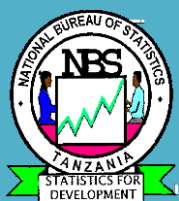
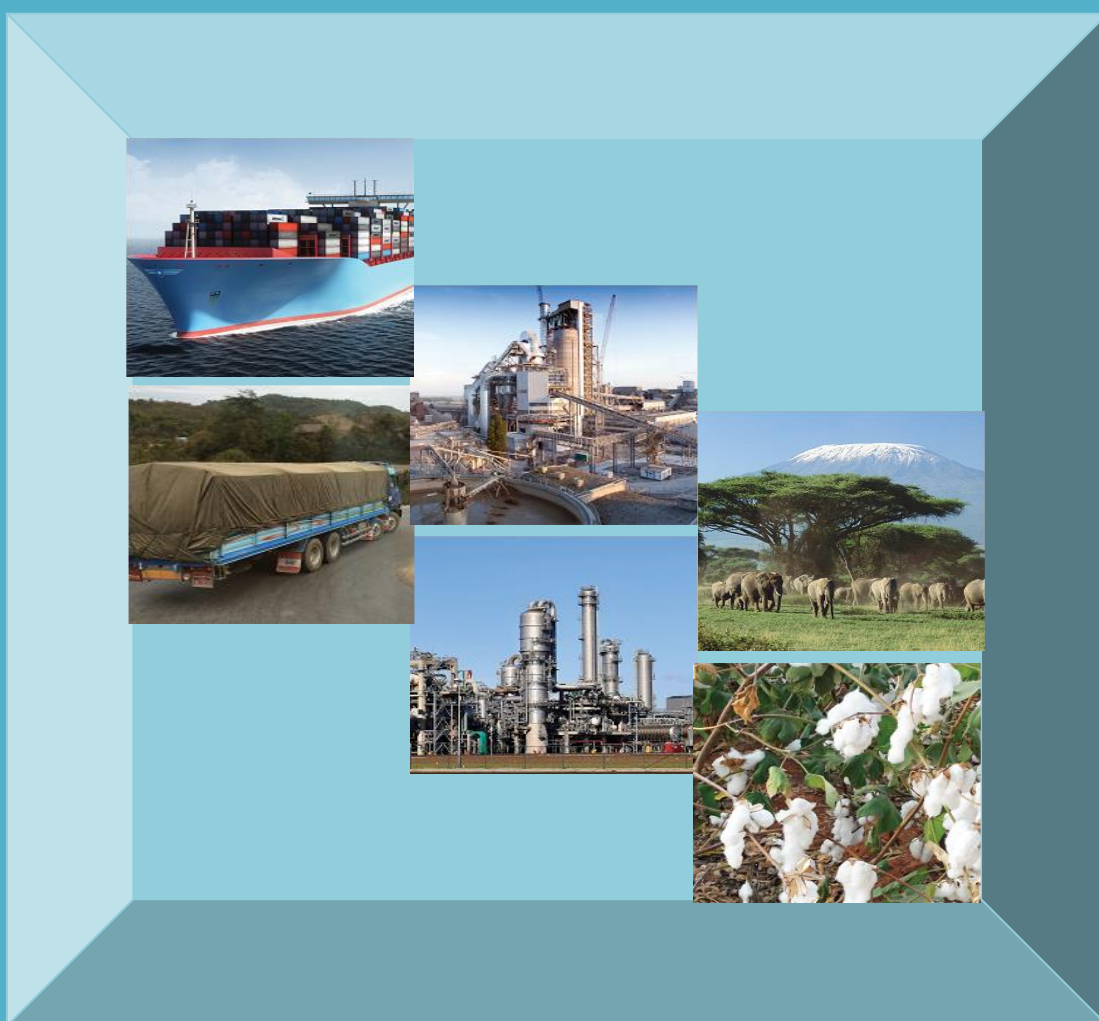




The United Republic of Tanzania

# 2014 TAX AND GOVERNMENT FINANCE STATISTICS REPORT TANZANIA MAINLAND



National Bureau of Statistics  
Ministry of Finance  
August, 2015

## **National Bureau of Statistics**

**Vision:** To become a one-stop centre for official statistics and statistical services in Tanzania.

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## Abbreviations and Acronyms

|         |   |  |
|---------|---|--|
| ACV     | - | Agreement on Customs Valuation                           |
| BOS     | - | Bureau of Statistics                                     |
| CBS     | - | Central Bureau of Statistics                             |
| CSB     | - | Central Statistical Bureau                               |
| CRMS    | - | Computerized Risk Management System                      |
| DSI     | - | Destination Inspection Scheme                            |
| EPZ     | - | Export Processing Zone                                   |
| GFS     | - | Government Finance Statistics                            |
| IMF     | - | International Monetary Fund                              |
| LGAs    | - | Local Government Authorities                             |
| MDAs    | - | Ministries, Departments and Agencies                     |
| MKUKUTA | - | Mkakati wa Kukuza Uchumi na Kupunguza Umasikini Tanzania |
| NBS     | - | National Bureau of Statistics                            |
| NSS     | - | National Statistical System                              |
| NSGRP   | - | National Strategy for Growth and Reduction of Poverty    |
| PAYE    | - | Pay As You Earn  |
| SDL     | - | Skills Development Levy                                  |
| SS      | - | Statistics Section                                       |
| TRA     | - | Tanzania Revenue Authority                               |
| TSMP    | - | Tanzania Statistical Master Plan                         |
| TZS     | - | Tanzanian Shilling                                       |
| VAT     | - | Value Added Tax  |

## Symbols

n.a.: Data not available

% : a notation for percent

## Rounding

Figures are rounded off independent of one another and therefore, details may not add up to total.

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## Preface

The production of this document fulfills one of the core functions of the NBS of making statistics available to the general public and other stakeholders. The aim of this publication is to illustrate the Government's economic performance in terms of tax collections from various sources in the economy for the 2002/03 to 2013/14 period. This is the second edition in the series on Tax and Government Finance Statistics produced by the NBS since it became an Executive Agency in March, 1999. Tax statistics were last compiled on an annual basis until the late 1980s. However, due to the economic diversification, structural changes and growth in the recent years, tax collection by Government has become more obligatory. Therefore, there is a need for collection of tax statistics in order to analyze its structural behaviour and contribution to the general economy for monitoring purposes and formulation of tax related policies.

Preparation of this edition has been a long and complex undertaking involving a number of players. Special thanks should be extended to the Ministry of Finance and Tanzania Revenue Authority for their generous support in supplying the requested information. The NBS is looking forward to their continuing support in future.

I wish to express my sincere gratitude to all NBS staff who participated in one way or the other to make this report a success. In particular, I thank Mr. Ephraim E. Kwesigabo, Director for Population Census and Social Statistics and Mr. Fred E. Matola, the Acting Manager of Tax Statistics Department, for supervising this exercise with technical support from Mr. Bakilla H. Bakilla and Mr. Ludovick Materu, Statisticians and Mr. Elienea A. Mnguruta, Senior Statistical Officer all from the Tax Statistics Department.

I also wish to thank all members of the Editorial Board, for their time to check this document and make the necessary improvement to the report. Typesetting was done by Ms Khadija I. Abdul; I thank her for a job well done.

My appreciation will be incomplete if I shall not pay special recognition to all regional statistical managers and all the district local government leaders for their tireless efforts in collecting data on revenue from local district authorities. I hope their support will continue in improving the data collection for the coming fiscal year's reports.



Dr. Albina Chuwa,

**Director General**

**NATIONAL BUREAU OF STATISTICS**

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## Executive Summary

This publication contains various statistical tables and figures to illustrate the government performance on tax revenue and the government finance.

The report reveals that, there was a steady increase of revenue collection from 2002/03 – 2013/14 fiscal years. Total tax revenue increased from TZS 1,144.3 billion in 2002/03 to TZS 2,617.9 billion in 2006/07 before reaching TZS 9,880.1 billion in 2013/14. However, variations in percentage increase have been observed during the period. The highest percentage increase (32.3 percent) of total tax revenue was observed in 2007/08 and the worst year was 2009/10 in which an increase of 9.8 percent. .

During 2002/03 – 2013/14, total direct taxes increased from TZS 312.4 billion in 2002/03 to TZS 853.5 billion in 2006/06 before reaching TZS 3,968.3 billion in 2013/14. Out of the total direct taxes collected in 2013/14, TZS 1,626.5 or 41.0 percent was collected through Pay As You Earn (PAYE) followed by corporate taxes (TZS 1,484.0 billion or 37.4 percent) and withholding taxes (TZS 514.6 billion or 13.0 percent).

On the other hand, indirect taxes disaggregated by broad category show that out of TZS 32,978.0 billion collected revenue from 2002/03 to 2013/14, an average of 62.7 percent was contributed by taxes from international trade, followed by 34.0 percent from consumption taxes, while other domestic taxes and charges contributed only 3.3 percent over the decade. The most interesting scenario is the nearly double increase of indirect taxes revenue from TZS 831.9 billion in 2002/03 to TZS 1,764.4 billion in 2006/07 before reaching TZS 5,911.8 billion in 2013/14.

On government financing, total government revenue increased from TZS 2,140.8 billion in 2002/03 to TZS 3,837.2 billion in 2005/06 before reaching TZS 14,222.5 billion in 2013/14. Regarding growth between years, the largest change was observed in 2007/08 with an increase of 34.2 percent compared to the preceding year and the smallest rate of change was observed in 2008/09 with only 9.0 percent.

Looking at contributions to government finances, internal revenue contributed 56.9 percent in 2002/03 compared to 43.1 percent for external revenue.. The contribution of internal revenue dropped to 53.8 percent in 2004/05 before increasing 65.8 percent in 2008/09 and reaching 71.6 percent in 2013/14. Compared to internal revenue, the contribution from external revenue increased from 43.1 percent in 2002/3 to 44.6 percent in 2005/06, and then dropped significantly to 28.4 percent in 2013/14. The decline of external revenue's contribution to the government finances is a good indicator of improvement in the domestic economic performance in the country.

---

In absolute terms, domestic revenue increased from TZS 1,217.5 billion in 2002/03 to TZS 10,182.5 billion in 2013/14. Out of the total revenue collected in 2013/14, TZS 9,294.4 billion or 91.3 percent was tax revenue while non-tax revenue collected was TZS 572.8 billion (5.6 percent), and revenue from local government authorities (LGAs) amounted to TZS 315.2 billion (3.1 percent). On the other hand, record show that government tax revenue contributed most of the government revenue ranging from 90.8 percent in 2002/03 to 95.0 percent in 2009/10. The contribution of revenue from LGAs was highest in 2013/14 at 3.1 percent followed in 2010/11 with 2.8 percent.

The contribution of tax revenue government finance increased from TZS 1, 144.3 billion in 2002/03 to TZS 2,617.9 billion in 2006/07 and reached TZS 9,880.1 billion in 2013/14. The improvement of government finance enabled the government to finance its recurrent and development budgets.

During the period 2002/03 – 2013/14 the Government continued to improve and to strengthen its relations with development partners and international financial institutions in order to secure grants and concessional loans among other things. The purpose of these efforts is to complement Government financing efforts in the implementation of its goals which are to sustain economic growth and reduce poverty as stipulated in the National Strategy for Growth and Reduction of Poverty (NSGRP) (or MKUKUTA in Kiswahili) in line with the 2015 Millennium Development Goals. As a result, the government was able to increase external revenue in the form of grants, basket funds, import support, concessional loans and project loans. Out of a total TZS 29,006.7 billion external revenue received from development partners between 2002/03 and 2013/14, 53.8 percent was given as grants, followed by project loans (21.0 percent), import support (12.1 percent), concessional loans was 6.9 percent and basket funds accounted for 6.1 percent of external revenue.

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# CHAPTER ONE

## Background Information

### 1.0 Introduction

The Income Tax Statistics Unit was established in the then Central Bureau of Statistics in late 1970s with the function of producing Income Tax Statistics in Tanzania. However, at the time and during the early 1980s, the demand for tax statistics was low; as such, it was not worthwhile for the Bureau of Statistics to continue investing in the production of Income Tax Statistics. Tax is levied on income from employment, business and investment.

The need for investing in production of income tax statistics was to improve tax management in Tanzania after the establishment of Tanzania Revenue Authority (TRA) in 1996. This was strengthened by efforts made by the Government to inform and educate taxpayers and the public in general on the tax structure and its administration. This was done in order to raise the level of voluntary tax compliance and to improve the quality of services to the current and potential taxpayers and other stakeholders. TRA is a semi-autonomous tax administration in the country and it has replaced the former independent Treasury departments of Income Tax, Customs Tax, Sales Tax and Inland Revenue. The current need for official statistics on taxes has necessitated the NBS in collaboration with Tanzania Revenue Authority to engage in the production of tax statistics in the country. NBS therefore ensures all fundamental standards on official tax statistics are maintained in line with the United Nation's compilation methodologies and guidelines.

Once again the NBS has managed to produce atax and government finance statistics report for Tanzania Mainland for the year 2013/14. The Report is organized into five chapters. Chapter One gives background information while Chapter Two covers concepts and definitions of different types of taxes. Chapter Three explains tax collection performance. Chapter Four explains government finance statistics and the Conclusion is presented in Chapter Five.

---

## CHAPTER TWO

### Concepts and Definitions

#### 2.0 Introduction

The objective of this chapter is to explain concepts and definitions used by all producers and users of statistics so as to enhance understanding and facilitate harmonization in the production of official tax and government finance statistics in the country.

#### 2.1 Tax

It is a compulsory levy or charge imposed by the state on her citizens or non-citizens that is usually payable in monetary terms. Taxes are compulsory financial contributions made by a person or body of persons towards the expenditure of a public authority.

#### 2.2 Types of Taxes

Basically, there are two types of taxes: namely, direct and indirect taxes. Each type is classified according to the legal and effective incidence to the final payer.

#### 2.3 Direct Taxes

These are taxes levied directly on people's income from employment, business or ownership of property or investment.

#### 2.4 Indirect Taxes

These are taxes based on consumption. Examples of such taxes are import duty, excise duty and Value Added Tax (VAT). By definition the legal incidence of the tax falls on the trader who acts as a collection agent of the Government, while the effective incidence falls on the final consumer of goods or services who eventually pays the tax.

#### 2.5 Imposition of Income Tax

It is charged and payable for each year of income by every person who:-

- a) Has total income, which is the sum of employment, business and investment income;
- b) Has a domestic permanent establishment that has repatriated income for the year of income;  
or
- c) Receives final withholding payments for the year of income.

---

## 2.6 Corporate Tax

It is levied on all corporate taxable profits, accruing to all companies carrying out business in Tanzania.

## 2.7 Individual Income Tax

This refers to;

- a) Tax charged to non-corporate payers who include sole traders (proprietors) taxed at progressive individual income tax rates; and
- b) Pay As You Earn (PAYE) is a tax whereby employee's gross emoluments are subjected to.

## 2.8 Taxation of Small Traders with and without Complete Records

This involves levying income tax on all small traders who operate mostly in the informal sector with and without their business records based on their annual business turnover.

## 2.9 Gains or Profits from Employment

These are incomes which an employee earns from an employment in the form of salary, which is payable on daily, weekly or monthly. They include payments of wages, salary, and payment in lieu of leave, fees, commissions, bonus and gratuities, payments of any personal allowance, payments providing any discharge or reimbursement of expenditure, incurred by an individual or by an associate of an individual payment for an individual's agreement to any conditions of the employment, contributions made on behalf of the employee to retirement funds and retirement payments made directly to employees; as well as redundancy and other payments for loss or termination of employment relating to the year of payment and any benefits in kind.

## 2.10 Benefits in Kind

These are benefits which an employer may decide to give to the employee. These are like:-

- i) **Motor Vehicle Benefit:** Where an employee is provided with motor vehicle by an employer for personal use in return for employment rendered, and the employer incurs all necessary expenses to maintain the vehicle, then this is a taxable benefit to the employee quantified annually.
- ii) **Subsidized Loan:** It is a loan to an employee provided by employer at no interest or at an interest rate that is below the statutory interest rate.
- iii) **Provision of Housing:** It is the value of housing provided to an employee by the employer which is taxable benefit and is included in the employee's monthly pay. The value of housing is calculated as the market value of renting that housing or 15 percent of the rest of the employee's income from employment, whichever is less.

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## **2.11 Gains or Profit from Business**

These are personal incomes from a business during a year. The following earnings derived from business are regarded as gains or profits and they are taxable:-

- i) Service fees;
- ii) Incomes from trading stock (sales of business stocks);
- iii) Gains from sale of business assets or liabilities;
- iv) Sale of depreciable assets;
- v) Amounts derived as consideration for accepting a restriction on the capacity to conduct the business; and
- vi) Gifts and other payments received by the person in respect of a business.

## **2.12 Gains from Investment**

Income from investment includes:-

- i) Any dividend, distribution of a trust, gains from life insurance, gains from an interest in an unapproved retirement fund, interest, natural resources payment, rent, or royalty;
- ii) Net gains from realization of investment assets (Capital gains); and
- iii) Amounts derived as a consideration for accepting a restriction on the capacity to conduct the investment.

## **2.13 Losses from Business or Investments**

The income tax law provides the treatment of unrelieved losses as follows:-

- i) When computing income from business or investments during any year of income and a loss is incurred which becomes unrelieved loss, the law allows it to be carried forward and offset against future business income as the case may be, until the whole unrelieved loss is exhausted;
- ii) A person is allowed to deduct a foreign loss from investment only in calculating the person's income from foreign source investment;
- iii) A person is allowed to deduct losses other than foreign losses from investments only in calculating the person's income from investments;
- iv) In case of foreign business, loss is allowed only in calculating the foreign business income; and
- v) In case of a loss incurred in agricultural business it is allowed only in calculation of the person's income from agricultural business.



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## **2.14 Payment of Tax by Installments**

### **a) Single Installment**

It is a payment of income tax by single installment required from any person who derives a gain in conducting investments from realization of interest in land or buildings situated in Tanzania.

A rate of 10 and 20 percent of the gain for a resident and nonresident person respectively, is required to pay income tax by single installment. Payment by single installment also applies in case of non-resident person who receives a payment in conducting a business of land, sea, or air transport or chartered (without having a domestic permanent establishment in Tanzania) which evolves the carriage of passengers who embarked or cargo, mail or other moveable tangible assets that are embarked in Tanzania and which are not for transit, the payer is required to withhold 5 percent of the gross payments before the proper before the vessel, vehicle or aircraft is allowed to leave from Tanzania.

### **b) Quarterly Installment**

It is a payment required from business or investments during the year of income at the end of each three-month period commencing at the beginning of the year of income and a final installment on the last day of the year of the income.

## **2.15 Consumption Taxes**

These are taxes on spending on goods and services. They are usually indirect taxes such as sales tax or Value Added Tax

### **2.16 Value Added Tax (VAT)**

It is a consumption tax charged on all taxable goods and services at a standard rate of 18 percent. It is a multi-stage tax levied on the difference between a commodity's price before taxes and its production cost at each stage of production and distribution up to the retail stage. It is also levied on taxable imports made by person whether or not registered for VAT.

### **2.17 Domestic Excise Duty**

It is levied on certain domestically manufactured goods and services such as soft drinks, beer, wines, spirit, mobile phone services, plastic shopping bags, satellite television services, cigarettes and petroleum products.

---

## **2.18 Value Added Tax on Imports**

It is levied on all goods and services imported into the country unless such goods and services are specifically exempted under the VAT law. All importers must pay VAT regardless of whether or not they registered for VAT. However, importers who are registered for VAT can claim as an input tax in their business, the VAT paid on the imported goods. However, for VAT on imported services the input tax is treated as reverse charge hence added to the value of the service.

## **2.19 Other Taxes**

### **2.19.1 Skills Development Levy (SDL)**

This is a tax charged on an employer to pay expenses for skills development. This tax is based on the total gross emoluments paid by an employer to the employees (currently, at a rate of six percent). The gross emoluments include salary, wage, leave pay, payment in lieu of leave, subsistence allowance, etc.

### **2.19.2 Stamp Duty**

This is a tax duty paid on certain legal instruments/transactions, affidavit, conveyance and lease agreements. The duty rate is one percent based on the consideration applicable on non-business persons when issuing a receipt whenever they sell their privately owned assets/properties. Stamp duty on conveyance of agricultural land is Tanzanian Shilling 500/=.

### **2.19.3 Airport Service Charge**

Refers to charges levied on passengers who board an aircraft at any airport in Tanzania.

### **2.19.4 Port Service Charge**

Refers to charges levied on passengers who travel by a passenger shipping vessels at any port in Tanzania.

### **2.19.5 Motor Vehicle Registration and Transfer Tax**

Refers to charges levied when a person is registering or transferring a motor vehicle or motor cycle.

### **2.19.6 Motor Vehicle Annual License Fee**

It is charged on annual basis according to motor vehicle engine capacity. *Note that: Tractors which are used solely for agriculture are exempted from the annual license fee.*

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## 2.20 Custom Modernization Programme

This refers to enhance efficiency and effectiveness in revenue collection, at the same time to facilitate the international trade. Some of the programs include Post Clearance Audit, Destination Inspection Scheme, Computerized Risk Management System, Agreement on Customs Valuation and Compliant Traders Scheme.

## 2.21 Post Clearance Audit

This is a trade facilitation tool where goods can be cleared prior to physical examination in Tanzania. The system verifies the accuracy of declaration through the examination of goods, records, business system and all relevant customs commercial data held by persons and companies directly or indirectly involved in international trade.

## 2.22 Destination Inspection Scheme (DSI)

This is the verification of the importer's declaration at the point of destination in Tanzania through certain procedures for the purposes of:-

- i) Determining the quality and quantity of goods imported;
- ii) Establishing the value of goods as compared to the declaration made by the importer;
- iii) Establishing the country of origin and supplier;
- iv) Determining the applicable customs tariff code under which the goods are to be classified and tax is computed;
- v) Providing TRA with Computerized Risk Management Database, which assists in determining levels of intervention and valuation process; and
- vi) Enhancing security and international trade facilitation.

## 2.23 Computerized Risk Management System (CRMS)

This is a system which identifies risks associated with each import transaction and determines the applicable level of intervention:-

- a) **Low Risk:** Goods covered by these transactions may be released without physical inspection.
- b) **Medium Risk:** Consignments will be subjected to X-Ray scanning. In case there is no discrepancy detected, such goods will be released without physical inspection.
- c) **High Risk:** Transaction will be subjected to physical inspection by customs officers to determine compliance.

---

## **2.24 Agreement on Customs Valuation (ACV)**

This is a system of goods valuation which provides for use of price actually paid or payable for the goods, and forbids the use of arbitrary and fictitious values. All signatories' countries including Tanzania are obliged to implement the World Trade Organization (WTO) agreement on customs valuation.

## **2.25 Compliant Traders Scheme**

This scheme allows the audit exercise to be carried after the goods have been cleared. The scheme was introduced with a view of facilitating trade through speedy clearance of imported goods.

## **2.26 Tax Incentives**

### **2.26.1 Exempted Import Duty**

It is a relief on the payments of import duty tax for goods and services imported in Tanzania. The exempted from import duty include all importers of raw materials, electronic cash registers, replacement parts, inputs for manufacturing agricultural equipment, inputs for horticulture and agriculture, hotel equipment, computer software, packing materials for manufacturing medicaments and solar equipment and accessories.

### **2.26.2 Import Duty Drawback**

It is a scheme which allows exporters to claim refund of import duties paid on raw materials and other inputs used in the production of goods that are exported from Tanzania. This scheme is used as a measure to remove fiscal obstacles to export development. It includes inputs used in production process that do not form part of the qualified product e.g. catalysts and some other chemical agents.

### **2.26.3 Withholding Tax on Dividends' and Interest**

It refers to taxes paid by investors with incentive certificates.

### **2.26.4 Export Processing Zone (EPZ)**

It is an area where goods processed or manufactured are exempted from import duty and other taxes.

### **2.26.5 Local Government Taxes**

Tanzania has a two-tier system of government, that is, the central government and the local government, which is at the district, town, and municipal or city level. Most of the local

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government authorities collect taxes, fees and levies in: property tax, service levy, hotel levy or guest house levy, slaughtering fees, billboards and sign fees, market fees, trading license fees, and liquor license fees.

#### **2.26.6 Property Tax**

It is charged to owners of properties. It is an important source of revenue for urban councils in Tanzania. Some properties like museums, places of worships, aerodromes and land used for sporting purposes, properties of charitable and educational institutions are exempted from property tax. The rate of the tax is fixed by the local authority (the councilors) through enacting by-laws depending on the value and location of the property.

#### **2.26.7 Service Levy**

This levy is charged on the value of goods manufactured by local industries. It is mainly for urban local authorities and it replaces the industrial fees. All corporate entities, which pay the service levy, are exempted from paying agricultural produce fees. Currently, the levy is charged at a rate of 0.3 percent of the turnover net of VAT for corporate entities.

#### **2.26.8 Other Taxes and Fees**

Most of local authorities charge and collect fees from different sources such as local markets and stores, slaughtering activities, burial services, billboards and sign fees and liquor fees.

#### **2.26.9 Subsidies**

It is the funds from Central Government allocated to support the budget for Local Governments recurrent and development expenditures.

#### **2.26.10 External Revenue Source**

This is another source of revenues of the country through external by multilateral and bilateral grants (Aid) and loans. These are grants with tie, grants without tie and loans (soft loans and hard loans).

##### **a) Aid (Grants) with Tie**

In this type of aid the giving (or donor) country also benefits economically from the aid. This happens as the receiving country has to buy goods and services from the donor country to get the aid in the first place. In building a dam, for example, the Great Britain may insist that

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their companies, experts and equipment are used. Whether the aid is given may depend on the receiving country agreeing to buy e.g. military jets from the donor. In other words, tied aid describes official grants or loans that limit procurement to companies in the donor country or in a small group of countries. Tied aid therefore often prevents recipient countries from receiving goods value for money for services, goods, or works.

**b) Aid (Grants) without Tie**

Untying aid, remove the legal and regulatory barriers to open competition for aid funded procurement. Generally, it increases aid effectiveness by reducing transaction costs and improving the ability of recipient countries to set their own course. It also allows donors to take greater care in aligning their aid programs with the objectives and financial management systems of recipient countries.

**c) Loans**

A loan with no interest or an interest below the market rate or loans made by multinational development banks, which are affiliates of the World Bank and government agencies to developing countries that are unable to borrow at the market rate. There are two types of loans; that is soft loan and hard loan.

**i) Soft Loan**

Soft loans are loans that have lenient terms, such as extended grace periods in which only interest or service charges are due, and interest holidays. Soft loans typically offer longer amortization schedules in some cases up to 50 years and lower interest rates than conventional bank loans.

**ii) Hard Loan**

A hard money loan is a specific type of asset-based loan financing through which a borrower receives funds secured by the value of a parcel of real estate. Hard money loans are typically issued by private investors or companies. Interest rates are higher than conventional commercial or residential property loans because of the higher risk taken by the lender. Most hard money loans are used for projects lasting from a few months to a few years. Hard money is similar to a bridge loan, which usually has similar criteria for lending as well as cost to the borrowers.

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## 2.27 Other Central Revenue Sources

Certain levies and fees are also collected as revenue by the Ministry of Finance and by other Government Ministries, Departments and Agencies.

### a) Ministry of Finance

In addition to revenue collected through the Tanzania Revenue Authority (TRA), the Ministry of Finance receives revenue from dividends from Parastatal enterprises.

### b) Other Ministries

Other ministries also collect revenue which contributes to central government revenue.

Principal revenue sources outside the Ministry of Finance include the following:

- 1) Ministry of Natural Resources and Tourism: Fees, fines, penalties and forfeitures related to services and charges and exploitation of natural resources which include forestry and beekeeping; wildlife and tourism development.
- 2) Ministry of Constitutional Affairs and Justice: Fees, fines and forfeitures related to services and charges which include court fees and magistrate fees.
- 3) Ministry of Energy and Minerals: Royalties from minerals and gas, sales of minerals, fees for geological, mineral sorting and exploration activities.
- 4) Ministry of Education and Vocation Training: Charges on services rendered in connection with examination fees and facilities charges.
- 5) Ministry of Community Development, Gender and Children: Fees related to tuition fees from training and folk development colleges.
- 6) Ministry of Home Affairs: Visa, passport and immigration department fines, fees, penalties and forfeitures, traffic offence penalties, motor vehicle inspection fees, driving school licenses, fire arms licenses, receipts from identification fees, sales of prison farms and industries.
- 7) Ministry of Transport: Charges and fees related to regulatory services in air transport and communication; meteorology and civil aviation services.
- 8) Ministry of Lands, Housing and Human Settlements Development: Land rent and service fees paid in respect of property charges and survey and mapping services.
- 9) Ministry of Works: Service fees and sales of supplies charged by the electrical and mechanical department; and supplies department.
- 10) Ministry of Foreign Affairs and International Co-operation: Visa fees collected by overseas missions.
- 11) Ministry of Industry, Trade and Marketing: Fees for business licenses.

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- 12) Prime Ministers' Office: Regulatory and registration charges of the media and service charge of the Government printer.
  - 13) Ministry of Agriculture, Food Security and Co-operatives: Service fees for plant quarantine and phytosanitary services; and Co-operative Societies registration fees.
  - 14) Ministry of Constitutional Affairs and Justice: Court fees. Fines and penalties for offences. Charges, fees, forfeitures and penalties on services rendered for marriage, birth and death registrations.
  - 15) Ministry of Health and Social Welfare: Fees, fines, penalties and forfeitures related to curative health services.
  - 16) Ministry of Communications, Science and Technology: Training, examination and school fees for higher education.
  - 17) Ministry of Water: Water laboratory services.
  - 18) Ministry of Livestock Development and Fisheries: Fees, fines and forfeitures related to services and charges which include registration fees, livestock movements permit fees, livestock market fees and prawn fishing licenses. Livestock development fund, veterinary services on export duties, fishing and export licenses, export and import royalties.

**c) Regions**

All regional administrative secretariats (which are part of Central Government) collect service fees and license fees for food premises and revenue from public property.

**d) Executive Agencies**

Many executive agencies of the government collect revenue, but this revenue is used to administer the agencies themselves and is not part of the central government budget.



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## CHAPTER THREE

### Tax Collection Performance

#### 3.0 Introduction

This chapter gives the tax collection performance from 2002/03 to 2013/14 in Tanzania Mainland. The information on amounts of money collected cover two sources of government revenue ;namely domestic revenue and external assistance, which comprises of grants and loans from bilateral and or multilateral agencies. The chapter also mentions major contributors to tax revenue.

#### 3.1 Domestic Revenue

Domestic revenues in Tanzania are collected in the form of tax revenues by Tanzania Revenue Authority (TRA) which is an executive agency established in 1996 under the Ministry of Finance and mandated to collect taxes. Taxes collected by TRA include among others, income tax, value added tax, import tax and excise duty.

#### 3.2 Income Tax

This is a major source of government revenue collected in the form of a tax on gains and profits from business, employment and investment of individuals, corporate and other entities. It is charged either as direct or indirect tax such as individual income tax, corporate tax, the PAYEs system for employees, presumptive income tax for small individual businesses, provisional and final withholding taxes and capital gains tax, all these are parts of a coherent income tax system.

#### 3.3 Direct and Indirect Taxes

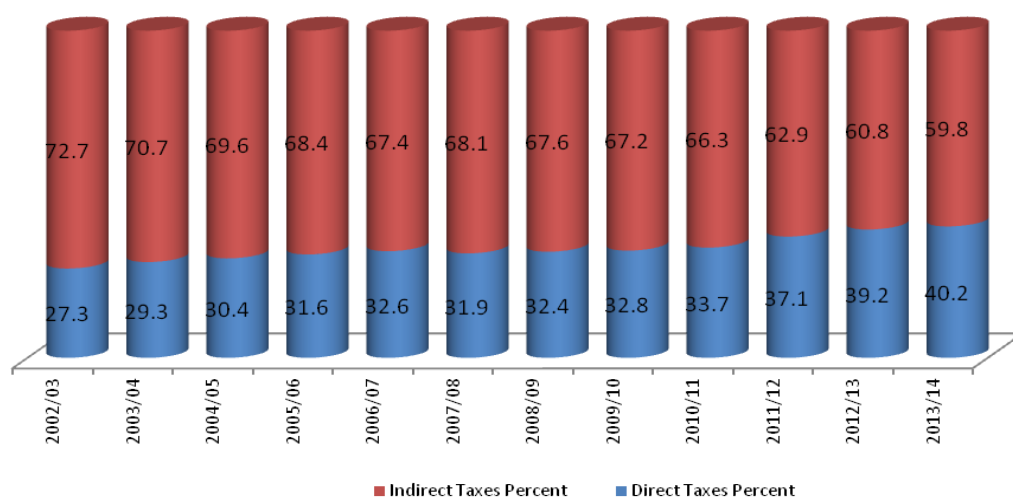
Table 3.1 and Figure 3.1 show collections and contributions of direct and indirect taxes to the domestic revenue in Tanzania Mainland. From 2003/04 to 2008/09, collected indirect taxes were more than double the collected direct taxes. However, the gap between shares of direct and indirect taxes is narrowing faster after 2008/09 than before. This is an indication of improved collection of direct taxes in the recent years. Table 3.1 also reveals that there was a steady increase of revenue collection in absolute terms. Revenue collection increased from TZS 1,144.3 billion in 2002/03 to TZS 3,463.6 billion in 2007/08 and reached TZS 9,880.1 billion in 2013/14. Tax revenue collection increased by 23.0 percent in 2013/14 compared to 20.4 percent in 2012/13. The highest percentage increase (32.3 percent) in revenue collection was observed in 2007/08 when tax collection increased by TZS 845.7 billion between 2006/07 and 2007/08. The year 2009/10 recorded the worst collection when tax collection increased by only 9.8 percent. (Table 3.1). Furthermore, when

you look at Figure 3.1 critically, you realize that indirect taxes were increasing absolutely but at a decreasing marginal return while the trend in direct taxes it was increasing gently.

**Table 3. 1: Collection and Contribution of Direct and Indirect Taxes to the Domestic Taxes ( TZS Billion), Tanzania Mainland, 2002/03 – 2013/14**

| Year         | Direct Taxes    |             | Indirect Taxes  |             | Total           | Changes of Taxes between Years |         |
|--------------|-----------------|-------------|-----------------|-------------|-----------------|--------------------------------|---------|
|              | Amount          | Percent     | Amount          | Percent     |                 | Amount                         | Percent |
| 2002/03      | 312.4           | 27.3        | 831.9           | 72.7        | 1,144.3         |                                |         |
| 2003/04      | 405.5           | 29.3        | 979.6           | 70.7        | 1,385.1         | 240.8                          | 21.0    |
| 2004/05      | 510.9           | 30.4        | 1169.1          | 69.6        | 1,680.0         | 294.9                          | 21.3    |
| 2005/06      | 637.8           | 31.6        | 1380.1          | 68.4        | 2,017.9         | 337.9                          | 20.1    |
| 2006/07      | 853.5           | 32.6        | 1764.4          | 67.4        | 2,617.9         | 599.9                          | 29.7    |
| 2007/08      | 1,105.7         | 31.9        | 2357.9          | 68.1        | 3,463.6         | 845.7                          | 32.3    |
| 2008/09      | 1,349.8         | 32.4        | 2811.8          | 67.6        | 4,161.6         | 698.0                          | 20.2    |
| 2009/10      | 1,498.0         | 32.8        | 3072.5          | 67.2        | 4,570.4         | 408.8                          | 9.8     |
| 2010/11      | 1,839.9         | 33.7        | 3620.2          | 66.3        | 5,460.1         | 889.7                          | 19.5    |
| 2011/12      | 2,471.5         | 37.1        | 4197.1          | 62.9        | 6,668.6         | 1,208.5                        | 22.1    |
| 2012/13      | 3,149.4         | 39.2        | 4881.7          | 60.8        | 8,031.1         | 1,362.5                        | 20.4    |
| 2013/14      | 3,968.3         | 40.2        | 5911.8          | 59.8        | 9,880.1         | 1,849.0                        | 23.0    |
| <b>Total</b> | <b>18,102.9</b> | <b>35.4</b> | <b>32,978.0</b> | <b>64.6</b> | <b>51,080.9</b> |                                |         |

**Figure 3. 1: Percentage Contribution of Direct and Indirect Taxes to Total Domestic Tax Revenue, Tanzania Mainland, 2002/03 – 2013/14**



#### a) Direct Taxes

Table 3.2 shows different types of direct taxes collected in the reference period. The table shows that out of TZS 18,102.7 billion collected from 2002/03 to 2013/14, an average of 45.6 percent was contributed by PAYE followed by corporate taxes (32.4 percent) and withholding taxes (10.4 percent) while the gaming tax and other direct taxes all together contributed the least percentage of 0.9. The table shows a steady increase in the direct tax revenue over the period 2002/03 to 2013/14 although there were variations in the increases between years. Total direct taxes increased from

TZS 312.4 billion in 2002/03 to TZS 1,105.7 billion in 2007/08 and reached TZS 3,968.3 billion in 2013/14 (Table 3.2). An increase between 2012/13 and 2013/14 was TZS 818.9 billion, equivalent to 26.0 percent which is 1.4 percent points less than an increase between 2011/2012 and 2012/2013.

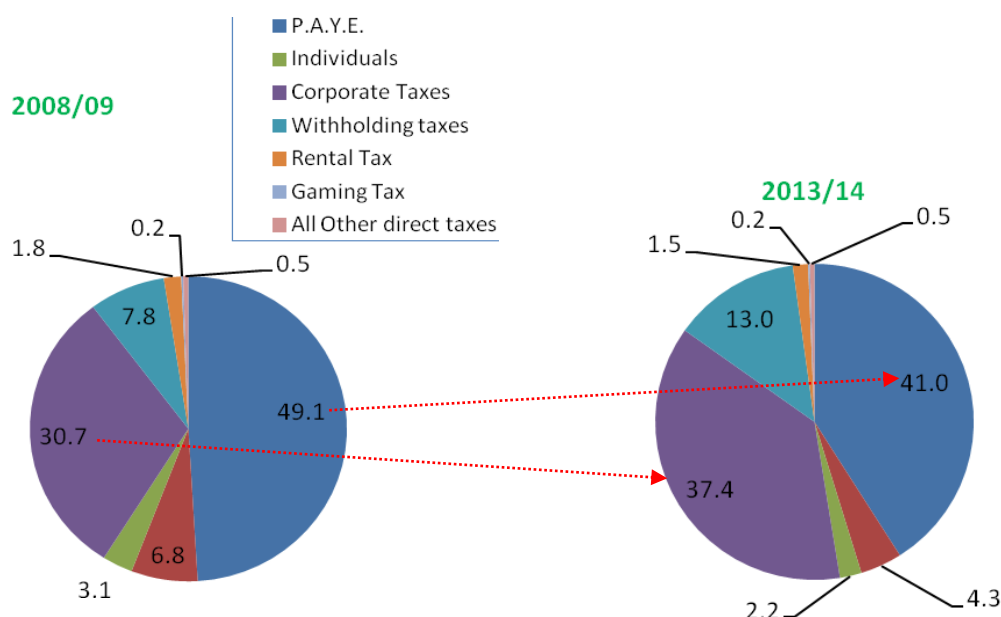
**Table 3. 2: Direct Taxes (TZS Billion) by Type, Tanzania Mainland, 2002/03 – 2013/14**

| Year           | Type of Tax    |                |              |                |                |              |             |              |                  | Change in Collection between Years |         |
|----------------|----------------|----------------|--------------|----------------|----------------|--------------|-------------|--------------|------------------|------------------------------------|---------|
|                | PAYE           | SDL            | Individuals  | Corporate      | Withholding    | Rental       | Gaming      | Others       | Total Direct Tax | Amount                             | Percent |
| 2002/03        | 139.7          | 29.6           | 15.5         | 78.4           | 38.6           | 8.6          | -           | 2.0          | 312.4            |                                    |         |
| 2003/04        | 183.2          | 37.8           | 18.3         | 109.1          | 43.5           | 11.0         | -           | 2.6          | 405.5            | 93.1                               | 29.8    |
| 2004/05        | 234.1          | 43.5           | 26.1         | 152.7          | 42.6           | 8.7          | -           | 3.2          | 510.9            | 105.4                              | 26.0    |
| 2005/06        | 288.3          | 53.8           | 31.4         | 203.3          | 46.9           | 10.6         | -           | 3.4          | 637.8            | 126.9                              | 24.8    |
| 2006/07        | 408.6          | 61.1           | 31.2         | 267.2          | 68.0           | 12.1         | -           | 5.3          | 853.5            | 215.7                              | 33.8    |
| 2007/08        | 512.2          | 76.5           | 36.3         | 374.6          | 81.1           | 16.9         | -           | 8.2          | 1,105.7          | 252.2                              | 29.5    |
| 2008/09        | 662.3          | 91.7           | 42.1         | 414.7          | 105.3          | 23.9         | 2.7         | 7.2          | 1,349.8          | 244.1                              | 22.1    |
| 2009/10        | 743.4          | 110.2          | 48.6         | 418.3          | 137.7          | 29.0         | 3.2         | 7.5          | 1,498.0          | 148.2                              | 11.0    |
| 2010/11        | 928.5          | 120.0          | 58.4         | 537.6          | 142.1          | 33.0         | 4.1         | 16.3         | 1,839.9          | 341.9                              | 22.8    |
| 2011/12        | 1,129.5        | 138.9          | 65.8         | 779.9          | 279.4          | 57.4         | 3.3         | 17.4         | 2,471.5          | 631.6                              | 34.3    |
| 2012/13        | 1,395.6        | 155.3          | 69.9         | 1039.7         | 382.9          | 68.9         | 8.9         | 28.2         | 3,149.4          | 677.9                              | 27.4    |
| 2013/14        | 1,626.5        | 168.6          | 87.4         | 1484.0         | 514.63         | 61.37        | 7.2         | 18.5         | 3,968.3          | 818.9                              | 26.0    |
| <b>Total</b>   | <b>8,251.9</b> | <b>1,087.0</b> | <b>531.0</b> | <b>5,859.5</b> | <b>1,882.8</b> | <b>341.5</b> | <b>29.4</b> | <b>119.8</b> | <b>18,102.7</b>  |                                    |         |
| <b>Percent</b> | <b>45.6</b>    | <b>6.0</b>     | <b>2.9</b>   | <b>32.4</b>    | <b>10.4</b>    | <b>1.9</b>   | <b>0.2</b>  | <b>0.7</b>   | <b>100.0</b>     |                                    |         |

Source: Tanzania Revenue Authority, 2014

Figure 3.2 shows the shares of various direct taxes in 2008/09 and 2013/14 where the share of PAYE decreased from 49.1percent in 2008/09 to 41.0 percent in 2013/14. On the other hand, corporate taxes increased their share from 30.7 percent in 2008/09 to 37.4 percent in 2013/14.

**Figure 3. 2: Percentage Contribution of Various Taxes to Total Direct Taxes, Tanzania Mainland Compared Between 2008/09 and 2013/14 Fiscal Years.**



#### b) Indirect Taxes

Table and Figure 3.3 show indirect taxes broadly categorized as consumption taxes; other domestic taxes and charges; and international trade taxes over the period 2002/03 to 2013/14. Out of the total TZS 32,978.0 billion collected over the above mention period, 62.7 percent of the total was contributed by taxes from international trade followed by consumption taxes (34.0percent) while other domestic taxes and charges contributed only 3.3 percent. The collection increased to TZS 2,357.9 billion in 2007/0 from TZS 831.9 billion in 2002/03 before it reached TZS 5,911.8 billion in 2013/14.

**Table 3. 3: Indirect Taxes (in TZS Billion) by Broad Categories, Tanzania Mainland, 2002/03 – 2013/14**

| Year         | Consumption     |             | Other Domestic Taxes and Charges |            | International Trade Taxes |             | Total Indirect Taxes | Change in Collection between Years |         |
|--------------|-----------------|-------------|----------------------------------|------------|---------------------------|-------------|----------------------|------------------------------------|---------|
|              | Amount          | Percent     | Amount                           | Percent    | Amount                    | Percent     |                      | Amount                             | Percent |
| 2002/03      | 286.8           | 34.5        | 26.0                             | 3.1        | 519.1                     | 62.4        | 831.9                |                                    |         |
| 2003/04      | 319.4           | 32.6        | 32.0                             | 3.3        | 628.2                     | 64.1        | 979.6                | 147.7                              | 17.8    |
| 2004/05      | 394.1           | 33.7        | 25.8                             | 2.2        | 749.3                     | 64.1        | 1,169.1              | 189.5                              | 19.3    |
| 2005/06      | 466.5           | 33.8        | 30.0                             | 2.2        | 883.6                     | 64.0        | 1,380.1              | 211.0                              | 18.0    |
| 2006/07      | 595.6           | 33.8        | 36.3                             | 2.1        | 1,132.5                   | 64.2        | 1,764.4              | 384.3                              | 27.8    |
| 2007/08      | 768.5           | 32.6        | 74.0                             | 3.1        | 1,515.4                   | 64.3        | 2,357.9              | 593.5                              | 33.6    |
| 2008/09      | 979.3           | 34.8        | 83.8                             | 3.0        | 1,748.7                   | 62.2        | 2,811.8              | 453.9                              | 19.3    |
| 2009/10      | 1,031.6         | 33.6        | 97.4                             | 3.2        | 1,943.4                   | 63.3        | 3,072.5              | 260.7                              | 9.3     |
| 2010/11      | 1,152.1         | 31.8        | 131.7                            | 3.6        | 2,336.4                   | 64.5        | 3,620.2              | 547.7                              | 17.8    |
| 2011/12      | 1,429.0         | 34.0        | 151.8                            | 3.6        | 2,616.3                   | 62.3        | 4,197.1              | 576.9                              | 15.9    |
| 2012/13      | 1,715.8         | 35.1        | 194.1                            | 4.0        | 2,971.8                   | 60.9        | 4,881.7              | 684.6                              | 16.3    |
| 2013/14      | 2,064.3         | 34.9        | 220.2                            | 3.7        | 3,627.3                   | 61.4        | 5,911.8              | 1,030.1                            | 21.1    |
| <b>Total</b> | <b>11,203.0</b> | <b>34.0</b> | <b>1,103.1</b>                   | <b>3.3</b> | <b>20,671.9</b>           | <b>62.7</b> | <b>32,978.0</b>      |                                    |         |

Source: Tanzania Revenue Authority, 2014

## i. Consumption Taxes

According to its definition, consumption tax comprises two tax categories namely, Domestic excise and aggregate VAT (VAT on domestic products and services). Table 3.4 shows that from 2002/03 to 2013/14, aggregate VAT contributed 68.7 percent of indirect tax collection and domestic excise taxes contributed the remaining 31.3 percent. With respect to aggregate VAT, revenue collected has VAT on domestic services was much higher (45.1percent) than revenue collected as VAT on domestic products (23.7percent). As Figure 3.3 and Table 3.4 show, the gap between VATs on products and services was small in the first five years but widened thereafter.

**Table 3. 4: Consumption Taxes (in TZS Billion) by Type of Tax, Tanzania Mainland, 2002/03 – 2013/14**

| Year         | Domestic Excise Taxes |             | Aggregate VAT            |             |                          |             |                |             | Total Consumption Taxes | Change in Collection between Years |         |
|--------------|-----------------------|-------------|--------------------------|-------------|--------------------------|-------------|----------------|-------------|-------------------------|------------------------------------|---------|
|              | Amount                | Percent     | VAT on Domestic Products | Percent     | VAT on Domestic Services | Percent     | Total VAT      | Percent     |                         | Amount                             | Percent |
| 2002/03      | 85.3                  | 29.7        | 92.9                     | 32.4        | 108.6                    | 37.9        | 201.5          | 70.3        | 286.8                   |                                    |         |
| 2003/04      | 92.9                  | 29.1        | 105.3                    | 33.0        | 121.2                    | 37.9        | 226.5          | 70.9        | 319.4                   | 32.6                               | 11.4    |
| 2004/05      | 110.3                 | 28.0        | 127.3                    | 32.3        | 156.4                    | 39.7        | 283.7          | 72.0        | 394.0                   | 74.7                               | 23.4    |
| 2005/06      | 135.1                 | 29.0        | 122.6                    | 26.3        | 208.9                    | 44.8        | 331.5          | 71.0        | 466.6                   | 72.4                               | 18.4    |
| 2006/07      | 176.0                 | 29.6        | 191.4                    | 32.1        | 228.2                    | 38.3        | 419.6          | 70.4        | 595.6                   | 129.1                              | 27.7    |
| 2007/08      | 220.6                 | 28.7        | 199.7                    | 26.0        | 348.2                    | 45.3        | 547.9          | 71.3        | 768.5                   | 172.9                              | 29.0    |
| 2008/09      | 286.7                 | 29.3        | 243.7                    | 24.9        | 448.9                    | 45.8        | 692.6          | 70.7        | 979.3                   | 210.8                              | 27.4    |
| 2009/10      | 303.8                 | 29.4        | 252.4                    | 24.5        | 475.4                    | 46.1        | 727.8          | 70.6        | 1,031.6                 | 52.3                               | 5.3     |
| 2010/11      | 326.3                 | 28.3        | 304.9                    | 26.5        | 520.9                    | 45.2        | 825.8          | 71.7        | 1,152.1                 | 120.5                              | 11.7    |
| 2011/12      | 450.0                 | 31.5        | 383.8                    | 26.9        | 595.3                    | 41.7        | 979.1          | 68.5        | 1,429.1                 | 276.9                              | 24.0    |
| 2012/13      | 560.5                 | 32.7        | 302.3                    | 17.6        | 853.0                    | 49.7        | 1,155.3        | 67.3        | 1,715.8                 | 286.8                              | 20.1    |
| 2013/14      | 747.1                 | 36.6        | 343.3                    | 15.7        | 974.0                    | 47.7        | 1,294.1        | 63.4        | 2,064.3                 | 325.4                              | 19.0    |
| <b>Total</b> | <b>3,494.6</b>        | <b>31.3</b> | <b>2,669.6</b>           | <b>23.7</b> | <b>5,039.0</b>           | <b>45.1</b> | <b>7,685.4</b> | <b>68.7</b> | <b>11,180.0</b>         |                                    |         |

Source: Tanzania Revenue Authority, 2014

**Figure 3. 3: Consumption Taxes (in TZS Billion) by Category, Tanzania Mainland, 2002/03 – 2013/14**

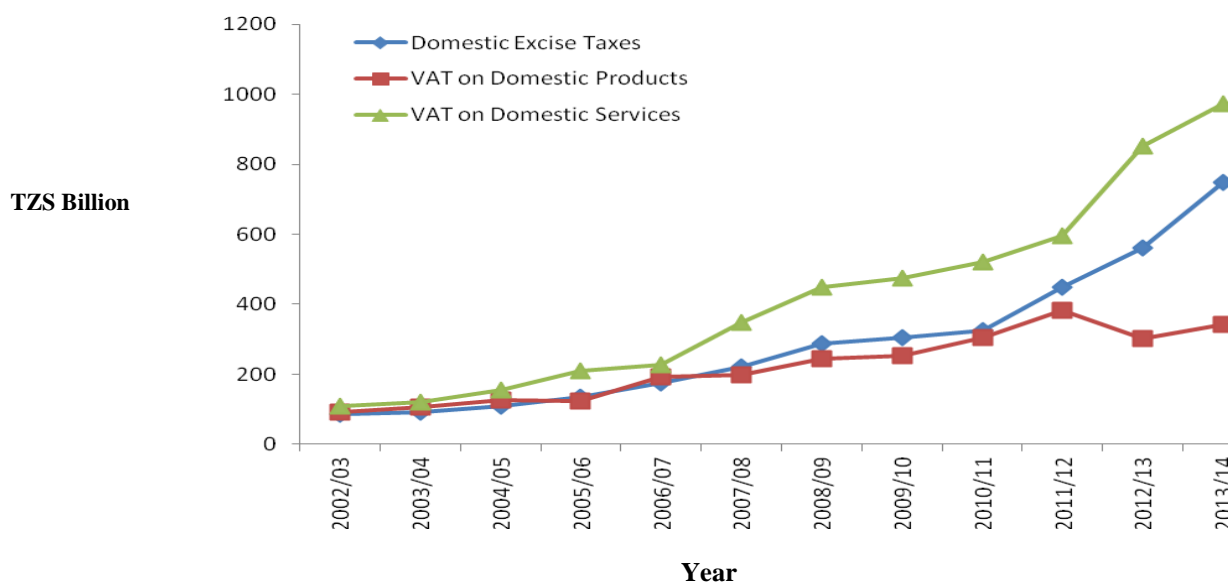


Table 3.5 shows revenue collected through different domestic excise taxes. These taxes were collected from hard and soft drinks, bottled water, mobile phones, cigarettes and other as domestic taxes. Out of a total of TZS 3,494.6 billion collected from 2002/03 to 2013/14, 34.6 percent of was collected from beer followed by mobile phones (23.8 percent), cigarettes (19.2 percent), spirits (8.4 percent) and soft drinks (7.8 percent) (Table 3.5). Bottled water with (0.5 percent) was the least contributor to domestic excise taxes.

**Table 3.5: Domestic Excise Taxes (in TZS Billion) by Type of Product, Tanzania Mainland, 2002/03 – 2013/14**

| Year           | Type of Product |              |               |              |              |               | Other Domestic Excise Taxes | Total Domestic Excise Taxes | Change in Collection between Years |         |
|----------------|-----------------|--------------|---------------|--------------|--------------|---------------|-----------------------------|-----------------------------|------------------------------------|---------|
|                | Mobile Phones   | Cigarettes   | Beer          | Spirits      | Soft Drinks  | Bottled Water |                             |                             | Amount                             | Percent |
| 2002/03        | n.a             | 26.3         | 44.0          | n.a          | 7.7          | -             | 7.2                         | 85.3                        |                                    |         |
| 2003/04        | 7.0             | 29.9         | 44.6          | 0            | 8.0          | -             | 3.4                         | 92.9                        | 7.6                                | 8.9     |
| 2004/05        | 9.7             | 32.8         | 52.1          | -            | 10.7         | -             | 5.0                         | 110.3                       | 17.5                               | 18.8    |
| 2005/06        | 16.8            | 39.5         | 60.8          | 0            | 12.4         | -             | 5.5                         | 135.1                       | 24.7                               | 22.4    |
| 2006/07        | 32.3            | 43.3         | 73.6          | 9.1          | 15.0         | -             | 2.6                         | 176.0                       | 40.9                               | 30.3    |
| 2007/08        | 40.2            | 54.2         | 91.5          | 11.1         | 17.3         | -             | 6.2                         | 220.6                       | 44.7                               | 25.4    |
| 2008/09        | 67.7            | 58.5         | 106.7         | 17.5         | 21.4         | -             | 14.9                        | 286.7                       | 66.1                               | 30.0    |
| 2009/10        | 85.6            | 55.2         | 105.4         | 24.0         | 24.3         | -             | 9.3                         | 303.8                       | 17.1                               | 6.0     |
| 2010/11        | 90.2            | 62.1         | 115.6         | 29.4         | 26.7         | -             | 2.2                         | 326.3                       | 22.5                               | 7.4     |
| 2011/12        | 114.6           | 78.5         | 150.5         | 52.7         | 34.3         | 5.2           | 14.2                        | 450.0                       | 123.7                              | 37.9    |
| 2012/13        | 150.0           | 87.3         | 179.7         | 69.9         | 43.1         | 0.8           | 29.6                        | 560.5                       | 110.5                              | 24.6    |
| 2013/14        | 217.5           | 104.3        | 186.3         | 78.7         | 52.0         | 10.3          | 98.1                        | 747.1                       | 186.7                              | 33.3    |
| <b>Total</b>   | <b>831.6</b>    | <b>671.9</b> | <b>1210.8</b> | <b>272.9</b> | <b>272.9</b> | <b>16.3</b>   | <b>198.1</b>                | <b>3494.6</b>               |                                    |         |
| <b>Percent</b> | <b>23.8</b>     | <b>19.2</b>  | <b>34.6</b>   | <b>8.4</b>   | <b>7.8</b>   | <b>0.5</b>    | <b>5.7</b>                  | <b>100.0</b>                |                                    |         |

*Source: Tanzania Revenue Authority, 2014*

Table 3.5 also shows variations in revenue collection between years, ranging from 6.0 percent between 2008/09 and 2009/10 to 37.9 percent between 2010/11 and 2011/12 and 33.3 percent in 2013/14 and the preceding year. Nevertheless, revenue from Domestic excise taxes increased over the whole period from 2002/03 to 2013/14 as indicated in Figure 3.4.

**Figure 3. 4: Total Domestic Excise Taxes (in TZS Billion), Tanzania Mainland, 2002/03 – 2013/14**



### ***VAT on Domestic Product***

Table 3.6 shows that total VAT revenue collected from the production of beer over the period 2002/03 to 2013/14 accounted for 28.2 percent of all VAT from domestic products.

**Table 3. 6: VAT from Domestic Products (in TZS Billion) by Type of Product, Tanzania Mainland, 2002/03 to 2013/14**

| Year           | Type of Product |              |              |              |              |              | Total VAT from Domestic Products | Change in Collection |         |
|----------------|-----------------|--------------|--------------|--------------|--------------|--------------|----------------------------------|----------------------|---------|
|                | Beer            | Cigarettes   | Soft Drinks  | Cement       | Sugar        | Others       |                                  | Amount               | Percent |
| 2002/03        | 25.1            | 12.9         | 5.1          | -            | 6.9          | 42.8         | 92.8                             |                      |         |
| 2003/04        | 26.8            | 12.6         | 5.8          | -            | 10.8         | 49.3         | 105.3                            | 12.4                 | 13.5    |
| 2004/05        | 33.0            | 15.3         | 6.4          | -            | 10.9         | 61.8         | 127.4                            | 22.0                 | 20.9    |
| 2005/06        | 36.0            | 13.1         | 7.7          | -            | 13.3         | 52.5         | 122.6                            | -4.7                 | -3.7    |
| 2006/07        | 47.6            | 20.8         | 10.4         | -            | 0.0          | 112.7        | 191.5                            | 68.8                 | 56.2    |
| 2007/08        | 56.3            | 23.5         | 13.7         | 19.8         | 13.9         | 72.5         | 199.7                            | 8.3                  | 4.3     |
| 2008/09        | 66.9            | 33.0         | 20.0         | 24.0         | 24.9         | 74.8         | 243.6                            | 44.0                 | 22.0    |
| 2009/10        | 66.2            | 29.1         | 19.5         | 20.6         | 24.9         | 92.2         | 252.5                            | 8.8                  | 3.6     |
| 2010/11        | 80.5            | 33.9         | 25.9         | 34.2         | 24.9         | 105.5        | 304.9                            | 52.4                 | 20.8    |
| 2011/12        | 90.1            | 39.1         | 27.2         | 31.0         | 38.2         | 158.3        | 383.9                            | 78.9                 | 25.9    |
| 2012/13        | 105.6           | 45.7         | 34.7         | 32.0         | 24.0         | 60.3         | 302.3                            | -81.5                | -21.2   |
| 2013/14        | 118.6           | 37.6         | 41.4         | 23.7         | 23.9         | 97.9         | 343.1                            | 40.8                 | 13.5    |
| <b>Total</b>   | <b>752.8</b>    | <b>316.5</b> | <b>217.8</b> | <b>185.3</b> | <b>216.6</b> | <b>980.6</b> | <b>2,669.6</b>                   |                      |         |
| <b>Percent</b> | <b>28.2</b>     | <b>11.9</b>  | <b>8.2</b>   | <b>6.9</b>   | <b>8.1</b>   | <b>36.7</b>  | <b>100.0</b>                     |                      |         |

It was followed by VAT from cigarettes (11.9 percent), soft drinks (8.2 percent) and sugar (8.1 percent). VAT from cement production had the smallest percentage of 6.9 but contributing since 2007/08.

Between 2012/13 and 2013/14 VAT on domestic production increased by 13.5 percent.

In table 3.6, the largest percentage increase of VAT from domestic products was observed in 2006/07 at the rate of 56.2 percent. In the preceding year (2005/06), there was a decline of 3.7 percent. The VAT revenue collected in 2004/05 was TZS 127.4 billion and it dropped to TZS 122.6 billion in 2005/06 leading to decline of 3.7 percent in revenue. Also, after an improved tax revenue of TZS 383.8 billion collected in 2011/12 there was a decline by 21.2 percent in collection to TZS 30.3 billion in 2012/13. Nevertheless, VAT collected from domestic products increased in 2013/14 by 13.5 percent as indicated in Figure 3. 5.

### ***VAT on Domestic Services***

VAT from domestic services comprise taxes from electricity, telephone, retail and wholesale businesses, transport, hotel services and other services. Table 3.7 shows that from 2002/03 to 2013/14 out of a total of TZS 5,039.0 billion were collected of which 25.9 percent was collected from telephone services followed by electricity charges (8.6 percent) and transport services (7.4 percent), hotel services (6.2 percent), retail trade (4.6 percent) and wholesale trade (3.3 percent).

Table 3.7 and Figure 3. 6 show that VAT on domestic services increased over the 2002/03 to 2013/14 period. Revenue collection growth varies from year to year. The variation can be observed from year 2003/04 to 2013/14 as a positive or negative increase.

**Table 3. 7: VAT from Domestic Services (in TZS Billion) by Type of Service, Tanzania Mainland, 2002/03 – 2013/14**

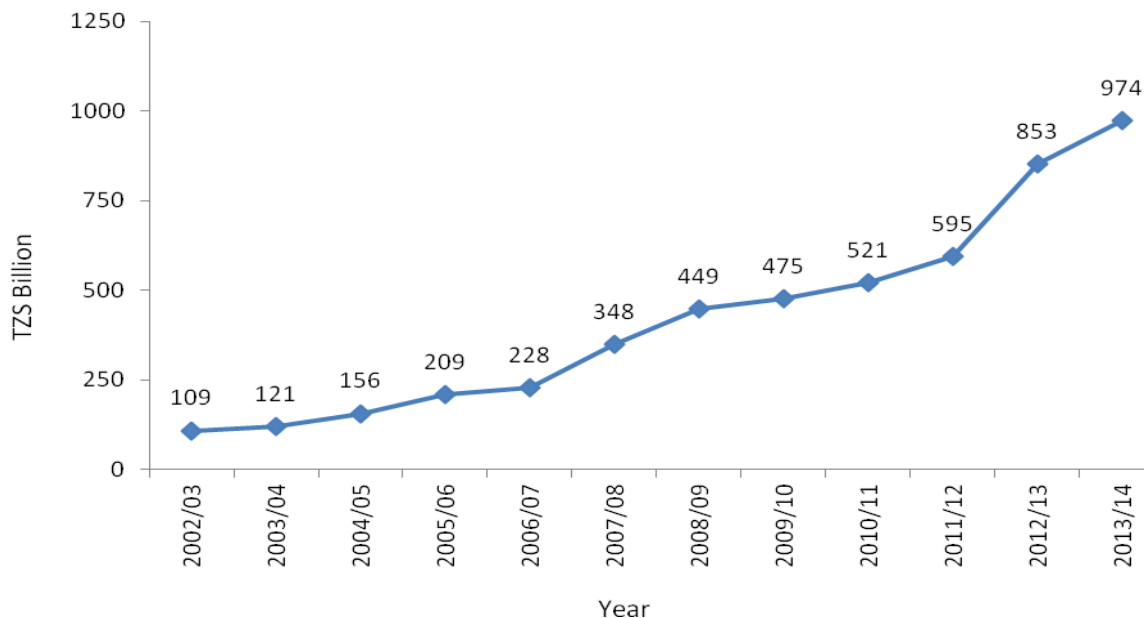
| Year    | Type of service |           |           |             |           |                |        | Total VAT from Domestic Services | Change in Collection between Years |         |
|---------|-----------------|-----------|-----------|-------------|-----------|----------------|--------|----------------------------------|------------------------------------|---------|
|         | Electricity     | Telephone | Retailers | Wholesalers | Transport | Hotel Services | Others |                                  | Amount                             | Percent |
| 2002/03 | 14.8            | 25.5      | 6.6       | 6.8         | 9.8       | 8.6            | 36.5   | 108.6                            |                                    |         |
| 2003/04 | 8.3             | 31.6      | 8.0       | 7.0         | 9.3       | 10.2           | 46.7   | 121.2                            | 12.6                               | 11.6    |
| 2004/05 | 13.4            | 45.7      | 10.8      | 7.1         | 11.2      | 12.7           | 55.5   | 156.4                            | 35.2                               | 29.0    |
| 2005/06 | 13.9            | 60.2      | 10.5      | 10.5        | 13.2      | 15.0           | 85.5   | 208.9                            | 52.5                               | 33.6    |
| 2006/07 | 20.8            | 63.3      | 10.3      | 9.2         | 16.7      | 19.2           | 88.7   | 228.2                            | 19.3                               | 9.2     |
| 2007/08 | 31.2            | 105.6     | 13.4      | 10.9        | 26.7      | 26.1           | 134.4  | 348.2                            | 120.0                              | 52.6    |
| 2008/09 | 42.5            | 128.8     | 14.8      | 13.5        | 62.3      | 26.1           | 161.0  | 448.9                            | 100.7                              | 28.9    |
| 2009/10 | 56.0            | 123.1     | 16.1      | 14.5        | 67.0      | 27.5           | 171.4  | 475.4                            | 26.5                               | 5.9     |
| 2010/11 | 31.5            | 139.4     | 19.9      | 17.3        | 67.5      | 36.1           | 209.1  | 520.9                            | 45.5                               | 9.6     |
| 2011/12 | 27.3            | 190.4     | 39.5      | 17.2        | 19.9      | 45.1           | 255.8  | 595.3                            | 74.4                               | 14.3    |
| 2012/13 | 78.5            | 224.0     | 42.1      | 26.3        | 26.9      | 41.3           | 413.9  | 853.0                            | 257.7                              | 43.3    |
| 2013/14 | 97.1            | 168.8     | 39.7      | 24.6        | 39.9      | 45.5           | 558.4  | 974.0                            | 121.1                              | 14.2    |



|                |              |                |              |              |              |              |                |                |  |
|----------------|--------------|----------------|--------------|--------------|--------------|--------------|----------------|----------------|--|
| <b>Total</b>   | <b>435.3</b> | <b>1,306.4</b> | <b>231.7</b> | <b>164.9</b> | <b>370.4</b> | <b>313.3</b> | <b>2,216.9</b> | <b>5,039.0</b> |  |
| <b>Percent</b> | <b>8.6</b>   | <b>25.9</b>    | <b>4.6</b>   | <b>3.3</b>   | <b>7.4</b>   | <b>6.2</b>   | <b>44.0</b>    | <b>100.0</b>   |  |

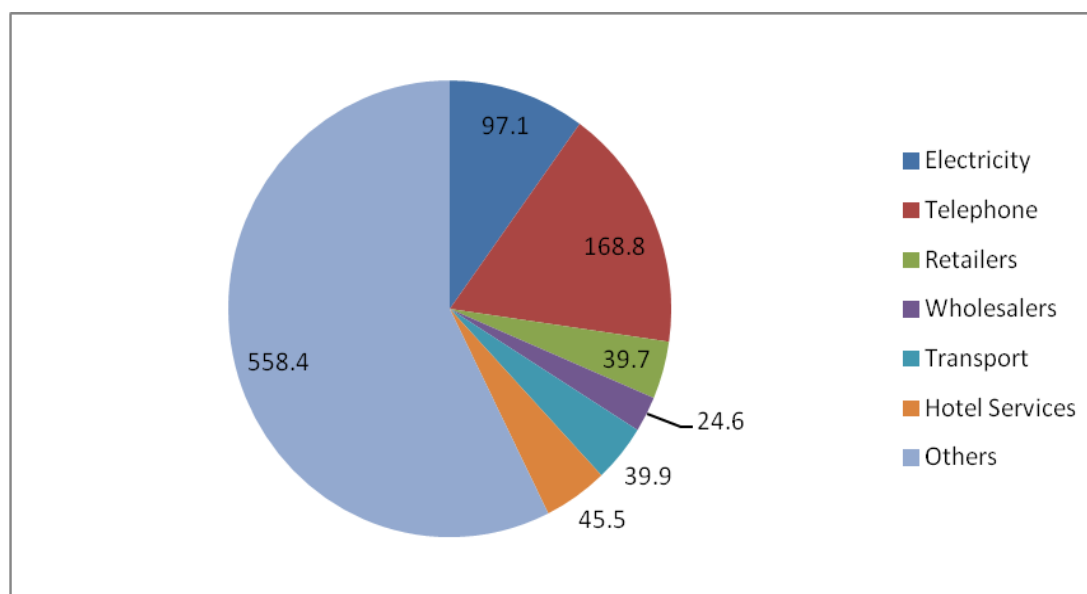
Source: Tanzania Revenue Authority, 2

**Figure 3.5 VAT from Domestic Services (in TZS Billion) by Type of Service, Tanzania Mainland, 2002/03 – 2013/14**



The constituent items of VAT revenue from service, show some changes in the 2002/03 to 2013/14 period for instance VAT from electricity utility dropped from TZS 56.0 billion in 2009/10 to TZS 27.3 billion in 2011/12 but recovered in 2012/13 (TZS 78.5 billion) and 2013/14 (TZS 97.1 billion). Telephone contribution to VAT revenue increased every year except in 2009/10 when there was a negative growth of 4.4 percent and in 2013/14 when there was a negative growth of 24.6 percent. In the case of transport, there was a slight drop of 5.1 percent in 2003/04 and a large drop of 70.5 percent according to Table 3.7.

**Figure 3. 6: Domestic Tax Revenue (in TZS Billion) by Type of Service, Tanzania Mainland, 2013/14**



### **i Other Domestic Taxes and Charges**

Tax revenues are also collected from other domestic sources and charges including business licensing and airport departure charges. For the purpose of this report, three categories of other domestic sources are shown.

Table 3.8 indicates the contribution of tax revenue from other domestic sources and charges. Among the three sources, motor vehicle tax with an average of 69.2 percent, made the highest contribution over the 2002/03 to 2013/14 period. It was followed by tax revenue from departure charges with an average of 20.8 percent and stamp duty with 10.0 percent.

With respect to growth rates, Table 3.8 shows variations, throughout the period.. A negative growth occurred in 2004/05 with a decrease of revenue by 19.4 percent compared to the preceding year. This situation was caused by a significant decline of revenue collected from motor vehicle licenses tax from TZS7.6 billion in 2003/04 to TZS1.4 billion in 2004/05.. However, the highest growth rate was observed in 2007/08, at 103.9 percent followed by year 2010/11, (35.3 percent), year 2012/13 with 27.9 percent and 2003/04 with a23.1 percent growth.

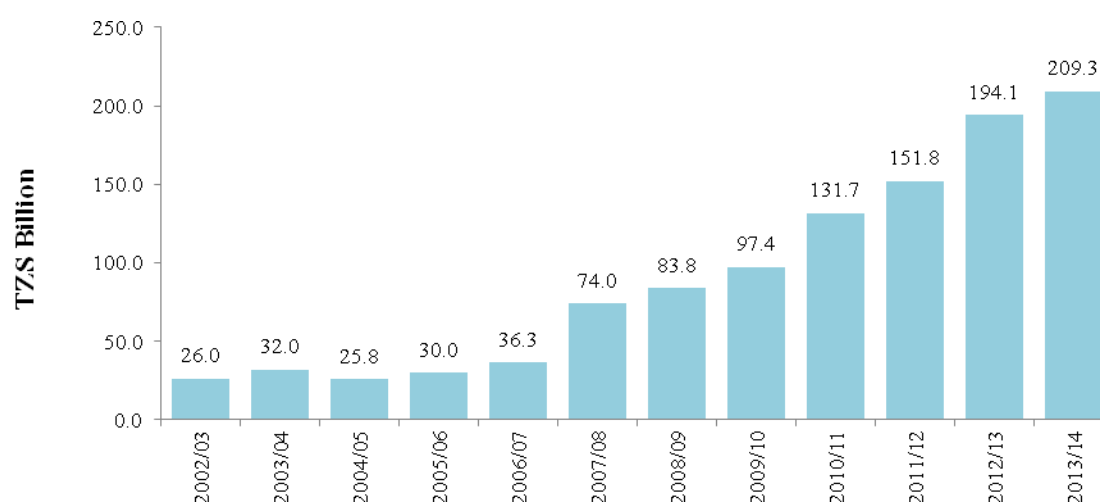
Figure 3.8 show that, variations in revenue over the 2002/03 to 2006/07 period were smaller than those of 2007/08 to 2013/14..In the latter period, revenue increased from TZS 74.0 billion in 2007/08 to TZS 209.3 billion in 2013/14.

**Table 3. 8: Other Domestic Taxes,(in TZS Billion) by Type of Tax Tanzania Mainland, 2002/03 – 2013/14**

| Year           | Other Domestic Taxes and Charges |                        |   |                            | Change of Collection between Years |         |
|----------------|----------------------------------|------------------------|---|----------------------------|------------------------------------|---------|
|                | Departure Charges                | Motor Vehicle Licenses | Stamp Duty & The Use of Telecommunication Trafficking Monitoring System | Total Other Domestic Taxes | Amount                             | Percent |
| 2002/03        | 7.2                              | 4.7                    | 14.1  | 26.0                       |                                    |         |
| 2003/04        | 8.6                              | 7.6                    | 15.8  | 32.0                       | 6.0                                | 23.1    |
| 2004/05        | 8.6                              | 1.4                    | 15.8  | 25.8                       | -6.2                               | -19.4   |
| 2005/06        | 9.5                              | 14.9                   | 5.6   | 30.0                       | 4.2                                | 16.3    |
| 2006/07        | 14.4                             | 17.1                   | 4.8   | 36.3                       | 6.3                                | 21.0    |
| 2007/08        | 16.2                             | 52.5                   | 5.3   | 74.0                       | 37.7                               | 103.9   |
| 2008/09        | 16.9                             | 62.3                   | 4.5   | 83.7                       | 9.7                                | 13.1    |
| 2009/10        | 21.1                             | 70.1                   | 6.1   | 97.3                       | 13.6                               | 16.2    |
| 2010/11        | 23.3                             | 101.3                  | 7.0   | 131.6                      | 34.3                               | 35.3    |
| 2011/12        | 23.2                             | 117.6                  | 11.0  | 151.8                      | 20.2                               | 15.3    |
| 2012/13        | 35.2                             | 147.8                  | 11.1  | 194.1                      | 42.3                               | 27.9    |
| 2013/14        | 42.4                             | 158.4                  | 19.5  | 220.2                      | 15.2                               | 7.8     |
| <b>Total</b>   | <b>226.6</b>                     | <b>755.7</b>           | <b>109.7</b>  | <b>1,103.1</b>             |                                    |         |
| <b>Percent</b> | <b>20.8</b>                      | <b>69.2</b>            | <b>10.0</b>   | <b>100.0</b>               |                                    |         |

Source: Tanzania Revenue Authority, 2014

**Figure 3. 7: Total Other Domestic Taxes (in TZS Billion), Tanzania Mainland, 2002/03 – 2013/14**



## ii International Trade Taxes

Table and Figure 3.9 show revenue collected through the international trade taxes in Tanzania Mainland during the 2002/03 – 2013/14 period. The international trade taxes are categorized into import duties, excise duties, VAT on imports, fuel levy and non tax revenue. The table shows that VAT on imports made the largest contribution (41.1 percent) to revenue collected from international trade taxes followed by excise duties (23.8 percent) , import duties (20.7 percent), fuel levy (13.7 percent) and non tax revenue (0.6 percent).

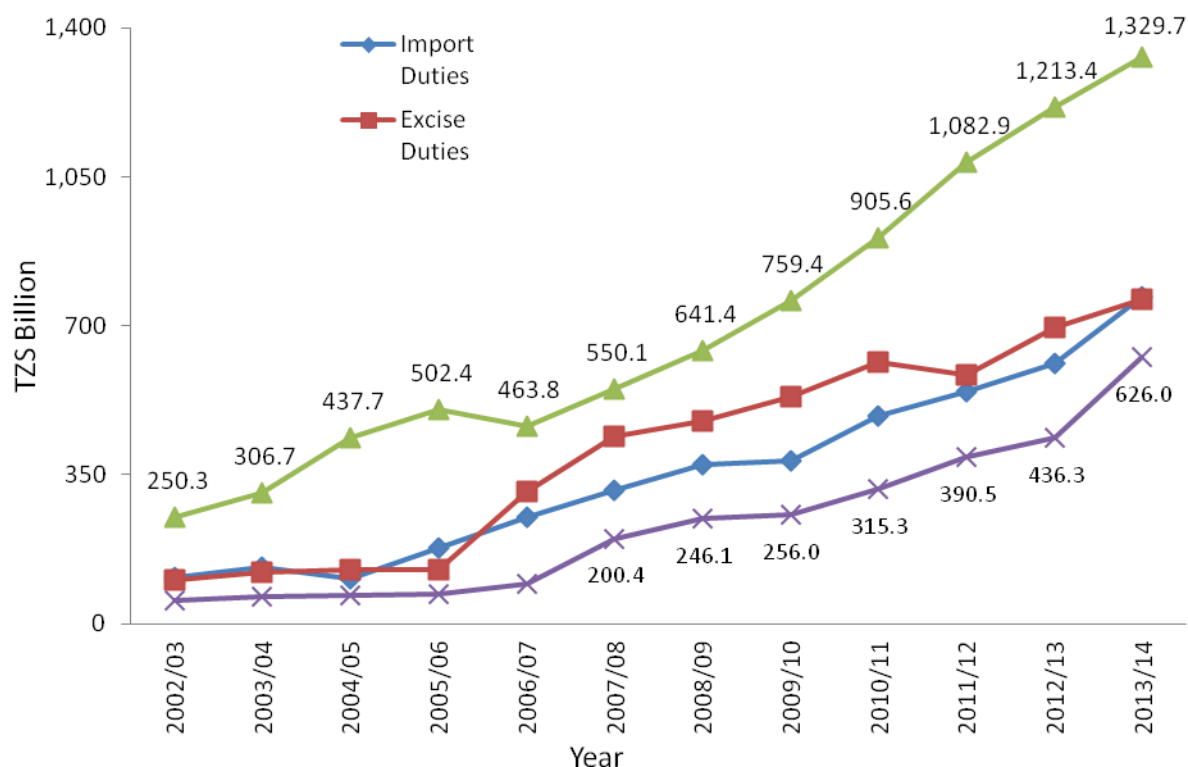
Table 3.9 also shows a steady growth of the revenue collected from international trade taxes. The highest growth rate was observed in year 2007/08 with an increase of 33.8 percent from the preceding year followed by year 2006/07 (28.2 percent) and year 2003/04 (21.0 percent). The worst year was 2009/10 with the growth of 11.1 percent followed by year 2011/12 (12.0 percent).

**Table 3. 9: International Trade Taxes (in TZS Billion) by Type of Tax, Tanzania Mainland, 2002/03 – 2013/14**

| Year         | Import Duties  |               | Excise Duties  |               | VAT on Imports |               | Fuel Levy & Petroleum Fee - REA |               | Non-Tax Revenue |               | Total International Trade Taxes | Change in Collection between Years |         |
|--------------|----------------|---------------|----------------|---------------|----------------|---------------|---------------------------------|---------------|-----------------|---------------|---------------------------------|------------------------------------|---------|
|              | Amount         | Percent Share | Amount         | Percent Share | Amount         | Percent Share | Amount                          | Percent Share | Amount          | Percent Share |                                 | Amount                             | Percent |
| 2002/03      | 108.1          | 20.8          | 102.0          | 19.7          | 250.3          | 48.2          | 55.9                            | 10.8          | 2.9             | 0.6           | 519.1                           |                                    |         |
| 2003/04      | 132.3          | 21.1          | 120.6          | 19.2          | 306.7          | 48.8          | 64.1                            | 10.2          | 4.5             | 0.7           | 628.2                           | 109.1                              | 21.0    |
| 2004/05      | 106.9          | 14.3          | 127.6          | 17.0          | 437.7          | 58.4          | 67.8                            | 9.1           | 9.3             | 1.2           | 749.3                           | 121.1                              | 19.3    |
| 2005/06      | 177.8          | 20.1          | 126.5          | 14.3          | 502.4          | 56.9          | 69.4                            | 7.9           | 7.5             | 0.8           | 883.6                           | 134.3                              | 17.9    |
| 2006/07      | 251.4          | 22.2          | 312.0          | 27.5          | 463.8          | 41.0          | 94.8                            | 8.4           | 10.4            | 0.9           | 1,132.5                         | 248.8                              | 28.2    |
| 2007/08      | 313.0          | 20.7          | 440.3          | 29.1          | 550.1          | 36.3          | 200.4                           | 13.2          | 11.5            | 0.8           | 1,515.4                         | 382.9                              | 33.8    |
| 2008/09      | 373.9          | 21.4          | 475.3          | 27.2          | 641.4          | 36.7          | 246.1                           | 14.1          | 12.0            | 0.7           | 1,748.7                         | 233.3                              | 15.4    |
| 2009/10      | 383.3          | 19.7          | 533.8          | 27.5          | 759.4          | 39.1          | 256.0                           | 13.2          | 10.9            | 0.6           | 1,943.4                         | 194.7                              | 11.1    |
| 2010/11      | 489.0          | 20.9          | 614.3          | 26.3          | 905.6          | 38.8          | 315.3                           | 13.5          | 12.1            | 0.5           | 2,336.4                         | 392.9                              | 20.2    |
| 2011/12      | 546.3          | 20.9          | 583.6          | 22.3          | 1,082.9        | 41.4          | 390.5                           | 14.9          | 12.9            | 0.5           | 2,616.3                         | 279.9                              | 12.0    |
| 2012/13      | 610.9          | 20.6          | 697.4          | 23.5          | 1,213.4        | 40.8          | 436.3                           | 14.7          | 13.8            | 0.5           | 2,971.8                         | 355.5                              | 13.6    |
| 2013/14      | 766.7          | 21.1          | 761.9          | 21.0          | 1,329.7        | 36.7          | 750.3                           | 17.3          | 18.7            | 0.5           | 3,627.2                         | 531.2                              | 17.9    |
| <b>Total</b> | <b>4,259.7</b> | <b>20.73</b>  | <b>4,895.2</b> | <b>23.82</b>  | <b>8,443.3</b> | <b>41.09</b>  | <b>2,822.8</b>                  | <b>13.74</b>  | <b>126.5</b>    | <b>0.62</b>   | <b>20,671.9</b>                 |                                    |         |

Source: Tanzania Revenue Authority, 2014

**Figure 3. 8: International Trade Taxes (TZS Billion) by Type of Tax, Tanzania Mainland, 2002/03 – 2013/14**



### **Import Duties**

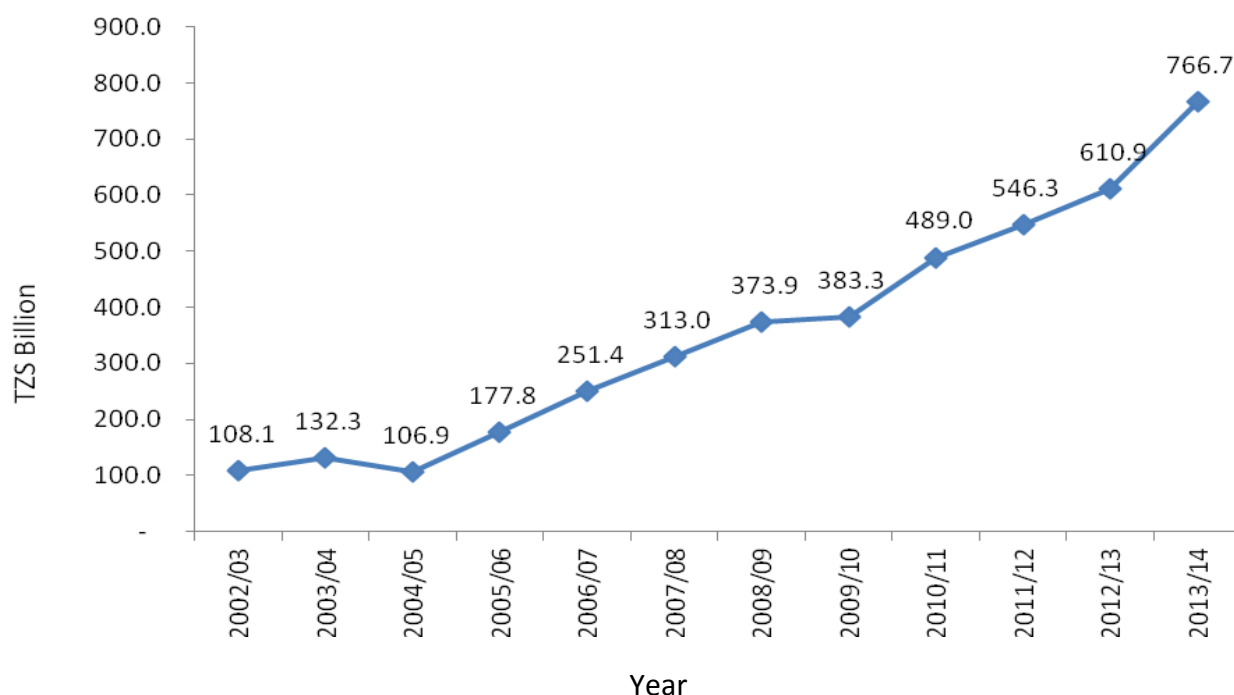
Import duties comprise of non-petroleum import duties and other import and export charges. Table 3.10 shows that, out of TZS 4,259.7 billion collected as import duties from 2002/03 to 2013/14, 96.3 percent was contributed by non-petroleum import duties and only 3.7 percent of the import duties was from other import and export charges. Contribution of non-petroleum import duties in the 2002/03 to 2013/13 period ranged from 93.3 percent in 2011/12 to 100.0 percent in 2005/06.

Table 3.10 also shows changes in collections each year. The negative increases in revenue, was only observed in 2004/05 and was 19.2 percent. The rate of increase in the remaining years ranged from 2.5 percent in 2009/10 to 66.3 percent in 2005/06. Looking at the absolute numbers, the largest increase was observed in 2013/14 (TZS 155.8 billion) and the smallest increase was observed in 2009/10 with an increase of only TZS 9.4 billion, the Figure 3.10 shows an upward trend of the total import duties.

**Table 3. 10: Import Duties (in TZS Billion) by Type of Duty, Tanzania Mainland, 2002/03 – 2013/14**

| Year         | Non-Petroleum Import Duties |             | Other Import and Export Charges |            | Total Import Duties | Change in Collection between Years |         |
|--------------|-----------------------------|-------------|---------------------------------|------------|---------------------|------------------------------------|---------|
|              | Amount                      | Percent     | Amount                          | Percent    |                     | Amount                             | Percent |
| 2002/03      | 107.6                       | 99.6        | 0.5                             | 0.4        | 108.1               |                                    |         |
| 2003/04      | 132.2                       | 99.9        | 0.1                             | 0.1        | 132.3               | 24.2                               | 22.4    |
| 2004/05      | 106.6                       | 99.7        | 0.3                             | 0.3        | 106.9               | -25.4                              | -19.2   |
| 2005/06      | 177.8                       | 100.0       | 0.0                             | 0.0        | 177.8               | 70.9                               | 66.3    |
| 2006/07      | 245.5                       | 97.6        | 6.0                             | 2.4        | 251.4               | 73.6                               | 41.4    |
| 2007/08      | 304.5                       | 97.3        | 8.6                             | 2.7        | 313.0               | 61.6                               | 24.5    |
| 2008/09      | 366.7                       | 98.1        | 7.2                             | 1.9        | 373.9               | 60.9                               | 19.5    |
| 2009/10      | 377.0                       | 98.3        | 6.4                             | 1.7        | 383.3               | 9.4                                | 2.5     |
| 2010/11      | 459.9                       | 94.0        | 29.1                            | 6.0        | 489.0               | 105.7                              | 27.6    |
| 2011/12      | 509.7                       | 93.3        | 36.6                            | 6.7        | 546.3               | 57.3                               | 11.7    |
| 2012/13      | 580.9                       | 95.1        | 29.9                            | 4.9        | 610.9               | 64.5                               | 11.8    |
| 2013/14      | 734.8                       | 95.8        | 31.9                            | 4.2        | 766.7               | 155.8                              | 25.5    |
| <b>Total</b> | <b>4,103.2</b>              | <b>96.3</b> | <b>156.6</b>                    | <b>3.7</b> | <b>4,259.8</b>      |                                    |         |

Source: Tanzania Revenue Authority, 2014

**Figure 3. 9: Total Import Duties (in TZS Billion), Tanzania Mainland, 2002/03 – 2013/14**

### **Excise Duties**

Excise duties comprise of taxes on wines and spirits, non-petroleum and petroleum excise duties. Table 3.11 shows that out of total revenue (TZS 4,895.2billion) collected during 2002/03 to 2013/14 period, about 90.37 percent was collected as petroleum excise duties and 9.56 percent was collected as non-petroleum excise duties.. Wines and spirits' contribution accounted for only 0.07 percent of the total excise duties. The table also shows increase in revenue collection from TZS 102.0 billion in 2002/03 to TZS 440.3 billion in 2007/08 and TZS 761.9 billion in 2013/14.

Table 3.11 shows that the rate of increase of excise duties collection fluctuated over the 2002/03 to 2013/14 period. The worst performances in revenue collection were in years 2005/06 to 2011/12 when the growth of revenue was negative, 0.9 and 5.0 percent respectively

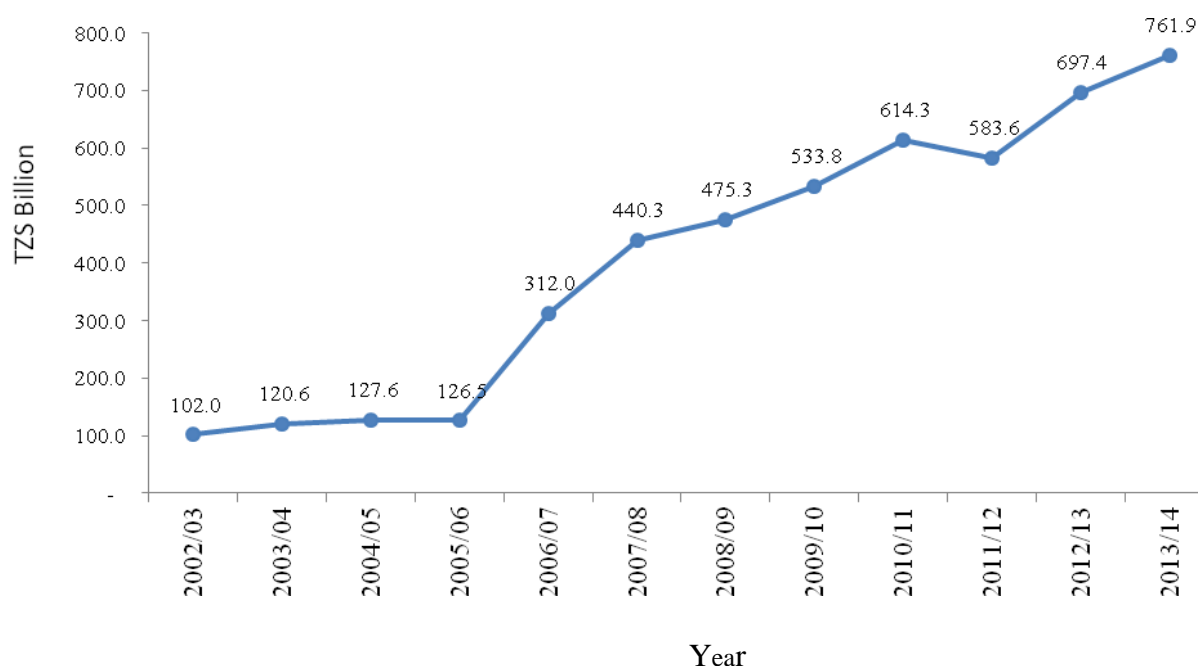
**Table 3. 11: Excise Duties (in TZS Billion) by Type of Duty, Tanzania Mainland, 2002/03 – 2013/14**

| Year         | Wine & Spirits Excise Duties |             | Non-Petroleum Excise Duties |             | Petroleum Excise Duties |              | Total Excise Duty | Change in Collection between Years |         |
|--------------|------------------------------|-------------|-----------------------------|-------------|-------------------------|--------------|-------------------|------------------------------------|---------|
|              | Amount                       | Percent     | Amount                      | Percent     | Amount                  | Percent      |                   | Amount                             | Percent |
| 2002/03      | na                           | na          | 4.9                         | 4.8         | 97.1                    | 95.2         | 102               |                                    |         |
| 2003/04      | na                           | na          | 4.6                         | 3.8         | 116.0                   | 96.2         | 120.6             | 18.6                               | 18.2    |
| 2004/05      | na                           | na          | 11.8                        | 9.2         | 115.8                   | 90.8         | 127.6             | 7.0                                | 5.8     |
| 2005/06      | na                           | na          | 10.1                        | 8.0         | 116.4                   | 92.0         | 126.5             | -1.1                               | -0.9    |
| 2006/07      | 1.3                          | 0.4         | 19.5                        | 6.2         | 291.2                   | 93.3         | 312.0             | 185.5                              | 146.6   |
| 2007/08      | 1.2                          | 0.3         | 22.7                        | 5.2         | 416.4                   | 94.6         | 440.3             | 128.3                              | 41.1    |
| 2008/09      | na                           | na          | 31.5                        | 6.6         | 443.7                   | 93.4         | 475.3             | 35.0                               | 7.9     |
| 2009/10      | na                           | na          | 40.6                        | 7.6         | 493.2                   | 92.4         | 533.8             | 58.5                               | 12.3    |
| 2010/11      | na                           | na          | 70.8                        | 11.5        | 543.5                   | 88.5         | 614.3             | 80.5                               | 15.1    |
| 2011/12      | na                           | na          | 58.8                        | 10.1        | 524.8                   | 89.9         | 583.6             | -30.7                              | -5.0    |
| 2012/13      | 0.6                          | 0.1         | 68.3                        | 9.8         | 628.4                   | 90.1         | 697.4             | 113.8                              | 19.5    |
| 2013/14      | 0.1                          | 0           | 124.3                       | 16.3        | 637.5                   | 83.7         | 761.9             | 64.5                               | 9.2     |
| <b>Total</b> | <b>3.2</b>                   | <b>0.07</b> | <b>468.0</b>                | <b>9.56</b> | <b>4,424.0</b>          | <b>90.37</b> | <b>4,895.2</b>    |                                    |         |

Source: Tanzania Revenue Authority, 2014

. The best growth rate in revenue collection was recorded in 2006/07 as 146.6 percent. The following significant increase was recorded in 2007/08 as 41.1 percent. The table below summarizes the facts of revenue collection for the rest of the years.

**Figure 3. 10: Total Excise Duties (TZS Billion) by Type of Duty, Tanzania Mainland, 2002/3 – 2013/14**





### VAT on Imports

Table 3.12 shows collection of VAT on imports. The revenue collected increased from TZS 250.3 billion in 2002/03 to TZS 550.1 billion in 2007/08 and reached TZS 1,329.7 billion in 2013/14.

Table 3.12 also shows variations in growth rates throughout the 2002/03 to 2013/14 period. -7.7 percent in 2006/07. The highest growth rate was observed in 2004/05 (42.7 percent) followed by year 2003/04 (22.5 percent). While the lowest growth rate was observed in 2013/14 with 9.6 percent.

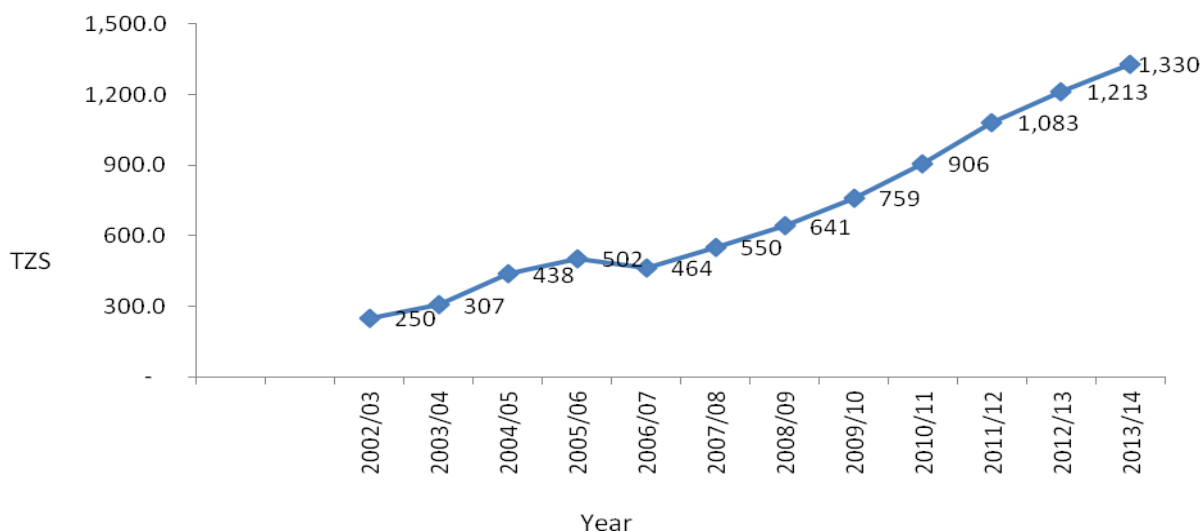
**Table 3.12: VAT on Imports (in TZS Billion), Tanzania Mainland, 2002/03 – 2013/14.**

| Year         | VAT on Imports | Change in Collection between Years |         |
|--------------|----------------|------------------------------------|---------|
|              |                | Amount                             | Percent |
| 2002/03      | 250.3          |                                    |         |
| 2003/04      | 306.7          | 56.4                               | 22.5    |
| 2004/05      | 437.7          | 131.0                              | 42.7    |
| 2005/06      | 502.4          | 64.8                               | 14.8    |
| 2006/07      | 463.8          | -38.7                              | -7.7    |
| 2007/08      | 550.1          | 86.3                               | 18.6    |
| 2008/09      | 641.4          | 91.3                               | 16.6    |
| 2009/10      | 759.4          | 118.0                              | 18.4    |
| 2010/11      | 905.6          | 146.2                              | 19.3    |
| 2011/12      | 1082.9         | 177.3                              | 19.6    |
| 2012/13      | 1213.4         | 130.5                              | 12.1    |
| 2013/14      | 1329.7         | 116.3                              | 9.6     |
| <b>Total</b> | <b>8443.4</b>  |                                    |         |

Source: Tanzania Revenue Authority, 2014s

Table 3.12 also shows variations in growth rates throughout the 2002/03 to 2013/14 period. -7.7 percent in 2006/07. The highest growth rate was observed in 2004/05 (42.7 percent) followed by year 2003/04 (22.5 percent). While the lowest growth rate was observed in 2013/14 with 9.6 percent.

**Figure 3.11: VAT on Imports (in TZS Billion), Tanzania Mainland, 2002/03 – 2013/14**



## CHAPTER FOUR

### Government Finance Statistics

#### 4.0 Introduction

This chapter explains finance performance attained by the government in line with standard Government Finance Statistics (GFS) methodology prepared by the International Monetary Fund (IMF). The GFS was designed to provide statistics that enable policymakers and analysts to study developments in the financial operations, fiscal position, and liquidity situation of the general government sector or the public sector in a consistent and systematic manner.

#### 4.1 Government Revenue

In this report, analysis of government revenue is divided into two broad categories of local or internal resources and external resources. Internal resources refer to revenue collected through domestic and international taxes together with borrowing from domestic institutions such as banks, social security institutions, among others, while external resources cover all grants, loans and assistance provided by development partners.

Table 4.1 shows that the government revenue increased from TZS 2,140.8 billion in 2002/03 to TZS 5,982.8 billion in 2007/08 and reached TZS 14,222.5 billion in 2013/14. The largest change was observed in 2007/08 with an increase of 34.2 percent compared to the preceding year of 2006/07 followed by 2004/05 (28.9 percent), 2011/12 (27.3 percent) and 19.5 percent in 2003/04. The smallest rate of change was observed in 2008/09 with only 9.0 percent change followed by 2013/14 (13.7 percent), 2010/11 (13.9 percent), 2012/13 (14.9 percent) and 2009/10 (15.2 percent).

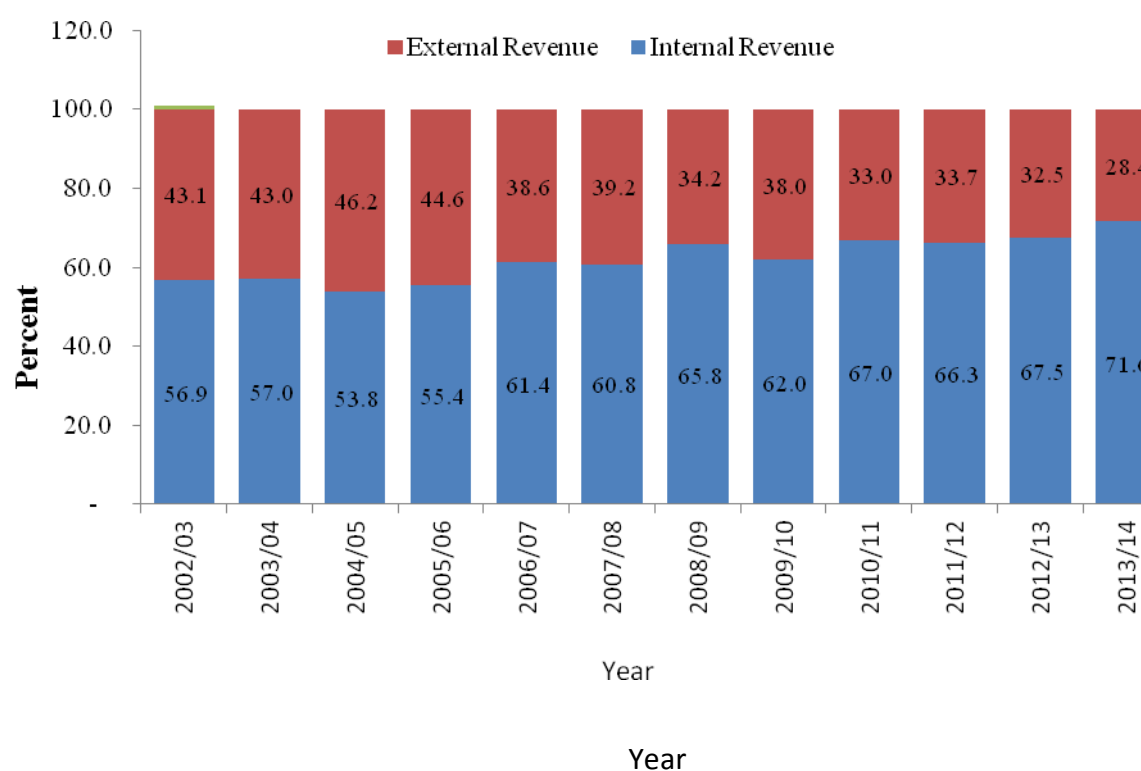
**Table 4. 1: Government Revenue (in TZS Billion) by Type, Tanzania Mainland, 2002/03 – 2013/14**

| Year         | Internal Revenue |             | External Revenue |             | Total Government Revenue | Change in Government Finance between Years |         |
|--------------|------------------|-------------|------------------|-------------|--------------------------|--|---------|
|              | Amount           | Percent     | Amount           | Percent     |                          | Amount                                     | Percent |
| 2002/03      | 1,217.5          | 56.9        | 923.3            | 43.1        | 2,140.8                  |  |         |
| 2003/04      | 1,459.3          | 57.0        | 1,098.7          | 43.0        | 2,558.0                  | 417.2                                      | 19.5    |
| 2004/05      | 1,773.7          | 53.8        | 1,523.7          | 46.2        | 3,297.4                  | 739.4                                      | 28.9    |
| 2005/06      | 2,124.8          | 55.4        | 1,712.4          | 44.6        | 3,837.2                  | 539.8                                      | 16.4    |
| 2006/07      | 2,739.0          | 61.4        | 1,719.1          | 38.6        | 4,458.1                  | 620.9                                      | 16.2    |
| 2007/08      | 3,634.6          | 60.8        | 2,348.2          | 39.2        | 5,982.8                  | 1,524.70                                   | 34.2    |
| 2008/09      | 4,293.1          | 65.8        | 2,229.0          | 34.2        | 6,522.1                  | 539.3                                      | 9.0     |
| 2009/10      | 4,661.5          | 62.0        | 2,853.0          | 38.0        | 7,514.5                  | 992.4                                      | 15.2    |
| 2010/11      | 5,736.3          | 67.0        | 2,819.2          | 33.0        | 8,555.5                  | 1,041.0                                    | 13.9    |
| 2011/12      | 7,221.4          | 66.3        | 3,670.9          | 33.7        | 10,892.3                 | 2,336.8                                    | 27.3    |
| 2012/13      | 8,442.6          | 67.5        | 4,069.2          | 32.5        | 12,511.8                 | 1,619.5                                    | 14.9    |
| 2013/14      | 10,182.50        | 71.6        | 4,040.0          | 28.4        | 14,222.5                 | 1,710.7                                    | 13.7    |
| <b>Total</b> | <b>53,486.3</b>  | <b>62.1</b> | <b>29,006.7</b>  | <b>37.9</b> | <b>82,492.9</b>          |  |         |

Source: Ministry of Finance, 2014

Internal revenue contributed more than external revenue to total government revenue. From year 2010/11 to 2013/14 internal revenue contributed twice or more of what external revenue contributed to total government finance.. The contributions in the respective years were 67.0 percent, 66.3 percent, 67.5 percent, and 71.6 percent. The corresponding external contributions were 33.0 percent, 33.7 percent, 32.5 percent, and 28.4 percent. The decrease in the share of external revenue in the government finances is a sign of improvement of economic growth, but the share of external revenue was highest in 2004/05 with 46.2 percent, followed by 44.6 percent in 2005/06, 43.1 percent in 2002/03, and 43.0 percent in, 2003/04.

**Figure 4. 1: Shares to Total Government Finance by Source, Tanzania Mainland, 2001/02 – 2012/13**



## 4.2 Internal Revenue

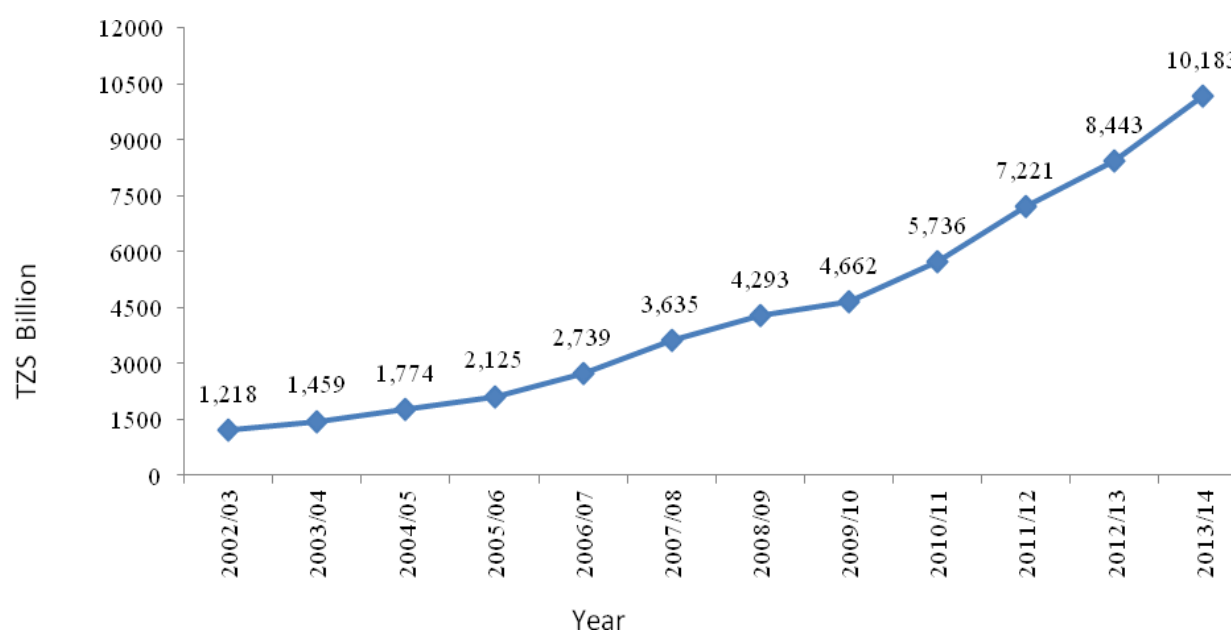
Table and Figure 4.2 show internal government revenue collected from 2002/03 to 2013/14 in Tanzania Mainland. The table shows that internal revenue increased from TZS 1,217.5 billion in 2002/03 to TZS 10,182.5 billion in 2013/14. Out of the total internal revenue collected in 2013/14, TZS 9,294.4 billion was tax revenue (91.3 percent) TZS 572.8 billion (5.6 percent) was non tax revenue and TZS 315.2 billion (3.1 percent) was revenue from local government authorities. Over the period 2002/03 to 2013/14 the share of tax revenue in the internal government revenue was largest at 92.0 percent. It was followed by non -tax revenue (7.1 percent) and revenue from local government authorities (0.9 percent).

**Table 4. 2: Internal Government Revenue (in TZS Billion) by type, Tanzania Mainland, 2002/03 – 2013/14**

| Year         | Tax Revenue     |             | Non Tax Revenue |            | Revenue from LGAs |            | Total Internal  | Change in Revenue |         |
|--------------|-----------------|-------------|-----------------|------------|-------------------|------------|-----------------|-------------------|---------|
|              | Amount          | Percent     | Amount          | Percent    | Amount            | Percent    |                 | Amount            | Percent |
| 2002/03      | 1,105.7         | 90.8        | 111.8           | 9.2        | n.a.              | n.a.       | 1,217.5         |                   |         |
| 2003/04      | 1,342.8         | 92.0        | 116.5           | 8.0        | n.a.              | n.a.       | 1,459.3         | 241.8             | 19.9    |
| 2004/05      | 1,615.2         | 91.1        | 158.5           | 8.9        | n.a.              | n.a.       | 1,773.7         | 314.4             | 21.5    |
| 2005/06      | 1,946.4         | 91.6        | 178.4           | 8.4        | n.a.              | n.a.       | 2,124.8         | 351.1             | 19.8    |
| 2006/07      | 2,529.4         | 92.3        | 209.6           | 7.7        | n.a.              | n.a.       | 2,739.0         | 614.2             | 28.9    |
| 2007/08      | 3,359.3         | 92.4        | 275.3           | 7.6        | n.a.              | n.a.       | 3,634.6         | 895.6             | 32.7    |
| 2008/09      | 4,043.7         | 94.2        | 249.4           | 5.8        | n.a.              | n.a.       | 4,293.1         | 658.5             | 18.1    |
| 2009/10      | 4,427.8         | 95.0        | 233.7           | 5.0        | n.a.              | n.a.       | 4,661.5         | 368.4             | 8.6     |
| 2010/11      | 5,293.3         | 92.3        | 284.7           | 5.0        | 158.3             | 2.8        | 5,736.3         | 1,074.8           | 23.1    |
| 2011/12      | 6,480.5         | 89.7        | 545.4           | 7.6        | 195.5             | 2.7        | 7,221.4         | 1,485.1           | 25.9    |
| 2012/13      | 7,730.0         | 91.6        | 491.8           | 5.8        | 220.8             | 2.6        | 8,442.6         | 1,221.2           | 16.9    |
| 2013/14      | 9,294.4         | 91.3        | 572.8           | 5.6        | 315.2             | 3.1        | 10,182.5        | 1,739.8           | 20.6    |
| <b>Total</b> | <b>49,168.5</b> | <b>92.0</b> | <b>3,427.9</b>  | <b>7.1</b> | <b>889.9</b>      | <b>0.9</b> | <b>53,486.3</b> |                   |         |

Source: Ministry of Finance, 2014

Tax collection done by the TRA has improved government finance as indicated in Table and Figure 4.2. Government finance increased by TZS 241.8 billion in 2003/04 to TZS 895.6 billion in 2007/08. However the change declined to TZS 658.5 billion in 2008/09 and TZS 368.4 billion in 2009/10. , but started to increase in the following year and reached TZS 1,739 billion in 2013/14. The improvement of government finance enables the government to increase its ability to fund its recurrent expenditure, development projects and other necessary amortizations.

**Figure 4. 2: Government Finance from Internal Revenue (TZS Billion), Tanzania Mainland, 2002/03 – 2013/14**

Source: Ministry of Finance, 2014

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### **4.3 External Revenue**

During the period 2002/03 – 2013/14 the Government continued to improve and to strengthen the relationship with development partners and international financial institutions which could also help in securing grants and concessional loans. The purpose of these loans and grants is to complement Government financing efforts in the implementation of economic growth and poverty reduction initiative through various strategies and development plans, which include MKUKUTA, the Millennium Development Goals and the National Development Vision 2025 among others.

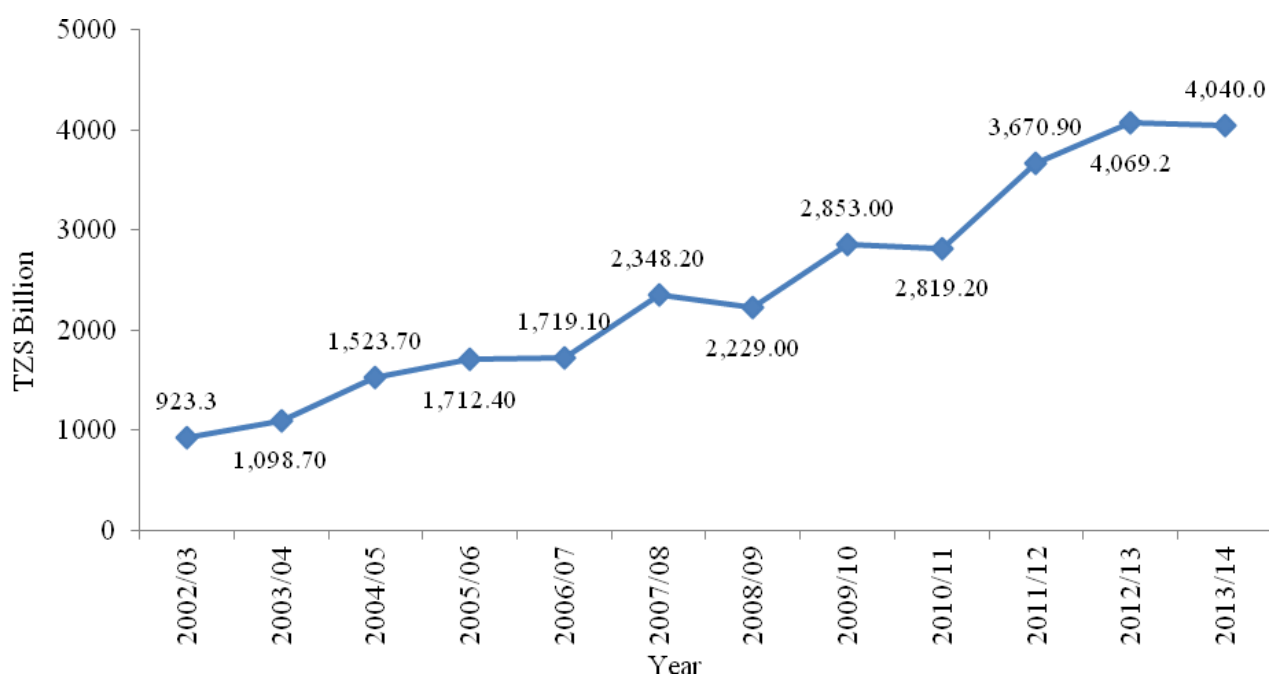
**Table 4. 3: Distribution of Government Finance from External Revenue (TZS Billion) by Type of Support, Tanzania Mainland, 2002/03 – 2013/14**

| Year         | Grants          |             | Basket Support |            | Import Support |             | Project Loans  |             | Concessional Loans |            | Total External Revenue | Changes in Revenue |         |
|--------------|-----------------|-------------|----------------|------------|----------------|-------------|----------------|-------------|--------------------|------------|------------------------|--------------------|---------|
|              | Amount          | Percent     | Amount         | Percent    | Amount         | Percent     | Amount         | Percent     | Amount             | Percent    |                        | Amount             | Percent |
| 2002/03      | 622.3           | 67.4        | 0.0            | 0.0        | 151.3          | 16.4        | 149.7          | 16.2        | 0.0                | 0.0        | 923.3                  |                    |         |
| 2003/04      | 494.9           | 45.0        | 94.3           | 8.6        | 0.0            | 0.0         | 509.5          | 46.4        | 0.0                | 0.0        | 1,098.7                | 175.4              | 19.0    |
| 2004/05      | 993.0           | 65.2        | 156.7          | 10.3       | 65.4           | 4.3         | 308.6          | 20.3        | 0.0                | 0.0        | 1,523.7                | 425.0              | 38.7    |
| 2005/06      | 1,043.4         | 60.9        | 82.3           | 4.8        | 257.7          | 15.0        | 329.0          | 19.2        | 0.0                | 0.0        | 1,712.4                | 188.7              | 12.4    |
| 2006/07      | 971.6           | 56.5        | 47.3           | 2.8        | 267.0          | 15.5        | 433.2          | 25.2        | 0.0                | 0.0        | 1,719.1                | 6.7                | 0.4     |
| 2007/08      | 1,573.2         | 67.0        | 200.6          | 8.5        | 365.0          | 15.5        | 209.4          | 8.9         | 0.0                | 0.0        | 2,348.2                | 629.1              | 36.6    |
| 2008/09      | 1,257.3         | 56.4        | 151.4          | 6.8        | 331.5          | 14.9        | 488.8          | 21.9        | 0.0                | 0.0        | 2,229.0                | -119.2             | -5.1    |
| 2009/10      | 1,405.2         | 49.3        | 194.0          | 6.8        | 558.3          | 19.6        | 695.5          | 24.4        | 0.0                | 0.0        | 2,853.0                | 624.0              | 28.0    |
| 2010/11      | 1,627.4         | 57.7        | 220.7          | 7.8        | 173.8          | 6.2         | 643.4          | 22.8        | 153.9              | 5.5        | 2,819.2                | -33.8              | -1.2    |
| 2011/12      | 1,855.1         | 50.5        | 172.2          | 4.7        | 246.9          | 6.7         | 595.4          | 16.2        | 801.3              | 21.8       | 3,670.9                | 851.7              | 30.2    |
| 2012/13      | 1,447.0         | 35.6        | 280.9          | 6.9        | 543.8          | 13.4        | 734.4          | 18.0        | 1,063.0            | 26.1       | 4,069.2                | 398.3              | 10.8    |
| 2013/14      | 1,399.0         | 34.6        | 188.6          | 4.7        | 733.8          | 18.2        | 524.0          | 13.0        | 1,194.5            | 29.6       | 4,040.0                | -29.2              | -0.7    |
| <b>Total</b> | <b>14,689.4</b> | <b>53.8</b> | <b>1,789.1</b> | <b>6.1</b> | <b>3,694.5</b> | <b>12.1</b> | <b>5,620.9</b> | <b>21.0</b> | <b>3,212.7</b>     | <b>6.9</b> | <b>29,006.7</b>        |                    |         |

Source: Ministry of Finance, 2014

External revenue increased from TZS 923.3 billion in 2002/03 to TZS 2,348.2 billion in 2007/08 and reached TZS 4,040.0 billion in 2013/14 although there was a decline in revenue of TZS 29.2 billion compared to the previous year as indicated in Table 4.3 and Figure 4.4. According to Table 4.3, a total of TZS 29,006.7 billion in external revenue was received from development partners from 2002/03 and 2013/14. Of this, 53.8 percent was given as grants, followed by project loans (21.0percent), import support (12.1percent), basket funds accounted for 6.1percent and concessional loans were 6.9 percent.

**Figure 4. 3: Government Finance from External Revenue (TZS Billion), Tanzania Mainland, 2002/03 – 2013/14**



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## CHAPTER FIVE

### Conclusion

Chapter five draws conclusion from the report findings for the betterment of the livelihood of Tanzanians. The report reveals that there was an improvement in tax collections by the Government through Tanzania Revenue Authority. Revenue collection increased from TZS 1,144.3 billion in 2002/03 to TZS 2,017.9 billion in 2005/06 and reached TZS 9,880.1 billion in 2013/14. However, variations on percentage increase during the reference period have been observed.

The contribution and trend of indirect taxes from broad category of consumption taxes, other domestic taxes and charges, and international trade taxes shows that out of TZS 32,978.0 billion collected revenue between 2002/03 and 2013/14, 62.7 percent was contributed by taxes from international trade, followed by consumption taxes (34.0 percent) while other domestic taxes and charges contributed only 3.3 percent.

In addition, the report reveals that there was an improvement on government financing through internal revenue compared to external revenue. The government finances increased from TZS 2,140.8 billion in 2002/03 to TZS 3,837.2 billion in 2005/06 and reached TZS 14,222.5 billion in 2013/14. Looking at the share of contribution to the government finances, internal revenue contributed more than external revenue in 2002/03 where it contributed (56.9 percent) compared to external revenue (43.1 percent). Its contribution dropped to 53.8 percent in 2004/05, but increased thereafter to 65.8 percent in 2008/09 and reached 71.6 percent in 2013/14. The decline of external revenue to the government finances is a sign of improvement of economic growth, which enabled government to increase its ability to facilitate the recurrent and development budgets.



## Appendices

### Appendix I: Classification and Recording of Revenue System

|  |  |
|--|--|
| <p><b>1 Revenue</b></p> <p><b>11 Taxes</b></p> <p>11.1 Taxes on income, profits and capital gains</p> <p>11.1.1 Payable by individuals</p> <p>11.1.2 Payable by corporations and other enterprises</p> <p>11.1.3 Un-allocable</p> <p>11.2 Taxes on payroll and workforce</p> <p>11.3 Taxes on property</p> <p>11.3.1 Recurrent taxes on immovable property</p> <p>11.3.2 Recurrent taxes on net wealth</p> <p>11.3.3 Estate, inheritance and gift taxes</p> <p>11.3.4 Taxes on financial and capital transactions</p> <p>11.3.5 Other non-recurrent taxes on property</p> <p>11.3.6 Other recurrent taxes on property</p> <p>11.4 Taxes on goods and services</p> <p>11.4.1 General taxes on goods and services</p> <p>11.4.1.1 Value added taxes</p> <p>11.4.1.2 Sales taxes</p> <p>11.4.1.3 Turnover and other general taxes on goods and services</p> <p>11.4.2 Excises</p> <p>11.4.3 Profits of fiscal monopolies</p> <p>11.4.4 Taxes on specific services</p> <p>11.4.5 Taxes on use of goods and on permission to use goods or perform activities</p> <p>11.4.5.1 Motor vehicle taxes</p> <p>11.4.5.2 Other taxes on use of goods and on permission to use goods or perform activities</p> <p>11.4.6 Other taxes on goods and services</p> <p>11.5 Taxes on international trade and transactions</p> <p>11.5.1 Customs and other import duties</p> <p>11.5.2 Taxes on exports</p> <p>11.5.3 Profits of export or import monopolies</p> <p>11.5.4 Exchange profits</p> <p>11.5.5 Exchange taxes</p> <p>11.5.6 Other taxes on international trade transactions</p> <p>11.6 Other taxes</p> <p>11.6.1 Payable solely by business</p> <p>11.6.2 Payable by other than business or unidentifiable</p> | <p>12 Social Contributions</p> <p>12.1 Social security contributions</p> <p>12.1.1 Employee contributions</p> <p>12.1.2 Employer contributions</p> <p>12.1.3 Self-employed or non-employed contributions</p> <p>12.1.4 Un-allocable contributions</p> <p>12.2 Other social contributions</p> <p>12.2.1 Employees contributions</p> <p>12.2.2 Employer contributions</p> <p>12.2.3 Imputed contributions</p> <p><b>13 Grants</b></p> <p>13.1 From foreign governments</p> <p>13.1.1 Current</p> <p>13.1.2 Capital</p> <p>13.2 From international organizations</p> <p>13.2.1 Current</p> <p>13.2.2 Capital</p> <p>13.3 From other general government units</p> <p>13.3.1 Current</p> <p>13.3.2 Capital</p> <p><b>14 Other revenue</b></p> <p>14.1 Property income</p> <p>14.1.1 Interest</p> <p>14.1.2 Dividends</p> <p>14.1.3 Withdrawals from income of quasi-corporations</p> <p>14.1.4 Property income attributed to insurance policyholders</p> <p>14.1.5 Rent</p> <p>14.2 Sales of goods and services</p> <p>14.2.1 Sales by market establishments</p> <p>14.2.2 Administrative fees</p> <p>14.2.3 Incidental sales by non-market establishments</p> <p>14.2.4 Imputed sales of goods and services</p> <p>14.3 Fines, penalties and forfeits</p> <p>14.4 Voluntary transfers other than grants</p> <p>14.4.1 Current</p> <p>14.4.2 Capital</p> <p>14.5 Miscellaneous and unidentified revenue</p> |
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## Appendix II: Local Revenues

Taxes, levies, fees and revenue sources which LGAs are mandated to raise under the Local Government Finances Act are as follows:

1. Taxes on property
  - Property rates.
2. Taxes on goods and services
  - Crop fees (maximum 5 percent of farm-gate price); and
  - Forest produces fees
3. Taxes on specific services
  - Guest house levy.
4. Business and professional licenses
  - i. Commercial fishing license fees;
  - ii. Intoxicating liquor license fee;
  - iii. Private health facility license fee;
  - iv. Taxi license fee;
  - v. Plying permit fees; and
  - vi. Other business licenses fees.
5. Motor vehicles, other equipment and ferry licenses
  - Vehicle license fees; and
  - Fishing vessel license fees.
6. Other taxes on the use of goods, permission to use goods
  - i. Forest produce license fees;
  - ii. Building materials extraction license fee;
  - iii. Hunting licenses fees;
  - iv. Muzzle loading guns license fees; and
  - v. Scaffolding/Hoarding permit fees.
7. Turnover taxes
  - Service levy.
8. Entrepreneurial and property income
  - i. Dividends;
  - ii. Other domestic property income;
  - iii. Interest; and
  - iv. Land rent.
9. Administrative fees and charges
  - i. Market stalls/slabs dues;
  - ii. *Magulio*<sup>1</sup> fees;
  - iii. Auction mart fees;

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<sup>1</sup> *Local Open Markets*

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- iv. Meat inspection charges;
  - v. Land survey service fee;
  - vi. Building permit fee;
  - vii. Permit fees for billboards, posters or hoarding;
  - viii. Tender fee;
  - ix. Abattoir slaughter service fee;
  - x. Artificial insemination service fee;
  - xi. Livestock dipping service fee;
  - xii. Livestock market fee;
  - xiii. Fish landing facilities fee;
  - xiv. Fish auction fee;
  - xv. Health facility user charges;
  - xvi. Clean water service fee;
  - xvii. Refuse collection service fee;
  - xviii. Cesspit emptying service fee;
  - xix. Clearing of blocked drains service fee;
  - xx. Revenue from sale of building plans;
  - xxi. Building valuation service fee;
  - xxii. Central bus stand fees;
  - xxiii. Sale of seedlings;
  - xxiv. Insurance commission service fee;
  - xxv. Revenue from renting of houses;
  - xxvi. Revenue from renting of assets; and
  - xxvii. Parking fees.

10. Fees fines, penalties and forfeitures

- i. Stray animals penalty;
- ii. Share of fines imposed by Magistrates Court;
- iii. Other fines and penalties; and

**NB:** LGAs are not allowed to levy any taxes, levies or fees which are not on this list.

## Appendix III: Trends in Government Finance, Tanzania Mainland, 2002/03-2013/14

|   | TZS Billion    |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
|---|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Item  | 2002/03        | 2003/04         | 2004/05         | 2005/06         | 2006/07         | 2007/08         | 2008/09         | 2009/10         | 2010/11         | 2011/12         | 2012/13         | 2013/14         |
| <b>A. Domestic Revenue (Incl.Revenue from LGAs)</b> | <b>1,217.5</b> | <b>1,459.3</b>  | <b>1,773.7</b>  | <b>2,124.8</b>  | <b>2,739.0</b>  | <b>3,634.6</b>  | <b>4,293.1</b>  | <b>4,661.5</b>  | <b>5,736.3</b>  | <b>7,221.4</b>  | <b>8,442.6</b>  | <b>10,182.5</b> |
| <b>Domestic Revenue</b>                             | <b>1,217.5</b> | <b>1,459.3</b>  | <b>1,773.7</b>  | <b>2,124.8</b>  | <b>2,739.0</b>  | <b>3,634.6</b>  | <b>4,293.1</b>  | <b>4,661.5</b>  | <b>5,577.9</b>  | <b>7,025.9</b>  | <b>8,221.8</b>  | <b>9,867.2</b>  |
| <i>1. Tax Revenue</i>                               | 1,105.7        | 1,342.8         | 1,615.2         | 1,946.4         | 2,529.4         | 3,359.3         | 4,043.7         | 4,427.8         | 5,293.3         | 6,480.5         | 7,730.0         | 9,294.4         |
| Import Duty and Excise Duty                         | 293.7          | 352.3           | 350.5           | 452.4           | 765.6           | 965.5           | 1,130.9         | 1,214.6         | 1,512.1         | 1,538.6         | 1,845.2         | 2,243.4         |
| Value Added Tax (VAT)                               | 424.3          | 548.6           | 731.6           | 845.8           | 861.0           | 1,111.0         | 1,333.8         | 1,488.4         | 1,632.9         | 2,072.6         | 2,375.0         | 2,647.7         |
| Imports   | 249.8          | 316.0           | 439.8           | 502.4           | 431.6           | 550.3           | 641.4           | 729.0           | 905.6           | 1,082.9         | 1,240.1         | 1,329.5         |
| Domestic  | 174.5          | 232.6           | 291.8           | 343.4           | 429.4           | 560.7           | 692.4           | 759.0           | 727.3           | 989.7           | 1,134.8         | 1,318.2         |
| Income Tax  | 276.0          | 366.6           | 465.5           | 581.2           | 790.9           | 1,028.9         | 1,257.9         | 1,388.7         | 1,719.8         | 2,311.4         | 3,036.1         | 3,791.7         |
| Other Taxes   | 111.7          | 123.5           | 132.0           | 137.0           | 218.6           | 382.8           | 462.5           | 499.4           | 601.4           | 732.3           | 706.9           | 1,123.8         |
| Refunds Accounts                                    |                | -48.2           | -64.4           | -70.0           | -106.7          | -128.9          | -141.4          | -163.5          | -172.9          | -174.4          | -233.2          | -512.2          |
| 2. Non-Tax Revenue                                  | 111.8          | 116.5           | 158.5           | 178.4           | 209.6           | 275.3           | 249.4           | 233.7           | 284.7           | 545.4           | 491.8           | 572.8           |
| 3. Revenue from LGAs                                |                |                 |                 |                 |                 |                 |                 |                 | 158.3           | 195.5           | 220.8           | 315.2           |
| <b>B. Total Expenditure</b>                         | <b>1,989.5</b> | <b>2,516.9</b>  | <b>3,248.4</b>  | <b>3,972.6</b>  | <b>4,474.7</b>  | <b>5,209.0</b>  | <b>6,811.9</b>  | <b>8,173.7</b>  | <b>9,439.4</b>  | <b>10,764.5</b> | <b>13,543.0</b> | <b>13,958.2</b> |
| <i>1. Recurrent Expenditure</i>                     | 1,488.6        | 1,780.1         | 2,017.5         | 2,661.9         | 3,137.5         | 3,398.0         | 4,681.5         | 5,562.2         | 6,690.4         | 6,989.8         | 9,043.3         | 10,032.1        |
| 2. Development Expenditure                          | 500.9          | 736.8           | 1,230.9         | 1,310.7         | 1,337.2         | 1,811.0         | 2,130.4         | 2,611.3         | 2,749.0         | 3,774.7         | 4,499.7         | 3,926.0         |
| Local Funds   | 95.7           | 133.0           | 239.7           | 296.1           | 503.3           | 567.4           | 906.0           | 1,004.5         | 984.5           | 1,872.3         | 2,314.7         | 2,121.2         |
| Foreign Funds                                       | 405.2          | 603.8           | 991.2           | 1,014.6         | 833.9           | 1,243.6         | 1,224.4         | 1,606.8         | 1,764.5         | 1,902.4         | 2,185.0         | 1,804.8         |
| <b>C. Deficit/Surplus (A-B)</b>                     | <b>-772.0</b>  | <b>-1,045.9</b> | <b>-1,474.7</b> | <b>-1,847.8</b> | <b>-1,735.7</b> | <b>-1,574.4</b> | <b>-2,518.8</b> | <b>-3,512.2</b> | <b>-3,861.4</b> | <b>-3,543.1</b> | <b>-5,100.4</b> | <b>-3,775.7</b> |
| <b>D. Financing</b>                                 | <b>772.0</b>   | <b>1,045.9</b>  | <b>1,474.7</b>  | <b>1,847.8</b>  | <b>1,735.7</b>  | <b>1,574.4</b>  | <b>2,518.8</b>  | <b>3,512.2</b>  | <b>3,703.1</b>  | <b>3,543.1</b>  | <b>5,100.4</b>  | <b>3,775.7</b>  |
| <i>1. External Sources</i>                          | 822.0          | 1,053.5         | 1,416.6         | 1,604.7         | 1,689.4         | 2,302.8         | 2,201.5         | 2,784.9         | 2,776.3         | 3,590.4         | 3,942.5         | 3,858.8         |
| Grants  | 622.3          | 494.9           | 993.0           | 1,043.4         | 971.6           | 1,573.2         | 1,257.3         | 1,405.2         | 1,627.4         | 1,855.1         | 1,447.0         | 1,399.0         |
| Basket Support                                      |                | 94.3            | 156.7           | 82.3            | 47.3            | 200.6           | 151.4           | 194.0           | 220.7           | 172.2           | 280.9           | 188.6           |
| Import Support/OGL Loans                            | 151.3          | -               | 65.4            | 257.7           | 267.0           | 365.0           | 331.3           | 558.3           | 173.8           | 246.9           | 543.8           | 733.8           |
| Project Loans                                       | 149.7          | 509.5           | 308.6           | 329.0           | 433.2           | 209.4           | 488.8           | 695.5           | 643.4           | 595.4           | 734.4           | 524.0           |
| Concessional Loans                                  |                |                 |                 |                 |                 |                 |                 |                 | 153.9           | 801.3           | 1,063.0         | 1,194.5         |
| Amortization (foreign)                              | -101.3         | -45.1           | -107.1          | -107.7          | -29.7           | -45.4           | -27.3           | -68.3           | -42.9           | -80.5           | -126.7          | -181.2          |
| 2. Internal Sources                                 | -50.0          | -7.6            | 58.1            | 243.1           | 46.3            | -728.4          | 317.3           | 727.2           | 926.8           | -47.2           | 1,157.9         | -83.1           |
| Non-Bank Borrowing                                  | 8.5            | 21.4            | 145.0           | 219.2           | 212.5           | -19.8           | 1.1             | -24.7           | 337.5           | 263.6           | 401.4           | 21.2            |
| Bank Borrowing                                      | -44.8          | 0.0             | 0.0             | 129.7           | 25.5            | -316.8          | 212.6           | 593.0           | 906.8           | 71.3            | 667.9           | 205.5           |
| Proceeds from Privatization                         | 0.0            | 9.8             | 0.0             | 33.3            | 0.0             | 0.0             | 45.0            | 9.6             | -               | -               | -               | -               |
| Payment of Arrears                                  | 0.0            | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 714.3           | 720.2           | 1,326.9         | 1,734.5         | -1,528.2        |
| NBC Bonds   | 0.0            | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| Recapitalization                                    | 0.0            | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| Adjustment to Cash                                  | 65.9           | 50.8            | 53.2            | 37.1            | -60.4           | -78.3           | 275.3           | 595.0           | 162.6           | -198.5          | 440.0           | 300.8           |
| Amortization (local)                                | -0.3           | 0.0             | 0.0             | -19.0           | 0.0             | -14.6           | 0.0             | -723.7          | -720.2          | -1,326.9        | -1,734.5        | -1,528.2        |
| Expenditure Float                                   | -79.4          | -89.5           | -140.1          | -157.2          | -131.3          | -298.9          | -216.7          | -436.2          | -480.1          | -183.6          | -351.4          | -610.6          |

Source: Ministry of Finance, 2014

## Appendix IV: Trends in Tax Revenue, Tanzania Mainland, 2002/03 – 2013/14

TZS Million

| Item                             | 2002/03     | 2003/04     | 2004/05     | 2005/06     | 2006/07     | 2007/08     | 2008/09    | 2009/10    | 2010/11    | 2011/12    | 2012/13    | 2013/14    |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|------------|------------|
| TOTAL TRA Mainland               | 1107954.11  | 1316657.32  | 1621645.04  | 1968592.66  | 2575648.59  | 3446485.93  | 4119532.35 | 4437933.44 | 5315147.57 | 6502599.11 | 7739298.48 | 9359835.24 |
| <b>Add Treasury voucher</b>      | 0           | 0           | 15567.4101  | 38501.945   | 64488.5856  | 33705.1202  | 32511.0184 | 31023.1771 | 29134.6022 | 36587.0989 | 27790.3511 | 24642.133  |
| <b>Net Collections</b>           | 1,107,954.1 | 1,316,657.3 | 1,606,077.6 | 1,930,090.7 | 2,511,160.0 | 3,412,780.8 | 4087021.33 | 4406910.26 | 5286012.97 | 6466012.01 | 7711508.12 | 9335193.11 |
| Less Tax Refunds                 | 36,374.5    | 68,442.4    | 73,916.3    | 87,851.0    | 106,713.4   | 120,747.0   | 142178.017 | 163518.925 | 174119.945 | 202629.672 | 319615.003 | 521704.734 |
| <b>GRAND TOTAL</b>               | 1,144,328.6 | 1,385,099.7 | 1,679,993.9 | 2,017,941.7 | 2,617,873.4 | 3,533,527.8 | 4229199.3  | 4570429.2  | 5460132.9  | 6668641.7  | 8031123.1  | 9856897.8  |
| <b>DIRECT TAXES</b>              | 312,444.0   | 405,507.0   | 510,876.0   | 637,840.0   | 853,500.2   | 1,105,749.1 | 1349848.1  | 1497974.83 | 1839929.16 | 2471508.86 | 3149417.48 | 3968274.38 |
| <b>P.A.Y.E.</b>                  | 139,694.4   | 183,236.7   | 234,094.7   | 288,286.2   | 408,611.6   | 512,177.1   | 662271.4   | 743353.286 | 928468.854 | 1129468.73 | 1395607.98 | 1626536.93 |
| <b>B. Skills &amp; Dev. Levy</b> | 29,613.6    | 37,839.4    | 43,476.5    | 53,768.7    | 61,134.1    | 76,471.9    | 91742.6    | 110243.129 | 120006.591 | 138900.981 | 155267.157 | 168672.653 |
| <b>Individuals</b>               | 15464.5     | 18293.8     | 26067.9122  | 31433.7     | 31174.1522  | 36306.7921  | 42109.7213 | 48632.0218 | 58402.8376 | 65768.3355 | 69908.9771 | 87409.2877 |
| <b>Corporate Taxes</b>           | 78390.1     | 109072.1    | 152744.138  | 203330.67   | 267230.935  | 374640.088  | 414731.823 | 418268.239 | 537561.563 | 779855.411 | 1039724.98 | 1483946.43 |
| <b>Withholding taxes</b>         | 38618.8     | 43468.4     | 42605.4939  | 46946.236   | 67976.7012  | 81132.193   | 105279.037 | 137674.427 | 142110.109 | 279425.696 | 382932.016 | 514628.4   |
| <b>Rental Tax</b>                | 8644        | 10954.84    | 8692.65157  | 10629.769   | 12054.3679  | 16868.9625  | 23881.605  | 29032.9287 | 33037.4915 | 57370.8911 | 68898.1965 | 61373.4329 |
| <b>Gaming Tax</b>                |             |             |             |             |             |             | 2664.3     | 3247.06969 | 4057.02048 | 3302.58219 | 8861.68255 | 7185.47479 |
| <b>All Other direct taxes</b>    | 2,018.6     | 2,641.8     | 3,194.6     | 3,444.7     | 5,318.3     | 8,152.1     | 7167.7     | 7523.72521 | 16284.6945 | 17416.2295 | 28216.4855 | 18521.7728 |
| Less Refunds                     | 7,191.8     | 14,000.9    | 15,851.4    | 22,135.2    | 41,093.0    | 25,884.0    | 30580.9    | 36747.7097 | 40834.4806 | 42014.2669 | 198.1      | 4423.58488 |
| <b>INDIRECT TAXES</b>            | 831,884.6   | 979,592.6   | 1,169,118.0 | 1,380,101.7 | 1,764,373.2 | 2,427,778.8 | 2879351.2  | 3072454.36 | 3620203.75 | 4197132.82 | 4881705.65 | 5888623.47 |
| <b>CONSUMPTION TAXES</b>         | 286,799.0   | 319,398.7   | 394,065.3   | 466,504.4   | 595,592.3   | 838,389.0   | 1046858.0  | 1031623.93 | 1152114.5  | 1429040.77 | 1715778.18 | 2041191.61 |
| Excises (Domestic)               | 85,263.1    | 92,868.7    | 110,335.5   | 135,062.9   | 175,955.0   | 220,616.0   | 286728.5   | 303826.487 | 326279.205 | 449958.45  | 560479.265 | 747131.352 |
| Beer                             | 44046.4     | 44587.3     | 52052.4     | 60820.8     | 73638.7082  | 91531.3898  | 106693.223 | 105356.05  | 115595.767 | 150542.632 | 179725.962 | 186254.895 |
| Cigarettes                       | 26341.3     | 29886       | 32816.55    | 39541.516   | 43296.5642  | 54241.5967  | 58510.1089 | 55236.4528 | 62138.9268 | 78501.6059 | 87288.5885 | 104326.291 |
| Soft Drinks                      | 7,653.7     | 7,971.1     | 10,747.4    | 12,442.0    | 14,997.9    | 17330.4     | 21392.8172 | 24253.6819 | 26669.2858 | 34293.3406 | 43104.0922 | 52039.4449 |
| Bottled Water                    |             |             |             |             |             |             |            |            | 0          | 5178.16594 | 809.608211 | 10288.1682 |

| Item                         | 2002/03    | 2003/04    | 2004/05    | 2005/06    | 2006/07    | 2007/08    | 2008/09    | 2009/10    | 2010/11    | 2011/12    | 2012/13    | 2013/14    |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Mobile Phone                 | 0.0        | 6,989.0    | 9,731.1    | 16,800.0   | 32,307.5   | 40234.4    | 67680.5    | 85617.5276 | 90189.6561 | 114552.469 | 150047.714 | 217501.673 |
| <i>Spirits</i>               | 0.0        | 49.1       | 0.0        | 2.2        | 9,089.9    | 11077.7    | 17,517.5   | 24049.7473 | 29438.8477 | 52719.4093 | 69934.5353 | 78665.6666 |
| All Other Excises (Domestic) | 7,221.7    | 3,386.2    | 4,988.0    | 5,456.4    | 2,624.4    | 6,200.5    | 14934.3    | 9313.02688 | 2246.72244 | 14170.8279 | 29568.7657 | 98055.2137 |
| Aggregate VAT                | 201,535.9  | 226,530.0  | 283,729.9  | 331,441.5  | 419,637.3  | 617,773.0  | 760129.474 | 727797.447 | 825835.294 | 979082.316 | 1155298.91 | 1294060.26 |
| VAT Domestic Products        | 92,913.1   | 105,316.1  | 127,291.7  | 122,586.9  | 191,436.3  | 269,616.6  | 311251.949 | 252440.893 | 304886.88  | 383815.732 | 302330.962 | 320021.723 |
| Beer                         | 25133.2    | 26782.7    | 32989.7977 | 36018.496  | 47556.3049 | 56305.6871 | 66930.2421 | 66171.9712 | 80503.9534 | 90140.3918 | 105628.033 | 109453.164 |
| Cigarettes                   | 12927.9806 | 12567.9462 | 15304.8718 | 13055.3309 | 20800.2166 | 23536.1208 | 33032.4993 | 29060.3672 | 33850.4068 | 39102.114  | 45696.5945 | 33449.6008 |
| Soft Drinks                  | 5115       | 5849.3     | 6362.89145 | 7680.691   | 10371.0151 | 13699.6398 | 20045.9222 | 19484.5257 | 25881.3439 | 27181.7944 | 34727.8462 | 39708.2213 |
| Cement                       |            |            |            |            |            | 36268.3159 | 32728.9229 | 21762.8373 | 25747.8802 | 22198.7734 | 29118.0708 | 21762.8373 |
| Sugar                        |            |            |            |            |            | 33,649.3   | 34839.4977 | 21912.2935 | 28396.6953 | 24845.5319 | 21824.6016 | 21912.2935 |
| Others                       | 49736.9602 | 60116.1988 | 72634.1807 | 65832.3709 | 112708.767 | 106157.58  | 123674.864 | 94048.8977 | 110506.601 | 180347.126 | 65335.8162 | 93735.6066 |
|                              |            |            |            |            |            |            |            |            |            | 0          | 0          |            |
| VAT Domestic Services        | 108622.722 | 121213.901 | 156438.114 | 208854.599 | 228201.044 | 348156.382 | 448877.525 | 475356.555 | 520948.414 | 595266.584 | 852967.951 | 974038.536 |
| Electricity                  | 14826.6789 | 8312.93166 | 13419.2198 | 13947.6682 | 20832.1228 | 31218.1953 | 42483.621  | 55974.138  | 31536.477  | 27294.7297 | 78503.0616 | 97111.3293 |
| Telephones                   | 25483.3892 | 31633.8291 | 45707.5433 | 60165.8923 | 63331.5443 | 105572.227 | 128783.027 | 123056.194 | 139434.93  | 190433.796 | 223951.401 | 168842.214 |
| <b>Retailers</b>             | 6606.70995 | 8004.63193 | 10779.2311 | 10524.5244 | 10275.9937 | 13372.1037 | 14770.9969 | 16051.445  | 19882.4074 | 39547.9952 | 42085.5234 | 39730.8419 |
| <b>Wholesalers</b>           | 6786.3725  | 7049.73635 | 7115.52617 | 10496.6697 | 9,173.2    | 10850.172  | 13450.579  | 14467.7954 | 17329.5925 | 17229.062  | 26336.9743 | 24562.7568 |
| Transport                    | 9837.613   | 9348.63995 | 11221.6183 | 13239.6293 | 16,678.0   | 26679.2884 | 62291.6256 | 66955.333  | 67503.8173 | 19879.9771 | 26915.1179 | 39893.2572 |
| Hotel Services               | 8574.42376 | 10202.1971 | 12692.3367 | 15015.3002 | 19184.3581 | 26105.6227 | 26085.2618 | 27477.9356 | 36114.2784 | 45068.4515 | 41274.5888 | 45470.059  |
| Other                        | 36507.5348 | 46661.9351 | 55502.6383 | 85464.9145 | 88725.872  | 134358.773 | 161012.414 | 171373.714 | 209146.911 | 255812.572 | 413901.284 | 558428.079 |
| Less VAT Refunds             | 27539.9    | 51282.12   | 54915.7    | 62781.18   | 62885.52   | 87520.2181 | 102084.752 | 116837.915 | 121952.664 | 137544.9   | 231517.887 | 433862.955 |
| Add DRD Treasury Vouchers    |            |            |            |            |            |            |            | 6812.58722 | 8767.2363  | 9368.77715 | 6698.03581 | 6460.7195  |
| Less: Transfer to ZRB        |            |            |            |            |            |            |            |            |            | 0          | 23564.9424 | 34314.4435 |
| Less MV D/license            |            |            |            |            |            |            |            |            |            | 11023.9051 | 10795.25   | 8366.7206  |

| Item   | 2002/03    | 2003/04    | 2004/05    | 2005/06    | 2006/07    | 2007/08    | 2008/09    | 2009/10    | 2010/11    | 2011/12    | 2012/13    | 2013/14    |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Less Transfer to VETA                                      |            |            |            |            |            |            |            |            |            | 0          | 52024.2    |            |
| OTHER Domestic Taxes & Charges                             | 26018.35   | 32019.7092 | 25760.8292 | 29977.731  | 36329.8112 | 73996.127  | 83768.2048 | 97397.1819 | 131722.57  | 151841.56  | 194127.983 | 220188.052 |
| Business Licenses  | 45.65      | 12.25      | 12.25      | 6.3687     | 31.399754  | 25.956935  | 15.013683  | 18.9384538 | 21.179798  |            |            |            |
| Departure Charges  | 7164.2     | 8585.5     | 8585.5     | 9467.87907 | 14409.261  | 16161.6291 | 16869.353  | 21146.9827 | 23319.6117 | 23229.6572 | 35187.169  | 42388.0112 |
| Motor Vehicle Taxes  | 4661.8     | 7622.9592  | 1364.07923 | 14933.865  | 17128.5977 | 52526.0966 | 62334.5519 | 70095.6297 | 101340.611 | 117595.346 | 147841.367 | 158371.512 |
| Stamp Duty   | 14146.7    | 15799      | 15799      | 5569.61819 | 4760.55272 | 5282.4444  | 4549.2862  | 6135.6311  | 7041.16747 | 11016.5563 | 11099.4473 | 8556.92275 |
| The Use of Telecommunication<br>Traffing Monitoring System | -          | -          | -          | -          | -          | -          | -          | -          | -          | 0          | 0          | 10871.6064 |
| INTERNATIONAL TRADE TAXES                                  | 519067.296 | 628174.183 | 749291.778 | 883619.587 | 1132451.04 | 1515393.6  | 1748725.02 | 1943433.24 | 2336366.69 | 2616250.5  | 2971799.49 | 3627243.8  |
| Import Duties  | 108073.1   | 132302.2   | 106892.988 | 177795.612 | 251444.553 | 313028.31  | 373948.532 | 383329.507 | 489010.505 | 546334.874 | 610865.438 | 766706.268 |
| Non-Petroleum Imports                                      | 107597     | 132220.9   | 106561.4   | 177795.612 | 245477.857 | 304477.116 | 366748.145 | 376975.578 | 459863.181 | 509700.951 | 580944.38  | 734797.819 |
| <b>Other import charges &amp; Export duty</b>              | 476.1      | 81.3       | 331.58779  | 0          | 5966.6963  | 8551.19452 | 7200.38711 | 6353.92873 | 29147.3235 | 36633.9227 | 29921.0581 | 31908.4495 |
| <b>Processing Fee</b>                                      |            |            |            |            |            |            |            |            |            |            |            | 0          |
| Excise Duties  | 102001.8   | 120587.5   | 127615.2   | 126507.428 | 311984.575 | 440301.153 | 475254.117 | 533795.454 | 614293.383 | 583605.992 | 697393.415 | 761809.495 |
| Wines and Spirits  |            |            |            |            | 1321.8     | 1201.64057 |            | 0          |            | 0          | 647.411922 | 0          |
| Non-Petroleum Imports                                      | 4938.9     | 4616.7     | 11766.5    | 10120.428  | 19462.8714 | 22685.6989 | 31546.2959 | 40597.0591 | 70806.1776 | 58806.3678 | 68330.9103 | 124298.779 |
| Petroleum imports  | 97062.9    | 115970.8   | 115848.7   | 116387     | 291199.904 | 416413.813 | 443707.821 | 493198.395 | 543487.206 | 524799.625 | 628415.093 | 637510.717 |
| VAT on Imports   | 184744.5   | 210826.158 | 311882.8   | 349271.202 | 431614.302 | 548877.782 | 641124.3   | 759396.472 | 905610.802 | 1082917.71 | 1213436.8  | 1329712.03 |
| Non-Petroleum Imports                                      | 184744.5   | 210826.158 | 311882.8   | 349271.202 | 431614.302 | 548877.782 | 641124.3   | 759396.472 | 905610.802 | 1082917.71 | 1213436.8  | 1329712.03 |
| Petroleum Fee-REA  | 65519.7    | 95845.7    | 125784.5   | 153166.069 | 32138.85   | 1188.23737 | 253.681049 |            | 0          | 0          |            | 124341.279 |
| Fuel Levy  | 55870      | 64075.3    | 67844.8    | 69422.669  | 94849.7208 | 200449.267 | 246134.302 | 256046.276 | 315309.256 | 390499.334 | 436292.082 | 625995.224 |
| Non-Tax Revenue  | 2858.19578 | 4537.325   | 9271.49048 | 7456.607   | 10419.0352 | 11548.8493 | 12010.0881 | 10865.5346 | 12142.7397 | 12892.5874 | 13811.7552 | 18679.5007 |
| Less Customs & Excise Refunds                              | 1642.8     | 3159.35833 | 3149.2     | 2934.597   | 2734.79    | 7342.8     | 9512.4     | 9933.3     | 11332.8    | 12046.6    | 1514.62393 | 17362.6    |
| Less VAT-Mining  |            |            |            |            |            |            |            |            |            | 0          | 0          | 23374.43   |
| CED Treasury Vouchers                                      | 0          | 0          | 8277       | 12946.921  | 17296.5935 | 33705.1202 | 32511.0184 | 24210.5899 | 20367.3659 | 27218.3217 | 21092.3153 | 18181.4135 |

Source: Tanzania Revenue Authority