raise the awareness of the business community and even within the system of administration the council so that these key players develop a better appreciation of the importance of by-laws and need for them to get involved in the process that produces them.

TABLE 15: UNDERSTANDING OF THE IMPORTANCE OF BY-LAWS IN SHAPING THE BUSINESS ENVIRONMENT

Level of Understanding of role of bylaws	Business Community		LGA-staff at Com-level	
	Frequency	Percent (%)	Frequency	Percent
A lot	32	19.4	4	18.2
Reasonably	52	31.5	9	40.9
Just a little	52	31.5	8	36.4
No knowledge	29	17.6	1	4.5
Total	165	100.0	22	100.0

Source: Field Survey data

Luckily, the majority of the business community as well as the LGA staff at community level are willing to learn about the role that by-laws play. Of the people who responded, about 83% of business community is eager to learn about the role of by-laws in shaping business environment; and 77% of the community leaders are in need of such knowledge (see Table 16). TCCIA, LGAs and other players interested in improving the business environment in local authorities where actual activities take place should take advantage of these developments to help in enhancing the awareness of the business community and their leaders of the role of by-laws in improving the business environment.

TABLE 16: DEMAND FOR KNOWLEDGE ON THE IMPORTANCE OF BY-LAWS IN BUSINESS DEVELOPMENT

Need of knowledge	Business Community		Community Leaders	
	Frequency	Percent (%)	Frequency	Percent (%)
No	29	17.5	5	22.7
Yes	137	82.5	17	77.3
TOTAL	166	100	22	100

Source: Field Survey data

Awareness on rights and Procedures for giving comments at full council

About 52% of the business community is not aware that it is allowed to give comments on draft by-laws and specifically at the full council while 40.9% of LGA staff at community level expressed the same view. This is another reason that may explain why the involvement of

citizens in the by-law making process at council is limited. Citizens are not aware of their right and many of the LGA staff they meet on day to day basis are also not aware.

TABLE 17: AWARENESS OF THE BUSINESS COMMUNITY AND LGA STAFF ON CITIZENS' RIGHT TO GIVE COMMENTS AT FULL COUNCIL PROVIDED YOU FOLLOW PROCEDURES

Are you aware that you can give comments at Full Council provided you follow procedures?	Business Community		Community Leaders	
	Frequency	Percent (%)	Frequency	Percent (%)
No	86	51.8	9	40.9
Yes	80	48.2	13	59.1
Total	166	100.0	22	100

Source: Field Survey data

The procedures for giving comments at full council, which is a key decision making organ in Councils are known by very few people both within the business community and even with the ranks of LGA staff based at village and mtaa levels. The survey found that close to 77% of the business community and 46% of community level staff do not understand the procedures of giving comments at full council (see Table 18). This points to lack of information among the citizens but also among a significant number of LGA staff based at village and street levels.

TABLE 18: AWARENESS OF THE BUSINESS COMMUNITY AND COMMUNITY LEADERS ON PROCEDURES AT FULL COUNCIL

Are you aware of the procedures in giving comments at Full Council?	Business Community		Community Leaders	
	Frequency	Percent (%)	Frequency	Percent (%)
No	125	76.7	10	45.5
Yes	38	23.3	12	54.5
Total	163	100.0	22	100

Source: Field Survey data

In the same vein only 27 percent of the community leaders argue that it always work to involve citizens in by-law making (see Table 19). This is attributed to limited understanding of the business community on matters discussed, avoiding potential misunderstandings during the meetings, and citizens are not used to attending meetings.

TABLE 19: PERCEPTION OF THE COMMUNITY LEADERS ON INVOLVEMENT OF CITIZENS IN MAKING BY-LAWS IN LOCAL GOVERNMENT

Does it work to involve citizens in making by-laws	Frequency	Percent (%)
Always	6	27.3
Sometimes	8	36.4
It doesn't work	8	36.4
TOTAL	22	100.0

Source: Field Survey data

5.3 INVOLVEMENT OF TCCIA IN THE BY-LAWS MAKING PROCESS

The willingness of local government authorities to invite TCCIA to give comments on the draft by-laws relating to levies and other matters that affect the business environment was explored. Of the LGA staff at council level who responded to this question, all of them supported the idea of inviting TCCIA to give comments to the by-laws. Down the administrative hierarchy of the LGAs, the VEOs and MEOs are also willing to invite TCCIA to formally comment on the draft by-laws. This willingness reflects a realization that public-private partnership is crucial for social-economic of councils and that can be achieved through close cooperation between government on one hand and the private sector on the other. TCCIA should use this change

TABLE 20: WILLINGNESS TO INVITE TCCIA TO PROVIDE COMMENTS ON THE BY-LAWS

Are you ready to invite TCCIA to given comments on by-laws	LGA staff Co-level		LGA staff Com. level	
	Frequency	Percent (%)	Frequency	Percent (%)
No	0	0%	2	9.5
Yes	55	100%	19	90.5
Total	55	100%	21	100.0

In terms of the medium of communication, the majority, 58% of the LGA staff at council level replied that TCCIA should be invited through a letter addressed directly to TCCIA (see Table 19). This is a departure from current practice where TCCIA is not invited and its leadership is expected to read notice boards and act if they want.

TABLE 21: PREFERRED MECHANISM BY LOCAL GOVERNMENT OFFICIALS TO INVITE TCCIA TO THE MEETING IN DEVELOPING BY-LAWS

Mechanisms for inviting TCCIA to meetings	Frequency	Percent (%)
By letter addressed to TCCIA	32	58.2
By general invitation posted on the notice board	5	9.1

Both	18	32.7
Total	55	100.0

Source: Field Survey data

Members of the Business community on the other hand are ready to take advantage of the invitation to the by-law making forums if invited. The business community is interested in attending the Ward Development Committees (approximately 89 percent) and village/street meeting (approximately 92 percent).

TABLE 22: READINESS OF THE MEMBER OF THE BUSINESS COMMUNITY TO TAKE PART IN WDC AND VILLAGE/MATAA MEETINGS

Would you attend community level meetings to discuss by-laws if invited	WDC		Village/mtaa assembly	
	Frequency	Percent (%)	Frequency	Percent (%)
No	18	11.2	14	8.5
Yes	143	88.8	151	91.5
Total	161	100.0	165	100.0

Source: Field Survey data

The business community prefers the use of multiple channels for inviting them in these important meeting of the WDC and village or mtaa meetings. Very few supported the traditional means of blowing a horn. This reflects greater modernity in the way citizens want to be informed and possible handle issues.

TABLE 23: INVITING THE BUSINESS COMMUNITY TO MEETINGS

How would you want to be invited to Ward Development Committees and Village/Street Assembly?	Frequency	Percent (%)
By way of public noticed on notice boards at different places	11	10.0
By word of mouth through the village/Mtaa leaders (chairperson)	12	10.9
Through public address systems (loudspeakers)	14	12.7
Traditional methods such as horn blowing	3	2.7
All	50	45.5
Other forms of communication (not specified)	20	18.2
Total	110	100.0

Source: Field Survey data

It terms of the forum, full council (about 39%) followed by relevant council committee (25%) – see Table 22. These responses reveal that most council staff would actually prefer more open interactions with TCCIA through the decisions making organs in the council: the full council and

its committees. TCCIA must take full advantage of this openness and participate more effectively in the processes that influence the operating environment of its members.

TABLE 24: PERCEPTION OF LGA STAFF –AT COUNCIL LEVEL ON THE APPROPRIATE FORUM TO INVOLVE TCCIA IN MAKING BY-LAWS

Forum	Frequency	Percent (%)
Full Council	17	38.6
Relevant Council Committees	11	25.0
Council Management Team Meeting	5	11.4
WDC Meeting	1	2.3
Village/Mtaa Meeting	3	6.8
All the above meetings	7	15.9
TOTAL	44	100

Source: Field Survey data

The local government authorities staff at council level prefer that TCCIA gives its comments on draft by-laws in writing and addressed to DED/MC. This view was held by about 77% of the staff who responded to the question. Giving comments on draft by-laws orally is therefore discouraged at full council for TCCIA (see Table 23). This is a bit in conflict with the previous finding which indicates that LGA staff at Council level are willing to invite TCCIA to comment on the draft bylaws at full council and council committees. We therefore interpret that although the TCCIA should address their comments in writing to the DED/MC, they should have the opportunity to present those views formally at full council.

TABLE 25: PERCEPTION BY THE LOCAL GOVERNMENT OFFICIALS ON THE APPROPRIATE MEANS FOR TCCIA TO MAKE COMMENTS ON THE DRAFT BY-LAWS

Means to make comments	Frequency	Percent (%)
In writing addressed to DED/MC	41	77.4
Orally at Full Council Meeting	8	15.1
Both	4	7.5
TOTAL	53	100

Source: Field Survey data

Both members of the business community and LGA staff at council were asked to assess the activeness of TCCIA in their councils. The majority responded that TCCIA is active. There is also a significant minority which replied that TCCIA was not active. Consistently, around 78

percent of local government authorities considers TCCIA at least active in council meetings (around 20 percent of local government authority consider TCCIA as very active). The inputs of TCCIA have always been useful in by-law making. However, TCCIA is available mainly in urban areas; there is a need to move to the rural areas where the business community needs their service.

TABLE 26: ASSESSMENT BY THE LOCAL GOVERNMENT OFFICIALS ON THE ACTIVENESS OF TCCIA IN THE COUNCIL

Level of Activeness	Frequency	Percent (%)
Very Active	11	20.0
Active	32	58.2
Not active	12	21.8
Total	55	100.0

Source: Field Survey data

5.4 ISSUES CONCERNING TCCIA

5.4.1 HOW WELL-KNOWN IS TCCIA

The extent to which TCCIA is known within the community whose interests it seeks to advance was explored in the survey. Of the 165 members of the business community who responded to the question regarding the knowledge of TCCIA, only around 15% stated that they knew TCCIA a lot and 32.7% knew it reasonably well. The remaining respondents know TCCIA only a little or do not know it at all. This suggests that TCCIA needs to do a better job at marketing itself to itself.

TABLE 27: KNOWLEDGE OF THE BUSINESS COMMUNITY ABOUT TCCIA

Level of Understanding	Frequency	Percent (%)
A lot	24	14.5
Reasonably well	54	32.7
Just a little	57	34.5
No knowledge at all	30	18.2
Total	165	100.0

Source: Field Survey data

Despite the disappointing results regarding the extent to which TCCIA is known among the business community, what is interesting is that that community is actually willing to learn more about TCCIA: about 85% of the respondents stated that they want to learn about TCCIA.

TCCIA is therefore being challenged to inform the business community about itself as part of membership recruitment strategy.

TABLE 28: THE NEED OF KNOWLEDGE ON TCCIA BY THE BUSINESS COMMUNITY

Would you like to learn about TCCIA	Frequency	Percent (%)
No	16	15.4
Yes	88	84.6
Total	104	100.0

Source: Field Survey data

5.4.2. MEMBERSHIP: CURRENT AND POTENTIAL

The survey found that 56% of the business communities who responded to the questionnaire were not members of TCCIA; the majority of whom (over 90%) are interested in becoming members of TCCIA (see Table 21). On the issue of fee payment, 91% of the people who responded to this question expressed the view that they were willing to pay the required fees. Some however suggest that the membership fee should be reduced to around TShs 4000. Industrialists are more ready to pay the membership that than traders and farmers. Farmers are the least ready to pay the fee. This suggests that TCCIA is probably seen to be an organization that represents industrialists and traders more than farmers. TCCIA may have to invest in informing the public about its functions and the categories of the business community it represents.

TABLE 29: TCCIA MEMBERSHIP OF BUSINESS COMMUNITY: CURRENT AND POTENTIALS

Are you member of TCCIA/ would like to become member?/pay fee?	Current		Potential members		Willingness to pay fees	
	Frequency	Percent (%)	Frequency	Percent (%)	Frequency	Percent (%)
No	92	56.4	9	9.8	12	8.9
Yes	71	43.6	83	90.2	123	91.1
Total	163	100.0	92	100.0	135	100.0

Source: Field Survey data

Confidence in TCCIA ability to represent members

When the business community was asked whether they believed in TCCIA's ability to represent them, they responded as follows: 15% responded TCCIA ability to represent them was either

very low or low while over 53% believed that the ability was between high and very high. The results are summarized in Table 28.

TABLE 30: PERCEPTIONS OF THE ABILITY OF TCCIA TO REPRESENT BUSINESS COMMUNITY

Do you believe that TCCIA can represent you on matters pertaining to levies and other related matters	Frequency	Percent (%)
Very low	11	7.2
Low	12	7.8
Average	48	31.4
High	60	39.2
Very high	22	14.4
Total	153	100.0

Source: Field Survey data

5.5 BUSINESS DEVELOPMENT IN TANZANIA: CHALLENGES

It is not only the nuisance levies that affect business operation in Tanzania. A number of other factors have been mentioned by respondents. In particular, accessibility and high cost of inputs, poor infrastructures, limited access to finance and high cost of finance, unreliable market for the produce, and lack of business training are among other important factors that hinder business development in different regions in Tanzania. Unreliable supply of and high cost of electricity is also identified as one important factor hindering business and industrial development in Tanzania. Other factors affecting business and industrial development in Tanzania include high cost of spare parts, corruption, poverty, and political will.

6: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1 SUMMARY IN RELATION TO TORS

In summary the Terms of Reference for this assignment have been addressed. Items I and II of the TORs which ask for a clear overview of levies used and the way they are raised as well as differences between councils have been addressed by showing the list of levies that LGAs can impose as provided for by the law and by describing the process of developing levies. A list of different levies being charged by different councils has been provided in appendix 5. Item III of the TORs has been addressed in section 3 of the report. Item IV which concerns the criteria for developing each level of levy by different LGAs can be answered by taking note of the fact that

LGAs have varying social economic environments and these are the determining factors. Further, levies are developed for any of the four reasons: raising revenue, regulating behavior of citizens, enforcing rules and to recover costs for facilities used. But the overarching factor is the socioeconomic situation of the council. The LFA has contains a long list of possible levies that an LGA can impose depending on the socioeconomic situation that prevails in a council. Item V of the TOR which requires determination of the effect of levies on the competitiveness of business in councils/districts bordering neighboring countries has been addressed in part 4.6 of the report. It was reported that the border effect was negligible or nonexistent.

6.2 CONCLUSIONS AND RECOMMENDATIONS

The conclusions and recommendations below highlight the challenges observed in the levy system and the opportunities available that can be exploited in order to further improve the system.

6.2.1 NUISANCE LEVIES

Complaints continue to put forward that nuisance taxes/levies which were abolished in Government in 2003 have continued to be charged by LGAs. This issue however, seems to be marred in ambiguity. The reviewed studies suggest that the abolished levies continue to be charged. They also report that because of the closeness between names of levies currently being charged and the names of the abolished ones it has hard to say whether the abolished levies are not being charged. However, the survey shows that the majority of the business community and even VEOs and MEOs feel that the abolished levies have continued to be charged by LGAs. These feelings seem to be based on the fact that the abolished levies have not been clearly communicated to citizens in an effective manner. Also, as mentioned below, the general lack of knowledge by citizens and the business community regarding levies being charge by their councils may have contributed in making citizens keep the belief that the nuisance levies have not in reality been stopped. We recommend that more transparency should be exercised around this issue. The abolished levies should be published by each LGA in its jurisdiction to help citizens tell apart the nuisance levies from the current legitimate ones.

6.2.2 DEVELOPMENT OF BY-LAWS

This study has investigated the manner way in which the Local Government Levy System works in Tanzania mainland. It has explored the legal framework for levies in mainland Tanzania for evolving and charging levies. The framework has been found to provide required space for citizens and members of the business community to participate in evolving levies as well as the mechanisms of enforcing them. It must be seen that this is consistent with the spirit contained of the Constitution of the United Republic of Tanzania. Sect 146 (1) of the Constitution states that

‘The purpose of having local government authorities is to transfer authority to the people. Local government authorities shall the right and power to participate and involve people

in the planning and implementation of development programmes within their respective areas and generally throughout the country’.

The Local government Act is therefore in conformity with the Constitution as it provides for a participatory process in which levies can be developed and enforced. Notwithstanding this, reality has been found to be at variance with the governing framework. Both the case studies and the surveys have shown that citizens and the business community in particular are not aware of the opportunities provided by the legal framework to participate in the development by-laws which are the instruments through which levies are developed and enforced. The business community which is payer of the levy lacks knowledge of so many aspects of the by-law development processes including the right to give opinions at the full council on the proposals that by-laws seek to propose. There is also lack of knowledge on the importance of the bylaws in shaping the business environment. This is a major anomaly because it means until now the business community and citizens in general have been taking the business environment as a given rather than as something they can actively influence.

The foregoing suggest that a large number of problems related to levies in local government can be solved by engaging in the process of educating citizens and the business community in general on the role of by-laws in shaping the business environment as well as the specific issue of levies. We recommend that PMO-RALG should engage the local government authorities through to undertake a process of explaining to their business community the process of by-laws and the levies in place in their jurisdictions. Issues such as procedures to be followed to be able to effectively participate in the development of the by-laws should be covered. Education to the public can be achieved in various ways including sponsoring TV programmes, preparation of easy-to-read brochures etc.

6.2.3 CURRENT LEVIES IN LGAS AND THEIR USE

The levies that are charged by the LGAs are seen by the majority of the business community to be many, unclear and involve high rates. This could be one of the reasons why collection of revenues by LGAs is low, i.e. administrative involvement called upon by the many levies that are not well understood would be causing revenues due to LGAs to go uncollected. The multiplicity of levies could be responsible for the lack of clarity that the business community has reported. We recommend that PMO-RALG encourages LGAs to undertake a review of their levies with the view to rationalizing them. The process should be participatory so that citizens and the business community in particular get to better understand the levies they are required to pay. In addition, councils should generally educate their people about the levies and levies that are the basis for charging such levies. This can be achieved by printing simple booklets which VEOs and MEO can be issued with and encouraged to explain them to their people. The booklets can also be distributed at village/mitaa meetings.

The perennial question of lack of link between levies collected and improvement in the business environment has come up in all phases of this study. The studies reviewed in the initial stages of the study pointed it out and the field work reconfirmed this concern. While, it is generally difficult to link directly the services provided and the collections made, there is need to look at this issue more closely and help citizens understand that the levies they pay are used to benefit them. The tabling of income statements that citizens can understand would go a long way in helping them to connect the collections made by their councils and the types and quality of services that they experience in their councils.

6.2.4 THE ROLE OF TCCIA

The role of TCCIA in the development of levies and other issues that affect the business environment have been highlighted. Of significance is the fact that Local government authorities are interested in engaging with TCCIA to discuss issues that affect their members. Commenting on the bylaws at full council and communicating directly with LGA management are some of the aspects of the broader private sector- Government interactions that TCCIA should take advantage of. Further, it appears that TCCIA is well perceived and a large number of people appear to be interested in joining and paying the require membership fee as well as have TCCIA represent them in various dialogues with government. TCCIA should therefore take advantage of this situation to recruit more members. One of the major challenges observed during the case studies was the capacity of the regional offices to interact with LGAs in their regions and engage councils in constructive dialogues. The TCCIA regional offices needed to improve their capacity to interact and influence decisions in LGAs to advance the interest of members.

6.2.5 GOOD GOVERNANCE ISSUES

In all the four councils visited, there was no information posted on the notice boards on by-laws currently being used by their councils. However, a principle of good governance, the tax payers and the public in general are entitled to know the levies they are required to pay including the rate and other related aspects. The lack of this basic information is an anomaly that goes against the principles of good governance which are being promoted under the Local Government Reform Programme. The availability of the by-laws is important for openness and accountability purposes. The list of by-laws should be posted on the council offices, ward and village/Mtaa notice boards and other relevant places which can be accessed by the public e.g. market places or major business centers. Iringa District Council has started to do this by publishing levies on crops and posting then by the road side. This way, it would be hard for levy collectors to ask for more than required (or corruption) but would also help citizens to plan and demand accountability from their leaders.

A major complaint from the business community as reported in the case studies was the lack of dialogue between the Council officials and the business community. The officials are seen as

operating like police with interest only in collecting the taxes/levies without due consideration of its effects on the business and the citizens' wellbeing. It was reported for example that the hotel levy in Morogoro had become controversial and lead to some strange practices to collect such as tax officials visiting hotels at night to inspect on bed use. Also, in all the four councils, small kiosk operators were allowed to do business on the corridors of other more formalized and registered businesses depriving the licensed businesses. This is not healthy as it introduces unfair competition and encourages non-compliance with levies regulations including payment.

7: APPENDICES

Appendix 1: Documents and Studies reviewed

1. Local Government Act No. 7, 1982
2. Local Government Act No. 8, 1982
3. Local Government Finance Act No. 9, 1982
4. TCCIA Strategic Plan 2009/10-2013/14
5. TCCIA Draft Constitution, 2009
6. Maal, Simen Jansen. 2007. An econometric study of how various sources revenue affects public expenditure in local governments. Master of Economic Theory and Econometrics degree thesis, University of Oslo. (unpublished)
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8. Report on the implementation of the Government Decision to abolish nuisance Taxes in 2003, TCCIA Arusha
9. Report on the implementation of the Government Decision to abolish nuisance Taxes in 2003, TCCIA Mbeya
10. EALGA study on the Impact of the East Africa Common Market Protocol on Local Governments in Partner States, EALGA report, 2009
11. Study of the Burden of Local taxes on Agricultural Sector, World Bank Group

Annex 2: People Consulted/interviewed

a) People consulted during phase I of the study

S/N	Name	Position and Organization	Date
1	Ms. Specioza Mashauri	Ag. Executive Director, TCCIA	22/12/2009
2	Ms. Magdalena Mkocho	Senior Chamber Development Officer (TCCIA)	22/12/2009

3	Mr. Lazeck W. Kabuje	Assistant Director, Local Government Inspectorate, PMO-RALG	15/01/10
4	Mr. Kahitwa,	Ag. Deputy Director, Local governments, PMO-RALG	15/01/10
5	Mr. E. A. Ngatale	Principal State Attorney, PMO-RALG	15/01/10
6	Mr Sagini,	Deputy Permanent Secretary and Acting Permanent Secretary	15/01/10
7	Mr.	Director Legal Services	15/01/10

b) List of persons interviewed in the Case Councils

S/N	Name	Position
Morogoro Municipal Council		
1	Ms. Adanti Tasiani	Secretary- MVIWATA Morogoro
2	Ms. Marcellina Charles	Consultant – MVIWATA – Morogoro
3	Mr. Geoffrey Mbaga	Regional Chairperson, TCCIA Morogoro
4	Mr. V.C Biyoma	Chairperson, Metal Works Cluster (TCCIA Morogoro)
5	Dr. Kama Issack	Ag. Municipal Director
6	Mr. Nicholas J. Haraba	Senior Accountant – MMC
7	Mr Rutaiwa John	Municipal Market Officer
8	Mr Ernest Makundi	Municipal Trade Officer
9	Ms Victoria Mavura	Municipal Legal Officer
10	Siad Mwambu	District Commissioner
11	Mr Benevenut Lova	DAS Mvomero

12	Mr Mchovu Bruno	DAS – Morogoro
13	Ms Zahra Msangi	Businesswoman – Morogoro
14	Various persons	Various traders at the Morogoro Urban market place
Iringa Rural District		
1	Ms Tina Msekembo	DED
2	Ms Grace Mhagama	Council Lawyer
3	Mr Nasoro Ramadhani	Ag. District Treasurer
4	Mr. James Bangu	Revenue Accountant
5	Mr Gedion Mwinand	DC Office
6	Ms Sifael Kivamba	RAS – Local Government Officer
7	Mr Hammerson Kibona	RAS – Local Government Internal Auditor
8	Alban Lutambi	Hotel and Tours Business Operator
9	Lucas Mtono	Private Agent for enforcing levy collection
10	Elietel Kasimba	Private Agent for enforcing levy collection
11	Mr. Abel Ngata	TCCIA Regional Executive Secretary
12	Mr Batholomeo Major-Kunzugala	Former TCCIA Treasurer
13	Mr. Mihayo	Private business operator and Ex-chaiperson Iringa District Council
14	James Bangu	DC
Kyela District Council		
1	Mr. Senyagwi H. Mhanda	DED
2	Ms Ngaiza Jackline	Council Lawyer

3	Mr Lainie Kamendu	District Treasurer
4	Mr. Clemence kasongo	DPLO
5	J. R Mwakasuge	Trade Officer
6	Mr Iddi Nasibu	TechnoServe- Business Advisor –Cocoa Programme
7	Mr. Godfrey Kabuka	TechnoServe- Business Advisor – Cocoa Programme
8	Mr. Frank Lyimo	TechnoServe- Business Advisor – Cocoa Programme
9	Mr Thabit H S. Mzomozi	Chairperson, Kyela Market & Member of TCCIA
10	Mr. Masomelu U. A. Richard	DAS – DC Office
11	(various persons)	Traders and hawkers at Tanzania/Malawi Border
Rombo District Council		
1	Mr. Samwel C. Kibaja	DED
2	Fransis Kang'ongole	Trade Officer
3	Mr Crispin Mg'anya	Acting District Planning Officer
4	Ms Asha Kingo	Trade Officer
5.	Mr. Andrew J. Kimaryo	Chairman, TCCIA Rombo Branch
6	Mr. Peter Toima	District Commissioner Rombo
7	Mr. Damas Teshs	Businessman – Mkuu Rombo
8	Mr. Christian Akilimali	Businessman – Mkuu Rombo
9	Mr. Didas Shirima	Businessman – Mkuu Rombo
10	Mr. Deostat Tesha	Businessman – Mkuu Rombo
11	Ms Piala Aloyce	Businesswoman – Mkuu Rombo
12	Mr Silvest Silayo	Businessman – Mkuu Rombo and Deputy Chairperson TCCIA Rombo Branch
13	Mr. Nicholas H. Shirima	Chairperson, Rombo Chamber of Commerce Industry and Agriculture (RCCIA)
14	Mr. S. Nanjala	Timber Sawmill owner – Tarakea

15	Mr. S. Simplist	Timber Sawmill owner – Tarakea

Appendix 3: Clusters of Issues to be explored through Case Studies

Cluster 1: Process of by-law development and involvement of stakeholders

- What is the process of developing by-laws in practice? Is it really participatory?
- How knowledgeable are the TCCIA members about the process?
- What forms of participation and information sharing exist at LGA level? How adequate are they?
- Can the private sector be made to take interest in the levy development process? What could be the constraints?
- How can the private sector be more proactive in influencing the development of levies in LGAs
 - Do they participate in the process, if no why? If yes how?
- Are the private sectors listed to if they objected a particular levy?
- How does is the process of developing levies affected by existence of councilors who are also business people? (Are there conflicts of interest?)
- What are the roles of the District Commissioner and the District Business Council in the levy development process?
- What challenges are experienced in the process of developing levies?

Cluster 2: Types of levies on the ground

- What types of levies of levies are currently being charged in case councils?
- How was in the implementation of abolished levies carried out?
- What are the typical challenges in the collection of levies?
- How are these challenges affecting competitiveness of business?
- To what extent are the levies really a ‘**constraint**’ to business in the case councils?
- What options do the Local governments have in view of the CMP? Do they know about it?

Cluster 3: Levels of levies

- Are the levies being charged in the case councils higher the neighboring councils?
- What is the link between the rates charged and the allowances paid to Councilors?
- Are the rates charged causing business to locate from one to the next?

Appendix 4. List of levies chargeable by LGAs

S/N	Type of levy	Where levy is applicable			
		Urban council (sec 6)	District council (sec. 7)	Township authority (sec 8.)	Village council (sec 9.)
1	All monies derived from development levy	√	√	√	√
2	All monies derived from any rate imposed by district council under lgfact or another written law	√	√	√	√
3	All fees and licences granted within the area of the district council under the intoxicating liquors act	√	√	√	√
4	All monies derived from cess payable at source imposed on agro products	√	√	√	√
5	All monies derived from fees charged on the registration of marriages contracted within the area of council	√	√	√	√
6	All fees for licences in respect of theatres or other places of entertainment	√	√	√	√
7	All moneys derived from fees for licences, permits, dues or other charges payable pursuant to the provisions of any by-law made by the urban authority	√	√	√	√
8	Any moneys derived from fines imposed by, or the value of all things or articles forfeited as a result of an order of court	√	√	√	√
9	All moneys derived from rents or fees collected for renting or use of public houses or buildings owned by authority.	√	√	√	√
10	All moneys derived from fees paid in respect of rents of shop, butcheries, market stalls, user charges, service charged and entertainment taxes	√	√	√	√
11	All moneys derived from rates	√	√	√	√
12	All moneys collected under the entertainment Tax Act	√	√	√	√
13	All moneys paid under the hotel levy	√	√	√	√

S/N	Type of levy	Where levy is applicable			
		Urban council (sec 6)	District council (sec. 7)	Township authority (sec 8.)	Village council (sec 9.)
	Act, by the proprietor of guest house				
14	All fees derived from meat inspection and abattoir use	√	√	√	NA
15	20% of all moneys collected by the CG as land rent under Land Act	√	√	√	NA
16	All monies derived from the service levy payable by corporate entities at the rate not exceeding 0.3% of the turnover net of value added tax and excise duty	√	√	√	NA
17	All moneys derived from fees for forest produce and licences		√		√
	Any other money lawfully derived by an authority from any other sources not expressly specified in 1-16 above.	√	√	√	√
18	All taxes imposed on sources of income excluded from the requirements of sect 57,58 & 79 of income tax act (inclusive of retail business, milling, hulling, charcoal business, timber sales and butcheries.	NA	NA	NA	√

Source: Local government finance act 1982

Key: √ = implies that the levy is charged; NA = implies that the Levy is not charged.

Appendix 5: Levies Charged by Local Governments in Mainland Tanzania

a) Sources of revenues for Rural Councils


Council	Property taxes	Land Rent	Produce Cess	Service Levy	Hotel Levy	Licences	Fees and charges	Other revenues
<u>Arumeru</u>	<u>0</u>	<u>0</u>	√		√	√	√	√
<u>Monduli</u>	<u>0</u>	√	√	√	√	√	√	√
<u>Ngorongoro</u>		√	√	<u>0</u>	√	√	√	√
<u>Karatu</u>	√	√	√	√	√	√	√	√
<u>Bagamoyo</u>	√	<u>0</u>	√	√	√	√	√	√
<u>Mafia</u>	<u>0</u>	<u>0</u>	√	√		√	√	√
<u>Kisarawe</u>	<u>0</u>		√	√		√		√
<u>Kibaha</u>	√	<u>0</u>	√	√		√	√	√
<u>Rufiji</u>	<u>0</u>	√	√	√	√	√	√	√
<u>Mkuranga</u>	<u>0</u>	<u>0</u>	√	√	√	√	√	√
<u>Dodoma</u>	<u>0</u>		√				√	√
<u>Kondoa</u>	√	<u>0</u>	√		√	√		√
<u>Mpwapwa</u>	√	√	√	√	√	√	√	√
<u>Kongwa</u>	√	√	√	√	√	√	√	√
<u>Iringa</u>	√	√	√	√		√	√	√
<u>Mufindi</u>	√	√	√	√		√	√	√
<u>Ludewa</u>	√	√	√		√		√	√
<u>Makete</u>		<u>0</u>	√	√		√	√	√
<u>Kigoma</u>		√	<u>0</u>	√		√	√	√
<u>Kasulu</u>		√	√		√	√	√	√
<u>Kibondo</u>				√		√		√
<u>Hai</u>	√	√	√	√	√	√	√	√

Council	Property taxes	Land Rent	Produce Cess	Service Levy	Hotel Levy	Licences	Fees and charges	Other revenues
<u>Moshi</u>	<u>0</u>	√	√	√	√	√	√	√
<u>Rombo</u>	√	√	√	√	√	√	√	√
<u>Same</u>	√	√	√	√	√	√	√	√
<u>Mwanga</u>	<u>0</u>	<u>0</u>	√	√		√	√	√
<u>Nachingwea</u>	<u>0</u>	<u>0</u>	√	√	√	√		√
<u>Kilwa</u>	<u>0</u>	√	√	√	√	√	√	√
<u>Liwale</u>	<u>0</u>		√	√			√	√
<u>Lindi</u>	<u>0</u>	<u>0</u>	√	0			√	√
<u>Ruangwa</u>	√	<u>0</u>	√	√	√	√	√	√
<u>Bunda</u>	√	√	√	√	√	√	√	√
<u>Musoma</u>	√	√		√		√	√	
<u>Serengeti</u>	<u>0</u>	<u>0</u>	√	√	√	√	√	
<u>Tarime</u>	√	√	√			√	√	√
<u>Chunya</u>	√	<u>0</u>	√			√	√	√
<u>Ileje</u>	√	√	√	√	√	√	√	√
<u>Kyela</u>	√	<u>0</u>	√	√	√	√	√	√
<u>Mbeya</u>	<u>0</u>	<u>0</u>	√	√		√	√	√
<u>Mbozi</u>	√	<u>0</u>	√			√	√	√
<u>Rungwe</u>	√	<u>0</u>	√	√	√		√	√
<u>Mbarali</u>	<u>0</u>	<u>0</u>	√	<u>0</u>	√	√	√	√
<u>Morogoro</u>	√	<u>0</u>	√	√	√	√	√	√
<u>Kilosa</u>	√	<u>0</u>	√		√	√	√	√
<u>Kilombero</u>	<u>0</u>	<u>0</u>	√	√	√	√	√	√
<u>Ulanga</u>	<u>0</u>	√	√			√	√	√
<u>Mtwara</u>	<u>0</u>	<u>0</u>	√	√	√	√	√	√

Council	Property taxes	Land Rent	Produce Cess	Service Levy	Hotel Levy	Licences	Fees and charges	Other revenues
<u>Newala</u>			√	√				√
<u>Masasi</u>			√	√			√	√
<u>Tandahimba</u>	<u>0</u>	√	√	√	√	√	√	√
<u>Ukerewe</u>	√	<u>0</u>	√	√		√	√	√
<u>Sengerema</u>	<u>0</u>	<u>0</u>	√	<u>0</u>	√	√	√	√
<u>Geita</u>	√	√	√	√	√	√	√	
<u>Kwimba</u>	√	√	√	√		√	√	
<u>Magu</u>	√	√	√	√		√	√	√
<u>Misungwi</u>	√	<u>0</u>	√	√	√	√	√	√
<u>Songea</u>	√	√	√	√		√	√	√
<u>Tunduru</u>	<u>0</u>	<u>0</u>	√	√		√	√	√
<u>Mbinga</u>	√	√	√	√		√	√	√
<u>Shinyanga</u>	√	√	<u>0</u>	√	<u>0</u>	√	√	√
<u>Maswa</u>	√	√	√	√	√	√		√
<u>Bariadi</u>	√	√	√	√		√	√	√
<u>Kahama</u>	√	<u>0</u>	√	√	√	√	√	√
<u>Meatu</u>	<u>0</u>	√	√	√	√	√	√	√
<u>Bukombe</u>	<u>0</u>	√	√	√	√		√	√
<u>Singida</u>			√			√	√	√
<u>Iramba</u>	√	√	√			√	√	√
<u>Manyoni</u>	√	<u>0</u>	√				√	√
<u>Igunga</u>			√			√	√	√
<u>Nzega</u>	<u>0</u>	<u>0</u>	√	√		√	√	√
<u>Tabora</u>	<u>0</u>	<u>0</u>	√			√	√	√

Council	Property taxes	Land Rent	Produce Cess	Service Levy	Hotel Levy	Licences	Fees and charges	Other revenues
<u>Urambo</u>	√	√	√	√	√	√	√	√
<u>Sikonge</u>	√	√	√			√	√	√
<u>Muheza</u>	√	√	√	√		√	√	√
<u>Pangani</u>	√	0	√	√	√	√	√	√
<u>Korogwe</u>	0	0	√	√	√	√	√	√
<u>Handeni</u>	0	√	√	√	√	√	√	√
<u>Lushoto</u>	√	√	√	√	√	√	√	√
<u>Karagwe</u>	√	√	√			√	√	√
<u>Biharamulo</u>	0	0	√	0	0	√	√	√
<u>Muleba</u>	√	0	√	√		√	√	√
<u>Bukoba</u>	√	0	√	√			√	√
<u>Ngara</u>	0	0	√	√	√	√	√	√
<u>Sumbawanga</u>	√	0	√	√		√	√	
<u>Nkasi</u>		0	√			√		√
<u>Babati</u>		0	√	√	√	√	√	√
<u>Hanang</u>		√	√			√	√	
<u>Kiteto</u>		√	√	√	√	√	√	√
<u>Mbulu</u>	√	0	√	√	√	√	√	√
<u>Simanjiro</u>	√	√	√	√	0	√	√	√

Key: - Councils collecting revenues from the indicated source;

 - councils not collecting revenues from the indicated source


(b) Sources of revenue for urban councils

Council	Property taxes	Land Rent	Produce Cess	Service Levy	Hotel Levy	Licences	Fees and charges	Other revenues
Arusha MC	√	√	√	√	√	√	√	√
Kibaha TC	√					√	√	√
Dodoma MC	√		√	√		√	√	√
Iringa MC	√		√	√		√	√	√
Njombe TC	√	√	√	√	√	√	√	√
Kigoma TC	√			√	√	√	√	√
Moshi MC	√	√		√	√	√	√	√
Lindi TC	√	√	√	√	√	√	√	√
Musoma TC	√	√		√	√	√	√	√
Mbeya MC	√	√		√	√	√	√	√
Morogoro MC	√	√		√	√	√	√	√
Mtwara TC	√		√	√	√	√	√	√
Mwanza CC	√	√		√	√	√	√	√
Songea TC	√	√	√	√	√	√	√	√
Shinyanga MC	√			√	√	√	√	√
Singida TC	√	√		√	√	√	√	√
Tabora MC						√	√	√
Tanga MC	√	√	√	√	√	√	√	√
Korogwe TC	√	√	√	√	√	√	√	√
Bukoba TC	√	√	√	√	√	√	√	√
Ilala MC	√	√		√	√	√	√	√

Council	Property taxes	Land Rent	Produce Cess	Service Levy	Hotel Levy	Licences	Fees and charges	Other revenues
Kinondoni MC	√	√		√	√	√	√	√
Temeke MC	√	√	√	√	√	√	√	√
DSM CC							√	√
Sumbawanga TC	√		√	√	√	√	√	√
Mpanda TC	√	√	√	√			√	√
Babati TC	√	√		√	√	√	√	√

Key: - Councils collecting revenues from the indicated source;

√

 - councils not collecting revenues from the indicated source

Appendix 6: Nuisance Levies abolished by Government in 2003

No.	Type of Levy
1.	Produce cess on sellers.
2.	Produce cess on buyers of timber products (furniture etc).
3.	Produce cess on buyers of crop and forest produce in excess of 5% of farm gate price.
4.	Livestock fee for livestock outside market or not yet sold or not transported by train, lorry or ship or livestock not in transit.
5.	Livestock movement permit
6.	Flat rate refuse collection fee on all solid waste (fee must be charged and collected according to categories of waste).
7.	Abattoir charges for animals not slaughtered in an abattoir.
8.	Slaughter charges in villages.
9.	Cesspit emptying charges on private operators of cesspit emptying services.
10.	Cesspit emptying charges in excess of those charged by private operators.

No.	Type of Levy
11.	Clearing of blocked drains charges on private blocked drains clearing operators.
12.	Clearing of blocked drains charges not to exceed amount charged by private operators.
13.	Health facility user charge on non local government authority health facilities.
14.	Charges on artificial insemination services undertaken by non local government artificial insemination services.
15.	Charges on clean water services provided by private operators.
16.	Charges on sale of seedlings by private persons/non local government authorities.
17.	Livestock dipping services provided by a village council or non local government persons.
18.	Insurance commission charges for services rendered by non local government persons.
19.	Licence fee for non commercial fishing or for personal domestic consumption.
20.	Business licence fees in excess of fees prescribed under the Business Licensing Act.
21.	Intoxicating liquors licence fees in excess of fees prescribed under the Intoxicating Liquors Licensing Act.
22.	Forest produce licence fees in excess of 20% of forest produce fee prescribed under the Forest Act.
23.	Advertisement fees for billboards, posters or hoarding statutorily prescribed under the Companies Act.
24.	License fees for gypsum and limestone for producing lime or manufacturing cement.
25.	Taxi/vehicle registration fees for private vehicles.
26.	License fees for vehicles registered outside the urban authority or not ordinarily housed or kept within the area of the authority.
27.	Tender fees for procurement activities by the central government or non local government persons.
28.	Parking fees for central bus stand parking bays.
29.	Bus stand fees for stands other than central bus stand.
30.	Hunting license fees in excess of 20% of hunting fees charged under the Wildlife Conservation Act.
31.	Registration fees for pharmacies, drug shops, private dispensaries and clinics in excess of 20% of fees collected under any written laws.
32.	Registration fees for government pharmacies, drug shops, dispensaries and clinics.
33.	Registration fees for pharmacies, drug shops, dispensaries and clinics run by religious organizations.
34.	Valuation fees for valuation done by private valuers.
35.	Valuation fees for valuation of public buildings.
36.	Plying fees for private vehicles moving to or from a local government area.

No.	Type of Levy
37.	Scaffolding/hoarding permit fees for fences around completed houses.
38.	Service levy on non corporate entities.
39.	Service levy on corporate entities in excess of 0.3% of turnover net of VAT and excise duty.
40.	Property tax on structures which are not buildings.
41.	Property tax on buildings not in actual occupation.
42.	Property tax on buildings exempted under the Urban Authorities (Rating) Act, 1983.
43.	Property tax on mud houses.
44.	Non commercial fishing levy.
45.	Fishing hawking levy.
46.	Levy on small fish retailers.
47.	Levy on unsold fish in auction marts.
48.	Guest house levy on hotels including tourist hotels and camping tents.
49.	House rent on non local government houses.
50.	Market dues on peasants selling agricultural produce on an on-and- off basis.
51.	Market dues on Magulio managed by village councils.
52.	Market dues on small vendors selling cooked food items such as buns, fried fish and the like.
53.	Burial permit fees.
54.	Bicycle levy.
55.	Pull cart (mkokoteni) levy.
56.	Development levy,

Source: Report prepared for TCCIA by Tax Plan, Arusha, 2008

Appendix 7. Tax Rates for principal taxes on Agriculture Produce

District	Charge/levy	Base	Rate
Monduli	Produce Cess	Selling Price	5%
Oldunyi Sambo	Produce Cess	Selling Price	5%
Hai	Produce Cess	Selling Price	5%
Meru	Produce Cess	Selling Price	4%
Masasi	District Development Levy	Kilogram	30 (TZS)
	Pembejeo Levy	Kilogram	30 (TZS)
	Produce Cess	Selling Price	5%
Ruangwa	District Development Levy	Kilogram	3 (TZS)
	Education Development Levy	Kilogram	5 (TZS)
	Produce Cess	Selling Price	5%
	Ward Development Levy	Kilogram	2 (TZS)
Lindi	Pembejeo Levy	Kilogram	20 (TZS)
	Education Development Levy	Kilogram	5 (TZS)
	Produce Cess	Selling Price	5%
	Education levy for the marginalized	Kilogram	10 (TZS)
Magu	Produce Cess (cotton)	Kilogram	5%
	Produce Cess	Per quintal	500 (TZS)
Kahama	Produce Cess (cotton)	Kilogram	5%
	Produce Cess	Per quintal	500 (TZS)
Bariadi	Produce Cess (cotton)	Kilogram	5%

	Produce Cess	Per quintal	500 (TZS)
Rungwe	Produce Cess (coffee)	Kilogram	5%
	Produce Cess (maize/rice)	Per sack exported out of district	1000 (TZS)
Kyela	Produce Cess (raw rice)	Per Tin (~ 5% of value)	250 (TZS)
	Produce Cess (milled rice)	Per Tin (~ 5% of value)	500 (TZS)
Sumbawanga	Produce Cess (maize/rice)	Per bag (~ 5% of value)	500/700 (TZS)
	Produce Cess (rice)	Per bag (~ 5% of value) exported out of the district	1000 (TZS)
Nkasi	Produce Cess (maize/rice)	Per bag (~ 5% of value)	500/700 (TZS)
	Produce Cess (maize)	Per bag (~ 5% of value) exported out of the district	1000 (TZS)
Mufindi	Produce Cess (maize/rice)		No Tax levied
	Produce Cess (tea)		Levied but details unavailable

Appendix 8: Types of levies and rates applicable to four councils

KYELA DISTRICT COUNCIL

Description	BASE	Amount in Tshs. Or Rate	Compliance with nuisance taxes abolished (Yes/No)
(i)Property Tax			
High Density plots @ Tshs. 1500 per year	Per plot /year	1,500	Yes
Service industry –plots @ Tshs 4,500	Per plot /year	4,500	Yes
ii levy on telephone towers/ masts (Minara)	per tower/year	1,000,000	Yes
2. Produces cess			
(a) USHURU WA KAKAO [COCOA]	lower of Tshs 100 per kg or 3% on average price of 2000 per kg	60	Yes
(b) levy on paddy			
Inapendekezwa kiwango cha ushuru wa mpunga kuwa Sh 200= kwa Plastiki (Kilo 20).	Per 20kgs (20ltr. Plastic)	200	Yes
I levy on rice	per tin (=20ltr plastic)	500	Yes
(d) levy on cashew nuts	per kg price of Tshs 350 at 3%	10	Yes
(e) levy on palm oil .	collection by agent	tshs 6 mill per month	Yes

Description	BASE	Amount in Tshs. Or Rate	Compliance with nuisance taxes abolished (Yes/No)
(f) levy on MBOSA oil	collection by agent	Tshs. 600,000 per month	Yes
(g) USHURU WA MATUNDA	per 'tenga'	500	Yes
3. Business licenses (LESENI ZA BIASHARA)			
I. Guest house levy	per guest house/per month	10,000	Doubtful
II. License on alcohols (VILEO)			
(i) license on local (traditional) alcohols (Pombe za Kienyeji).	Per pub/half year	12,000	No reference to Intoxicating Liquors Licensing Act
(ii) licenses on imported/industrial alcohol	per pub/half year	35,000	No reference to Intoxicating Liquors Licensing Act
III. Levy on permits to buy agro products (VIBALI)			Yes
Cocoa	per permit/per year	320,000	Yes
cashew nuts	per permit/per year	120,000	Yes
Palm oil (Mawese)	per permit/per year	320,000	Yes
Mbosa oil	per permit/per year	120,000	Yes

Description	BASE	Amount in Tshs. Or Rate	Compliance with nuisance taxes abolished (Yes/No)
Paddy	per permit/per year	320,000	Yes
4. Various levies			
I. Township Market levy	per stall/per day	200	Yes
(a) Open Markets (MAGULIO)			
- Ngonga market	weekly	20,000	Yes
-Ngana market	weekly	25,000	Yes
-Busale, Ngyekye, & Lyulilo	weekly	40,000	Yes
(b)Other markets			
(i) IPINDA market (no rate specified)	collection by agent/month	450,000	Yes
(ii) LUBELE market (no rate specified)	collection by agent	300,000	Yes
(III)levy on billboards (MABANGO) no rate specified			
mabango yasiyoakisi shs 5,000,000	lumpsum for all /per year	5 mill	Yes
mabango yanayoakisi 10,000,000	lumpsum for all /per year	10 mill	Yes

Description	BASE	Amount in Tshs. Or Rate	Compliance with nuisance taxes abolished (Yes/No)
5. Fines by MABARAZA YA KATA	fine imposed/per case	3,000	Yes
6. Levy on abattoirs (USHURU WA MACHINJIO)			
Pig (Nguruwe)	per head slaughtered	1,000	Yes
Cow (Ng'ombe)	per head slaughtered	1,500	Yes
Market levy on animals			
Goats	per head	1,000	Yes
Cows	per head	3,000	Yes
7. SERVICE LEVY			
Coca-Cola,- 170,000/= x 12	lumpsum/per month	170,000	Yes
Pepsi, - 170,000/= x 12	lumpsum/per month	170,000	Yes
Sigara, - 150,000/= x 12	lumpsum/per month	150,000	Yes
TBL, - 170,000/= x 12	lumpsum/per month	170,000	Yes
NMB - 100,000/= x 12	lumpsum/per month	100,000	Yes
TANESCO - 150,000/= x 12	lumpsum/per month	150,000	Yes
8. Levy on forest products (MAZAO YA MISITU)			
Sawn timber (Mbao)	per lorry >10ton	15,000	Doubtful

Description	BASE	Amount in Tshs. Or Rate	Compliance with nuisance taxes abolished (Yes/No)
Swan timber (Mbao)	per lorry <10ton	10,000	Doubtful
charcoal	per bag	500	Yes
9. Fishing Fee (LESENI ZA UVUVI)			
leseni za uvuvi (fishing fee) 150 x 13,000/=	per license/per year	13,000	Yes
1 Fishing Vessel licence fees	per vessel per year	13,000	Yes
fee on decorative fish (samaki wa mapambo)			N/A
Fee on fresh and dry fish (samaki wabichi na wakavu)			
Ada ya watalii, watalii 60 kwa mwezi x 2,000/=x 12	per head/per month	2,000	Yes
license fee for guns			
license fee for hunting			
10. Tendering fees	per tender	50,000	Yes
11.Council Agency fees (Insurance, finance institutions, Banks etc)	deductions from employees to be remitted	2%	Yes
Rental income			
hiring of vehicles	per trip	30,000	Yes

Description	BASE	Amount in Tshs. Or Rate	Compliance with nuisance taxes abolished (Yes/No)
renting of council houses	unspecified		
Council Guest house	per room per month	5,000	Yes

MOROGORO MUNICIPAL COUNCIL – LEVY RATES

	DISCRIPTION	RATES CHARGED PER ITEM CODE	LGF ACT/ EXISTING MMC BY- LAW	Compliance with nuisance taxes abolished (Yes/No)
ADMINISTRATION DEPARTMENT				
	Fine and penalty	Tshs 50000 @Per person	LGF ACT of 2000	Yes
	Service levy	Rate is 0.3% of total turnover	Morogoro Municipal Council Service Levy By-laws of 1999	Yes
		excluding VAT	GN No. 311	
	Tender fees	Civil works tender fees @ 50000	Morogoro Municipal Council fees and charges By- laws of 1999	Yes
			GN No. 309	
	Hotel-levy	20% of hotel charges per room	Hotel-levy ACT No. 23 of 1972 and revised	Yes

	DISCRIPTION	RATES CHARGED PER ITEM CODE	LGF ACT/ EXISTING MMC BY- LAW	Compliance with nuisance taxes abolished (Yes/No)
			ACT of 2007	
	Intoxicating liquor licence fees	Bar Tshs 30000 per semi annual		No reference to Intoxicating Liquors Licensing Act
		Hotel-levy Tshs 30000		No reference to Hotel Levy Act
HEALTH DEPARTMENT				
	Cesspit emptying service fee	15,000 per trip	Morogoro Municipal Council solid waste collection charges	Yes
			By-laws of 1995 GN No. 309	
	Refuse collection service fee	15,000 per trip		Yes
			GN No. 309	
ECONOMIC AND PLANNING DEPARTMENT				
	Market stalls/slabs dues	3,000 per each slab/market stalls	Market Bylaws GN No 298 of 15/10 1999	Yes
	Renting for Kiosk	Tshs 15000 @ per	Market Bylaws GN No 298 of	Yes

	DISCRIPTION	RATES CHARGED PER ITEM CODE	LGF ACT/ EXISTING MMC BY- LAW	Compliance with nuisance taxes abolished (Yes/No)
		month	15/10 1999	
		Tshs 10000 @ per month		
WORKS DEPARTMENT				
	Building permit	30,000 per permit	Morogoro Municipal Council fees and charges By- laws of 1999	Yes
			GN No. 309	
	Vehicle Registration fee	5,000 per vehicle		No
	Central Bus Stand fee	1,000 per bus carry passengers 28 above	Morogoro Municipal Council parking fee and bus stand of 2008	Yes
		500 per bus carry passengers 7 to 28	GN No.83	
		300 per taxi and other vehicle		Yes
	Parking fee	200 per hour taxi and other vehicles		Yes
		300 per hour pickup		Yes
		500 per hour lorry exceeding 10 tons		

	DISCRIPTION	RATES CHARGED PER ITEM CODE	LGF ACT/ EXISTING MMC BY- LAW	Compliance with nuisance taxes abolished (Yes/No)
		400 per hour lorry not exceeding 10 tons		Yes
		1,000 per day taxi and other vehicles		Yes
	Permit fees for billboards, posters or hoarding	1,500 per foot		Yes
URBAN PLANNING DEPARTMENT				
	Property tax	rate as per valuation roll of 2002	Morogoro Municipal Council property tax by – law 2002	Yes
		Residents building under High density Tsh.8,000		Yes
		Residents building under Medium density Tsh.10,000		Yes
		Residents building under Low density Tshs.15,000		Yes
		Sand and extraction material 500 per trip		Yes
	Land rent	20% land rent retention from Ministry of Land		Yes

	DISCRIPTION	RATES CHARGED PER ITEM CODE	LGF ACT/ EXISTING MMC BY- LAW	Compliance with nuisance taxes abolished (Yes/No)
AGRICULTURE DEPARTMENT				
	Abattoir slaughter service fee	1,700 per cattle	Morogoro Municipal Council Livestock markets by – law 1997	
	Livestock market fee	1,000 per cattle		

ROMBO DISTRICT COUNCIL

Description	BASE	Amount in Tshs or rate .	Compliance with nuisance taxes abolished (yes/NO)
Abattoir slaughter service fee	per cow	1,000	Yes
Abattoir slaughter service fee	per goat	300	Yes
Building permit fee	per building	3,000	Yes
health facility user charges	per person	500	Yes
revenue from renting of houses	per house	10,000	Yes
insurance commission service fee	amount collected	3%	Yes
land survey service fee	per plot	500,000	Yes
Magulio fees – non industrial	stall/space	100	Yes

Description	BASE	Amount in Tshs or rate .	Compliance with nuisance taxes abolished (yes/NO)
goods			
Magulio fees – industrial goods	stall/space	500 or 200	Yes
Parking fees	per vehicle/month	750,000	Yes
Permit fees for billboards, posters or hoarding	per billboard/year	5,000	Yes
tender fee	per tender	30,000 to 50,000	Yes
land rent	per hectare	30,000	Yes
other fines and penalties			
coffee crop cess	selling value	5%	Yes
other food crop cess	selling value	5%	Yes
charcoal produce cess	per bag	600	Yes
timber produce cess			
guest house levy	per guesthouse/year	10,000	No reference to hotel levy Act
building materials extraction license fee	per ton	800	Yes
property tax			
service levy	per turnover	0.03%	Yes
intoxicating liquor license fee			

IRINGA DISTRICT COUNCIL – LEVY RATES

Description	Base	Amount in Tshs or Rate	Comments on compliance to nuisance taxes abolished
Livestock market – itunundu	Contract/month	800,000	Yes
Livestock market – ilolompya	Contract/month	500,000	Yes
Livestock market – Mlowa	Contract/month	450,000	Yes
Livestock – market	Per goat	2,000	Yes
Livestock – market	Per cow	6,000	Yes
Livestock – market (Kiwere)	Per cow	5,000	Yes
Livestock –market	Per pig	5,000	Yes
Chicken	Per chicken	200	Yes
Market due (Magulilwa)	Lumpsum/per month	30,000	Yes
Market due –(Mgama)	Lumpsum/month	30,000	Yes
Paddy Cess	Value	3%	Ye s
Tomatoes – Cess	Value	3%	Yes
Groundnuts – Cess	Value	3%	Yes
Alizeti – Cess	Value	3%	Yes
Maize – Cess	Value	3%	Yes
Beans – Cess	Value	3%	Yes
Ulanzi – Cess	Value	3%	Yes
Cow Peas – Cess	Value	3%	Yes

Description	Base	Amount in Tshs or Rate	Comments on compliance to nuisance taxes abolished
Irish Potatoes – Cess	Value	3%	Yes
Barley – Cess	Value	3%	Yes
Flowers – Cess	Value	3%	Yes
Service Levy	value	0.03%	yes
Fish	Contract/month	1,750,000	Yes
Building materials – bricks/stones	Monthly permit	5,000	Yes
License fee	Fixed		
Penalties	various	50,000- 300,000	
Construction materia levy (moram, stone, bricks, sand)	Fixed –	5,000	
Mabaraza ya kata	Unspecified	Unspecified	