TANZANIA REVENUE AUTHORITY

TAX ADMINISTRATION REFORMS IN TANZANIA – EXPERIENCE AND CHALLENGES

Presented by Harry M. Kitillya
Commissioner General
To the Conference on Revenue Mobilisation in Developing Countries,
IMF - Fiscal Affairs Department
Washington D.C.
April 17-19, 2011
SCOPE

1.0 Introduction
2.0 Tax Administration Reforms (Objectives & Accomplishments)
3.0 Challenges (Obstacles)
4.0 Strategies for the Future
5.0 Key Lessons
6.0 Conclusion
1.0 INTRODUCTION

TRA was established under TRA Act cap 399 and became operational in July 1996 with the following functions:

a) Assess, collect & account for Govt Revenue
b) Administer revenue laws
c) Advise Govt on fiscal policy
d) Promote voluntary tax compliance
e) Improve quality of service
f) Counteract Fraud – tax evasion
g) Produce trade statistics and publications
2.0 Tax Administration Reforms...

2.1 Revenue Collection

Revenue Collections have increased in absolute terms from an equivalent of **US$ 1,575 million** in 2004/05 to **US$ 3,742 million** in 2009/10.

Revenue to GDP ratio has increased from **10.8%** in 2004/05 to **14.6%** in 2009/10.
Tax Revenue Trends and Growth 2002/03 – 2010/11 (Million TShs)
2.0 Tax Administration Reforms...

2.2 Integration of TRA operations

- Large Taxpayers in October 2001
  - Handles 400 taxpayers
  - Contributes 70% of domestic Revenue collections

- VAT and Income Tax Department to form the Domestic Revenue Department in 2005
  - Handles small and medium taxpayers
  - Contributes 30% of domestic revenue
VAT Collection Trends and Growth
2002/03 – 2009/10 (Million TShs)
2. Tax Administration Reforms...

2.3 Review of PAYE Structure – Un-taxable income by July 2010 is US$ 98 per month

2.4 Payment of Taxes through Banks – 97% of total revenue collection is settled under interbank arrangements; implementation of TISS

2.5 Use of ICT systems for Tax Operations

- ITAX (includes TIN and e-filing)
- ASYCUDA++
- Computerised Motor Vehicle Registration System
- Computerised Drivers License System
2.0 Tax Administration Reforms...

2.6 Risk Based Operations

- Enterprise wide Risk Management System
- Risk Analyses Studies in trade, Manufacturing, construction, telecomm and financial sectors
  - TRA Data Warehouse
- Import /Export Commodity Database
- Electronic Fiscal Devices
2.0 Tax Administration Reforms…

2.7 **Taxpayer Service and Education**
- Stakeholders Forum and Taxpayers’ Day
- Taxpayers’ Charter
- Taxpayer Centres

2.8 **Governance and Integrity**
- Internal Affairs Unit
- Whistle Blowing; Code of Ethics
- Declaration of Assets by staff

2.9 **Monitoring of the Corporate Plan through TRAMED**
2.10 Factors Behind Success

- Management commitment to the reform process
- Government support
- Financial support from the Donor community
- Political will and support
- Technical assistance from DPs especially IMF
3.0 CHALLENGES....

3.1 Tax Administration Challenges
- Raising revenue to GDP ratio
- Broadening the Tax Base
- Changing of Staff mindset and Staff Integrity
- Over reliance on International Trade Taxes
- Auditing of Specialised Sectors
- Tax Evasion
Revenue to GDP Ratio in Tanzania
2001/02 - 2009/10

- 2001/02
- 2002/03
- 2003/04
- 2004/05
- 2005/06
- 2006/07
- 2007/08
- 2008/09
- 2009/10

9.6% 9.8% 10.1% 10.8% 11.6% 13.2% 14.8% 15.3% 14.6%
3.0 CHALLENGES

3.2 Tax Policy Reforms

- Addressing Tax Incentives and Exemptions
- Tanzania has the highest Exemption GDP Ratio in EA
3.0 CHALLENGES....

3.3 External Factor Beyond TRA Control

- Power availability and Stability
- National Identity Card (NIDA) – absence of bio data
- Physical Location of Business Entities
- Internal – Robust Integrated Operational Systems
- External – Poor ICT Backbone
4.0 STRATEGIES

- Review of VAT Structure
- Enhancing Audit Capacity in specialised sectors
- Establish International Taxation Unit
- Enhancing communication and exchange of information
- Improving classification & Valuation
- Strategies to minimise tax evasion
- Development of revenue mobilisation strategy
- Taxation of the informal sector
- Business Process Re-engineering
5.0 KEY LESSONS

- Intricate act of balancing reforms and increasing revenue collection
- The process of changing people’s mindset to accept and join the reforms is tough and enduring
- Participatory approach in formulation and implementation of corporate strategies is important
- Continuous monitoring and evaluation of reforms provides early warning of failure hence remedial measures can be instituted to put the reforms on course
5.0 CONCLUSION

TRA will continue to implement its core function of collecting and accounting of Government revenue.

TRA is committed to improve domestic resource mobilisation to enable the Government fulfil its social obligations.

TRA is determined to make Tanzania self sufficient in terms of budgetary requirements and reduce external aid dependence.

TRA looks forward to benefit from the launched Topical Trust Funds created in support of IMF’s Technical Assistance in Tax Matters.
Thank you for your kind attention.