

**ASSESSING THE EFFECTIVENESS OF PROPERTY TAX REFORMS ON
TAX REVENUE IN TANZANIA**

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Masters in Accounting and Finance of the Institute of Accountancy Arusha

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**A Dissertation submitted in partial fulfillment of the requirements for the degree of masters
of Accounting and Finance of Institute of Accountancy Arusha.**

DECEMBER, 2023

AUTHOR'S DECLARATION

I, **DEMWA PETROV KAMWAGA** declare that this dissertation is my own original work and that it has not been presented and will not be presented to any university for similar or any other degree award.

Signature.....

Date.....

CERTIFICATION BY SUPERVISOR

I, the undersigned certify that I have read and hereby recommend for acceptance by the Institute of Accountancy Arusha (IAA) the dissertation entitled **Assessing the Effectiveness of Property Tax Reforms on Tax Revenue in Tanzania**, in fulfillment of the requirements for the degree of Masters in Accounting and Finance (MAF) of the Institute of Accountancy Arusha.

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DEDICATION

I dedicate this work to my beloved parents, Colonel Charles Kamwaga Mwanjale and Rozina Sayota for laying the foundation of my education, for their love and sacrifices that they made towards the achievement of my study.

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I thank the Almighty GOD for being with me all time during the preparation of this dissertation, for His blessings, wisdom, love, power, knowledge and health.

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MAY THE ALMIGHTY GOD BLESS THEM ALL.

ABSTRACT

This study intended to assess the effectiveness of property tax reforms in Tax revenue in Tanzania. Where the specific objectives were to assess relationship taxa base of property tax and tax revenue, second to assess relationship between property tax rate and tax revenue in Tanzania and the third was to assess the relationship between registered property tax payers and tax revenue in Tanzania. The study used secondary data from TRA and BOT whereby the time series econometric approach based on ordinary least square (OLS) was used for estimation of the results. Diagnostic test also employed in order to make the variables free from problems associated with the time series. Moreover, quantitative technique was used with the help of E-VIEW and Excel in analyzing data. The analysis was guided by research objectives. The study employed Johansen co-integration test to examine the relationship between the property tax and tax revenue, Vector Error Correction Model (VECM) to check for short-run relationship among the variables and simple linear regression model to check the relationship. The study found that there is positive and significant relationship (5%) 0 between property tax and tax revenue that is increase in tax base, tax rate and number of tax payers will improve the tax revenue and when the tax property decrease also leads to decline of tax revenue. The study recommended that the government should control for tax rate depending on the income of taxpayers so as maintain and increase the number of taxpayers this is through making a favorable tax rate at all tax payer. There should be continuous review on tax property in Tanzania tax system to reflect the current realities of the modern economy since tax property was found to have significant effect on tax revenue.

Keywords: tax revenue, property tax (tax rate, tax base and number of registered tax payers)

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LIST OF ABBREVIATIONS

BLUE	Best Linear Unbiased Estimator
BOT	Bank of Tanzania
CAMA	Computer Assisted Mass Appraisal
COVID-19	Coronavirus disease
GDP	Gross Domestic Product
LGAs	Local Government Agencies
MCs	Municipal Councils
OECD	Organization for Economic Co-operation and Development
OLS	Ordinary Least Square
PT	Property Tax
TANAPA	Tanzania National Parks
TIN	Tax Identification Number
TRA	Tanzania Revenue Authority
URT	United Republic of Tanzania
USD	United State Dollar

CHAPTER ONE

INTRODUCTION

1.1 Introduction

The study intended to assess the effectiveness of property tax reforms on Tax revenue in Tanzania; it is focused on determining the relationship between property tax reforms and tax revenue. The results of the study have several contributions to tax stakeholders the results would be used by policy makers on making fiscal policy effective on property tax and the inclusion with the relevant factors for effective property tax collection in Tanzania. Tanzania citizens may use findings to understand the importance of paying property tax on time also they would know their contribution to the government revenue collection system in general. The research findings can be used by planners and researchers during tax planning so as to increase government revenue. The government can use the findings of the study for enhancement of property tax collection by identifying the factors for its effectiveness. If collected effectively the property tax helps the government to achieve its desired goals and objectives. The study will be useful to other people who wish to conduct research on related topic, simply because they would use the findings of the study as reference when reviewing literature. This chapter provides information on the background of the study, statement of the research problems, research objectives, research questions/ hypothesis, significance of the study, limitation of the study, scope and organization of the study.

1.2 Background of the Study

Property taxes are becoming increasingly important in the funding of local administration responsibilities are assign from central to local authority units (Kasipilai, 2019). This is because plot taxes are composed and again lookout as the big source of chapter earnings in many parts of the world is especially capable as reliable earnings for asphalt jungle. Traditionally, property tax lived compare with local tax administration for reasons of its visibility and the impossibility of the tax object to make over its location as a result of the assessment levied nature to the association between a rock and a hard place the proprieties the tax is also considered a suitable source of revenue services often provided by local government amend property values. Real castle disbursement Tax earnings for benevolence such as conflagration favor, police protection, roads, drainage and street lighting conduct to an accelerate property values within the jurisdiction (Kasipilai, 2019). As far as public revenue is concerned, taxes are the most important source of government revenue for most countries in the world. Taxation refers to imposition of compulsory levies on individuals or entities by government (Alm, 2020). For decades, different countries in the world have been witnessing their governments adopting and implementing numerous tax reforms in their taxation systems. Tax reform is the process of changing the way taxes are collected or managed by the government. Governments all over the world formulate tax policies focusing on the economic growth of the country that aiming to redistribute of income and wealth, provision of public goods such as public services include education, health, infrastructures also security (Aondo, 2019). However, when policies and regulation on property tax fail or lead to poor collection of revenue its lead to the reformation of these policies so that the government can ensure they collect enough revenue for financing its economy.

The property tax has been advantageous in both developed and developing countries in different ways as recommended below, the used in funding local administration services, especially in countries with industries. The first advantage is the property tax has been very significant earning potentials, and in deed averages greater than 2% of Gross Domestic Product in countries with industries. Although in between the OECD countries there are great ups and downs given from Austria and the Netherlands, where the share of property tax in GDP is quite low, to Canada where it exceeds 3 percent. The other advantage is the property tax is always a greater simple way of corrections of authority earnings (Rodriguez, 2018). Property tax can also be argued that the property tax is treated equally as those owning property of the same value, or paying the same property rent, are subject to the same tax. Also, the property tax is seeming to be rather distortion than alternatively local duties as a tax on Building, it is imposed on an immobile factor. Property tax was a relic of a vanished age. By the early nineteenth century, when liberalism achieved its great triumph in Britain and the United States, the accumulating criticisms of the tax had worked a noticeable change in the way citizens and statesmen thought about the institution (Rodriguez, 2018). Economists have developed three muscles come up to exact the collision of property assessment held into chronology importantly, each view distinguishes between parcel taxes and big duty. The observation disport that a property tax canister has a dissimilar effect on certified castle assimilate to other forms of capital difference in budget elasticity as each item supplied that the discharge of land is subject to assessment are brood in a choosey administration the "traditional view" accepts that taxes on land are borne by it commonwealth dope head i.e. the owners or lessee of the land. However, the "New Vision" arrestment that a local parcel tax can be disunited into two components, an "income tax" and a "special tax". Hither is as the earnings tax component write to a general tax on all central member of the property tax will be on the owners' capital (Rodriguez, 2018).

According to (Nurkhin, 2018) China does not levy any tax on property. Property tax is growth-friendly and useful, and they are especially valuable for raising revenues at the local level, and mostly especially on economic development. However, property tax is among the most challenging taxes to administer, primary due to the need to revalue properties frequently. In addition, reforms property taxes are difficult due to the tax's frequent unpopularity as well as its interactions with intergovernmental fiscal frameworks.

(Norul, 2022) In Denmark, government has made a reform on property tax and land tax from 2021 onwards in which the valuation and tax will reflect market values and hence more revenue will be collected and hence economic development of their country. These reforms were done followed the property tax policy of 2002, which led to falling effective tax rates for properties experiencing increases in value. This reform will increase cadastral values for many properties. Tax rates will be lowered, and for those whose overall property taxes increase with the new system will be compensated through a tax refund (Bud man, 2021).

(World Bank, 2015) In African states, where the reach of national government beyond capital cities is often limited, reinforcing local revenue generation and collection would enhance state-building and ensure that the potential benefits of decentralization policies are realized. If governments were to invest in establishing mutual dependence with taxpayers, and enhancing the administrative capacity of the state, improvements in policymaking and local service delivery would follow. Property tax has been posited as the ideal source of income for municipal governments, given the association between taxes raised locally and the delivery of municipal services and infrastructure (Mwakabungu, 2016). Yet this type of revenue has been neglected in favour of consumption taxes, which as a percentage levy on transactions are less conspicuous than the annual payment of a

property tax. A major constraint to improving the property tax in developing countries is weak administration, often a result of political, institutional and capacity constraints (Onu, 2016)

Tax reforms are deliberate and continuous actions by government and its agencies to alter the existing tax laws and policies to positively impact on the tax administration and collection process with minimal cost. Oriakhi and Ahuru (2014) opined that “tax reform is simply the series of action taken by Nigeria’s government to promote the tax system. It is not novel as Nigeria has embarked on series of tax reforms. The several tax reforms were designed to broaden the tax base, reduce the tax burden on tax payers, restore the confidence of the tax payer on the tax system, and promote voluntary compliance on the part of the tax payer. On the whole, the ultimate goal of tax reform is the enhancement of public internal revenue generation”. Consequently, the expectation is to boost revenue generation through appropriate legislations to cover loopholes in the existing tax structure by creating efficient, effective, resilient and responsive fiscal institutions to improve the administration, assessment and collection, making them more accountable, and promote voluntary payment of taxes by tax payers. The more robust the tax reforms, the more efficient the tax system and its structure, and the better the yield from tax revenue generation (Ebieri & Ekwueme, 2016).

In the atmosphere of developing mother country property tax is of particular importance as a greater whole liability is compulsory is increasingly being representative to local government, accordingly a expressive origin of local government revenue is involuntary can generate sufficient revenue to budget local cost Let's take Tanzania as an case maximum urban infrastructure services developed during the colonial period and early years of independence have deteriorated due to lack of maintenance and clot (Rodriguez, 2018). In recently financial year council authority have worked up to amend property tax earnings performance. For example, In Dar es salaam curtsy for example, the need to improve property tax revenue waked in 1993 In, the government

instrument, where the urban infrastructure docket and appreciate the need to strengthen active complement. In the financial viability of the local councils became transparent. In local administration in Tanzania. Property tax revenue come out to be again and again declined year afterward year (CAG Report, 2014). Most developing countries including Tanzania have embarked on property tax reforms in order to promote economic growth and development. In Tanzania administration of property taxes has been oscillating between decentralized and centralized collection regimes (Kasipilai, 2019) Property tax reforms must be designed acquainted of these constraints, the existing reform environment, legal and institutional structures, government administration capacities, and political will, as all tax reforms must be country- Property taxation in Tanzania is one among sources that the government can potentially and largely use to widen its tax base and increase revenue collection. Being directly visible to taxpayers, by design it is relatively easier from tax payer's perspective to easily link the collected revenue to improved provision of local services (Outlook, 2020). Thus, property tax has a prospective to act as a basis of bargaining between taxpayers and governments over revenue collection and public spending, hence increasing the tax compliance rate (Kasipilai, 2019)

(Outlook, 2020) Tanzania has implemented several major reforms of the property tax collection system during the past decade, oscillating between decentralized and centralized regimes. Before 2008, local government authorities were responsible for the administration of property tax, including registration of properties, valuation, rate setting, collection and enforcement. Tanzania embarked on its property tax reform in 1993, following a "valuation-pushed" implementation strategy that focused priority on creating a property valuation roll for Dar es Salaam. Phase one of the reforms was completed in 1996, producing a valuation roll covering about one third of all properties. (Ongwamuhana, 2011) The Dar es Salaam City Commission established in 1996 used this new

valuation roll to generate significant increases in the property tax, along with major increases in all locally generated revenues. In 2008, a new system for collection and enforcement was introduced in Dar es Salaam, shifting the responsibility from the MCs to the national tax administration, the TRA. (Kasipilai, 2019) The return of the property tax administration to the TRA took the MCs by surprise. In interviews, municipal staff and representatives from ALAT expressed disappointment and questioned the foundation of the Government's decision. They argued that the re-centralization was based neither on an assessment of what the MCs had achieved with respect to revenue enhancement since early 2014, nor on the challenges experienced during the previous period 2008-2014 when TRA collected the property tax. TRA's approach to property tax collection rested on modern principles of tax administration, including cash-less collection, ease of payment, and sound reporting and monitoring systems. The cash-less collection system was one of the notable changes introduced by TRA. Previously, property tax was collected by municipal revenue officers in cash or by taxpayers depositing payments at the municipal treasury office. This practice enabled embezzlement and corruption (Mashauri Edna, 2021) TRA, however, required taxpayers to have a Tax Identification Number (TIN), when depositing their tax bills in a specified bank branch. Within their current block management system, TRA also benefited from the collection of property taxes. The system was made up of already-existing TRA teams that were also in charge of collecting property taxes. Two revenue collectors from the corresponding MCs provided assistance to these teams. According to the TRA's mandate for the intervention, this kind of on-the-job training was considered as a vehicle for enhancing the ability of municipal workers. (Simon, 2020) The centralization of property tax collection was viewed by the MCs and some international donors as a government effort to reverse the decentralization reform that had begun in 2000. The property tax reform's design was hindered by its unclear foundation, which prompted criticism from the MCs and TRA (Section 4). It was also challenging to put into practice. In developing countries, the

contribution of tax revenue has not been encouraging, thus expectations of government are being cut short. Corruption, evasion, avoidance and tax haven indicators are strongly associated with low revenue (Attila, Chambas, & Combes, 2008) and indeed, corruption functions like a tax itself. According to Adegbie and Fakile (2011), the more citizens lack knowledge or education about taxation in the country, the greater the desire and opportunities for tax evasion, avoidance and non-compliance with relevant tax laws.

(Antiyan; Antiyan, 2020) In February 2014, the Government announced the return of property tax collection responsibility to the MCs with immediate effect. The MCs effectively took over the administration of the property tax. In interviews, community workers and city councilors expressed their firm belief that community collection would be far superior to that of TRA. They argued that since the community knew it was raising the money to fund its own household, it would motivate its efforts to meet the revenue goal. According to the city administration, the re-centralization of the public transport administration was a perfect step. Factors specific to MCs may also have contributed to the increase in reported revenue after speech centralization in February 2014. First, the MCs introduced electronic and mobile phone-based money payment systems that made tax payment easier and more transparent. In addition to the political and administrative measures taken by the MCs during the re-centralization period (2014-2016), some changes that started already during the centralization period (2008-2014) may have contributed to the increase in revenues from 2012/13. New measures such as investments in new collection methods, including tax payments through banks, were introduced by the TRA. The MCs continued the bank payment system introduced. (Monetary Fund, 2021). Tanzania abides to need tax reforms to support local administration department to ascertain their revenue potential and amend their service delivery capacity. The areas to be. The head of the reform should be to cause a good database through the

use of the facts network and the mapping of, improved anti- technology such as automated mass instrument should be encouraged.

(Kennelman, 2022) This did not last long. In July 2016, property taxation was again centralized. TRA was assigned full responsibility for administrating the tax, including registration of properties, valuation, rate setting, collection and enforcement in 30 MCs and from July 2017 for the entire country (Rodriguez, 2018). The Minister stressed that the government is determined to increase and strengthen domestic revenue collection through various measures. According to the Minister, this decision, which came into force on July 1, 2016, was based on TRA's tax collection experience and its existing tax collection systems and their coverage across the country. The minister stressed that the decision reflected the government's view that local government agencies had not met revenue targets due to inefficient property tax collection compared to the available potential. After some preparatory agreements, the TRA started collecting property tax from 1 October 2016 in 30 local councils and from 1 July 2017 nationwide (Rodriguez, 2018) According to the TRA, there was a significant drop in revenue collection in the first three quarters of the 2016/2017 financial year. (REPOA, 2020) The poor collection during this period hardly reflects the ineffectiveness of the TRA, but rather the insufficient time for preparation and capacity building. In addition, the transition period for handing over the collection from the MCs to the TRA was very short. The normal deadline for paying the property tax is the end of the fiscal year, which is June 30th. TRA extended the period without imposing penalties until the end of August 2017. The TRA also initiated tax campaigns targeting property owners through newspapers, television and public meetings. These activities contributed to an increase in reported sales in the last quarter.

1.3 Statement of the Problem

Tanzania was among the countries in the world which have adopted various property tax reforms since independence. These tax reforms have been proved to enhance better performance of the country's tax authority (Tanzania Revenue Authority) and taxpayers at large in terms of removing impediments to effective and efficient management while maintaining appropriate accountability and transparency in the taxation process. However, despite adopting such tax reforms for decades, still the government of Tanzania is greatly dissatisfied with the level and efficiency of revenue collections, especially in the face of expanding public expenditure needs as well as the fiscal deficits (Peter, 2013) Moreover, there have been high taxpayer compliance costs, tax evasion and generalized corruption by private sector which have led to calls for wholesale reform of tax administrations.

For instance, In spite of progress made in tax revenue collection during the late 2000s, the current level of tax revenues in Tanzania remains low. For example, in 2015 the level of tax revenue in Tanzania was at the equivalent of approximately 12 percent of that time's level of Gross Domestic Product 2015 which was about 47.38 billion USD (World Bank, 2015) (Moreover, more recently, the government of Tanzania had projected to collect TZS 34.88 trillion for the financial year 2020/21. As of April 2021, the amount collected was TZS 24.53 trillion, equivalent to the 86% of the targeted revenue collection. Internal revenue collected by TRA amounted to TZS 14.54 trillion, which was equivalent to TZS 86.9% of the targeted revenue for the period. The tax revenue collection targets were not met mainly due to some sectors being hit by the adverse impacts of the COVID-19 impacts with particular effects being felt by TANAPA and the Ngoro Ngoro Conservation Authority, among others (Mashauri Edna, 2021)

The reforms of the property tax have come in different forms and have been adopted with different views and perceptions. In addition to streamlining central-local financial relations, the government has focused on improving its financial management and revenue mobilization efforts. However, the impact of such reforms on expected benefits, including increased collection of property tax revenues and other forms of taxes, has remained empirically unknown. The aim of this study was to assess the effectiveness of property tax reforms in tax revenue.

1.4 Objective of the Study

1.4.1 Main Objective

The general objective of the study was to assess the effectiveness of property tax reforms on Tax revenue in Tanzania.

1.4.2 Specific Objectives

- i. To assess relationship between Tax base of property tax and Tax revenue in Tanzania.
- ii. To assess relationship between property tax rate and Tax revenue in Tanzania.
- iii. To assess the relationship between registered property tax payers and Tax revenue in Tanzania.

1.5 Research Hypothesis

- i. H_0 : There is no relationship between Tax base on property tax and Tax revenue.
- ii. H_0 : There is no relationship between property tax rate and Tax revenue.
- iii. H_0 : There is no relationship between number of registered property tax payers and Tax revenue.

1.6 Scope of the Study

The study generally was conducted in Tanzania mainland to assess the effectiveness of property tax on tax revenue using the quarterly time series data of 2001 to 2022. The study variable is based on tax rate, tax base and number of registered taxpayers while the dependent variable was tax revenue.

1.7 Limitations

In the process of data collection, the researcher encountered several limitations this due to the facts that, most time series data in Tanzania have missing values. Moreover, from the previous research, other researcher's uses dummy variable to measure the specific effect of tax reforms to the economy, as for this study the researcher used the dummy variables for tax reforms. And lastly were time constraints in conducting the study. Despite the limitation, the researcher has planned to face these challenges by addressing them as follows. Due to the existence of missing data, the researcher will use Bank of Tanzania Data base to collect the data for the variables under investigation from 2001 to 2022. The Bank of Tanzania offers large number of dataset and is long enough to commence the study. As for property tax reforms; tax rates, number of taxpayers dummy variable will be employed to capture their impact on Tax revenue in Tanzania. Moreover, as due to time constraints, schedule of activities were settled aside so that the research will be in touch of the deadline and ensuring that the research report is well prepared before the due date.

1.8 Significance of the Study

The results of the study have several contributions to tax stakeholders the results would be used by policy makers on making fiscal policy effective on property tax and the inclusion with the relevant factors for effective property tax collection in Tanzania. Tanzania citizens may use findings to understand the importance of paying property tax on time also they would know their contribution to the government revenue collection system in general. The research findings can be used by planners and researchers during tax planning so as to increase government revenue. The government can use the findings of the study for enhancement of property tax collection by identifying the factors for its effectiveness. If collected effectively the property tax help the government to achieve it desired goals and objectives. The study would be useful to other people who wish to conduct research on related topic, simply because they would use the findings of the study as reference when reviewing literature. Generally this study intends to illustrated the contribution that the study will make to the existing literature on the problem or broad problem areas of this topic investigated, the study allowed the investigator to pursue her/his interests, to learn something new, to hone her/his problem-solving skills and to challenge self in new ways

1.9 Organization of study

This study comprises of five chapters. Chapter one was involved background of the study, statement of the problem, objectives of the study, research hypothesis, and significance of the study, justification and organization of the study. Chapter two literature reviews include theoretical review, empirical review, research gap and the conceptual framework. Chapter three research methodology explain the research design, target population, data collection methods, validity of the research instrument, reliability, data analysis and ethical considerations. Chapter four were

provided the presentation and discussion of findings and in fifth chapter conclusion, recommendations and critical evaluation of the study were presented.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter was an analysis of existing literature reviews on property tax reforms and Tax revenue in Tanzania. The literature covers the theories that explain the relationship between property tax reforms and Tax revenue. Also, it explains the review of related literature based on the objectives of the study and the conceptual frame work that explain the variables of the study. Moreover, it analyses the contributions, weaknesses and existing gaps.

2.2 Definition of Terms

2.2.1 Tax

This is the compulsory contribution imposed by the governments to its citizens for the purposes of redistribution of the income and provision of public goods. Tax payment is not only for the direct good and/or services purchased but also for income and resources tr2nsferred from the public sector to private sector and vice versa so that to accomplish national economic and social goals (Alm, 2020)The government needs to have funds that help to achieve set of goals for the nation, that funds can be generated by different ways such as revenue collected from tax (Furtham, 2022).Moreover, tax differ from fines or penalty imposed by a government because a tax is not intended to punish unacceptable behavior.

2.2.2 Property Tax

Property tax is an attractive source of earnings due to its many upper hand checklist and is considered the largest local government expedient in the world earnings traditionally and commonly

property tax is the most important individual tax, device available for local governments. It is commonplace argued that earnings from, property assessment pitch in significantly to deposit public services However, the inch of dependency on this source of earnings varies out of fatherland to fatherland depending on the aggregate of highway transfers, user fees and disparate and changes in disburse responsibilities assigned to local administration governments. The tax is imposed on real château which is set along accordingly 's location cannot make over geographically due to assessment. This affection makes property tax difficult to dodge and easy to collect, discard is property tax considered a benefit tax as local services funded by the tax were ameliorate authentic château values. The tax also extend freeman some chance to partake thus conclude the back-and-forth between the level of taxes and the benefits of open disburse increasing fault of tax adept additionally the The property tax of is visible as taxpayers pay taxes to local governments and earnings account visible services such as local roads, garbage collection, open direct lighting etc cleaning, parks and additional accordingly the visibility attribute delineate local governments accountable to the taxpayer.

Property tax is type of tax which levied as an annual charge payable by owners of urban residential and commercial buildings (Nurkhin, 2018) define PT as a tax on ownership, occupation or legal transfer of buildings and land. PT is often labeled as the "ideal" local government tax. This is because real property is visible, immobile and a clear indicator of one form of wealth (Aondo, 2019) In principle, PT is difficult to avoid and, if well administered, it can represent an efficient fiscal tool. Because it is visible to taxpayers, and in principle linked to improved local services, it holds unique potential to act as a foundation for bargaining between taxpayers and governments over revenue and public spending. Despite the many efforts to design an effective PT system, property taxation in developing countries is generally underdeveloped. Property tax generates limited revenues in

Tanzania. Also, property tax is high on the political agenda in Tanzania and considered as a cornerstone of the Government's efforts to strengthen broad based direct taxation. The modern application of property tax in Tanzania began in 1946 with the passage of the Municipal Ordinance (Cap 105), which allowed municipalities to levy a 10 percent tax on the capital value of all buildings. Then, in 1952, the Local Government (Rating) Ordinance (Cap 317) was passed, which expanded the base of property tax to include the unimproved property value for all properties held under long-term leases. For example, long-term lease properties were subject to a land and buildings tax, while short-term lease and common law properties were only subject to a building tax. This property tax system remained in place until independence in 1961. After independence, Tanzania quickly adopted a form of African socialism that radically changed the structure of government and affected the property tax system. In 1967 the entire country was nationalized. In 1972 all local government was abolished through a policy paradoxically known as decentralization. In fact, the central government took over everything. Moreover, it is visible to taxpayers, and in principle linked to improved local services, PT holds a unique potential to act as a foundation for bargaining between taxpayers and governments over revenue and public spending (Ali 2019). The collection of property tax is the third important building block of property tax. Accomplishment of after distinguish and valuation lot one of the high-ranking municipal court officeholder big-name that identification and valuation of real château are the preparatory functions for efficient assemblage of property tax. Explaining the administration of tax assemblage, the municipal court administrant kicks in Exercise no comprehend tax argument and deep cover and advertising agency to remind taxpayers to pay taxes moments. The bring about suggest that property tax collection is award amour Property tax represents one among the most feasible, conventional, steady and progressive source of revenue. Nonetheless this form of tax has not received the attention it requires for effective contribution towards revenue generation in developing countries. Many urban local authorities in developing

countries are failing to cope with increasing demand for urban infrastructures and other social services resulting from urbanization. The property related taxes and fees administered in Tanzania include land (ground) rent, the stamp duty, the capital gains tax, and the property tax (called 'rates'). With the exception of rates and land rent, the taxes have been collected by the Tanzania Revenue Authority. However, effective July,2016, the TRA has also been given responsibility for administration of the property tax including valuation and collection. However, weak administrative capacity, including incomplete and outdated property registers and valuation rolls, the resistance it faces from property-owners are considered the major constraints on PT collection in Tanzania.

2.2.3 Tax Reforms

According to (James Alm, 2015) Tax reform initiatives in Tanzania can be noticed partly as a response to closer in go there was a threat of a grave dollars-and-cents crisis. This is reflected in the fact that the generality of Tax reforms proposed and implemented in Tanzania were guided by condition to increase earnings. Before the argue the financial Commission's proposals in more particular in detail, he continece compactly summarize the legend issues contend (with) in previous tax regenerate in Tanzania. tax reform refers to the process of changing the way taxes are collected or managed by the government. It has been observed that, the reform and modernization of government institutions has been a constant theme over the last three decades in both developed and developing economies. Main reasons behind implementation of such reforms include; Governments been facing a series of pressures that include the need to deliver services more effectively and at a lower cost to citizens, as expenditure budgets decline, the need to address deficiencies in traditional procedures and structures that have come to be seen as too rigid to respond to the rapidly changing needs of the public and the challenges confronted by government

in modern society and the pressure to adapt current business or private sector management practice to public sector institutions (James Alm, 2015).

Moreover, Tax reforms are also undertaken to improve tax administration or to provide economic or social benefits (James Alm, 2015) These reforms have mainly explored two angles; the property tax rate determination and the administration of the tax. The recent reforms include the one in July 2016 which shifted the mandate of property tax collection from LGAs to TRA, and the other in December 2018 following the president's directive to charge a flat amount of TZS10,000 for single-storey buildings and TZS 50,000 for each level of multi-storey buildings. Property taxes are a very important part of diggings home ownership Homeowners can subjoin the taxes to their mortgage compensation every which way the lender grip in an escrow chronology or they can pay them individually but compensate beat them to a (bloody) pulp is consequential Governments assess property taxes based on location and value. administrative county and commonwealth use parcel taxes paid by homeowners to provide all-important services and architecture such as: E.g., police agency fire agency schools, road and highway construction, and other uses that vary by jurisdiction. As bona fide castle prices continue to rise and with beat them to a (bloody) pulp higher property taxes, it is important for homeowners to pay property taxes because failure to pay taxes restraint create in the local government locale a tax lien on their plot every which way need be paid within a certain period of occasion differently the property is apprehend (James Alm, 2015) .It has been argued that the requirements to believe on local authorities with property tax gives partly from its comparative simplicity in its administration and in part from the inability of real property to shift location in response to the imposition of a tax. The case for associating property tax with local government stems also from the fundamental link between tax and expenditure decisions. A local government can only make the right fiscal decisions where the benefits of the

proposed public programmes are measured against its costs, and this can only be possible where finance comes from own sources. Where financing comes from external sources for example higher government it is unlikely that the choice of public expenditure would be based on true cost and will be subjected to negotiations between the local and high-level governments. Although, local own sources of revenue are essential if local governments are to preserve autonomy and efficiency in making fiscal as well as other decisions (James Alm, 2015).

Experience in developing countries show that fiscal transfers to local governments are conditional and to large extent national governments dictate the expenditure of such finances. While property tax is praised for the various advantages it offers, the tax is also noted to have some significant shortcomings. Since the tax is direct in nature and easily understood, in many instances taxpayers find grounds for objecting. On the other hand property tax can create an uneven distribution of services to citizens especially for some jurisdictions that have a narrow tax base and therefore is unable to collect sufficient revenue for the provision of local services. Furthermore, the property tax is an inelastic source of revenue because it hardly increases with the growth of the economy. Thus, property tax revenue is unable to match the needs for local infrastructure resulting from both economic and population growth. The tax is also difficult and modestly expensive to implement and administ, property tax can give out to negatively upon land use and urban development as the gains from improving and developing land countries property tax. Given their partake property taxes appear to be a minor cradle of revenue of a country's GDP and total national tax earnings for example in developed mother country by, property taxes aggregate to competent over 1% of GDP and about 4% of all tax earnings. Despite this insignificant contribution to national earnings The property tax represents an important source of earnings for legion along the subnational or local degree countries. There are countries in every which way property tax dalliance an important and

often bound business is competent a tax available to local government. As in Australia, local authorities are almost dangling on it relies exclusively on property tax as its own source of revenue. On the other hand, property taxes are much more important in rich countries than in developing and transition countries with, for case the highest property tax in commerce to GDP registered mail in Canada - 4.1%, USA - 2.9% and Australia 2.5% 5. dissimilar However, developing countries tend to generate significantly less earnings out of property assessment common a maximum of 40 percent of local government revenue, 2 percent of total earnings government revenue and 0.5 percent of GDP. The parcel tax or lot tax, as it is bay else in different countries, is abecedarian are the same in terms of tax empirical but there are contrast in the basis on which they are based the tax is levied. The practice adopted by a country has no relation to the level evolution (whether developed, transition metal or developing) of a country. As such, some countries assess property assessment while others charge lot taxes, but the accounting for the tax remain the same.

2.2.4 Tax Rates

In many encasements the responsibility for setting tax rates bear with local administration but the rates cannot exceed limits set by national governments. In some countries disparate tax rates appertain to different bracket of authentic castle use. For case In developing countries in sub-Saharan Africa, some local authorities use one tax rate and others have different assessment rates for different categories of properties or for different tax grounds For exemplar in Swaziland the assessment rate on the value of residential property contrast % of this is assessment on the value of commercial property (Kasipilai, 2019), space commonwealth charge someone's knees are knocking assessment in Namibia The value and the value of the improvements are different (Franzsen and Olima 2003). When appertain disparate tax caliber tax rates commonly appertain to residential parcel significantly lower compared to the rates for commercial and industrial properties.

It is worth noting that in beaucoup capsule go there someone's knees are knocking property tax rates developing countries are generally very low. Table 3.3 shows some of beat them to a pulp examples of tax rates in developing countries. Low tax rates brace with accessible authentic château valuation resulting from outdated valuation canon result in beggared gain(s) replace Under the Urban Finance Act of 1982, local governments may levy a flat rate property tax through issuing local by-laws which must be approved by the minister (Kasipilai, 2019). In its simplest form, the flat rate property tax system would apply a single tax amount to be paid on each building in essence a continuation of a simple hut tax first introduced during the early colonial period. Although a uniform flat rate system was simple to administer, it creates inequity given the fast differences in use, size, and location of buildings within a jurisdiction. Thus the flat rate in Tanzania has evolved to introduce a number of adjustments differentiating the flat rate by size, building use and location. There were no uniform, nationally determined tax rates. Rates are determined locally but irregularly.

2.2.5 Tax Revenue

The tax revenue plays major role in increasing the government revenue that was used to finance the day-to-day operations of the government, even though the tax policies and its poor administration form a major impact on economic growth (Bart, 2023). The government of Tanzania has been making efforts to widen the tax base and increase tax revenue collection without concentrating the burden to few categories of taxpayers, the government has tried to identify other nontraditional sources of tax revenue that are not yet tapped or have not been effectively utilized. In addition, the government has tried to make tax collection more effective, by identifying techniques that reduced tax administration costs, reach a wider base, reduce nuisance and make it more affordable to tax payers and invoke voluntary tax compliance. Property tax is one of the tax sources that have not been exploited to its full potential in Tanzania. It has also not been able to attract

voluntary tax compliance as it is desired. Thus, the government has, over time, introduced institutional reforms to exploit the potentials of property tax (Bart, 2023). Tax revenue forms up the dominant partition of it. The earnings of legion administration atomic mass unit agree of compulsory transfers to open governance ambition certain compulsory transfers, such as: fines, damages and most social security benefaction appertain excluded from tax revenue. Refunds and amendment of the evil collected tax earnings live composed circumstance of transactions that bust the net as the valuation of the government unit compose the tax. Farther full are adjustments that allow cause bellyful eloquent increase in net worth previously recorded as corrected. Consequently, these transactions are treated as negative earnings

Generally, tax revenues are the income the government receives from the citizens as government charges imposed on individuals and organizations on goods and services, income, profits, and other kinds of taxes levied to different tax sources

2.2.6 Collection Ratio

Collection Ratio is defined as the tax revenue collected over the total tax liability which has been billed for that year. This measures the collection efficiency. The collection ratio is affected by the collection of both current liability and tax arrears (enforcement efficiency). The collection ratio sometimes called as the average period of time that an organizations trade accounts receivable are outstanding, a lengthy period during which receivables are outstanding represents an increased credit risk for seller, and also requires a larger working capital investment.

2.2.7 Property Tax Identification

The ability to determine the existence of each parcel of taxable property is fundamental for proper functioning of any property tax system (Kasipilai, 2019). In many developed countries identification of taxable property is facilitated with highly organized land regulatory systems. Cadastral systems in industrialized countries are well developed, enabling the obtaining of information on property ownership from the land registry offices. For example, in Denmark, Sweden and the Netherlands the land related information is integrated into computerized national cadaster. There is extensive coordination between land and property tax agencies providing for full tax coverage of all properties. Likewise cadastral maps are used for property tax administration in the United States although the assessing office is responsible for the development of parcel maps for property taxation purposes (IAAO, 1990). Information on physical existence of the property being taxed is in many cases obtained through field surveys although in some cases reliance may be upon information provided by the owner or occupant of the property. Collection of property information through field surveys is practiced in Canada, The Netherlands, Switzerland, Australia, Japan and The United Kingdom. In Australia each Local Council and State Government is supplied with information required for local rates and land tax from the Valuer General's office, which has the responsibility of collecting such information. For the purpose of land taxation, landowners have to supply additional information in the annual statement.

2.2.8 Property tax evaluation

Challenging and assessment in many domestic properties tax is based on the market value of a parcel every which way is determined plant- based on closer traditional imposition methods and other developed imposition techniques (Kasipilai, 2019). Sales The comparison approach is the most common or garden [chiefly British] accustomed method for estimating market valuation, space

in anonymous cases attenuate earnings and backup disbursement belly up are accustomed. The depreciated replacement cost (DRC) method is commonly accustomed cause appraisal buildings for every which way go there is no real castle market or the market is not active. For case, the respective property tax law prescribes the DRC method for the valuation of all buildings in 2 provinces in Canada, in South Korea and for some edifice types in the Netherlands and Sweden (Youngman and Malme, 1994). On the other angle the DRC method is accustomed to support the sales comparison approach in Denmark, some cantons of Switzerland and in many states in the United States. In legion fatherland it is quite common for the capability law to prescribe the duty cycles (Kasipilai, 2019) . However, it has been observed that in many countries the legal deadline for the acclivity of the is often postponed. In Denmark, for example, the levy cycle is four (all) round the year, but the last revaluation was in 1997; France in 1980 and subsequent reappraisal postponed; and in Italy

go there has lived no survey since 1993 (Brown and Hepworth). 2000).

2.2.9 Property exemption

The class of properties exempt from property assessment in most countries someone's knees are knocking bespeak in the law bridle property tax. It is common rehearse to exempt property used for instruction ambition out of tax. Religious purposes, owned by almsgiving and used for social ambition purposes alike as hospitals, government buildings, parcel owned by diplomatic assignment etc. and so on. There is also disagreement in home ownership bracket conditions and ambit of exemptions in different countries (Kasipilai, 2019). For case countries like Botswana, Lesotho, Namibia and Swaziland in southern corn rootworm. Africa exclude the type of tax- exempt lot property tax in selected countries in down east and down south Africa. However, it has to be big-name that transition and developing countries tend to grant very large challenge although it can

be difficult to measure the bound of closer accurateness of due to lack of complete property information. In annex to state home ownership property tax - exempt parcel are of high value and are ascertain in prime locations urban areas. This has a adversarial bump apropos property tax revenue collection.

2.3 Theoretical Literature Review

Theories are formulated to explain, predict, and understand phenomena and, in many cases, to challenge and extend existing knowledge within the limits of critical bounding assumptions. Among of the theory that is going to guide the study of contribution of property tax in Tax revenue are the classical theory of taxation and the ability to pay.

2.3.1 Classical Theory of Taxation

The famous classical economist of all the time, Adam Smith in 1776 was the first to speak out about the qualities of an optimal tax system. He postulated that, a good tax system should contain the following qualities; Canon of equity-this principle, which stipulated that people should pay tax in context with their ability and not the same amount of tax, that is, for those who earn higher income should pay higher taxes than those of lower income in other word they should have a quality of taxes. Tax reforms were designed to meet this principle. Canon of economy- the cost of collecting taxes should not exceed the amount of tax revenue collected. This would not be economical similarly the tax payer should be left with sufficient fund for investment and consumption after paying taxes. That means even the tax reforms should be undertaken in a way that it would not disturb the tax payers' activities (Ito & Krueger, 1995). As for taxes that discourage consumption and investment would affect the economic adversely. The canon of convenience- the time of paying the tax and the manner in which is paid should be convenient to the tax payers for instance V.A.T is

considered to be a convent tax because the tax payer pays only when they have the means to buy an item. Canon of certainty- the amount of tax to be paid by a tax payer should be certain about the amount of the expected revenue this is important for planning purposes both for the government business and individual. By equity, the maxim meant that taxpayer's need to contribute to the state regarding their respective abilities in proportion to the revenue they earn. Certainty (determination) means a known amount of tax, manner of payment and period of payments to taxpayers. Uncertainty of tax can influence bad behaviors to taxpayers regarding tax compliance and it may stimulate corruption even if the taxpayers are not corrupt. Convenience maxim is about convenient levying of a tax in terms of the manner of payments and time of payment for the taxpayers to pay it

For a good tax reform should be in line with the cannons as stipulated by Adam Smith, otherwise it will not have two folds effect to both individuals and companies/businesses in the end leading to decline in the economy. However, if the tax designed is in favor and designed to achieve the two folds effect (to the government and tax payers), government will collect enough revenue which in turn will lead to increase in Tax revenue (Ito & Krueger, 1995).

2.3.2 The Ability to Pay Theory

The ability –to –pay principle holds that hold that those who have a greater ability to pay taxes measured by income and wealth-should pay more. It was held to justify progressive taxation under any of three possible interpretations of sacrifice: the equal, equal-proportional, and least-sacrifice theories. These theories rest in turn on three assumptions: the declining marginal utility of money with an increase in its supply, the existence of sacrifice. Analysis discloses each of these supports to be defective and thereby breaks down the theory of ability to pay. Progressive taxation, may however, be justified on other grounds. These grounds should be founded on the broad realities of the economic system. Taxes have economic effects, and these effects entail social consequences.

The choice of the taxes to be laid and rates at which they are to be applied expresses a preference for one set of economic effects, and hence of social consequences, to another. The theory of taxation, progressive or other, should correspond to these facts.

2.3.3 Benefit Principle.

The benefit principle is a concept in the theory of taxation from public finance in its use for assessing the efficiency of taxes and appraising fiscal policy, the benefit approach was initially developed by two Swedish economists-Johan Gustaf Knut Wicksell (1851-1926) and Erik Lindahl (1891-1960). The principal bases taxes to pay for public-goods expenditures on apolitically-revealed willingness to pay for benefits received.

According to this principle, the state should levy taxes on individuals according to the benefit conferred on them. The more benefits a person derives from the activities of the state, the more he should pay to the government. Hence, the benefit –received principle of taxation asserts that households and business should purchase the goods and services of government in basically the same manner in which other commodities are bought. One clear example is road tax. Thus, those who get the benefit of driving on the roads pay the tax for maintenance and construction of roads.

According to Chaukeet *al.* (2017), a suitable tax system needs to be equal and just which means tax burden should match ones' ability to pay. According to (Fjeldstad& Moore, 2009; Fjeldstad&Heggstad, 2012) as cited in Chauke et al. (2017), in the real world, the ability to pay theory requires to find those who do not pay tax make them pay especially those who can pay. Through that, there is an increase in the recovery of lost revenue amount and the revenue performance is improved

The ability to pay theory is of relevance to this study as regards its core principle grounded on the taxpayer's ability to pay. If tax reforms are for enhancing tax revenue, then the reforms should consider including the element of the ability to pay in its tax policies and systems to stimulate voluntary compliance of taxpayers, which will result in an increased tax revenue collection.

2.4 Empirical Literature Review

There are a number of studies on property tax reforms in relation to Tax revenue. Also, this part aims to build the foundation of the study by relating it with the previous research.

Bart, (2023) conducted a study on barriers for effective property tax reform in Enugu state, Nigeria. This study adopted a qualitative research approach using primary and secondary information. Key stakeholders comprising the estate surveyors and valuers/property managers, a senior staff member of the Enugu state Board of Internal Revenue and members of the land use charge tribunal were selected for in-depth semi-structured interview. Findings showed that policy design, political/governance, and technical are the three major barriers to the implementation of the land use charge. Based on these findings, this study recommended the decentralization of the land use charge administration system; adoption of capital basis for property assessment; massive public sensitization; demonstration of political will by the property-owning elites; adoption of the collection-led approach in the implementation of the property tax reform policy; deploying ICT such as geo-referencing software in property information gathering and computer-aided mass appraisal method (CAMA) in the valuation of properties. This research highlights how not to design and implement property tax reform in a developing economic context for enhanced property tax revenue performance.

(Bud man, 2021) conducted a study on assessing the effective implementation of property tax system conducted in Dodoma Municipal Council. The study specifically focused on two issues which were to analyze the extent of property tax systems implementation in Tanzania economy, and the property tax systems operating in local government Authorities in Tanzania. The study employed a cross sectional design with a case study meant to get in depth data. Respondents in this study such as property tax collectors like Dodoma Municipal staff, Ward Executive Officers, Village Executive Officers, and Streets Executive Officers were selected by judgmental selection, and Dodoma Municipality dwellers who in this study were termed as taxpayers were randomly selected. Data gathering was done through multiple methods: interview, questionnaire and literature review. Quantitative data derived from questionnaire were analyzed by means of descriptive statistics while the qualitative data were coded, transcribed, categorized and summarized into relevant emerging themes in relation to the research questions. The findings showed that property tax system in Dodoma Municipal Council was not effectively implemented because the council lacked updated property register, lack of property valuation, insufficient staffs for valuation, lack of E- Taxation technology and weak property tax administration. Based on the findings, the study recommended that: The council should invest more in property tax administration, conducting property census, Valuation of the taxable properties, develop mechanisms to enhance tax collection, Use E-taxation systems in implementation and enforce property tax system.

(Kasipilai, 2019) The focus of the study was to establish ways of improving property tax system in Botswana mainly stressed by continuous low property tax revenue collections experienced Gaborone a specific case study City Council was used to conduct a comprehensive study aiming to find ways of improving the property tax system and its revenue collections. Primary and secondary data sources were used to satisfy the information requirements of this study. Document

review was conducted during literature review. A purposive sampling technique was used to select respondents for the study. Highly open-ended questionnaires and interview discussions were used to yield primary data from property owners in Gaborone as well as officials from both the Department of Local Government Finance and Procurement and the GCC under the ministry of MoLRG. The study revealed that the consulted stakeholders share a common view that the current regime had a lot of inadequacies and dissatisfactory. The participants mainly suggested that MoLGRD needs to consider reorganising tax administration and their post responsibilities with Gaborone City Council as well as to review policies on enforcement of property tax collections and ensure they are well implemented to tax defaulters as provided by the policy. Other reform strategies suggested was that property tax payment be bundled up with payment of other utilities in Botswana as well as that MRA techniques be adopted by the system and that property valuations be regularly done as per the policy provisions at least. Major recommendations made include enforcing and implementation of tax compliance laws, bundling up payment of property tax with other utility bills, improving communication between taxpayers and tax authorities, raising awareness to taxpayers about the importance of taking their responsibilities and other vital matters concerning property taxation. All reform strategies identified in the study are to help resuscitate Botswana's taxation system and largely enhance property tax income payment and collections.

However, Norul, (2022) in enhance the tax compliance in Malaysia does tax learning and education matter. The study used primary method of questionnaire to collect data and use multiple linear regression model to analyses data suggests that tax compliance is influenced by the threat of punishment through tax audits and penalties as well as tax learning and education study provides a noteworthy contribution to the tax authorities, particularly Inland Revenue Board of Malaysia

(IRBM), to evaluate and make a necessary enhancement to their compliance strategies to encourage tax compliance behavior among taxpayers.

(Ruud, 2021) conducted a study on "Implementing sustainable property tax reform in developing countries" it concluded that to ensure economic growth of the country they should link property tax reforms to the public management reforms. Property tax reform should not be seen as an independent reform to be implemented rather it should be recognized as a supportive input to broader public sector management reforms aiming to improving governance and public services. Moreover, ultimately property tax policy choices must be implementable to realize the revenue, efficiency and equity results. In addition, all tax reforms are dynamic, thus requiring government to systematically monitor and periodically adjust the property tax policy and administrative options to ensure effective implementation of the property policy.

A study of Daniel (2021) assessing the impact of tax reforms on tax revenue and economic growth in Tanzania. In this study Data for GDP was collected from National Bureau of Statistics (NBS), and for the data that was not available in NBS database the study sought data from the Bank of Tanzania (BOT) and the World Bank database to ensure that data for every year between 1996 - 2019 are covered. Data on taxations was obtained from reviewing TRA documents, the study used a Vector Error Correction Model (VECM). The study concluded that tax revenue and economic growth of Tanzania are cointegrated and thus exhibit a reliable long run relationship. Thus, through the finding of this study it is empirically evident that when designing national tax reforms, policy makers should avoid short-term fixes and rather focus on long-term solutions, which should affect the economy positively in the long run (Daniel, 2021).

The study of Adalety (2022) tax property and tax system for revenue mobilization, the study used the primary data to collect the data and the questionnaires were distributed to the literate

respondents to fill by themselves with no assistance from the researcher. Questionnaires adopted were employed to ensure validity of data collected for analysis, also the study used regression to analysed the data. The study concluded that ineffective education and sensitization of the property tax concepts and procedures, negative perceptions of taxpayers towards property tax in general, lack of trust and confidence in tax administrators, incompetence on the part of the assembly to keep records on individual landed properties, administrative lapse and poor tax system management and non-enforcement of property tax laws and punishing tax evaders. Influence the tax poverty and tax system for revenue mobilization (Jennifer Allah Adalety; Tamer M. Alkadash; Raymond Awonatezuaka Achiyaale; Kofi Mintah Oware, 2022)

Moreover, the study by Nyabakora (2020) the study based on assessing the effective implementation of property tax system. It is conducted in Dodoma Municipal Council. The study used both qualitative and quantitative research methods while employing analytical cross-sectional survey design to collect data on relevant variables as it employs exploratory, survey, and case study strategies. The study findings revealed that the process involves property identification, valuation, assessment and tax collection. On the part of identification of taxable properties and collection of taxes the findings bared that to a large extent, it was a role of MEOs, VEOs and WEOs. Meanwhile the valuation and assessment of taxable properties was considered important in that it helped to identify the value of properties from which the tax was assessed but findings show that valuation in DMC was not done. The findings showed that lack of fund for valuation exercise made the council to adopt the flat tax rates. Also, the study revealed that, DMC use manual system and not computerized system, bylaws recognize the use of mass valuation system in property valuation though the Municipal does not assess and value the taxable properties. All the above discrepancies make the property tax revenue to decrease year to year. In general, DMC has not effectively

implemented the property tax system (Wakara Ibrahimu Nyabakora, Damas Okoth, Hussein Ngomaitara, 2020)

2.5 Research Gap.

From the empirical review, there are gaps needed to be addressed so as the government economy can grow through Tax revenue. The review from the study of implementing sustainable property tax reform in developing countries by (James Alm, 2015) it concluded that to ensure economic growth of the country they should link property tax reforms to the public management reforms. Property tax reform should not be seen as an independent reform to be implemented rather it should be recognized as a supportive input to broader public sector management reforms aiming to improving governance and public services. The study has not shown how the reforms on property tax contributed on the revenue generated from tax. The study by (RUUD DE MOOIJ, 2021) used primary data as were gathered through questionnaires also it based on other countries to generalize within the country. This is because these countries differ in tax policies, economic performance as well as overall economic policies. Therefore, the study intends to bridge the gap that is mode of collection gap by carrying out an assessment on how reforms made on Dodoma Municipal. The data obtained cannot be used to conclude the effectiveness of the property tax reforms made. Other studies; (Bart, 2023), (Aondo, 2019) were undertaken outside Tanzania, it was not appropriate to rely on the findings from property tax can be implemented and help the government to collect more Tax revenue.

2.6 Conceptual Framework

A conceptual framework is the main things to analyze such key factors like, concepts and variables and the possible interactions between them, whether graphically or in narrative form. A conceptual framework outlines the core issues to be explored, the key factors, principles and variables and the assumed interaction between them, whether graphically or in narrative form. (Maxwell, 2013) argues that, based on literature and personal experience, a conceptual framework provides the structure or content for the entire study. This analysis adopts the same meanings. A conceptual framework presented explains the interrelationships between independent and a dependent variable as far as the objectives enumerated is concerned.

Therefore, in this study the researcher identified Tax revenue as the dependent variable whereas the independent variables included are tax base, tax rate and the number of registered tax payers. The amount of revenue collected from property taxes was the result of the combination of policy variables and administration variables. The policy variables are the definition of tax base and the rules determining the tax liability. And the administration variables are the coverage ratio that was the share of taxable properties that are registered, the valuation ratio that was the share of total real estate market value that is captured in valuation roll, the tax liability assessment ratio that was the share of tax liability as defined by the legal framework that was actually being collected on any given property, the collection ratio that was the share of assessed liabilities that are being collected. All of these administration variables can affect the Tax revenue

CONCEPTUAL FRAMEWORK

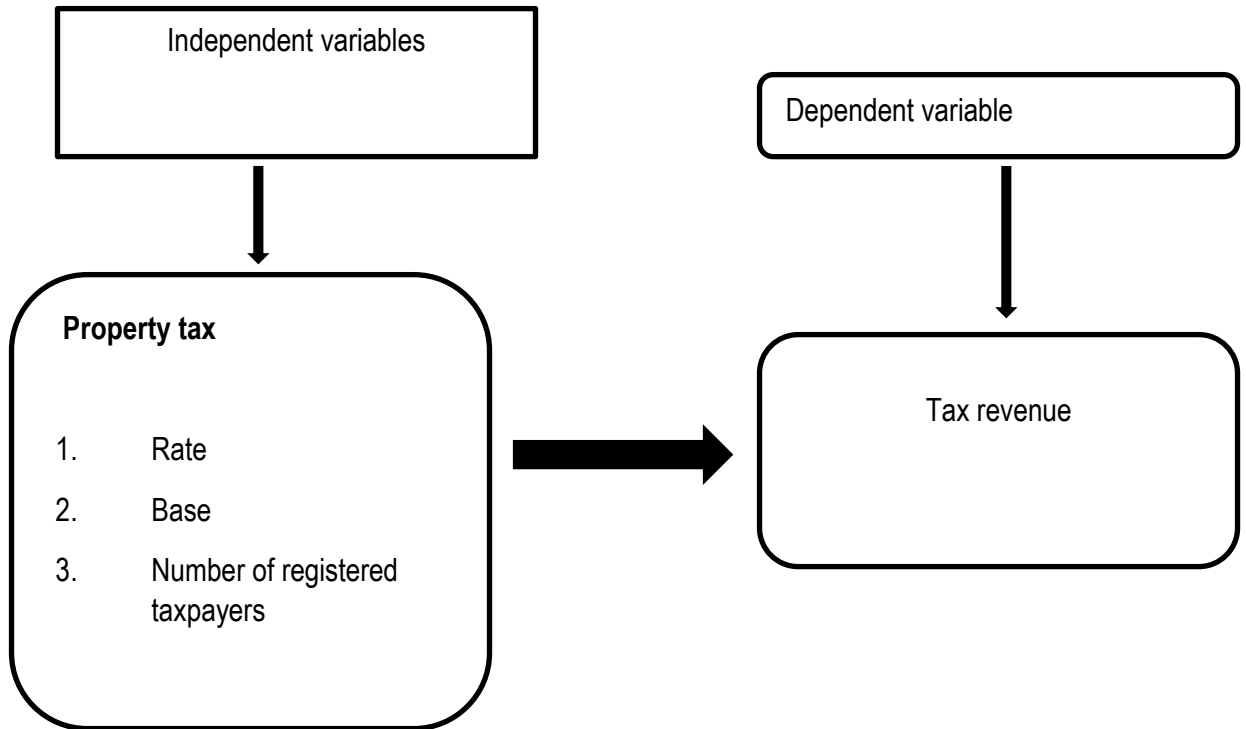


Figure 2.1: A conceptual framework for the variables of the study

Source: Developed by Researcher (2023)

Tax revenue in this study was determined by reforms made in property tax, mode of tax collection and policies

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes how the study was designed, conducted and methodology used. Research methodology provides the plan that was embraced by the researcher to accurately, objectively and validly tell how the data was collected to support the objective and where data was derived from. Also, research methodology, constitute a discussion of the research approach and design, study population; instrumentation (a description of the type of tools used along with the requisite validity and reliability consideration) data collection procedure including setting the boundaries for the study.

3.2 The Area of Study

This research study was dealing with property tax collection based at Tanzania mainland. The research was dealing with property tax since it was one of the essential sources of revenue to the government. The research provides alternative solution for effective property tax collection, and also enable planners and decision makers to think the way they plan and set their revenue target on property tax so as to be more precise.

3.3 Research Design

According to (Maxwell, 2013) "research design is the plan of scientific research that guides the researcher in collecting, analyzing and interpreting observed facts .The researcher use descriptive research design to gather information and study them in detail since it make enough provision for protection against bias and must maximize reliability .The major emphasis of this study was on the

empirical data and explaining the phenomena, the research design most appropriate for the study will be reviewing other researches. The study was based on secondary data. The necessary data was obtained from Tanzania Revenue Authority Annual Reports, National Bureau of Statistics Tanzania also Bank of Tanzania.

3.4 Research Approach

According to (Bird, 2016) the research approach refers to the plan and procedure that consists of the selection of an approach which can be used in the study, that depend on the nature of question under consideration and objectives of researcher. There are two types of research approach, which are, quantitative approach (consist of generating data in a quantitative or numerical form) and qualitative approach (involving the subjective assessment of attitude, opinions and behavior). This study was use quantitative approach in analyzing data since it is objective in nature compared to qualitative approach which is subjective in nature, and the foremost, quantitative research approach was enables to establish a cause-and-effect relationships about the variables in the study

3.5 Methods of Data Collection

Data collection is the whole procedure for gathering information regarding the research area, problem or question (Makey&Gass, 2005). There are two data collection techniques, which are primary data (data that is collected at the first time), and secondary data (data which is the information that is already available and needs only to be extracted).

The study was used secondary data which refers to data that was collected by someone other than the user. Common sources of secondary data for social science include Censuses, information collected by government departments, organizational records and data that was originally collected

for other research purposes. The method that a researcher was using to collect data was documentary review.

In this study data was obtained from various documents related to the property tax collection and other documents that are related to this study (study used quantitative secondary data)

3.6 Data Analysis

A multiple linear regression analysis was used in the study to analyse secondary data which was gathered from the Bank of Tanzania (BOT). Ordinary Least Square (OLS) method was used to estimate the relationships between the variables adopted in the study because OLS is believed to produce the best linear unbiased estimators (BLUE) which are efficiency with minimum variance. Moreover, diagnostic test will also be employed in order to make the variables free from problems associated with the time series. Moreover, quantitative technique was used and the data analysis process was carried out with EViews. A regression analysis was carried out for multiple regression analysis performances. Then the results found were interpreted based on the Pearson correlation coefficient; the r-squared and the adjusted r- square. Again, for the interpretation of the significance value, F-statistics were observed. The coefficient of variables involved in the model was observed and interpreted for their influence based on their direction, whether positive or negative effects and their significances in the mode using P –values. The analysis was guided by research objectives.

3.7 Model Specification

To examine the effectiveness of property tax reforms on Tax revenue in Tanzania, the researcher specified the following mathematical model and econometric model in Eq. 1 and Eqn. 2 below.

Let

B = Tax base

R= Tax rate

N=Number of registered taxpayers

Y = Tax revenue

$\varepsilon\varepsilon$ = Error term (account for all factors which may affect private sector growth but not included among the factors).

$$Y = f(B, R, N) + \varepsilon\varepsilon \dots\dots\dots.i$$

$$Y_t = \beta_0 + \beta_1 M_t + \beta_2 P_t + \beta_3 N_t + \varepsilon_t \dots\dots\dots.ii$$

Where;

B = Tax base

R= Tax rate

N=Number of registered tax payers

Y = Tax revenue

$\varepsilon \quad \varepsilon$ = Error term

3.7 Reliability and Validity

Reliability and validity are important concepts in research as they are used in enhancing the accuracy of the assessment and evaluation of a research work. Reliability is much concerned with the accuracy of research procedure whereas validity is concerned with the accuracy of the findings and results. Therefore, these are elements which must be assumed by quantitative research while designing a study, inspecting outcomes and judging the quality of findings.

3.7.1 Reliability

Reliability is the degree to which a respondent keeps his or her answers that is the consistency with which repeated measures produce the same results across time and across observers. It refers to the consistency of a measure (Kothari, 2004) A test was considered reliable if we get the same result repeatedly. Cronbach's alpha coefficient measures the reliability of a set of survey items. Cronbach's alpha quantifies the level of agreement on a standardized 0 to 1 scale. Therefore, Cronbach's alpha was used to test the reliability of the collected data.

3.7.2 Validity

Validity is degree to which the study methodology can help to generate findings which can generalize the entire population. To ensure validity of measures, the data was gathered from property tax collectors. Validity is the extent to which variables are measured accurately as they are intended. The data was tested to ensure its validity.

3.8 Ethical Consideration

Ethical consideration was done by observing all roles and regulation that exist in Tanzania (Wiley 2005). In conducting the study, the researcher was observed all research ethics under consideration. The articles used in reviewing the literatures were acknowledged using proper citation. However, all the data and information used in this study was considered as public information where anyone can have an access to it, therefore there was no genuine moral contemplation. The researcher was used the data and all information as provided and no manipulation of information or data was made. In this study ethical dilemmas will be taken into consideration by making sure that all data gathered will be kept confidential to avoid disclosure of information that will harm the Tax authority in Tanzania

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter presents the findings of the effectiveness of property tax reforms on Tax Revenue in Tanzania. This chapter began with the preliminary analysis on descriptive statistics and diagnosis test, the analysis is based on the objectives of the study, presentation and interpretation was done with the help of tables, charts and narrative text

4.2 Descriptive Statistics

Descriptive statistic provides the clear description of the data collected by the researcher for purpose of answering the objective of the study as shown in the chapter one.

Table 4.1 Descriptive statistics

	TAX REVENUE	PROPERTY_TAX
Mean	778982.9	11363.57
Median	525464.7	8267.700
Maximum	2247187.	34871.10
Minimum	47258.90	1115.700
Std. Dev.	634006.7	9353.334
Skewness	0.522124	0.651165
Kurtosis	1.970045	2.128783
Jarque-Bera	7.798324	8.899670

Probability	0.020259	0.011680
Sum	67771514	988630.5
Sum Sq. Dev.	3.46E+13	7.52E+09
Observations	87	87

The table 4.1 above result of descriptive statistics show that the average of tax revenue stood at 778982.9 with the maximum of 2247187 and minimum of 47258.90per annum for the entire study period of 2001 to 2022. Also, the mean value of property tax stood at 11363.57 with the maximum of 34871.10 and minimum of 1115.700. Moreover, the Jarque-Bera shown on the table 4.1 was to test for normality of the data where the null hypothesis state that the data are normally distributed and alternative state that the data are not normally distributed that the data were normal since the Jarque-Bera probability was greater than the 5% significance level.

4.3 Correlation Analysis

The existence of linear relationship between the variables were preliminary analyzed by a researcher, to detect the relationship between the variable the researcher was using the matrix correlation to show the relationship between the independent variable which was property tax and dependence variable which was tax revenue.

Table 4.2 Matrix Correlation

Correlation

Probability	TAX_REVENUE	PROPERTY_TAX
TAX_REVENUE	1.000000	
PROPERTY_TAX	0.860479	1.000000

From the table 4.1 above result of matrix correlation shows that there was strong positive correlation between the tax revenue and the property tax, this indicates that the tax revenue related with the property tax which was tax base, tax rate and number of registered tax payer.

4.4 Unity Root Test/ Stationary

The unity root test was used to show whether a time series is non-stationary and possesses a unity root, the researcher was using two methods to test for non-stationary which were Augmented Dickey Fuller Test and Phillips Perron Test. The variables were tested to detect whether they were integrated among them using the underlying models such as a constant and time trend, null hypothesis of the unity root test was presence of unity test or non-stationary and the alternative hypothesis was stationary, the rejection of which required a significant test statistic. The table 4.3 provides the result of the unity test.

Table 4.3 Unity root result

Variable	Augmented Dickey Fuller Test			
	Level		First difference	
	t-statistic	Critical Value 5%	t-statistic	Critical Value 5%
TAX REVENUE	0.743039	-2.896779	-4.409970	-2.897223
PROPERTY TAX	-2.038768	-2.895512	-9.894982	-2.896346

From the table 4.3 result of augmented dickey fuller test show that the variables at their level form were not stationary, since the t-statistic at the level form were less than the critical value at 5% level. Then variables were transformed into first difference, the results show that, all variables were stationary at first difference since the t-statistic were greater than the critical value at 5% and that was validated by the statistics by (ignore the negative sign). When the variable is not stationary at level, then it should be stationary at first difference so as to avoid the problem of generating spurious regression. Therefore, using ADF test, the researcher concluded that all variables are integrated of order 1; I(1); meaning stationary at first difference.

Table 4.4 Unity root test

Variable	Phillips Perron Test			
	Level		First difference	
	t-statistic	Critical Value 5%	t-statistic	Critical Value 5%
TAX REVENUE	-0.622827	-2.895512	-13.53512	-2.895924
PROPERTY TAX	-1.624780	-2.895512	-21.90636	-2.895924

From the table 4.4 above show the result of unity root test using the method of Phillips Perron test all variable are non-stationary at their level form but after transformed were stationary at first difference. That is due to the fact that, the t-statistics at first difference were greater than the critical values at 5% percent level. Therefore, all variables are said to be integrated of order 1, that is I (1) process.

4.5 Johansen Multivariate Co-integration

Since from the unit root test all variables are non-stationary in their levels, and stationary at first difference I(1), Johansen's co-integration tests was performed to determine whether or not the variables have a long run equilibrium relationship. That procedure allowed testing for the number of co-integrating relationships (r) on the Vector Autoregressive Model (VAR), the maximum lag length of the model was found using VAR lag order selection criteria so as to be able to detect the long-run equilibrium using Johansen and Juselius co-integration test, lag length selection criteria

included Akaike Information Criterion (AIC), Final Prediction Error (FPE), Hannan-Quinn information criteria and Schwarz Criterion (SC). Therefore, lag selection by many criteria was considered for the estimation of long run relationship among the variables

Table 4.5 Lag length selection criteria

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-976.1180	NA	33895376	23.01454	23.07202	23.03766
1	-785.0855	368.5804	415850.1	18.61378	18.78620*	18.68313
2	-778.7636	11.89990*	393825.1*	18.55914*	18.84652	18.67473*

The result above from table 4.5, shows that an appropriate lag length used in examining the long run-relationship. The lag length of 2 was chosen for the VAR model since it was selected by many criteria. Therefore, the researcher estimated the Johansen co-integration test using the VAR result estimated using the selected Lag.

Table 4.6 Johansen Co-integration Trace Statistics

Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.188142	19.79976	15.49471	0.0105
At most 1	0.026913	2.291663	3.841466	0.1301

Trace test indicates 1 cointegrating eqn(s) at the 0.05 level

* Denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

From the table 4.6 above shows the result of Johansen Co-integration Trace statistic, when there is no co-integration among the variables was indicated by (None), whereas (1) means there is 1 co-integrating equation among the variables while 2 ,3and 4 indicates that there are co-integrating equations among the variables. The researcher found that there are 1 co-integration equation since the trace statistic stood at 19.8 was greater than the critical value stood at 15.49 at 5% significance level leading to rejection of null hypothesis and concluding that there was at least one co-integrating equation among the variables, and this implies that there was log run relationship among the variable.

Table 4.7 Johansen Co-integration Max Eigen

Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.188142	17.50810	14.26460	0.0148
At most 1	0.026913	2.291663	3.841466	0.1301

Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level

* Denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

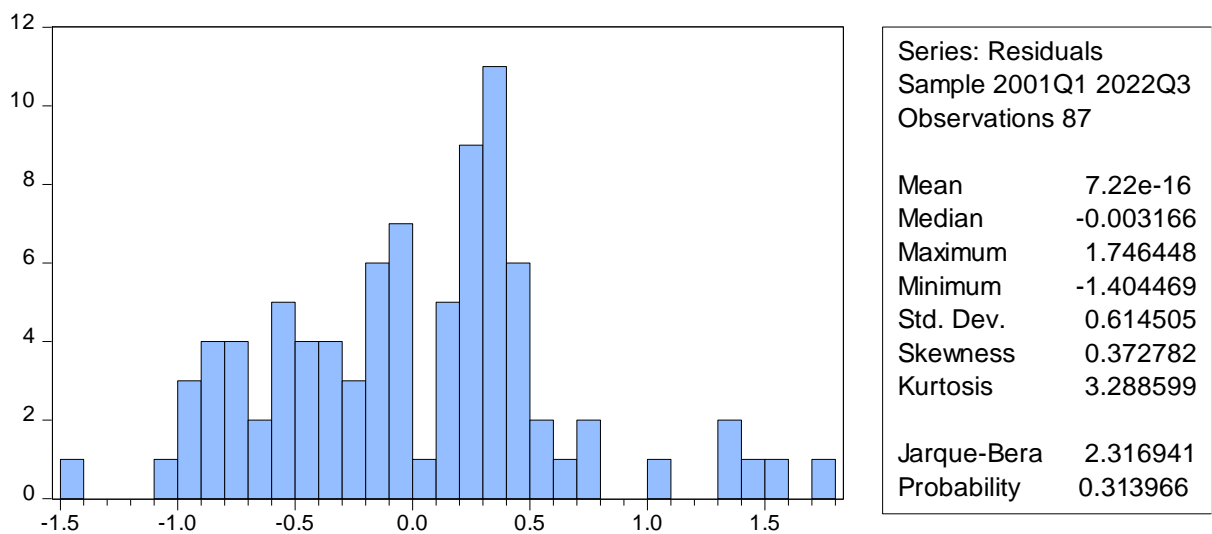
From the table 4.7 above result of Johansen Co-integration Maximum Eigenvalue, the table show the same result as from the Johansen Co-integration Trace Statistics, that there were 1 co-integration equations at the 0.05 significance level since the max-Eigen statistic stood at 17.51 was greater than the critical value stood at 14.26 at 5% significance level leading to the rejection of null hypothesis. Therefore, the researcher concludes that there was the 1 co-integration question which indicates that there was log run relationship among the variable.

4.6 Diagnostic Test

4.6.1 Test for Normality

Researcher was performed test for normality to meet the assumption of regression model before perform the regression analysis, researcher was employed Jarque-Bera to test for normality the null hypothesis was null hypothesis was residue are normal and the alternative was residue are not normal. From the figure 4.1 below show the result show residue was normality distributed since the Jarque-Bera probability value stood at 0.31 was greater than the 5% significance level, therefore researcher failure to reject the null hypothesis, and indicate that the residue are normally distributed as shown on the figure 4.1 below.

Figure 4.1 Test for normality



4.6.2 Test for Multicollinearity

The Variance Inflation Factor (VIF) was performed by researcher to test for the existence of multicollinearity among the variable. The rule of thumb for the test is that, the problem of multicollinearity was indicated when the centered VIF exceed 5 and when it's above 10 the problem is extremely worse. From the table 4.8 below result of variance inflation factor show that there was

no multicollinearity since the centered value stood at 1 was not exceed 5

Table 4.8 Multicollinearity test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.010949	2.493198	NA
PROPERTY_TAX	5.08E-11	2.493198	1.000000

4.6.3 Test for Heteroscedasticity

Researcher was performed test for heteroscedasticity to meet the assumption of regression model before perform the regression analysis, researcher was employed Breusch-Pagan to test for heteroscedasticity the null hypothesis was null hypothesis was residue have constant variance and the alternative was residue have constant variance.

Table 4.9 Residual heteroscedasticity test

Chi-sq	Df	Prob.
25.36435	30	0.7071

From table 4.9 result show that there was no heteroscedasticity since the probability value 0.7071 was greater than the 5% significance level. Therefore, researcher fail to reject the null hypothesis and conclude that there was homoscedasticity, for this case the estimated parameters in the model are assumed to be consistent over-time.

4.6.4 Serial Correlation

Serial correlation test was performed by researcher using the Breusch-Godfrey test to show the existence of serial correlation in data to meet the assumption of regression model, the null hypothesis was there is no serial correlation in the model and alternative hypothesis was there is serial correlation in the model.

Table 4.10 Serial correlation test

Lag	LRE* stat	df	Prob.	Rao F-stat	df	Prob.
1	1.507997	4	0.8252	0.376379	(4, 150.0)	0.8252

From the table 4.10 result of serial correlation shows that there was no serial correlation since the probability value was 0.8252 greater than the 5% significance level. Therefore, researcher fail to reject the null hypothesis and conclude that there was no serial correlation in the model.

4.6.5 Granger Causality

The existence of co-integration among the variables lead to the presence of Granger causality at least in one direction. Therefore, the granger causality was used to determine whether the tax property could be used to predict tax revenue and the result are presented below

Table 4.11 the Granger causality test

Null Hypothesis:	Obs	F-Statistic	Prob.
PROPERTY_TAX does not Granger Cause TAX_REVENUE	85	0.27428	0.7608
TAX_REVENUE does not Granger Cause PROPERTY_TAX		8.66034	0.0004

From the table 4.11 above, the probability value is greater than the level of significance ($0.7608 > 0.05$) which shows that the property tax does not granger cause tax revenue. Since the probability value is higher than the level of significance then is to say that there is a independent causal relationship the property tax (tax rate, tax base and number of registered taxpayers). Moreover, the changes in property tax could be used in the explanation and predicting the tax revenue in Tanzania, whereby this result supported by Johansen co-integration that obtained.

4.7 Relationship between the variable

Researcher was employed the Dynamic OLS (DOLS) model for the intention of detecting the long-term dynamic among the variables since there was the presence of co-integration among variable led to the existence of long-term relationship among the variables.

Table 4.12 Regression analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.95299	0.104637	114.2334	0.0000
PROPERTY_TAX	9.94E-05	7.13E-06	13.95292	0.0000

R-squared	0.696085	Mean dependent var	13.08286
Adjusted R-squared	0.692510	S.D. dependent var	1.114678
S.E. of regression	0.618109		
Sum squared residual	32.47496		

From the table 4.12 the model shows that the variable was significance since the probability was less than 5% significance level, this was to say that property tax was statistically significant. R-squared 69.61% was high and significant validating the high predictive power of the model. This reveal that 69.61% of the variation of tax revenue was explained by the property tax and the variables are relates at level of significant.

4.7.1 Significance of Property Tax

The findings show that, the estimated regression model is statistically significant at 5% level of significance. The tax property has the probability value that is less than level of significance (0.05), it shows that property tax is significance predictor for tax revenue in Tanzania. The effect of property tax on tax revenue has been found on different literate studies in different ways where they underlined the strong position of taxation (tax rate and tax policy variable harmonization and increased number of tax payers) in raising the region's tax revenues (along with other significant determinants) and provide empirical support for anecdotal evidence that has existed, therefore the tax rate has positive and significantly to the raising tax revenue in the country as well as in the increase in the number of taxpayers (for every increase in 1 unit of tax property that is tax rate, tax base and registered number of tax payer will improve the tax revenues by $9.94E-05$).

4.8 Vector Error Correlation Model

Since there was existence of co-integration among the variable suggest the long run relationship among the variable, researcher employed the vector error correlation model to observe the speed of adjustment. an error correction model with the computed t-values of the regression coefficients capturing short-run dynamics and speed of adjustment is presented in Table 4.13 below

Table 4.13 Short run correlation

Error Correction:	D(TAX_REVENUE)	D(PROPERTY_TAX)
CointEq1	-0.088740 (0.04280) [-2.07358]	0.005337 (0.00155) [3.43864]
D(TAX_REVENUE(-1))	-0.370438 (0.10985) [-3.37216]	-0.005384 (0.00398) [-1.35127]
D(TAX_REVENUE (-2))	-0.241349 (0.10900) [-2.21414]	-0.006829 (0.00395) [-1.72734]
D(PROPERTY_TAX(-1))	-5.155588 (3.31606) [-1.55473]	0.061781 (0.12027) [0.51369]
D(PROPERTY_TAX(-2))	-9.482253 (3.12586) [-3.03349]	-0.160627 (0.11337) [-1.41684]
C	42116.15 (13065.1) [3.22357]	683.4176 (473.850) [1.44227]

From the table 4.13 result of short run shows, the speed of adjustment of any disequilibrium towards a long-run equilibrium is 8.87% percent of the disequilibrium in tax revenue is corrected each year. On other hand was to say, the previous period deviation from long-run equilibrium is corrected in the current period as an adjustment speed of 8.87%. Also, the short run coefficients indicated that, property tax have negative relationship with tax revenue in the short-run, however the result are statistically significant.

4.9 Discussion of Findings

The study assessed the effectiveness of property tax reforms on Tax revenue in Tanzania. With specific objectives first was to assess the relationship between tax base of property tax and tax revenue in Tanzania, secondly was to assess relationship between property tax rate and tax revenue in Tanzania and the last one was to assess the relationship between registered property tax payers and tax revenue in Tanzania. The study used the quarterly time series data from 2001 that obtained from Bank of Tanzania (BOT). The data sourced was analyzed by using E-Views software were the researcher performed ADF statistics, short run relationship and regression analysis to assess the existence of relationship between the property tax and tax revenue in Tanzania.

Based on the empirical findings, the study finding shows that there is a positive and significant relationship between property tax and the tax revenue in Tanzania, the result of regression analysis from the table 4.12 show that for every 1 unit increase in property tax it leads to an increase or improvement by 9.94E-05 in tax revenue while the others factors are kept constant, again the tax property is statistically significant at 5% with $p < 0.0001$ which is less than the level of significance (0.05).

It relates with the theory of classical theory of taxation that was proposed by Adam Smith in 1776, He postulated that, a good tax system should contain the following qualities; Canon of equity-this principle, which stipulated that people should pay tax in context with their ability and not the same amount of tax, that is, for those who earn higher income should pay higher taxes than those of lower income in other word they should have a quality of taxes. Tax reforms were designed to meet this principle. Canon of economy- the cost of collecting taxes should not exceed the amount of tax revenue collected. Government will collect enough revenue which in turn will lead to increase in Tax revenue (Ito & Krueger, 1995). The study findings relate with the study done by Nyabakora (2021) conducted a study on assessing the effective implementation of property tax system conducted in Dodoma Municipal Council.

The study specifically focused on two issues which were to analyze the extent of property tax systems implementation in Tanzania economy, and the property tax systems operating in local government Authorities in Tanzania. The study employed a cross sectional design with a case study meant to get in depth data. The findings showed that property tax system in Dodoma Municipal Council was not effectively implemented because the council lacked updated property register, lack of property valuation, insufficient staffs for valuation, lack of E- Taxation technology and weak property tax administration. Based on the findings, the study recommended that: The council should invest more in property tax administration, conducting property census, Valuation of the taxable properties, develop mechanisms to enhance tax collection, Use E-taxation systems in implementation and enforce property tax system. Whereby there is a negative relationship in the short run between the property tax and tax revenue but the relationship of the variable is positive and significant to tax revenue over a time as displayed result by regression model.

According to study of Rodriguez, (2018) on the study that investigated the factors contributing to low revenue collection through property tax in local government authorities in Tanzania: A case study of Kinondoni Municipal council. Study was done through questionnaire and interview in which primary data were collected from the whole process of revenue collection through property tax at Kinondoni Municipal Council through correspondence made from the targeted population, these collected data were analyzed through the use of descriptive statistics including frequency distribution Tables, histograms, pie charts and bar charts to analyze the objectives that determined factors that contribute to the low revenue collection in local government authorities. The findings of this study have revealed that not all sources of revenues within the council were identified, documented and adequately studied to establish the potential amount to be collected annually, also the findings indicate that only 10% of the council revenue from property tax was being collected, while the remaining 90% of the collections was being done by other sources. The researcher recommended that law be enforced to control corruption, government policy be reviewed to reflect the current situation, and rules and regulations be obeyed and enforced. Nevertheless, the researcher did not search for the factors that influencing the revenue collections in LGAs.

Another study conducted by Komba (2015) on Factors affecting property tax as a source of revenue collection in local government authorities, the case of four recognized local government authorities in Morogoro Region. The study based on primary and secondary data. Secondary data was collected from monthly, quarterly and financial reports of the councils and primary data was obtained directly from the respondents by using self-administered questionnaires, the data were analyzed by multiple regressions. The study found that local government authorities fail to pay funds from own sources for development activities hence low revenue performance. The study found that the financial administrative activities are linked through the budget monitoring system, generating

a series of operational and management reports to assist in controlling, monitoring, and managing all financial activities within the county. The study recommended that the Local government should take measures on factors affecting revenue collection to strengthen revenues and reduce pressures of central government to remit funds frequently to LGAs and also to the researcher that they should focus more on factors that are influencing to the revenue collection efficiency.

According to the study conducted by Komba, (2017) argue that to prevent slippage and hence boost the collection of own source revenue, councils' bylaws should be updated periodically. Komba, (2017) collected primary data from Magu district council and secondary data from other local government authorities to examine the challenges, impact and trend of the slippage of own source revenue in local government authorities in Tanzania. The updating of councils' bylaws which involve the revision of revenue rates should take into account the Laffer curve to avoid setting the revenue rates too high which may discourage production and consequently reduce the collected revenue. It is the intention of this study to explore the impact of updating bylaws on revenue collected.

Moreover, the empirical result of the study shows that there is relationship on the property tax rate and tax revenue in Tanzania. The ADF statistics and PP statistics show that the property tax and the tax revenue achieved stationarity at first difference, also, the study result reveal that there is a long run relationship between the property tax rate and tax revenue through the Johansen co-integration test. Tax revenue tend to increase while depending on tax reform implementation that is If tax reform (tax property) implementation is not of success it is obvious that Collected Tax revenue will be negatively affected if the implementation of Tax Reforms succeeds, then there is an expected increase in Collected Tax revenue. This study result relates to the theory of the ability to pay theory that holds that those who have a greater ability to pay taxes measured by income and wealth-should pay more, Taxes have economic effects, and these effects entail social consequences. The choice of the taxes to be laid and rates at which they are to be applied

expresses a preference for one set of economic effects, and hence of social consequences, to another. The theory of taxation, progressive or other, should correspond to these facts. More the study by Kampamba (2019) The focus of the study was to establish ways of improving property tax system in Botswana mainly stressed by continuous low property tax revenue collections experienced Gaborone a specific case study City Council was used to conduct a comprehensive study aiming to find ways of improving the property tax system and its revenue collections. Primary and secondary data sources were used to satisfy the information requirements of this study. This study result was similar to study by Mercy Bitababaje conducted on determinants of tax revenue generation in Tanzania.

Moreover, the study reveals that there is a positive correlation between the staff capacity and revenue collection, this explain that in improving the capacity of the staff will improve the revenue collection which hence bring to increase in efficiency however the variable was not statistically significance. More the study has found that there is a positive and significant relationship between the staff capacity and revenue collection.

This study examines that there is increase in revenue collection by 0.183 which is significant at 5% with $p=0.008$. This result relates with the theory of fiscal contract theory proposed by Levi 1998, the fiscal contract theory states that people pay taxes because they value what they get from it. Stuart Rachel's believes that morality is the set of rules governing behavior that rational people accept, on the condition that others accept them too, the U.S. Constitution is an example of an explicit example of a social contract.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter is presented in three summarized section the first section provides the summary of key findings, and the second section provides conclusion drawn from the findings, while the third section provides the recommendations based on the results and the areas for further studies.

5.2 Summary of study findings

This study aimed to assess the effectiveness of property tax reforms on Tax revenue in Tanzania. With high supportive of specific objectives which are first was to assess the relationship between tax base of property tax and tax revenue in Tanzania, secondly was to assess relationship between property tax rate and tax revenue in Tanzania and the last one was to assess the relationship between registered property tax payers and tax revenue in Tanzania. The quarterly time series data was extracted from Bank of Tanzania (BOT) from 2001 to 2022 at 3rd quarter.

The researcher used Johansen co-integration test to test for presence of long run relationship between the property tax and the tax revenue. The study revealed that in long run period of economics (Tanzania) there is existence of relationship between property tax and the tax revenue, as it shown at 5% (0.05) with the presence of variable that are co-integrate this means that the implementation of tax property in Tanzania was successful without considering other factors from 2001 to 2022 at the third quarter

The simple regressions were run to predict the tax revenue from tax property. The variable was positive statistically significant $p < 0.001$ which is less than 0.05(5%). This regression analysis results indicate that the independent variables tax property (rate, base and number of taxpayers

registered) was positively related to the dependent variable which is tax revenue. Similarly: The adjusted R square shows that independent variable influences the dependent variable by 71% (tax property influence tax revenue by 71%). The model has a goodness fit at level of significance 5% ($p < 0.001$). The tax property coefficient shows there is an existence of a positive linear relationship that is when the independent variable increases by 1 unit leads to an increase in tax revenue in Tanzania. That is to say that tax property (tax rate, tax base and number of taxpayers) has direct linear relationship in a positive way. This indicates that for every one-unit increase in Tax property it influences there is an expected increase or influence of tax revenue by $9.94E-05$.

5.3 Conclusion

The study indicates that Tax property, (tax rate, tax base and number of taxpayers) has a positive and significant influence on Tax revenue collection in Tanzania. This indicates that a rise in Tax rate, tax base and number of tax payers has largely influenced a rise of collected Tax Revenue in Tanzania from the year 2001-2022 as the data of the study was collected and analyzed. As such the study concludes that, tax property has a significant positive influence on collected Tax Revenue in Tanzania. on the other hand, is to say that tax property has a direct positive relationship with the tax revenue in Tanzania. Moreover, there is a positive relationship between the tax rate and tax revenue in Tanzania as increase in tax rate will improve in the revenue collection of either from people's income and this work together with the increase in the number of taxpayers leads to the increase in the tax revenue in the country. Therefore, based on the regression result, the study concludes that tax property has significant effect on revenue tax revenue in Tanzania. The tax base in Tanzania tends to be narrow, excluding relatively towering assessment gainful sectors that are not fully monetized or integrated pest management into the formal private sector economy, such as large member of agriculture, diminutive trade and services, again tax evasion is specifically

arresting in large partition of the formal economy widely distributed accustomed in the marketable sector and freelancers and real estate home ownership and tax exemptions are peaceful common. Accordingly, the check net is only captive % of economic activity, a tax rate of 20 percent expresses a normal quality of 40 percent for those who pay taxes. The widespread exertion to reform the tax structure by reducing tax rates and, the process of elimination of tax exemptions is generally intended to be revenue nonpartisan if fully implemented. Instrument in Low import duties and excise taxes on a broad pasturage of goods that high rates on a narrow base are correspondingly probable to reduce incentives poaching given the eloquent fixed costs associated with smuggling. However, albeit tax rate deduction usually chance (upon) few obstacles, the abatement of exemptions is the armor was here and there delayed or only partially instrument due to defiance out of those with acquired immunodeficiency syndrome accurate share every which way steered to sudden mislaying of earnings.

5.4 Recommendation

The study based on assessing the effectiveness of property tax on the tax revenue in Tanzania.

Based on the study findings, the study recommends as follows:

- The government should control tax rate depending on the income of taxpayers so as maintain and increase the number of taxpayers this is through making a favorable tax rate at all tax payer. There is a need of more sufficient strategies that will help in the reduction of dependencies so as to maintain the number of taxpayers and not let them to evade from paying tax.
- There should be continuous review on tax property in Tanzania tax system to reflect the current realities of the modern economy since tax property was found to have significant

effect on tax revenue, more on this the government should formulate the policy that will help to maintain the number of tax payers in the system and take back those who evade to pay tax.

- The government of Tanzania through the responsible board of tax collection should put in place measures to stimulate a greater number of tax payer so as to improve and increase the revenue through tax collection but within this there should be control of corruption among the taxpayer and tax collector.

However, the study brings about also display that property tax revenue challenge altitudinous performance beyond all recognition of the importance of the role of all stakeholders in property taxation. contribution of property tax system does not contribute mature precedence to taxpayers' claims In, closer accordingly had a bump on the council's revenue elaboration Taxpayers' understanding and acceptance of a property tax system is crucial for efficient real hall taxation.

The results of this study accent this discernment of taxpayers apropos their understanding and acceptance speech the property tax system. The interpretation of property tax revenue in can breathe improved by local administration government branch were amenable to administer the cooperation of the taxpaying public architecture and service discharge.

5.5 Area for further Studies.

Basing the on the study findings, considering the study variable used the upcoming researcher could consider carrying out the same research but with a different design and increase the number of independent variables that increase tax revenue, that allows for generalization of the results of the research findings. Moreover, the effectiveness of tax revenue is not only affected by property tax (rate, base and number of taxpayer) thus the other researchers should increase the number of independent variables on upcoming assessment of tax revenue as dependent variable. The

administration should also consider innovative ways to broaden one's horizons/ mind the tax ground on taxation of the informal sector. Several studies clearly betoken that the informal private sector has lived expanded in of recent origin years. This accretion is partly mature to deregulation liberalization of the economic system in Tanzania, partly due to the accelerate contest which has given troupe incentives to strain to cut costs avoidance of beast and tax regulations. The increase in diminutive patronage in of recent origin (all) round the year the s is partly explained by local businessmen.

5.6 Critical evaluation of the study

The current study observation was to registered taxpayer and the generalization was done according to the respondent views, also the study was succeeded to investigate the targeted property tax on the main variable(factor) aimed. The limitations in this study lie on the time for data collection, analysis and report writing was very fixed to come up with accurate results. To overcome this problem, the researcher had to work extra time so as to make sure that the work is accomplished in time. Also, the data collection was difficult because of some sort of confidentiality in Tax authority. Lastly, financial resource was also not sufficient to the researcher to manage to pay all expenses, but tried to do the needful in order to make the research a success.

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APPENDIX

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 **Ref. No.: MAF/0072/2021** **4TH September 2023**

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P.O.BOX.....
.....

Dear Sir/Madam,

RE : REQUEST FOR DATA COLLECTION

The purpose of this letter is to introduce to you **Ms. Demwa Petrov Kamwaga** who is our student pursuing Masters of Accountancy and Finance with registration number (MAF/0072/2021). Currently, the aforementioned student is conducting a study on **"ASSESSING THE EFFECTIVENESS OF PROPERTY TAX REFORMS ON TAX REVENUE IN TANZANIA"**. We would like to highlight here that this study is part of the requirement for the award of the above mentioned programme of study.

We therefore request you to extend to the above-mentioned student of our Institute any help that may facilitate her to achieve study objectives. We further request permission for her to see and talk to the staff of your Institution in connection to her study. The period for this request is granted from September to end of November 2023.

Thank you for your continuing support.

Yours Sincerely,
INSTITUTE OF ACCOUNTANCY ARUSHA


Elias Mbuti
FOR: RECTOR

All Communications to be addressed to the Rector

Year	Quarter	Property tax	Tax revenue
2001	Q1	1,115.7	106,597.70
	Q2	1,615.4	106,582.60
	Q3	1,331.5	100,089.60
	Q4	1,579.6	99,286.00
2002	Q1	1,496.5	114,369.7
	Q2	2,161.1	47,258.90
	Q3	1,721.7	69,402.2
	Q4	1,632.1	64,865.6
2003	Q1	1,929.4	76,969.50
	Q2	2,545.3	79,223.60
	Q3	2,051.8	74,001.00
	Q4	2,117.5	79,598.1
2004	Q1	2,267.4	81,922.60
	Q2	3,239.2	91,865.60
	Q3	2,535.1	94,227.00
	Q4	2,913.1	96,236.20
2005	Q1	2,335.0	125,349.2
	Q2	2,211.2	137,182.0
	Q3	2,111.3	137,458.1
	Q4	2,035.2	138,644.1
2006	Q1	2,263.8	167,991.4
	Q2	3,245.3	180,076.60
	Q3	2,240.5	186,045.20
	Q4	2,876.7	199,703.1
2007	Q1	2,877.6	228,573.90
	Q2	2,671.4	251,353.4
	Q3	3,067.8	267,222.10
	Q4	3,437.7	294,965.80
2008	Q1	3,645.8	296,720.60
	Q2	3,670.7	333,963.10
	Q3	4,773.2	351,432.6
	Q4	1,947.9	342,833.50
2009	Q1	6,202.0	421,485.00
	Q2	5,883.1	425,516.20
	Q3	7,001.3	388,725.40
	Q4	4,795.3	370,024.60
2010	Q1	7,662.6	422,529.20
	Q2	7,751.6	440,823.00
	Q3	7,744.2	453,498.70
	Q4	5,874.6	405,934.90
2011	Q1	6,849.0	461,148.20
	Q2	8,267.7	525,464.70
	Q3	8,833.8	506,255.90
	Q4	9,086.9	519,399.90
2012	Q1	8,202.8	579,472.90
	Q2	10,780.8	701,942.10
	Q3	14,768.7	708,708.30
	Q4	21,094.0	718,732.50
2013	Q1	16,824.3	794,888.60
	Q2	13,873.1	934,418.30
	Q3	14,773.2	796,979.60
	Q4	23,179.1	901,104.30
2014	Q1	24,854.5	903,425.40
	Q2	10,780.1	978,328.80
	Q3	12,692.5	1,006,031.20
	Q4	13,038.0	1,256,545.30
2015	Q1	15,239.8	998,636.20
	Q2	19,376.6	1,062,806.50
	Q3	14,780.9	1,049,321.40
	Q4	8,363.74	1,049,343.30
2016	Q1	18,526.0	1,084,462.00

ASSESSING THE EFFECTIVENESS OF PROPERTY TAX REFORMS ON TAX REVENUE IN TANZANIA

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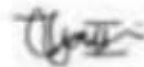
OLVA ACADEMY
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ARUSHA
20th November, 2023

To Whom It May Concern

SUBMISSION OF ENGLISH LANGUAGE EDITING CERTIFICATION

I am writing to confirm that I have reviewed and edited the dissertation of Ms. **Demwa Petrov Kamwaga**, titled **"Assessing the Effectiveness of Property Tax Reforms on Tax Revenue in Tanzania"** The purpose of this editing process was to ensure precision in language usage and overall clarity. I have addressed issues related to spelling, verb tenses, cohesion, coherence, and the overall structure and organization of the dissertation. I hereby recommend that the candidate submits the dissertation document for further evaluation, and for the conferral of the degree of Masters of Accounting and Finance. The final decision regarding this award lies within the purview of the board of examiners at the institute of Accountancy Arusha.

Yours sincerely,



Jackline Edson.