_____***Original Research***_____

THE EFFECTS OF REGIONAL CUSTOMS POLICIES AND REGULATIONS ON REVENUE COLLECTION IN TANZANIA

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Abstract

The study was conducted to assess the effects of regional customs policies and regulations on revenue collection in Tanzania. Specifically, the study aimed at determining the regional customs policies and regulations affecting revenue collection in Tanzania, establishing the effects of trade liberalization on revenue collection in Tanzania, and assessing the challenges facing the Tanzania Revenue Authority in implementing international and regional customs policies and regulations. This was a cross-sectional study, where respondents were obtained using the Purposive sampling technique, and a total of 80 respondents were included from Namanga border post, Tunduma border post and Dar es Salaam port, and Inland Clearance Depot in Dar es Salaam. Questionnaires, interviews, and document reviews were used as the main tools for collecting data. The findings revealed that the World Customs Organization through the Revised Kyoto Convention, SADC as well as the EAC protocols' provisions on the duty-free, free movement of people, goods, and products reduce the amount of imports revenues in Tanzania. The study concludes that there is a significant influence of regional customs policies and regulations on revenue collection. Also, it was found that customs laws, policies, and regulations are not the main factors lowering the imports duties; instead, there are many more factors such as political interference, Technological advancement, Low-quality products imported, lack of training, and low understanding of regional integration and trade liberalization among employees at the border posts are some challenges facing TRA customs at the Border Posts. The study recommends that the government of Tanzania reduces the number of goods and services that are imported without paying any tax; review the agricultural products that must pay tax, and which must be duty-free. TRA organizes frequent training to employees to increase their understanding of the laws, policies, and regulations governing customs in regional groupings. TRA strengthens the tax evasion department to control the illegal entry of goods and products in all Borders in the country.

Keywords: customs policies and regulations, revenue collection

1.0   INTRODUCTION

Tanzania has signed many International and Regional customs policies and regulations as a member-State of those groupings. For instance, Tanzania is a member of the World Trade Organization, WCO, SADC, and the East African Community (Cheelo et. al., 2012). Being a member of the above Organizations, Tanzania could not avoid the increased global integration. However, a significant concern, as it contemplates further trade liberalization is the potential impact of trade liberalization on tax revenues, and the core issue is its ability to substitute domestic sales taxes such as VAT and excise taxes for import duties. Regional customs policies and regulations promote trade liberalization which has long been investigated by many researchers and proved that they have many benefits (Suliman, 2018, Epafra, 2014 and Juma, 2013). For countries that implemented those policies, they promote free trade as it promotes trade creation, lowering consumer prices. Trade liberalization also raises countries' welfare and increases competition for the domestic economy which finally may help domestic markets reach higher efficiency (Kowalski, 2010). Very few studies paid attention to issues concerning the consequence of how trade liberalization decreases tax revenues not only on international trade taxes but also as a result of tariff reduction, and on domestic taxes as a result of erosion of tax bases. This leads to a controversy about whether trade liberalization is a potential source of fiscal instability, especially for countries that have a high dependency on trade tax for their public revenue (Cheelo et. al.2012).

In this Perspective, Tanzania is a member of the World Customs Organization, World Trade Organization, SADC, and the EAC. However, all these International and regional groupings have instituted their customs policies and regulations, and even implemented free trade among member States, including Tanzania; where businesses are conducted across borders without paying taxes in that particular country. This practice is harmful to the economy as customs and tariffs revenue represent 34% of tax revenue for Africa, from OECD it is 5% and for Tanzania, it is over 28%. This implies that abolishing import duties taxes and liberalizing trade benefit much-developed countries than it does develop countries (Levin, 2014; Juma, 2013 and UNCTAD, 2018).

And it also benefits the country manufacturing products or country with many industries as compared to less industrialized countries. Therefore, little is known about how the customs policies and regulations, and trade liberalization have affected not only the revenue collection but also slowed the growth of local businesses. So far, studies were conducted on other areas apart from this; Juma, (2013) conducted a study on challenges that face the import revenue collection in Zanzibar, Mtasiwa (2013), conducted a study on factors causing inefficiency on tax revenue collection in Tanzania, Manamba (2014) conducted a study on the Revenue Implications of trade liberalization in Tanzania. This situation prompted the researcher to find out how the regional customs policies and regulations affect the revenue collection in Tanzania.

2.0 LITERATURE REVIEW

Table 2.1: Definition of Key terms and measurement of variables

S/N	Variables	Nature of variables	Definition of Variable	Measurement of Variables
1	Revenue Collection from customs	Dependent	These are the revenues obtained from taxes, charges, and levies from imported goods and services (Stevens et al. 2015)	Measured by the percentage of revenue collected as compared to revenue expected to be collected.
2	Regional customs policies and regulations	Independent	These are policies and regulations that Tanzania implements on all imported goods and services as a member of regional grouping (Wulf and Sokol, 2015)	Measured by the percentage of its fulfillment in all TRA border customs offices
3	Trade liberalization	Independent	This is the removal or reduction of restrictions or barriers on the free exchange of goods between nations (Mkubwa *al el*. 2014)	Measured by the number of businesses done across the border, and the amount of revenue not collected due to its implementation
4	Challenges of Implementing RC&R	Independent	These are the barriers that the TRA face in implementing regional customs and regulations (Moller, 2016)	Measured by the level of occurrence in implementing the RCP&R in the TRA border offices

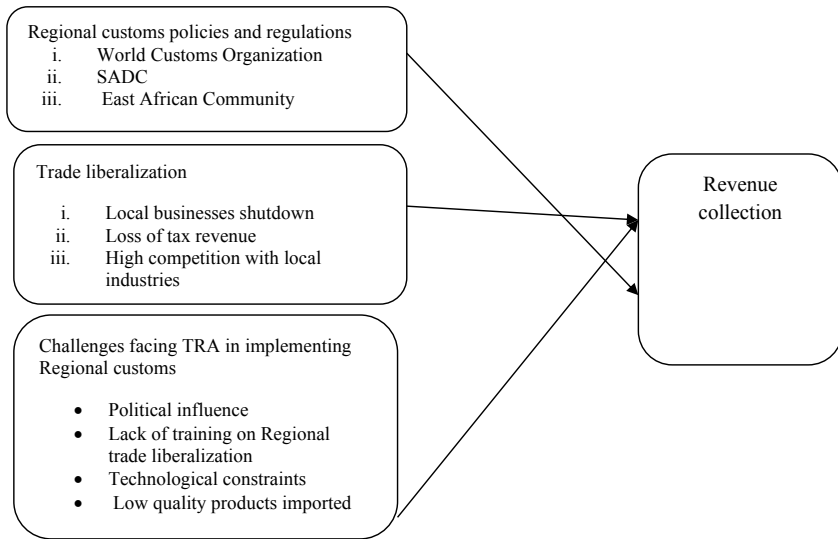*Source: Author Construct, 2021*

3.0 CONCEPTUAL FRAMEWORK

In this study, it is conceptualized that revenue collection in Tanzania is affected by the Regional customs policies and regulations of the World Customs Organization, the SADC, and the EA Community customs policies and regulations. The revenue collection is also affected by the Trade Liberalization as agreed among member-States of WTO, where Tanzania is a member; therefore, trade liberalization causes local businesses to shut down, loss of tax revenue, increases competition among local and imported products, and discourages local production. The revenue collection is also affected by the challenges that the TRA faces when implementing the regional customs policies and regulations.

These challenges may include political influence, lack of appropriate technology, lack of training on personnel on regional customs, low quality of imported products, and regional tariffs conflicting with local tariffs on products.

Independent Variables   **Dependent Variable**

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┌─────────────────────────────────────────┐
│ Regional customs policies and regulations│
│    i.    World Customs Organization      │
│   ii.    SADC                            │
│  iii.    East African Community          │
└─────────────────────────────────────────┘

┌─────────────────────────────────────────┐
│ Trade liberalization                     │                    ┌──────────────┐
│                                          │                    │   Revenue    │
│    i.    Local businesses shutdown       │                    │  collection  │
│   ii.    Loss of tax revenue             │                    └──────────────┘
│  iii.    High competition with local     │
│          industries                      │
└─────────────────────────────────────────┘

┌─────────────────────────────────────────┐
│ Challenges facing TRA in implementing    │
│ Regional customs                         │
│                                          │
│    •   Political influence               │
│    •   Lack of training on Regional      │
│        trade liberalization              │
│    •   Technological constraints         │
│    •    Low quality products imported    │
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Source: Author's construct, 2021.

4.0   METHODOLOGY

The study adopted a cross-sectional research design, the choice of this design enabled the assessment of the effects of international and regional customs policies and regulations on revenue collection in Tanzania. The research was conducted in Dar es Salaam, TRA Namanga Border, and TRA Tunduma border. In this research, the population included the staff of TRA in Dar es Salaam head Office, TRA-Tunduma, and TRA-Namanga which were about 400 employees. The study has used purposive sampling to select a total of 80 respondents from 400 workers in the three areas of study; whereby 20 were from the TRA-HO and 10 from TRA-Dar es Salaam Port, 30 from bonded warehouses in Dar es Salaam; and 10 from TRA-Tunduma and 10 from TRA Namanga. The choice of 80 respondents was made by using the formula provided by Yamane (1967). The study used three methods of data collection namely interview, documents review, and questionnaires. The study employed content analysis to analyze qualitative data and descriptive statistics such as tables, histograms, graphs, lines, and pie, and bar charts were used to analyze quantitative data.

5.0   ANALYSIS AND DISCUSSION OF FINDINGS

The study findings are summarized based on the research objectives whereas the results of the descriptive statistics, as well as interviews, are being provided below. The findings show that Border Post in Tanzania Implements the Regional Customs Policies, laws, and regulations.

Regional Customs Policies and Regulations on Revenue Collection

The first objective was based on evaluating Regional Customs Policies and Regulations that affect the amount of revenue from Customs duties collected or expected to be collected by TRA at the Border Posts.

The results are presented in each sub-variable using figures, tables, and narration in quotation marks

Table 4.1: The results on effects of regional customs policies and regulations on revenue collection

Question or Statement	Mean	Std Dev	Maximum	Minimum	No. Obs
At this border post, we do implement the regional customs policies and regulations	4.03	0.4203	6.21	2.10	80
There are some policies and regulations which lower the imports revenues of TRA	4.83	0.3984	5.32	4.36	80
The World Customs Organization' Regulations to some extent affect the revenue collection in our country	4.07	0.6342	7.32	1.81	80
The SADC Customs Protocol and Customs management treaties affect the expected revenue collection at this border post	3.82	0.6342	7.10	1.92	80
The EAC Customs Management has provisions that allow free entry of some goods among member States	4.23	0.5647	6.81	1.98	80
The EAC Free trade provisions lower the revenues collected by TRA at Border posts	2.84	0.4891	5.45	3.12	80
Imports revenues decrease mainly due to regional customs policies and regulations	3.93	0.1348	4.01	3. 81	80

The results from table 4.1 above have indicated that all the variables have a mean which is greater than 2.5 which means there is a larger extent of the selected variables. In the above case, the results indicate there are larger effects of regional customs policies and regulations on revenue collection. The majority of the respondents have agreed on there are some policies and regulations which lower the imports revenues of TRA with the highest mean of 4.83 and its standard deviation is 0.3984 which indicates there is little deviation from the meaning.

On the other hand, the respondents have shown satisfactory results on The EAC Free trade provisions lower the revenues collected by TRA at Border posts with a mean value of 2.84 and standard deviation of 0.4891. The results are being supported with the Regional integration theory which states the benefits of regional integration without looking at the effects resulting from these groupings. The theory states that Governments use regional integration to maximize their national security and economic interests in the context of regional interdependence. Integration outcomes result from intergovernmental bargaining and reflect the regional preference and power constellations (Urassa, 2018).

Trade Liberalization on Revenue Collection
The second objective is intended to assess the effects of trade liberalization on revenue collection in Tanzania.

The findings are summarized into descriptive results as being indicated in table 4.2 below

Table 4.2: Results on effects of trade liberalization on revenue collection in Tanzania

Question or Statement	Mean	Std Dev	Max	Min	No. of Obs
There are goods and services which are exempted from imports taxes and duties at this border post	4.12	0.4362	4.89	3.41	80
The exempted goods and services from abroad increase competition with locally produced goods and services	4.09	0.3412	4.21	3.97	80
Trade liberalization causes local businesses shutdown	2.23	0.8234	3.21	1.02	80
Free trade makes locally made products to lower the price	3.89	0.2981	4.62	3.10	80
Trade liberalization discourages local production of goods and services	4.80	0.1983	4.92	4.61	80
Free trade across borders in regional groupings discourages industrialization in the least developed Member States	4.01	0.3475	4.20	3.89	80
Trade liberalization affects domestic revenue as locally produced goods and services decrease	4.07	0.5801	4.13	3.94	80

The table above indicates the respondents agreed on the statement being provided that aimed at analyzing the effects of trade liberalization on revenue collection. The statement on trade liberalization discourages local production of goods and services has the highest mean score with a lower standard deviation. The mean score is 4.80 and the standard deviation of 0.1983.

This is also supported by the interview conducted by the tax officer who said that;

"Trade liberalization in itself is a good practice that should promote businesses and brings development, but it affects the local businesses where imported goods benefit reduction in tariffs which is lower than the taxes paid by local businesses. And also most industrialized countries in the regional groupings like SADC, EAC, COMESA, etc, are the most benefiting on the detriment of less industrialized ones.", Tax Officer from Dar es Salaam Port, 2021.

The above qualitative findings are supported by the study of Roballand (2017) on eliminating tariffs for non-agricultural products in Tanzania and other developing countries. The study concludes that trade liberalization promotes business and development within the business.

Challenges Facing Tanzania Revenue Authority in Implementing Regional Customs Policies, Laws and Regulations
The third objective intended to assess the challenges facing Tanzania Revenue Authority in implementing Regional Customs Policies, Laws, and Regulations.

The results obtained are presented in different sub-variables using tables and figures.

Table 4.3: Results on challenges facing Tanzania Revenue Authority in implementing Regional Customs Policies, Laws, and Regulations

Question or Statement	Mean	Std Dev	Max	Min	No. of Obs
Political leaders always interfere with the TRA during the implementation of regional customs policies and regulations	4.23	0.2634	4.56	4.13	80
TRA officers implement what political leaders say than what the Regional Customs Regulations indicate	4.73	0.4021	4.93	4.64	80
Most TRA officers at the border posts have a low understanding of Regional Trade liberalization	4.03	0.2983	4.21	4.04	80
The TRA does not always organize training on regional integration and Regional customs regulations	4.23	0.4320	4.34	4.13	80
The technological advancement in the importation of goods and services poses challenges to TRA at border posts	4.58	0.3821	4.82	4.21	80
We always have cases of low-quality products being imported in our country from regional grouping member State	4.72	0.2645	4.90	4.52	80

The findings above have indicated a mean score of greater than 4.00 which means the respondents have agreed on the challenges being presented and the findings have a standard deviation of less than 0.5 which means there was a little deviation on the answers being provided by the respondents. These findings are similar to Castro, et al, (2014) as they found that managing regional integration without affecting revenue collection from imports and exports tariffs is challenging. Regional integration at both the EAC Customs Union level and SADC are predominantly politically driven initiatives. Many of the regional integration measures promulgated by regional political forums have been made before any rigorous assessment of both the feasibility of implementation is done;

6.0 CONCLUSION AND RECOMMENDATIONS

Data concerning three specific objectives were collected to address the main objective. The study concludes that there is a significant influence of regional customs policies and regulations on revenue collection. Also, it was concluded that there is a significant influence of trade liberalization on revenue collection.

Other findings show that border posts in Tanzania implement the regional customs policies, laws, and regulations, but the same regulations through trade liberalization, free trade, duty-free, exemptions, and reductions in tariffs cause the TRA to lose revenues and lower collections. The findings also show that trade liberalization affects medium and small businesses due to competition with goods from abroad, lower the price of local products, lower domestic revenues due to the failure of the TRA to collect taxes from weakened medium and small businesses.

The findings also show that the TRA is facing many challenges including political interference, lack of training on regional integration and customs laws, illegal border posts where goods are crossing without paying taxes, among others. Conclusively, the findings obtained, presented in chapter four and analyzed in chapter five have met the general objective, and they can be generalized to other border posts apart from Namanga, Tunduma, and Dar es Salaam.

It is recommended that the government of Tanzania reduces the number of goods and services that are imported without paying any tax; review the agricultural products that must pay tax, and which must be duty-free. It is recommended that TRA strengthens the tax evasion department to control the illegal entry of goods and products in all Borders in the country.

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