

ABSTRACT

The study's goal was to evaluate "The effects of digitalization of tax payment on tax revenue in Arusha City Council." The study's particular objectives were to discover implications on tax collecting efficiency in conformity with tax rates, to investigate if digitalization decreases the cost of tax enforcement and compliance, and to investigate the role of digitalization in reducing tax evasion and avoidance. The study used a descriptive survey research design including includes quantitative and qualitative methods. Questionnaires, interviews, observation, and documentary analysis were used to collect data. The number of samples was made up of 98 randomly chosen respondents and two TRA officials . The primary information was secondary data was acquired through surveys and interviews through documentary evaluations. The collected data was then analyzed with SPSS version 28 program for calculating frequency and percentage. According to the research findings, the use of digitalized equipment such as EFDs and e-filing has enhanced tax revenue collection in nominal terms. However, the rate of growth in tax collection is not encouraging. This is due in part to the fact that most traders do not provide EFD receipts on time, therefore the reported sales are not indicative of the real sales at the selling outlets. Indeed, the most frequently touted advantage of EFDs is the ability to maintain records for up to five years. However, both the taxpayer and the tax authorities have experienced compliance issues as a result of the adoption. For example, traders complained of the cost associated with digitalized system as the biggest challenge, followed by lack of trust with the new ways of tax collection. The study recommends that the tax authority should collaborate with business community to try to find the means to enhance tax compliance and eliminating challenges posed in the adoption of digitalization in tax systems in Tanzania.