

ABSTRACT

The study assessed management of revenue collection in the Local Government Authorities in Tanzania with a specific focus on Arusha City Council. The study intended to meet three specific objectives including (a) examining the differences between targeted and actual revenue collection in Arusha City Council for the past five budget years (b) to determine the causes of low revenue collections in Arusha City Council and (c) to examine challenges facing the Arusha City Council in managing revenue collections. The study used both primary secondary data. Primary data were obtained through interviews and by questionnaires. A total of 32 respondents were involved. Secondary data were obtained from Arusha City Council's budgetary reports for five financial years including 2008/2009, 2009/2010, 2010/2011, 2011/2012 and 2012/2013.

The findings revealed that Arusha City Council had failed to meet annual revenue collection targets for all five financial years starting from 2008/2009 to 2012/2013. In fact, analysis revealed that the extent of achieving those targets dropped from 89% in 2008/2009 to 61% in 2012/2013. Among the major reasons for failure in revenue collection were the use of manual revenue collection system, inadequate incentives to revenue collectors, and inadequate tools. The results of regression analysis showed that actual revenue was statistically significant estimator of targeted revenue from five major sources of revenue in Arusha City Council ($p = 0.000$, $r = 0.99$). Further results of regression analysis revealed that unremitted revenue was a significant estimator of target revenue ($p = 0.01$, $r = 0.87$).

To avert this situation a number of measures were recommended including introduction of integrated computerized revenue system, improving revenue collectors' incentives, providing revenue collectors at head office and ward level with means of transportation to facilitated timely collections, introducing electronic tax payment system such as maxmalipo, m-pesa, Airtel Money and Tigo pesa and providing appropriate education to the public on the importance of paying taxes voluntary and the benefits of those taxes they are paying.

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