



TANZANIA REVENUE AUTHORITY

TAX ADMINISTRATION REFORMS IN TANZANIA – EXPERIENCE AND CHALLENGES

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SCOPE

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



1.0 INTRODUCTION

- TRA was established under TRA Act cap 399 and became operational in July 1996 with the following functions:
 - a) Assess, collect & account for Govt Revenue
 - b) Administer revenue laws
 - c) Advise Govt on fiscal policy
 - d) Promote voluntary tax compliance
 - e) Improve quality of service
 - f) Counteract Fraud – tax evasion
 - g) Produce trade statistics and publications



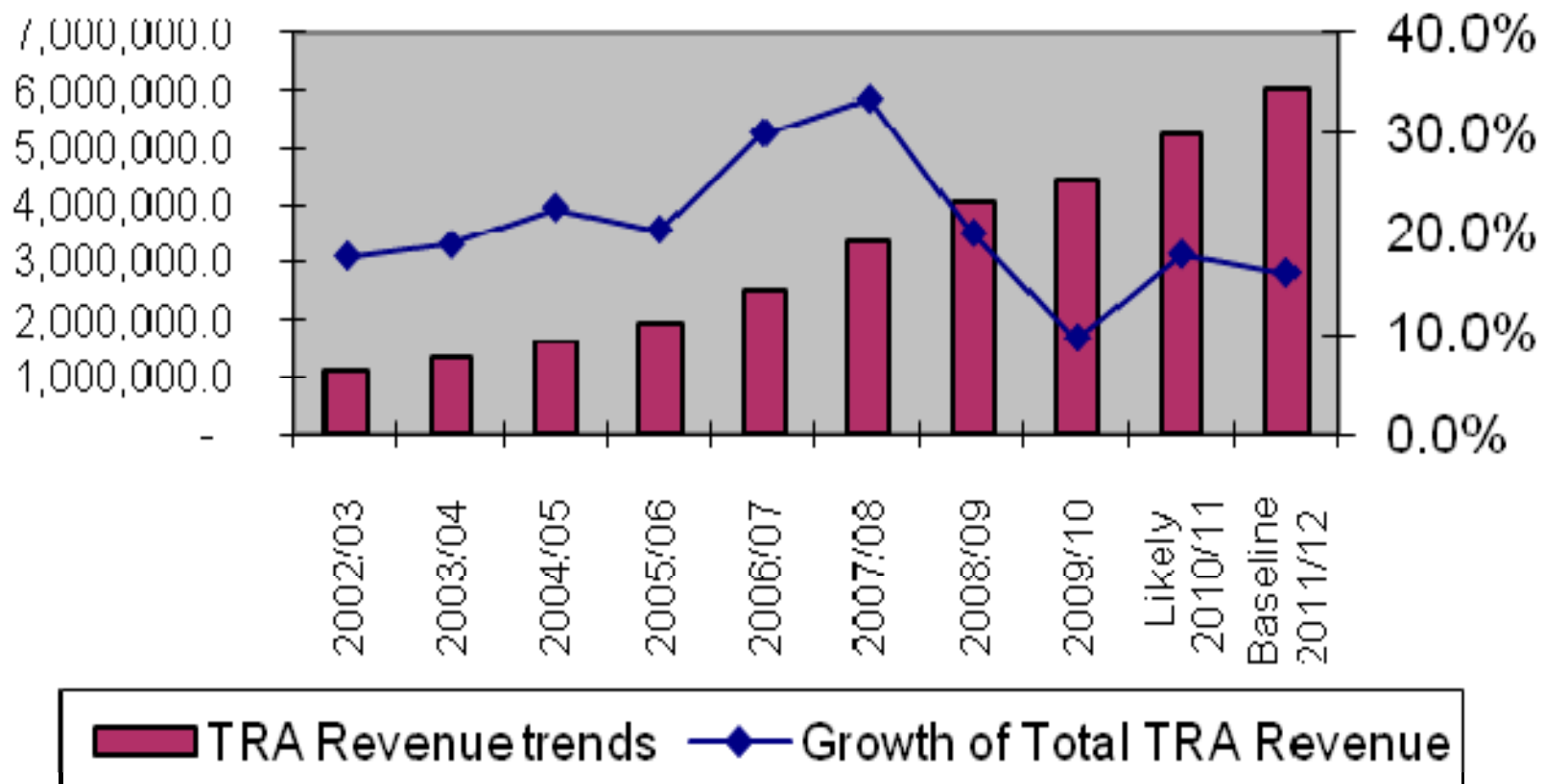
2.0 Tax Administration Reforms...

2.1 Revenue Collection

- Revenue Collections have increased in absolute terms from an equivalent of **US\$ 1,575 million** in 2004/05 to **US\$ 3,742 million** in 2009/10
- Revenue to GDP ratio has increased from **10.8%** in 2004/05 to **14.6%** in 2009/10

Tax Revenue Trends and Growth 2002/03 – 2010/11

(Million TShs)



2.0 Tax Administration Reforms...



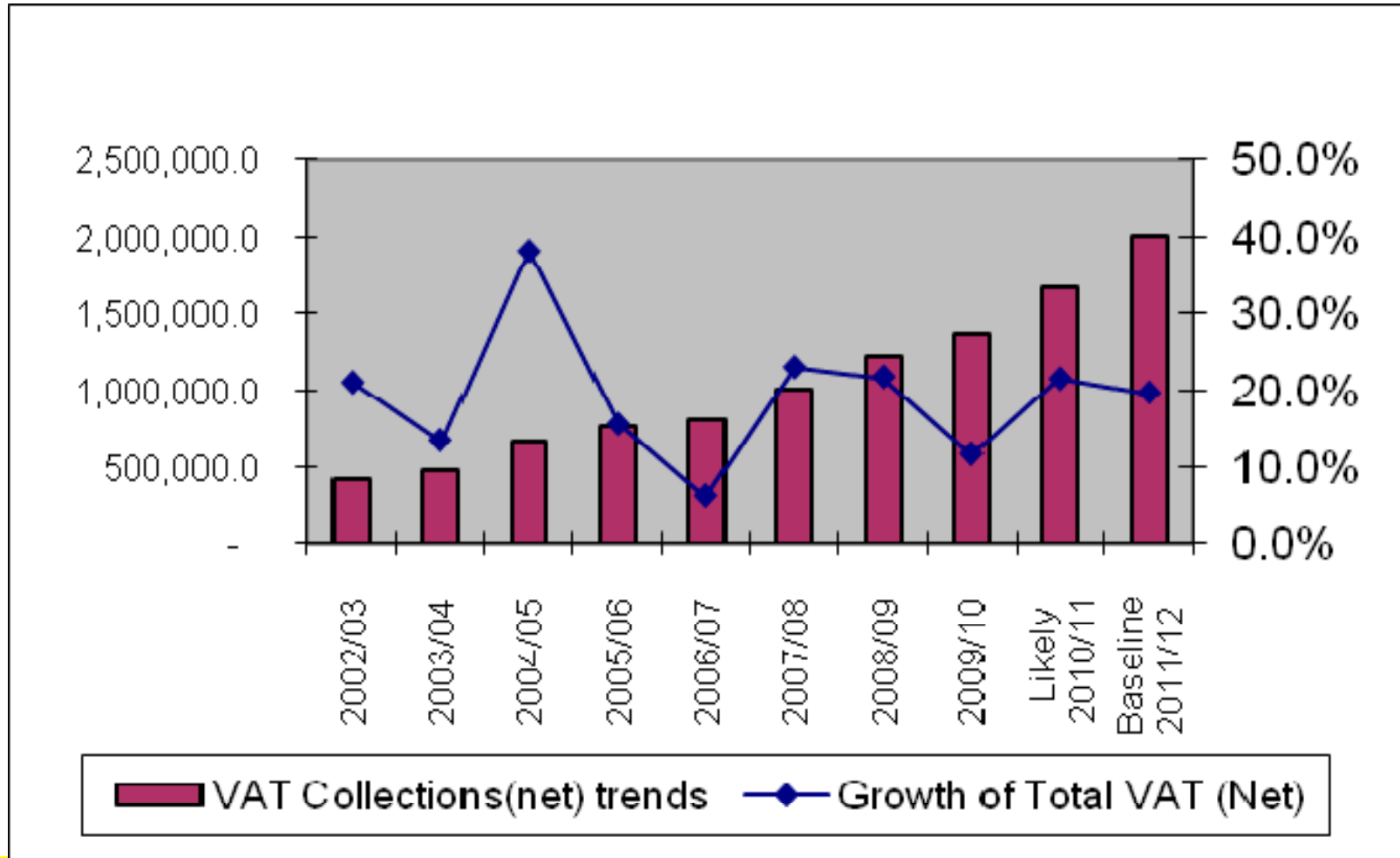
2.2 Integration of TRA operations

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

- VAT and Income Tax Department to form the Domestic Revenue Department in 2005
 - ✓ Handles small and medium taxpayers
 - ✓ Contributes 30% of domestic revenue



VAT Collection Trends and Growth 2002/03 – 2009/10 (Million TShs)



2.0 Tax Administration Reforms...



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

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

2.5 Use of ICT systems for Tax Operations

- ITAX (includes TIN and e-filing)
- ASYCUDA++
- Computerised Motor Vehicle Registration System
- Computerised Drivers License System

2.0 Tax Administration Reforms...



2.6 *Risk Based Operations*

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

2.0 Tax Administration Reforms...



2.7 Taxpayer Service and Education

- Stakeholders Forum and Taxpayers' Day
- Taxpayers' Charter
- Taxpayer Centres

2.8 Governance and Integrity

- Internal Affairs Unit
- Whistle Blowing; Code of Ethics
- Declaration of Assets by staff

2.9 Monitoring of the Corporate Plan through TRAMED

2.0 Tax Administration Reforms...



2.10 Factors Behind Success

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

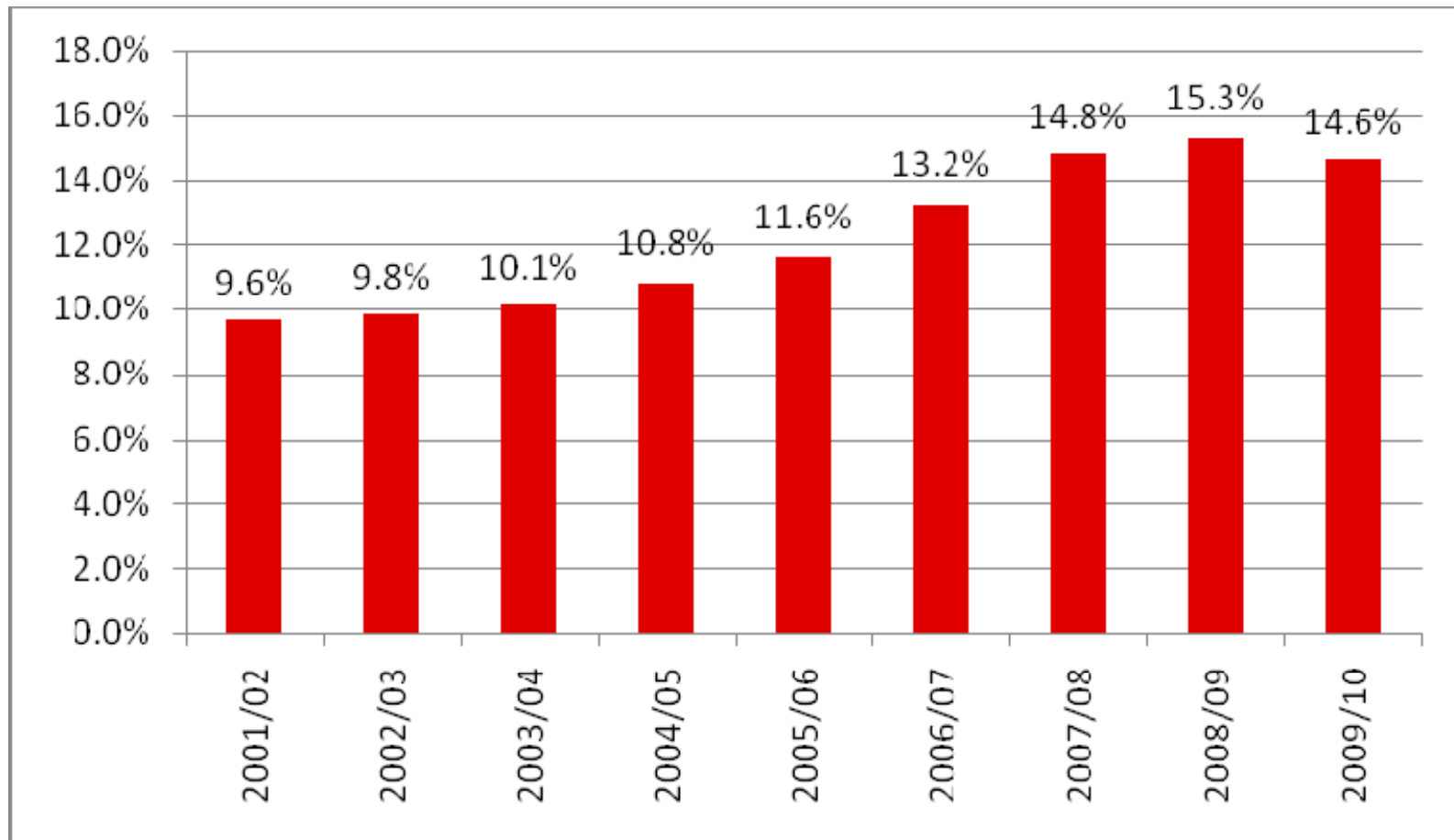


3.0 CHALLENGES....

3.1 Tax Administration Challenges

- Raising revenue to GDP ratio
- Broadening the Tax Base
- Changing of Staff mindset and Staff Integrity
- Over reliance on International Trade Taxes
- Auditing of Specialised Sectors
- Tax Evasion

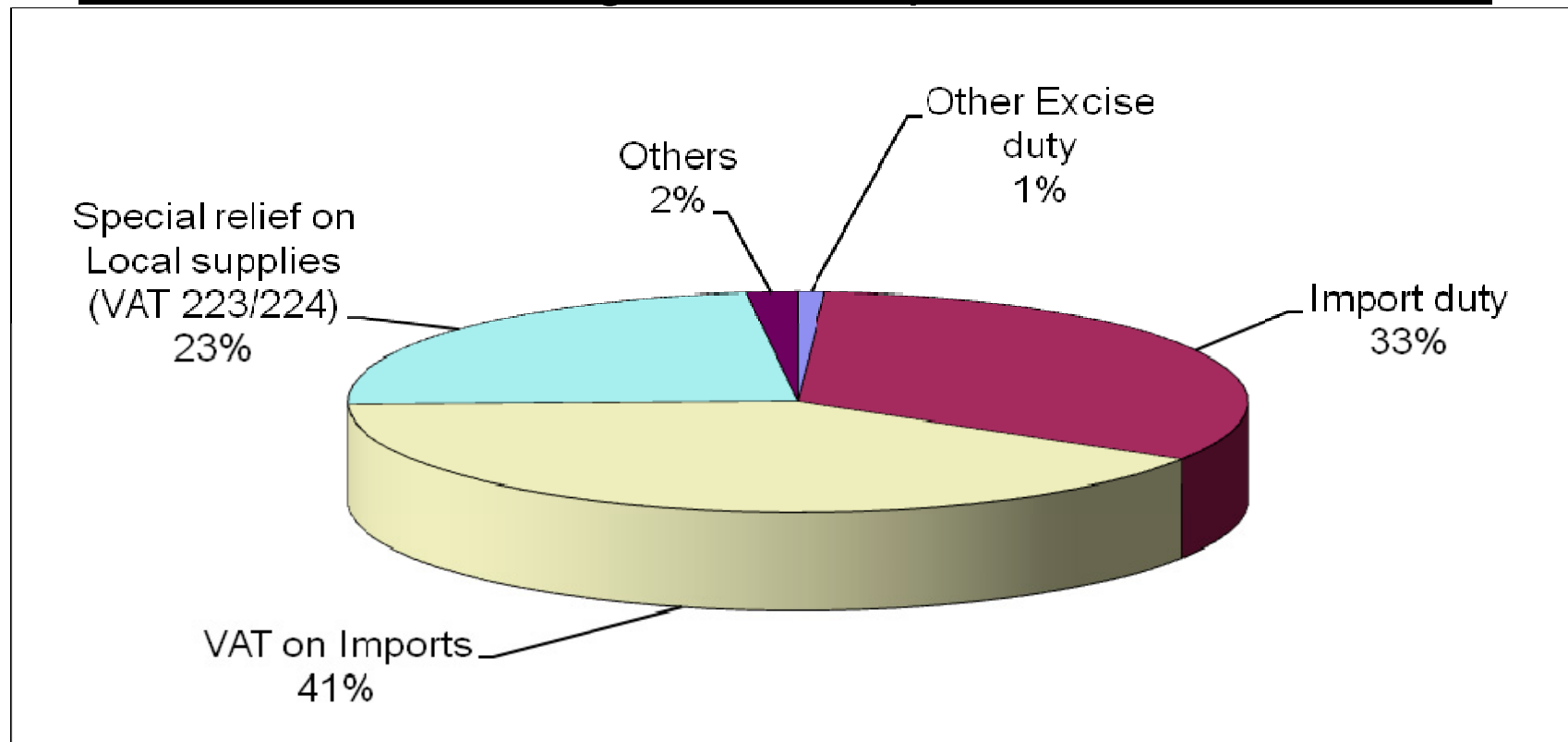
Revenue to GDP Ratio in Tanzania 2001/02 - 2009/10



3.0 CHALLENGES

3.2 Tax Policy Reforms

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





3.0 CHALLENGES....

3.3 External Factor Beyond TRA Control

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



4.0 STRATEGIES

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



5.0 KEY LESSONS

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



5.0 CONCLUSION

- TRA will continue to implement its core function of collecting and accounting of Government revenue
- TRA is committed to improve domestic resource mobilisation to enable the Government fulfil its social obligations
- TRA is determined to make Tanzania self sufficient in terms of budgetary requirements and reduce external aid dependence
- TRA looks forward to benefit from the launched Topical Trust Funds created in support of IMF's Technical Assistance in Tax Matters



***Thank you for your kind
attention.***