



## Assessing the Effective Mechanisms for Property Tax Collection in Tanzania: A Case Study of Kinondoni Tax Region

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### Abstract

*Property tax collection in Tanzania is perceived to be ineffective, and the mechanisms for making it effective are unknown. This study investigated the effectiveness of Tanzania's property tax collection mechanisms by assessing the effectiveness of property tax collection methods, the regulatory framework used in property tax collection, and taxpayers' attitudes toward property tax collection. A sample of one hundred taxpayers and TRA officials were used in a descriptive research design. Descriptive statistics were used to analyze the data and ascertain respondents' opinions regarding Tanzania's efficient property tax collection methods. The study's conclusions demonstrated the following: comprehensive registration, monitoring, and follow-up on property tax payments by all owners of taxable properties was the most effective regulatory framework of property tax collection, followed by adequate monitoring and follow-up of TRA/LGAs by the central government; property taxpayers had a positive perception of property tax payment methods; and automatic deduction of property tax payable by the house/buildings when purchasing LUKU was the most effective property tax collection method compared to other collection methods followed by centralization of property tax collection to TRA. The study concluded that the most efficient ways to collect taxes are to send property tax bills and control numbers to taxpayers via their mobile phones, automatically deduct property tax when buying LUKU, and centralize tax collection to TRA rather than to LGAs.*

*Keywords: Tax, Property Tax, Taxpayers, Tax Collection, Regulatory Framework.*

### 1. Introduction

The Central and local governments rely heavily on taxes collected from diverse sources to fund a range of public development initiatives (Jemiluyi & Jeke, 2023; Newman et al., 2019; Makame, 2015). In many parts of the world, property taxes are among the tax sources that most nations use to generate the local revenues needed by governments to pay for public expenses. Owners of

residential and commercial properties as well as other types of buildings under the specific jurisdiction of a local government authority (LGA) are required to pay this type of tax.

Property taxation began in Tanzania in 1982 with the establishment of the Local Government Authorities Acts and the reintroduction of the LGAs in 1984. This Act divides the LGAs into urban and rural authorities. The

two authorities share the responsibility of providing public services to the populace and various stakeholders within their respective jurisdictions. This implies that LGAs are responsible for providing a broad range of social services, such as infrastructure (water, education, health, and so forth) and social services. They must also ensure that dependable services are provided fairly and that people's social well-being is realized within their jurisdictions (Mdee & Thorley, 2016).

When the Local Government Authorities Acts were established in Tanzania in 1982 and the LGAs were reintroduced in 1984, property taxation started. The LGAs are split into urban and rural authorities under this Act. The provision of public services to the people and different stakeholders within their respective jurisdictions is a shared duty between the two authorities. This means that the provision of a wide range of social services, including social and physical infrastructure (water, education, health, and infrastructure, to name a few), falls under the purview of LGAs. In their jurisdictions, they must also guarantee that people's social well-being is achieved and that dependable services are distributed equitably (Mdee, & Thorley, 2016).

Due to its prominence and reluctance to transfer taxable residential and commercial buildings to other tax authorities, property tax has historically been associated with the municipal authority (Mosha, 2010). Additionally, the property tax was viewed as a pertinent source of income for LGAs because of the association between the type of services provided by LGAs and the increase in property values. Furthermore, the property tax became a significant local source of income due to the services provided by LGAs and the increase in land valuation. On the contrary, the relationship between property tax and

local government authorities (LGAs) serves as a tax source independent of the body responsible for collecting taxes; it has consistently been a dependable internal source of funding for LGAs in urban areas (Elibariki, 2013).

With a few exceptions, such as public utility properties, properties owned by religious organizations, cemeteries, and government-owned properties, all properties within these rateable areas are subject to property tax. This is done in order to ensure effective management of the tax by the City Councils, Municipal Councils, Town Councils, and District Councils (Elibariki, 2013).

The government enacted property tax reform in 1993 to streamline property tax and enable the LGAs to collect the necessary funds to provide the quality and quantity of social services and physical infrastructure, following the establishment and operation of the LGAs in the delivery of state services.

Despite the efforts made thus far to improve the efficacy of property taxation, prior research has revealed that the reduced tax base, inadequate property tax administration, lack of tax rolls, informal occupations typified by slums, low valuation, and inadequacies in law enforcement have all contributed to the criticism of property tax collection (Muzanye, 2013).

In addition, weak collection, low projections, insufficient penetration, and an antiquated tax structure all contribute to property tax collections that fall short of potential (Elibariki, 2013). Nevertheless, the limited financial bases of the LGAs are exacerbated by the inefficient government and insufficient base distribution. This reflects how challenging it has been to enforce the property tax. In addition to these difficulties, research has shown that developing a sustainable system to efficiently

and economically manage the recurrent property tax and other own-source revenues is necessary if future urban infrastructure is to be properly maintained and service levels are to be raised (McCluskey, et al. 2018).

Without a doubt, one of Tanzania's most dependable tax sources is property tax. It gives governments the local income they need to pay for public expenses, mostly related to the provision of social services like infrastructure, water, health care, and education (Eliamini, 2018). Notwithstanding the fundamental necessity of this type of taxation, discussions about its administration and management are, in general, becoming more and more significant among the public, local government finance spectrum, and the government. Property tax administration and collection responsibilities have frequently switched between LGAs and TRA in Tanzania during the previous three decades since the tax was formalized (Daudi, 2017). A significant number of researchers have argued that neither of the two organs involved in property tax collection and administration has been effective (Raymond, 2013; Kipilimba, 2013; Daudi, 2017).

Even the recently implemented mechanism of collecting property taxes through direct deductions of monthly installments once LUKU is purchased for taxable houses and other types of buildings connected with electrical energy meters has begun to face enormous setbacks, which account for its ineffectiveness. For example, the media has reported on public concerns about double standards, in which owners of taxable buildings with electricity meters pay a higher tax than owners of houses without electricity meters. Other setbacks are low awareness about property tax collection payment through purchase of LUKU, making direct deductions

from anyone purchasing LUKU using electricity meter of the buildings regardless is the owner or not without clear mechanism for compensation, incorrect tax deductions and high tax charges. Due to these challenges, property tax collection in Tanzania not yet effective and the mechanisms to make it effective not yet understood. In order to bridge the gap, this study investigated mechanism for effective collection of property tax in Tanzania focusing on Kinondoni tax region.

The study's overall goal was to assess Tanzania's effective mechanism for collecting property tax by specifically examining the effectiveness of property tax collection, the effectiveness of the regulatory framework, and taxpayers' perceptions of effective property tax collection in the Kinondoni tax region

## **2. Literature Review**

### **THEORETICAL REVIEW**

Existing theories related to the study are included in the theoretical review.

#### ***Agency theory***

Agency is the practice of managing productive resources owned by one person or a group by another person or group of people, resulting in a principal and agent relationship (Kitojo, 2014). According to the theory, this relationship is a type of contract in which one or more principals appoint another person or persons as their agent(s) to perform a service on their behalf. The principal delegated some decision-making authority to the agent to enable this performance (Kitojo, 2014). According to the theory, both the principal and the agent want to maximize their benefits (Ayee, 2008).

However, the principal is deprived due to a lack of information such as the agent's actual ability and

behavior that should be devoted to maximizing the principal's interest. To ensure success, the principal typically establishes a contract that is appealing to the agent in order to ensure the best use of abilities and behavior to maximize the principal's interest (Ssenkooba, 2010). According to Massawe (2020), the principal is unlikely to control the agent's ability and behavior with high accuracy due to motivation issues and limited information about the agent. According to the author, effective motivation to direct and sustain desired work behavior, as well as having adequate information about the agent (via close monitoring and follow-up), can maximize the principal's benefits from the agent.

The agency theory is frequently used in understanding how the principal can secure the maximum best benefits through the agents and is thus very appropriate to ensure that an effective mechanism is in place in the property tax collection by the Government (principal) through the TRA (agent).

Based on this theory, the government must ensure that there is a proper mechanism in place to ensure that TRA works to the best of its abilities and that its behavior maximizes property tax collection and administration. As noted by (Namazi, 2013), the government should control the TRA through close supervision, motivation, monitoring, and follow-up, as well as holding the agent accountable for failures. According to the theory, the TRA has more information on the number of taxable properties and compliance levels than the government. This means that an effective property tax collection mechanism requires the government to ensure that it has timely, reliable, and adequate information about the number of taxable properties and actual tax collection.

Given that the TRA also deals with taxpayers who may be unwilling to comply with property tax, it must establish a mechanism to maximize presumptive tax extraction from taxpayers. This can be accomplished by registering all taxable properties, improving property tax education, supervising property taxpayers, motivating them, monitoring and following up on tax payments, holding defaulters accountable, and ensuring the availability of timely, reliable, and adequate information regarding the number of taxable properties.

### ***Institution theory***

According to Scott (2005), the goal of institutional theory is to provide a thorough understanding of the social structure. It is a process in which structures such as rules, norms, and routines provide authoritative guidelines for social structures. Furthermore, Scott (2005) stated that social structures within an institution have achieved the highest level of social resilience. These are composed of cultural-cognitive, normative, and regulative components that, when combined with activities and resources, produce a stable and meaningful social life.

This theory regards TRA as an institution with well-defined structures and mechanisms for the purpose of creating order in tax collection and regulating taxpayer behavior in order to ensure tax collection. To accomplish this, the TRA should develop and implement available rules, regulations, and procedures to instill tax compliance behavior, such as providing adequate tax education and imposing tax penalties for noncompliance. According to Muzanye (2013), the effective application of applicable tax laws, regulations, and procedures could improve the mechanism for collecting property tax.

### **Perception Theory**

Perception theory assumes that the more favorable a person's perception of a subject is, the more likely that person will like or like it (Andika et al., 2023; Erick, 2015). This theory's major construct is perception, which is defined as the degree to which a person has favorable or unfavorable information about a subject. Erick (2015) defined perception as a positive or negative feeling or mental state of readiness developed through learning or experience that exerts specific influences on an individual's response to a specific object or situation. By applying these definitions to this study, perception refers to a positive or negative feeling about the property tax collection methods. It can also imply favorable or unfavorable information that owners of taxable properties have regarding property tax, which accounts for the effectiveness or ineffectiveness of property tax collection in the country (Tumoro, 2020).

Despite widespread acceptance of the perception theory among researchers who studied the impact of a person's or group of people's perceptions on subjects such as product purchasing behavior or use of technological products (Mwangangi & Memba, 2022; Kiunsi, 2013; Mazwile, 2014; Erick, 2015), the theory is not without criticism. For example, the theory has been criticized for being highly subjective due to the lack of established common measures of perceptions. As a result, when applying this theory, one should rely on subjective measures that are appropriate for the context.

The Perception theory is relevant to this study because its third specific objective is to investigate Tanzanian attitudes toward property tax collection. As a result, perception theory is very useful in understanding whether or not property taxpayers have favorable or

unfavorable information about property tax collection methods, and how specific information can be used to improve the effectiveness of property tax collection mechanisms. To make measurement easier, three items taken from Ali, Fjeldstad, and Katera (2018) will be used to gauge property taxpayers' perceptions: whether or not they have positive or negative information regarding property tax assessment; whether or not they have positive or negative information regarding property tax rates; and whether or not they have positive or negative information regarding property tax collection.

### **EMPIRICAL REVIEW**

#### **Tax collection mechanisms and effectiveness of tax collection**

Throughout the world, local governments rely heavily on property taxes as a source of funding. This is because its components are fixed, making it predictable. Nevertheless, it is challenging for local governments to efficiently raise money from this significant source. At this point, Sumaila, Alhassan, & Sakara (2014) looked at the tactics and mechanisms used to mobilize property rates within the particular framework of Ghana's Kassena-Nankana Municipality. Using a case study approach, information was gathered by means of interviews with influential Municipality officials as well as randomly chosen revenue collectors and property owners.

According to the study, property was valued in 2009 in order to assign a tax rate to various items. The statutory requirement for revaluation to be completed every five years was not met in 2014, primarily because of insufficient resources and insufficient expertise.

The aforementioned study also showed that the Municipality used a variety of strategies to increase revenue from the already deficient property tax system. A property tax task force was established, the public was made aware of the issue through radio talks and announcements, tax defaulters were penalized, revenue collectors received regular training, the system for addressing properties and street names was strengthened, a revenue database was created, and some property tax collections were outsourced to private companies.

Property owners' lack of willingness to pay, the absence of professional valuation officers, the inadequate administrative framework for property tax mobilization, and a lack of political will to enforce regulations all continued to hinder the campaign despite the various mechanisms and tactics employed. Since property taxes are simple to collect when the system is in place, they are one of the municipal governments' internal, dependable, and cost-effective sources of income. The effectiveness of the property tax collection system is contingent upon various factors, the two primary ones being taxpayer education and the degree of public service rendered by the government in exchange.

In many developing nations, local governments are in charge of collecting property taxes, however occasionally central governments impose restrictions. However, because LGAs have very little influence over property taxes, the national government is typically in charge of tax collection in transition countries. The owner of the property is ultimately responsible for paying the taxes, though occasionally the occupier is also held accountable. Typically, property taxes are assessed once a year and must be paid within a certain time frame.

Depending on the requirements of the law, payment may be made in one or more installments. High rates of tax delinquency indicate that paying after the deadline is a common practice in developing nations, which lowers the amount of money collected from the property tax source. According to Bird and Slack (2002), tax arrears as a percentage of anticipated revenues are significantly higher in developing and transitional nations. For instance, land tax in Russia is nearly 70%, while tax arrears in parts of Kenya and the Philippines are 50%.

Raymond (2013) evaluated the difficulties of Kinondoni municipal property tax collection system and made recommendations on how to make things better. Representatives from a sample of the Region's LGAs/TRAs as well as property taxpayers provided the data. Data were gathered from the chosen sample of 150 residents from Tandale, Manzese, Sinza, Kinondoni, and Mikocheni using questionnaires, interviews, and observation. Package for statistics descriptive statistics were used in the data analysis, which was made easier with the use of SPSS. The main issue this study found was resistance from settlers who say they don't understand what their money is used for because they still live with trash outside their gates. Long valuation procedures, outdated databases, inadequate system, and ignorance of property taxes were also noted as challenges. To solve the issues, the relevant authorities must give them their full attention right away in order to ensure that the system functions properly.

#### **Regulatory Framework and effectiveness of property tax collection**

As stated in Section 48 of the Rating Act, all owners of rentable property are obligated to pay property taxes (Kayuza, 2006). According to Section 46 of the Rating

Act, the rating authority may demand the amount due and payable rate from a tenant or occupier in the event that the owner of the rentable property is not present. Following payment, the tenant or occupier is entitled to deduct the amount paid from any rent or other sum that they owe the property owner or their successor in title.

Property taxes can be collected thanks to the procedures for invoicing, gathering, and enforcing them. The valuation offices of the rating authorities prepare the bills or demand notices, which are then mailed or personally delivered to the property owner. Despite having a thirty-day window for payment, the property taxpayer decides when to pay the tax liability after receiving a demand notice. It has been observed that the statute does not specify the billing date or the payment date (McCluskey & Franzsen, 2005). Instead, each rating authority sends the ratepayer a demand notice that includes a deadline. The common due date is thirty days from the date the ratepayer received the notice.

The rates for property taxes are set annually and are typically paid in one lump sum. The date on which the taxpayer must pay the entire annual amount of property taxes to the rating authority is specified in the demand notice that they receive. Two laws, the Local Government Finances Act of 1982 and the Urban Authorities Rating Act of 1983, provide enforcement mechanisms and procedures for property tax compliance. Despite the fact that the law offers enforcement tools, councils struggle to put them into practice in order to enforce property tax compliance.

Kipilimba (2013) evaluated the effects of tax administration—specifically, the Dar es Salaam region—on government revenue in Tanzania. This study is more efficient and scientific because the necessary data was

gathered through the use of questionnaires. Out of the 100 respondents who were intended for the study, the researcher was able to gather data from 85 of them. The analysis of the study's findings showed that the primary elements that improve Tanzania's efficient tax administration are well-designed taxes, efficient tax laws and policies, tax administrative structures, tax collection strategies, appropriate use of computerized systems, outsourcing revenue collections to private tax collectors, intensive coordination with other entities, and proper maintenance of taxpayer records.

Research on the variables affecting tax compliance in Dar es Salaam was done by Hamisi (2017), with a focus on the degree of tax compliance. A descriptive research design was chosen, and surveys were conducted with a sample of 80 taxpayers in three municipalities in Dar es Salaam: Kinondoni, Ilala, and Temeke. Through the use of structured questions, in-person interviews, observations, and focus groups, the researcher gathered data from primary sources. Additionally, through reviews of publications and files, websites, research reports, and published and unpublished documents, the researcher gathered data from secondary sources. It was demonstrated that taxpayers' favorable opinions of the use of taxes paid were bolstered by their availability to public utilities, which in turn led to a rise in tax compliance. The researcher made the case that taxpayers' perceptions of how taxes are used and the information they have available to them regarding tax compliance influence the degree of tax compliance. The results of this study showed that non-compliance was caused by negative perceptions (emotions or mental states of preparedness) about property tax registration, valuation, assessment, amount, and payment mode.

Similarly, Nuryanah, Mahabbatussalma, & Satrio, (2023) analyzed the effectiveness of the government reform in MSMEs tax administration by examining the perceptions of taxpayers in Indonesia. The study focused on the issuance of tax regulation based on equity, certainty, convenience, and economy. The study used primary data collected from a survey of 518 MSME. The study results indicated that the majority of respondents perceived that the nation's income tax regulations on MSMEs after reform effectively support equity, certainty, convenience, and economy on taxation.

### **Perception of tax payment and effectiveness of property tax collection**

Individuals' perceptions of a subject matter are based on their favorable or unfavorable information, which helps them determine whether they like or dislike it (Nduruchi, Makokha, and Namusonge 2017). According to Eck (2015), perception can also refer to a feeling—whether good or negative—or a mental state of readiness that is acquired via knowledge or experience. Perception is used in this study's context in accordance with Nduruchi et al. (2015)'s concept of favorable or unfavorable information regarding a variety of property tax-related topics, including property tax registration, valuation, tax assessment, tax amount, and payment method.

A 2015 study by the Zanzibar-based Makame report revealed that taxpayers preferred not to pay taxes unless they were forced to do so by circumstances. Among other things, a bad opinion of taxes may have contributed to the unwillingness to pay taxes (Erick, 2015). The perception of taxpayers regarding taxes has an impact on tax compliance, according to a 2015 Elly survey conducted among 158 respondents to profile attributes articulating SMEs' tax compliance in Tanzania.

The researcher identified several dimensions of perception, including the sense that taxpayers pay fair taxes, the perception of the rationale behind paying taxes, the ease of understanding tax laws, and the tax rates or amount levied.

Chisumpa et al., (2020) conducted a study to determine factors that influence tax compliance among SMEs in the Ndola Business Centre in Zambia using primary data collected using a set of questionnaires. Descriptive analysis of the results presented in tables and charts and PSP - the statistical tool was used to establish factors that influence tax compliance in the region. The study established that high tax rates negatively affected the SMEs tax compliance while high tax compliance costs, low levels of tax education and the negative attitude of taxpayers unfavorably influenced tax compliance.

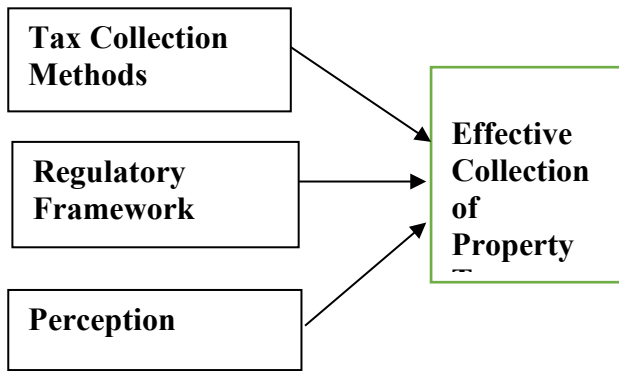
Abjadi, Wiketye & Mpogole, (2023) surveyed 63 SMEs in Iringa Municipality using descriptive research design. The study's regression data showed that tax payers' education had a positive effect on tax compliance while high tax rates were seen as discouraging tax compliance among taxpayers. Moreover, the study concluded that high tax penalties positively influence tax compliance. Accordingly, the study made suggestion for policies to enforce fair and at moderate level taxes with strategies that emphasises tax payers' education aiming to increase tax compliance.

### **CONCEPTUAL FRAMEWORK**

Based on literature, the following relationship between the independent variables and the dependent variable is assumed by the study:

<b>Independent Variables</b>	<b>Dependent Variables</b>
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**Figure 1:** Conceptual Framework  
**Source:** Researcher, (2021)

### 3. Methodology

To establish the relationship between variables studied, the research used a descriptive research design with quantitative estimations of the mean, standard deviations, and percentages of data. According to the TRA tax statistics report for 2020, the study used Kinondoni tax region in Dar es Salaam as the leading business hubs.

The study's target population included all employees of the TRA and the Kinondoni local government authority (LGA) in charge of collecting property taxes. As a result, the formular proposed by Tejada and Paunzalan (2012) yielded a sample size of 100 employees from TRA and LGA in Kinondoni. Purposive sampling was used to select the respondents.

For the study, primary data were gathered. A questionnaire was used to collect data from the obtained sample. Two questionnaires were created, one for property tax collectors and one for property taxpayers. The questionnaire included open-ended and closed-ended questions to allow respondents to provide their own explanatory opinions and make the study data more comprehensive.

Descriptive statistics were also used for data analysis to depict the mean values and standard deviation of the data to capture characteristics of research data. The questionnaire responses were evaluated using a 5 point Likert scale

### 4. Findings

This section briefly describes the results of data analysis. The study's findings revealed that the most effective property tax collection method was automatic deduction of property tax payable by the house/buildings when purchasing LUKU, followed by centralization of property tax collection to TRA and use of tax collection agents/taskforce to collect property tax. Among the effective methods of property tax collection was sending property tax bills and control numbers to taxpayers' mobile phones.

Property tax collection by obtaining bills and control numbers by visiting TRA/LGA and making payment through bank or mobile money was found to be neither effective nor ineffective.

Furthermore, this study discovered that comprehensive registration, monitoring, and follow-up on property tax payments by all owners of taxable properties was the most effective regulatory framework of property tax collection at Kinondoni tax region, followed by adequate monitoring and follow-up of TRA/LGAs by the central Government and timely information and communication about the number of taxable properties and collection made by the TRA/LGAs to the central Government. Another effective regulatory framework was having clear stipulation of TRA and LGA employees' responsibilities towards property tax collection, ensuring the provision of all statutory and non-statutory incentives to TRA/LGA

staff, and ensuring that tax defaulters are penalized and ordered to comply with the same.

Furthermore, this study discovered that issuance of tax bills, setting compliance timelines, and holding accountable TRA and LGA employees were neither effective nor ineffective regulatory framework for collection of property tax at Kinondoni tax region while ensuring provision of all statutory and non-statutory incentives to property taxpayers was found to be ineffective regulatory framework for collection of property tax at Kinondoni tax region all together.

Finally, this study discovered that property taxpayers in the Kinondoni tax region had a favorable perception of the property tax payment mode that included direct deduction of tax payable during the purchase of LUKU.

## 5. Discussions

### Effectiveness of property tax collection methods

According to this study, the automatic deduction of property tax payable by the house/buildings when purchasing LUKU was the most effective property tax collection method compared to other collection methods in the Kinondoni tax region, as evidenced by the majority of respondents' responses and mean values. This was followed by the centralization of property tax collection to TRA and the use of tax collection agents/taskforces to collect property tax, which was shown to be the next most agreed upon option by respondents. Among the effective methods of property tax collection, another effective method and the next agreed method was sending property tax bills and control numbers to taxpayers' mobile phones.

Furthermore, based on the responses of the respondents, this study determined that decentralizing

property tax collection to LGAs was neither effective nor ineffective when compared to other methods. Again, according to this study, collecting property taxes by obtaining bills and control numbers by visiting TRA/LGA and paying with bank or mobile money was ineffective.

These findings were consistent with the findings of Sumaila, Alhassan, & Sakara (2014), who discovered that using a task force to collect property taxes and outsourcing collection of certain property taxes to private entities were the most effective methods of collecting property taxes.

Furthermore, this study highlighted the most efficient property tax collection method when compared to alternative methods, which is the recently implemented method of automatically deducting the tax that the house or buildings must pay when they purchase LUKU. The Government's decision to implement property tax collection payment through the purchase of electricity tokens (LUKU) under the supervision of TRA in partnership with Tanzania Electric Supply Company Limited (TANESCO) is strongly supported by these findings (TRA, 2021). The government also made the decision to keep the TRA in charge of collecting property taxes. This was corroborated by a study that demonstrated the effectiveness of centralizing property tax collection to TRA as opposed to LGA.

Furthermore, it was determined that the traditional method of collecting property taxes, which involved visiting TRA/LGA to obtain bills and control numbers and paying with a bank account or mobile money, was ineffective based on the study's findings. However, it might work well if property tax authorities, like TRA/LGA, used taxpayers' mobile phones to send them control

numbers and tax bills in the same manner that other authorities, like Water Supply, do.

This point of view determined that the primary cause of the tax collection system's inefficiency was in-person interactions with property tax authorities. This suggests that LGAs could successfully collect property taxes by implementing a system that uses taxpayers' mobile phones to receive control numbers and tax bills. Nonetheless, taxpayers should pay their tax bills whenever it is most convenient for them, so paying taxes on time may still be a problem. For this reason, the best way to collect taxes on real estate is to link the purchase of LUKU for homes or buildings with property tax collection.

This result was found to be at odds with a media report that suggested property tax collection through the purchase of LUKU might not be successful. The media reported that the ineffectiveness of property tax collection through the purchase of LUKU was due to the following: low awareness about property tax collection payment through the purchase of electricity LUKU; direct deductions from anyone purchasing LUKU using electricity meters, which is not easily compensated by owners; and double standards between owners of taxable buildings installed by electricity meters and those who are not.

The distinctions between these reports are obvious. This study relied on systematic and empirical data from TRA/LGA staff, whereas the media report relied on taxpayers' perspectives. It should be noted that TRA/LGA employees are also property taxpayers, so this study could be much more relevant in explaining the effectiveness of property tax collection in the country through the purchase of LUKU.

### **Effectiveness of regulatory framework adopted in property tax collection**

This study found that comprehensive registration, monitoring, and follow-up on property tax payments by all owners of taxable properties was the most effective regulatory framework for property tax collection in the Kinondoni tax region. This was followed by the central government providing adequate monitoring and follow-up of TRA/LGAs, as well as timely information and communication about the number of taxable properties and collections made by the TRA/LGAs to the central government. Another effective regulatory framework was having clear stipulation of TRA and LGA employees' responsibilities towards property tax collection, ensuring the provision of all statutory and non-statutory incentives to TRA/LGA staff, and ensuring that tax defaulters are penalized and ordered to comply with the same.

This study, on the other hand, discovered that issuance of tax bills, setting deadlines for compliance, and holding accountable TRA and LGA employees charged with collecting property tax were neither effective nor ineffective regulatory frameworks for property tax collection in the Kinondoni tax region. Furthermore, this study found that ensuring the provision of all statutory and non-statutory incentives to property taxpayers was not an effective regulatory framework for property tax collection in the Kinondoni tax region.

This study's findings were found to be consistent with prior research by Raymond (2013) on the challenges faced by the property tax collection system in Kinondoni Municipal Council, which revealed taxpayers' resistance to the Government/LGA's use of their money. This is due to taxpayers living with garbage on their gates. However, according to this study, the situation could have been

caused by flaws in the property tax collection regulatory framework. This study went on to show that the problem could be resolved by clearly defining the responsibilities of TRA and LGA employees in terms of property tax collection.

This study, once again, agreed with previous research by Kipilimba (2013) on the effects of tax administration on government revenue in Dar es Salaam region, Tanzania. The researcher advocated for effective property tax collection mechanisms such as incentive packages and adherence to current property tax policies, regulations, and laws. These findings were consistent with issues such as clearly defining TRA and LGA employees' responsibilities for property tax collection and ensuring the provision of all statutory and non-statutory incentives to TRA/LGA employees.

According to this study, ensuring that tax defaulters are penalized and ordered to comply with the same was an effective property tax collection regulatory mechanism. This was consistent with previous research by Makame (2015) in Zanzibar, which found that taxpayers did not want to pay taxes unless forced to do so by a situation that left them with no other choice.

### **Perception of taxpayers towards property tax collection**

This study found that property taxpayers in the Kinondoni tax region had a favourable perception of the property tax payment mode, which included direct deduction of tax payable during the purchase of LUKU, registering residential or commercial house or buildings for tax purposes, and allocating an annual tax amount to residential or commercial buildings. However, perceptions of the property tax assessment process,

valuing residential homes or commercial buildings for tax purposes, and property tax payment mode by obtaining a tax bill and control number via a visit to TRA/LGA were somewhat favourable.

According to this study, property tax collection in the Kinondoni tax region may increase due to a favorable perception of the collection process for this type of tax. These findings are consistent with those of Mwangi's (2014) study in Kenya. The researcher sought to determine the factors that influenced tax compliance. Using a sample size of 150 taxpayers, the researcher found that having a positive (favorable) attitude toward the tax collection process was critical for tax compliance. In the context of this study, favorable perceptions of direct deduction of tax payable during LUKU purchase, registration of residential or commercial house or buildings for tax purposes, and annual tax amount allocated to residential or commercial house or buildings mirrored an increase in property tax collection in Kinondoni tax region.

Apart from the above, the findings of this study are also similar with prior research by Eliamini, (2018) on the factors influencing tax compliance attitude in small and medium enterprises (SMEs) in Dodoma municipality. The findings showed that economic factors such as tax rates, tax benefits, tax audit, penalties, and fines have a significant impact on tax compliance attitude among taxpayers. On the other hand, non-economic factors such as perceptions of the taxpayers, norms and perceived fairness were also found to influence tax compliance in the region. These findings are also close related to those of Hamisi (2017) who through surveying of three municipalities of Kinondoni, Ilala and Temeke, showed that the level of tax compliance increased with

positive (favorable) perception that taxpayers towards the tax.

Similarly, the findings of this study were consistent with the findings of Elly (2015), who reported that taxpayers' attitudes toward taxes influence tax compliance. According to the researcher, the dimensions of perception include the belief that they pay fair taxes and that tax laws are simple. This study mirrored these dimensions by including an annual tax amount allocated to a residential house or commercial building, as well as a direct deduction of tax payable during the purchase of a LUKU.

## 6. Conclusions

The purpose of this study was to evaluate the effectiveness of Tanzania's property tax collection methods. According to the literature reviewed, tax collection has been a challenge in the country due to tax collection methods, taxation regulatory framework, and taxpayer perception of tax payment. The data was analyzed using descriptive statistics.

The study concluded that the most effective methods of tax collection are centralization of tax collection to TRA rather than decentralization to LGAs, automatic deduction of property tax when purchasing LUKU, and sending property tax bills and control numbers to taxpayers' mobile phones.

Furthermore, the study has found that comprehensive registration, monitoring, and follow-up of TRA/LGAs by the central Government, with clear stipulation of TRA and LGA employees' responsibilities and provision of statutory and non-statutory incentives to TRA/LGA staff towards property tax collection, was the most effective regulatory framework of property tax collection at

Kinondoni tax region. Because the establishment of statutory and non-statutory incentives for taxpayers has been found to be ineffective, TRA may discourage this method in favor of more effective methods.

Finally, it was determined that taxpayers' favorable perception of tax payment was effective in increasing property tax payments. However, positive perception was supported by visible actions that taxpayers use to account for the money paid in taxes. The TRA may frequently highlight developmental actions taken or encourage the central government to increase transparency in the use of taxpayers' money in order to increase tax collection, including property tax collection. As a result, more efficient methods and regulatory frameworks should be implemented to ensure that more property tax is collected

## 7. Recommendations

According to this study, the country's property tax collection should be based on direct deductions during the purchase of LUKU. Unless circumstances necessitate transferring responsibility to the LGA, property tax collection must be the sole responsibility of the TRA because it is more effective than LGAs. Houses and buildings that are not connected to electricity meters and whose taxpayers continue to pay using the traditional system of obtaining bills and control numbers by visiting TRA/LGA and paying via bank or mobile money should be eliminated.

Furthermore, property tax authorities (TRA/LGA) should adopt the system of sending tax bills and control numbers to taxpayers' mobile phones in the same way that other authorities, such as Water Supply, do. This

should be done for all taxpayers whose homes or buildings do not yet have electricity meters.

The TRA/LGA should use agents and a special task force to ensure compliance with tax bills received. Furthermore, comprehensive registration, monitoring, and follow-up on property tax payments by all owners of taxable properties, adequate monitoring and follow-up of TRA/LGAs by the central Government, and timely information and communication about the number of taxable properties and collection made by the TRA/LGAs to the central Government are required.

The obligations of TRA and LGA personnel with regard to property tax collection must be clearly stated. Additionally, TRA and LGA personnel must be provided with all statutory and non-statutory incentives, and tax defaulters must be penalized and instructed to pay their outstanding invoices.

However, this study's policy implications suggest that Tanzania could potentially increase property tax collection by using LUKU purchases. This is because it guarantees timely payment of the tax bills. Additionally, tax compliance is improved because tax is directly deducted once LUKU is purchased using an electricity meter connected to a taxable home or building.

The nation's property tax collection systems, which require taxpayers whose homes and buildings are connected by electricity meters to physically visit TRAs or LGAs in order to obtain tax bills and control numbers, must be removed. If not, the tax authority is required to make sure that taxpayers receive their control numbers and tax bills directly on their mobile devices. A regulatory framework that includes the use of special taskforces and agents to follow up with taxpayers on timely payment

of the bills they have received is necessary to ensure the success of this.

### **AREAS FOR FURTHER STUDIES**

This study's research activity was limited to the Kinondoni tax region. Therefore, it is not appropriate to extrapolate study results to every tax region in the nation. Rather, they merely provide an overview of Tanzania's efficient property tax collection system. Property tax officers from TRA and Kinondoni LGA, as well as property taxpayers in Kinondoni Municipality, were among the respondents who helped to compile these findings. Future researchers may therefore broaden the scope of this study by incorporating additional tax regions, such as the Kigamboni, Temeke, Ubungo, and Ilala tax regions. This will produce findings that can be applied to national policies.

Future studies should also consider rural and urban authorities. This will increase the body of knowledge on the subject, making it possible to generalize the efficient systems for collecting property taxes over many years and decades. Future researchers ought to expand on the variables covered in this study, in addition to tax collection techniques, regulatory frameworks, and taxpayer perceptions, may explain the efficacy of property tax collection.

Furthermore, as previously mentioned, this study only used survey questionnaires as primary sources of data; as a result, secondary sources and other techniques for gathering primary data, such as focus groups and interviews, should be used in future research. This will facilitate a deeper and more comprehensive understanding of the phenomenon beyond the scope of this study by helping to triangulate the data and identify

areas of agreement and disagreement among the data set.

Lastly, in order to determine the kind and strength of the relationship that these variables have with the efficacy of property tax collection, a researcher who wishes to repeat this study should investigate the causal relationship between variables using different approaches to collecting property taxes and regulatory frameworks as the independent variables.

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