

ABSTRACT

Tourism is known to be one of the greatest contributors to the GDP of many countries globally and due to this many governments have eyed tourism sector as one of the best sources of raising revenue through taxation, Tanzania no differently taxes the tourist services provided. Tourism taxation in Tanzania is of recent origin and has fetched so many different opinions from tourism stakeholders concerning performance of the sector as a result of change in tax policy through the addition of Value Added Tax on once-exempt tourism service fees.

This study therefore aims at assessing the effects of tourism taxes on the performance of tourism as a sector focusing on the variables such as the number of tourists, the sales revenue, profits, contribution to the economy as well as customer satisfaction and retention. The research objectively looks at types of taxes on tourism services that are imposed on tourism, examining the relationship that exists between tourism taxation and tourism performance and also the effects that tourism taxes can pose on other economic sectors in Tanzania. A cross-sectional case study design was selected which used both random and purposive sampling techniques to select a total sample of 65 respondents in Arusha region comprising of tour operators, tourists, tourist hotels and tourism authorities. Data was collected through questionnaires and in-depth interviews together with documentary review. And the information obtained was analyzed through SPSS where presentation was done through graphs, charts and tables according to the study objectives.

The study findings show that, taxation has no significant relationship to the tourist arrivals, this is because no matter how the cost of tourism packages is increased even to 1/3 of the total cost the tourists will still not change their decisions to travel to the destination provided that the increase in cost ensures them a better experience. Also as far as the sales revenue to the tourism service providers such as the tour operators and tourist hotels for that matter, increase in taxes has a slight negative influence on the revenue per guest they obtain since the cost for providing service will increase per given tourist and hence decline in revenue. However, the total sales receipt will not be negatively affected since they will encounter an offset with the number of tourists into the country. Moreover, customer satisfaction has been seen to be trending well due to reasons such as the fact that many tourists prefer Tanzanian tourist sites because of the peaceful political environment present in Tanzania as compared to many other East African countries. Not only that but also the fact that Tanzania has very good attraction sites as compared to other countries and also tourism stakeholders have done a great job with international advertisement of the Tanzanian tourist sites abroad. Also findings have indicated