

Re-centralizing the Administration and Management of Property Rates: Will it Improve Collection?

Manumbu Hezrone Daudi
Local Government Training Institute, P.O Box 1125, Dodoma, Tanzania

Abstract

For almost a decade, property taxation reform revealed as a matter of concern in Tanzania. This reform merely seeks to improve collection of proceeds from rateable properties via re-centralization of powers and functions pertaining to the administration and management of property rates from local government authorities to central government agency. The Financial Laws (Miscellaneous Amendments) Act, 2008 created agency contract between Dar es Salaam Region Municipal Councils and Tanzania Revenue Authority. This reform, however, could not attain the desired end since collection remained dormant and sometimes, declined regardless of the increase of rateable properties in the valuation roll leading to the amendment of the law to re-bestow such powers and functions to local government authorities. The Finance Act, 2015 introduced another reform that empowered all local government authorities to collect property tax. Just a year following that amendment, The Finance Act, 2016, re-centralized back administration and management of property tax to Tanzania Revenue Authority. This paper documents first, re-centralizing property rates does not promote decentralization by devolution policy and thus, constrains fiscal autonomy of local governments. Second, it will probably, not work to the expectation of the centre as Tanzania Revenue Authority has insufficient capacity in terms of personnel comparing the area of whole local government.

Keywords: *Re-centralization, Property Rates, Administration, Management, Collection*

1. Introduction

Debate on administration and management of property taxation is relatively becoming increasingly important within the government, local government financing spectrum and the general public. The debate has been exacerbated by the government decision to re-centralize the powers and functions relating to administration and management of property tax i.e. assessment, valuation, distribution of demand bills, collection and accounting for property rates, enforcement and recovery of property rates in respect of Tanzania Mainland to the government agency. Recently, the government successfully surprised the public after moving a Bill urging the Parliament to amend The Local Government Finances Act¹, The Local Government Authorities (Rating) Act² and The Tanzania Revenue Authority Act³ with intent to entrusting powers and functions to administer property rate to the Tanzania Revenue Authority.

Traditionally and universally property tax has been identified and considered a suitable and reliable source of local governments finance.⁴ It is the most important own tax instrument available to local governments that has the potential to considerably contribute to own source-raised revenue. Legislative making in many countries over the world Tanzania⁵ inclusive regards property tax as a prevalent local source of revenue. The preference of property tax as a local own-source tax is associated with its visibility and inability as taxable objects to shift location when the tax is imposed⁶, connection between the type of services often provided by local government and enhancement in property values⁷ and absence of lucrative sales and income tax bases that are exploited by the center.⁸ The increased concern in property tax is associated with growing interest in local autonomy⁹ too. Property tax entails the potential of generating large sums that can promote efficient fiscal decision-making¹⁰ and enhancing local government autonomy.

Property tax administration at the local level is considered appropriate because local government authorities

¹ (Cap. 290 R.E. 2002)

² (Cap. 296 R.E. 2002)

³ (Cap. 399 R.E. 2002)

⁴ Kayuza, M. H. (2006); *Real Property Taxation in Tanzania: An Investigation on Implementation and Taxpayer Perceptions*

⁵ The Local Government Finances Act, 1982 and The Urban Authorities (Rating) Act, 1983

⁶ *ibid*

⁷ Glaeser, E. L. (1995); *The incentive effects of property taxes on local governments*, National Bureau of Economic Research: Working Paper No. 4987 January 1995

⁸ Bahl, R. (1979) 'The Practice of Urban Property Taxation in Less Developed Countries'

⁹ Sullivan, A. O., and Others (1995); *Property Taxes And Tax Revolts: The Legacy of Proposition 13*. Cambridge: University Press

¹⁰ Oates, W. E. (2001); 'Property taxation and local government finance'

are better informed of the service needs of the local community.¹ A considerable share of revenue collected from property tax is used to finance the delivery of public services², which subsequently benefit property values. The adoption of the decentralization by devolution concept increased the importance of property tax administration and management at local level. This is attributed to the fact that the concept entails devolution of powers, functions and services from central government to local government. Through devolution of services, more responsibilities previously shouldered and performed by government are increasingly devolved to local government authorities. It is on this premise local governments need for a major revenue source that generates sufficient revenues to fund the basic local expenditure.³

This paper assesses the government decision of re-centralizing administration and management of property rates. It scrutinizes the rationale behind the said re-centralization versus the policy paper on decentralization by devolution and ability of the center to undertake such exercise. The paper is organized into five separate segments. The first section gives a succinct introduction to the article, the second section provides a comprehensive and detailed examination of the statutory provisions governing the matter and the implication of recentralization of property rates on decentralization by devolution, third part presents the methodology of the study, fourth section surveys on the capacity of the central government agency, Tanzania Revenue Authority to effectively and efficiently administer and manage property rates and the fifth section alludes to the conclusion.

2. Re-centralization of Property Taxation Administration: History

2.1 The Financial Laws (Miscellaneous Amendments) Act, 2008

Re-centralization of property taxation administration in this country is not a new phenomenon. Attempts to encroach and usurp the powers and functions of the local government authorities in relation to property taxation started a couple of years ago. In 2008, the government via miscellaneous amendments successfully moved a Bill before the parliament.⁴ The Bill sought to amend The Local Government Finances Act, The Urban Authorities (Rating) Act and The Tanzania Revenue Authority Act by creating a five years agency between local government authorities and Tanzania Revenue Authority. It empowered the Tanzania Revenue Authority to sufficiently undertake property valuation, assessment, collection and accounting for the property rates imposed by the authorities in consultation with the respective local government authority.⁵ It further empowered the Minister responsible for finance to declare and thus, designate through the government gazette the township authority, the urban authority or any other geographical areas within which the Tanzania Revenue Authority could essentially carry out the mandated functions bestowed upon it.⁶

Declaration of rateable areas enabled the authority to undertake essential up-stream activities such as identification, valuation and assessment of the value of properties. This information helps to prepare the property valuation roll or supplementary roll, as the case may be. The roll is a list of rate taxpayers with the exact value of the rates collectables.⁷ It contains the name and address of ratepayer; location and situation of the rateable property, matter or activity; and such other information the authority may deem appropriate to include.⁸ The completion of the roll paves the way for the down-stream activities such as generation and distribution of demand bills, collection and accounting for property rates revenue. Moreover, the amendment placed at the disposal of the Tanzania Revenue Authority issues relating to enforcement of property taxation legal regime and recovery of property rates due taking into account the provisions of The Income Act⁹ and The Urban Authorities (Rating) Act.¹⁰

Beside that, the amendment empowered the Tanzania Revenue Authority to credit property rates revenue collected from the owners of rateable properties into a special local government authority account opened by the Minister of finance.¹¹ The amount would be kept and retained in the said account until and when the authority remits the same to the relevant local government authority. The remittance took into consideration the terms and conditions that would have, no sooner than later, been agreed upon by the parties, namely, the local government authority and the Tanzania Revenue Authority. Moreover, the amendment required the Commissioner General to

¹ *ibid* (Kayuza)

² McCluskey, W. (2000). 'Property Taxation: A Global Perspective', Paper Presented at IPTI Annual Conference, Cape Town, June, 2000

³ Aluko, B. T. (2005), 'Building Urban Local Governance Fiscal Autonomy Through Property Taxation Financing Option' *International Journal of Strategic Property Management* 9: 201-214;

⁴ The Financial Laws (Miscellaneous Amendments) Act, 2008

⁵ Section 5 (1), The Financial Laws (Miscellaneous Amendments) Act, 2008

⁶ Section 5 (2), The Financial Laws (Miscellaneous Amendments) Act, 2008

⁷ Section 5 (5), The Financial Laws (Miscellaneous Amendments) Act, 2008

⁸ Section 40 (4), The Finance Act, 2016

⁹ The Income Tax Act, 2004, Act No. 11

¹⁰ Section 5 (5), The Financial Laws (Miscellaneous Amendments) Act, 2008

¹¹ Section 10, The Financial Laws (Miscellaneous Amendments) Act, 2008

deliver to the relevant local government authority a monthly report in respect of property rates collection.¹ It should be understood herein under that, before the Tanzania Revenue Authority comes to a conclusion on the projection of a number of property rates revenue to be collected for any financial year, it had to negotiate and agree with the respective local government authority.²

2.2 The Finance Bill, 2016 and Finance Act, 2016

The current legislative amendment³ advanced by the government is more or less the same with the financial laws miscellaneous amendment of 2008. They have, indeed, re-ousted the powers of local government authorities in relation to the administration and management of property taxation and bestowed them to the Tanzania Revenue Authority by amending some of the provisions of The Local Government Finances Act, The Local Government Authorities (Rating) Act and The Tanzania Revenue Authority Act. Still, there are some inconsequential disparities that may be seen between these two amendments. These include the areas to be covered is much broader than merely township authorities and urban authorities in the first phase. The Finance Act, 2015⁴ widened considerably the scope of property rates collection by allowing all local government authorities to undertake up-stream activities that could enable them to impose property rate and down-stream activities that could facilitate the collection of revenue, enforcement of property tax laws and recovery of the rate due. Before 2015, district authorities except township authorities could not collect property rate under the provisions of The Urban Authorities (Rating) Act. But, it could be done via The Local Government Finances Act.⁵

Deposit of property rates revenue collected by the authority marks the second disparity. The former requires the Minister to open a special local government authority account where the amount could be credited. Nevertheless, it did not state in certain terms the bank where the said account had to be opened. It conferred to the Minister sufficient discretionary to decide and thus, choose the bank. The current amendment is explicitly clear on the matter. It requires the Minister to open a special account at the central Bank of Tanzania where collection could be deposited for the benefit of local government authorities. Fourth, appointment of property rates revenue deposited at the bank takes a slightly different course than the earlier law. It takes on board the regulations enacted by the Minister of finance after making thorough consultation with the Minister responsible for local government. The formula and modality for the appointment is still to be known. The law does not prescribe it; it is silence and thus, waits for the regulations to fill in the fresh and blood in the statute.

Since the law contains a vague statement on apportionment of property rates revenue and since regulations is yet to come, one of the issue trending and taking precedence is whether such proceeds will be distributed equally to all local government authorities regardless of their contributions or concede to the prorata basis formula remains being uncertain. The final decision on this matter resides under the hands of the central government. Local government authorities are merely toothless backing dog without any power to influence and change the pace. Presumably, they may be involved through the Minister responsible for local government when called upon by the Minister of finance to show concerns, if any, on regulations prescribing the manner the monies deposited in the central Bank of Tanzania will be apportioned. The modern democratic states embody principles of good governance, the government should be prepared to justify whatever decision it is expecting to arrive at. It is an undeniable truth that property tax can create an uneven distribution of services to citizens especially for some jurisdictions that have narrow tax bases hence, unable to collect sufficient revenue for the provision of local services.

The opening of the special account at the Bank of Tanzania for crediting the rates collected is one thing, but it remains skeptical on whether the government will successfully remit the amount so collected and deposited before at the Bank of Tanzania. The said concern is embedded in the fact that, it is not in the interest of the central government to remit such revenue. Reference is made to the land rent⁶ that is collected by local government authorities as agents of the Ministry of Land, Housing and Human Settlement Development. The Ministry, for reasons best known to itself, has persistently been reluctant to pay twenty percent (20%) of the monies collected by the central government as land rent under the Land Act to offset collection the costs borne

¹ Section 10 (1), The Financial Laws (Miscellaneous Amendments) Act, 2008

² Section 8, The Financial Laws (Miscellaneous Amendments) Act, 2008

³ The Finance Act, 2016

⁴ Section 28, The Finance Act, 2015

⁵ It allowed local government authorities with the approval of the Minister make and levy annual rates on persons of or above the age of eighteen years owning properties within the area of jurisdiction of local authority: The said criteria may include one or more of the following, namely, a uniform rate per capita; a graduated rate per capita; a rate based on the value of immovable property; a rate assessed on the earnings, livelihood or possessions of persons; and a rate based on the fact of ownership of immovable property situated within a specified area of local authority or at a specified place within the area of the local authority

⁶ Section 6 (1) (s) and 7 (1) (y), The Local Government Finances Act, (Cap. 290 R.E. 2002)

by local government authorities.¹ The Controller and Auditor General Report for the financial year 2014/2015 accentuates that a total of Tanzanian shillings 4,540,081,619/= equaling to thirty percent (30%) of the total revenue collected from land rent was not returned to local government authorities.² This sad story still rings the minds of the good number local government practitioners who believe that property tax revenue will, indeed, shoulder the same course.

The last disparity worth mentioning herein relates to the establishment of the amount of property rate revenue to be collected. The current amendment as opposed to the former does not address and call upon the involvement of local government authorities in setting out revenue projection. The former placed certain mechanisms that required the Tanzania Revenue Authority to negotiate and agree with the respective local government authority on how much should be collected. This means that, the agent could hardly step into collection unless the targets have been agreed and approved by relevant authorities. This leaves the Tanzania Revenue Authority to come up with whatever target even though it is not practicable and unjustifiable. The involvement of local government authorities is distantly constricted to merely giving their representation concerning residents perceptions on the amount of rate proposed to be imposed by the Tanzania Revenue Authority before the Minister of finance. The representation of the concerns of the residents by the councils should be made earlier before the rates are published in the Gazette.³

2.3 Property Taxation: The Power to Impose and Collect Property Revenue

The power of the Tanzania Revenue Authority to impose and collect property rate is subject to the readiness of the Minister of finance in consultation with the Minister responsible for local government to declare rateable areas located within the local government authority or geographical areas. This declaration allows the Tanzania Revenue Authority to undertake its mandated functions such as valuation of all rateable properties for the purposes of establishing the ratepayers and rate collectables and prepares a ratepayers list thereof.⁴ The areas not covered by the Minister declaration remains under the jurisdictional hub and total monopoly of local government authorities. Local councils are free to declare those areas to be rateable areas for the purposes of carrying out property valuation. The declaration should, no sooner than later, comply with the regulations⁵ enacted by the Minister responsible for finance after making all necessary consultation with the Minister responsible for local government.

Imposition and collection of property rate follow the same course of action too. The Tanzania Revenue Authority is merely bound to impose and collect property tax revenue in areas where it has carried out valuation following the Minister declaration on one hand. The local government authority through a local council is empowered to impose and collect the property rate revenue in areas where the Tanzania Revenue Authority is not empowered to perform its functions on the other hand. But, to effectively administer property taxation in those areas, the council is bound to make by-laws.⁶ However, it should be understood herein under that, the Minister responsible for finance may at any point of time where deems appropriate so do declare the areas where the administration and management of property tax is still under the realms of the local government authority as rateable areas.⁷ This declaration deprives of the local government authority right to collect property rate in those areas.

The most fascinating questions likely to capture the attention and interest of some persons visiting and reading the said amendment is what areas may be considered and declared by the Ministers of finance as falling within the jurisdiction of the Tanzania Revenue Authority to carry out its functions? Does the law prescribe a set of any criteria to enable the Minister to determine such areas? The amendment is virtually silence on these particular matters. It leaves the same under the ordained and discretionary powers of the Minister. However, it goes without saying that local government authorities will, certainly and indeed, be left to administer and manage some remote areas with relatively scarce located rateable properties. The most lucrative areas or commercial business district areas decorated with posh, expensive properties with the capacity to generate the requisite amount of revenues will presumably; be retained and remain under the domain of the Tanzania Revenue Authority. The non-developed areas lying within local government authorities will be administered by councils and may be re-centralized once they are developed.

¹ Lord Mayor of KMC, said for about ten years, the government has not remitted any amount

² The trend indicates an increase of 30% of land rent collections not returned to councils by Tanzanian shillings 3,342,304,332 (279%) from Tanzanian shillings 1,197,777,287 reported in an FY 2013/2014 to Tanzanian shillings 4,540,081,619 recorded during the year under review. Consequently, the number of councils involved has increased from 32 - 74 in the current year

³ Section 76, The Finance Act, 2016 (16 (1) &(4))

⁴ Section 40, The Finance Act, 2016

⁵ Section 70, The Finance Act, 2016

⁶ Section 76, The Finance Act, 2016

⁷ Section 70 & 76, The Finance Act, 2016

2.4 Implication of Property Tax Re-centralization on Decentralization by Devolution

Property tax recentralization poses a question to whether or not may promote decentralization by devolution. Definitely, the answer to this question may virtually appear to be relatively hard and thus, it is not straightforward. It may be influenced by the interest and angle one is seeking to answer the said question relies upon. Therefore, it may probably give rise to two distinct schools of thoughts, that is, centralism those who believe and advocate in central government undertaking and localism those who believe, advocate and think that the performance through local governance units is much better than through the former since it cannot effectively and efficiently perceive their preferences. For those who believe in local government authorities may come out, put forward and develop their own objective criteria to defend their schools of thought whereas those who believe and support the central government decision may come up, develop and premise their own line of arguments to defend and justify the said action.

In attempting to justify its decision to re-centralize the administration and management of property taxation from local government authorities to the Tanzania Revenue Authority, the central government advanced a number of reasons. On the 'object and reason' part of The Finance Bill, 2016 the government articulated, among other things that, it aimed at empowering the Tanzania Revenue Authority to collect property tax revenue for the benefit of local government authorities, creating conducive environment for charging and collecting more property tax revenue and empowering the Tanzania Revenue Authority to undertake property valuation, assessment, collection and accounting for property tax revenue in the same manner as in other tax laws. Moreover, the government is optimistic that re-centralization of property taxation will widen the tax base with a view to ensuring optimum collection of property tax revenue for the entire benefits of local government authorities. This represents the centralism school of thought that views local government structure as units not better placed to administer property revenue effectively.

The Association of Local Authorities of Tanzania has identified as the school of thought that advocates localism. It vehemently opposed the government decision to re-centralize the administration of property tax immediately after the Minister of finance presented his budget speech in the parliament. In its statement¹ the association set out a number of reasons. That is, the decision to re-centralize property tax administration is inconsistent with the policy of decentralization by devolution that is currently pursued by the government, property tax is considered as one of the potential sources of revenue for local government authorities nearly all over the world and Tanzania in particular, re-centralization will significantly constrain the capacity of local government authorities to deliver basic services and promote development to the people, and lastly, the decision to re-centralize the administration of property tax has been attained without making consultation with local government authorities.

The statement issued by the Association of Local Authorities of Tanzania, further shows that property tax accounts for almost thirty percent (30%) to sixty percent (60%) of the internal sources revenue of the urban authorities.² Taking into account the contribution of property tax on the internal source revenue of urban authorities, it is the undisputable truth that re-centralization of the administration and management of property tax may be accompanied by substantial adverse consequences to such local government authorities. First, the decision may potentially inhibit the capability of local governments to timely deliver quality service to the public, and second, the decision pledges the local government fiscal autonomy under thumbs of the central government. The TACINE³ survey conducted recently shows that seventy-three percent (73%) of urban authorities budget relies on government transfers contrary to The Urban Planning Act⁴ that requires Municipal councils and City councils to raise revenues from their own sources by about 70% and 95% respectively.

Be as it may, the government decision to abrogate and re-centralize powers and functions relating to property tax administration and management under the property tax legal regime was not well thought. It is inconsistent with the objectives of The Policy Paper on Local Government Reform⁵ that arose from The Local Government Reform Agenda.⁶ The Policy advocates for the model of decentralization by devolution of the powers, functions and services from central government to local governance units that are relatively closer to the people. This concept is premised on the ground that, local governance units are better placed to conceive the felt needs and preference of the people rather than the center. The Policy brought about amendment of local government legislations⁷ and other written laws.⁸ The amendments were indispensable since the central government sought to align the said legislations with the notion of decentralization by devolution that was

¹The Association Local Authorities of Tanzania: Statement issued at Arusha, April 10, 2016

²The Association Local Authorities of Tanzania: Statement issued at Arusha, April 10, 2016

³Tanzania Cities Network

⁴5th Schedule, Urban Planning Act, Act No. 8/2007

⁵The Policy Paper on Local Government Reform, 1998

⁶The Local Government Reform Agenda, 1996

⁷The Local Government (District Authorities) Act, 1982 and The Local Government (Urban Authorities) Act, 1982

⁸The Regional Administration Act, 1997

embedded under the Policy.

The regional and international instruments on the other hand shades light on matters concerned with the management of local government affairs too. The African Charter on the Values and Principles of Decentralization, Local Governance and Local Development¹ imposes an imperative duty to central governments to ensure that whatever legislation and measures seek to adopt should establish some relevant mechanisms that offer local governments the authority to mobilize and disburse the resources at the local level for the purpose of local economic development.² Still, it requires local governments or local authorities to raise, manage and administer local resources in consultation with central government, civil society and private sector through legislative, institutional and clearly regulated participatory mechanisms in accordance with the law and in a manner that promote accountability and transparency.³

The Charter is tailored in such a manner that it vests responsibilities on the central government to ensure that local government or local authorities have an adequate amount of financial resources to finance the delivery of public service and implementation of various development programs with a view of improving the livelihood of all peoples residing within the said vicinity. The language of the Charter is tantamount to the language of the policy and amendments effected under the local government legislation. The policy aimed at helping local government authorities to generate more revenues for improving service delivery in the councils.⁴ The said amendments place before the Minister responsible for local government the duty to promote the decentralization and devolution of the powers, functions and services from the central government system down to local governments units and within the local government system from higher levels to lower level. Furthermore, the Minister is bound to ensure the existence of ample fiscal and another resource.⁵

The Policy re-defined the central–local government relations too. It halted the previous relations whereby the center usually directed commands to local governments. The new central-local government interface is characterized by consultations and negotiations, support from the ministries supplemented with regulatory directives and legal supervision of local government political and executive decisions.⁶ The African Charter on the Values and Principles of Decentralization, Local Governance and Local Development, 2014 symbolizes the same values and principles too. It places obligatory duty to all authorities, central government inclusive, to carry out sufficient consultations with local governments or local authorities through the subsisting and clearly defined regulations whenever they have been called upon to undertake national or sub-national legal instruments, sectorial policies, programs or projects which are likely to directly affect their competencies on the lives of local population.

Generally, the decision to re-centralize the administration and management of property taxation is absurd. It does not accord to the values and principles enshrined in the Policy and the Charter. The Policy requires the government to hold consultations with councils and their associations before enacting any legislation or regulation on the operations of local authorities.⁷ The decision though does not promote decentralization, may constrict the competencies of local government authorities to effectively implement their constitutional and legislative mandate; it cuts heavily revenues of local government. Moreover, the decision seemed to have been taken unilaterally by the central government. Local government authorities were hardly involved and presumably, at the Ministerial level. This contradicts the basic values and principles enshrined in the Policy and Charter, that is, consultations and negotiations on all matters that may have a direct impact on the capacity of local government authorities to effectively and efficiently undertake their powers and functions.

Succinctly, testing the object and reason part of The Finance Bill, 2016 that addresses The Local Government Finances Act and The Local Government Authorities (Rating) Act, one may suggest that the government decision is two-fold. First, it is convinced that re-centralization of property tax revenue collection seeks to improve the overall administration and management of property tax in local government authorities and second, improvement of the same will, considerably, enable the collection of adequate amount of revenue from rateable properties declared by the Minister of finance and valued by the authority. This can be done through identification, registration, valuation, assessment and creating a valuation or supplementary roll, as the case may be, of all taxable objects found in local government authorities or any other geographical area declared as rateable by the Minister responsible for finance for the Tanzania Revenue Authority to carry out some of its vested functions. This measure as hereinabove referred aims at widening the property tax base.

¹ The African Charter on the Values and Principles of Decentralization, Local Governance and Local Development, 2014

² Article 7 (1), *ibid*

³ Article 7 (4), *ibid*

⁴ The Policy Paper on Local Government Reform, 1998; Page 3 - 4

⁵ Section 4, The Local Government (District Authorities) Act, (Cap. 287 R.E. 2002), and section 4, The Local Government (Urban Authorities) Act, (Cap. 288 R.E. 2002)

⁶ The Policy Paper on Local Government Reform, 1998, Page 9 and 25

⁷ The Policy Paper on Local Government Reform, 1998; Page 23

3 Research Methodology

The findings in this article were gathered from secondary data sources. The information collected from the said documentary review were processed and analyzed qualitatively too. The said process entailed preparation, organization and categorization of data as deem fit in relation to the objectives of this article. Analysis of documentary data employed a content analysis approach and logical scrutiny of the government policies, statutory provisions and other critical documents on the matter to deduce propositions of the law and other information and thereafter, draw the desired conclusion on whether or not re-centralization of administration of property rates will really improve collection.

4 Will Re-centralization of Property Rates Improve Collection?

This segment assesses whether the current re-centralization of administration and management of property taxation will achieve desired ends, namely, improving property collection. As discussed hereinabove, re-centralization of property tax administration in Tanzania is not a new phenomenon. It has a long history. It is, therefore, imperative to make a brief informative discussion before dwelling on the current discussion and provide the answers to the issue raised above. The discussion is premised to see how the Tanzania Revenue Authority carried out the functions and powers that were entrusted to it by the government via The Financial Laws (Miscellaneous Amendment) Act, 2008 in the piloted local government authorities of Dar es Salaam region.

The agency besides empowering the Tanzania Revenue Authority to conduct property valuation, assessment, collection and accounting for property rates, still, it empowered the authority to build the requisite capacity to local government authorities to effectively and efficiently undertake their functions in relation to administration and management of property taxation. It is on that premise, the amendment sought to create a five years agency between piloted local government authorities and Tanzania Revenue Authority. The operationalization of the agency could begin on July 1st, 2008 to June 30th, 2013. However, the Minister could either extend the period of the agency for a specified period of time or terminate the same in relation to specified local government authority on the satisfaction that the respective local government authority has ably acquired the requisite capacity to collect the property rates.

The question that deserves a critical attention is to what extent did Tanzania Revenue Authority worked to the expectation of the center? The answer to this question will, probably, shade some lights on whether or not the current re-centralization of property rates collection will bring about the desired impact to the government. The information available portrays that the Tanzania Revenue Authority merely collected 68.14% of the target during the five years agency period.¹ The authority successfully maintained the levels of the collection with that have been attained by such local government authorities at the time of re-centralization. However, the collection levels declined down to 16.5% of the total collection estimates during the fifth year² of the revenue collection piloting. Despite the good intention of improving property rates collection as conceived by the government, suffice to affirmatively state herein that the performance of the Tanzania Revenue Authority was even relatively poorer when compared with Municipal Councils performance prior re-centralization.

Generalization of the information may, however, adequately reflect defective findings. Therefore, for the purposes of making the case more persuasive and relatively appealing, details in relation to property rates collection in respect of one of the local government authority in Dar es Salaam region that was involved under the five years agency piloting is unveiled. The information that to be presented herein below will cover, among other things, the amounts of property rates revenue projected to be collected versus actual property rates collection during the said financial years. This analysis will cover two distinct periods, to wit, period just before re-centralization and immediately following re-centralization of property rates collection. The reflection of what happened in terms of property revenue collection after the expiry of agency tenure will, as a matter of fact, follow thereafter. For this matter, details from the Kinondoni Municipal Council are really booked and presented hereunder.

According to Table 1 and Table 2 shown herein below: the actual collection of property tax rates in Kinondoni Municipal Council for the past three financial years, that is, 2005/2008 before re-centralization of the same to Tanzania Revenue Authority accorded 70% of the total projection. The re-centralization of property rates collection to the Tanzania Revenue Authority was, inter alia, aimed at improving the collection and thus, increases the revenue of the council. Nevertheless, property tax re-centralization could not achieve the purpose. The table's hereinabove referred to unearthed undeniable truth that levels of property rates collection in relation to Kinondoni Municipal Council alone by the authority brought no any significant change whatsoever. It remained dormant for the five years agency period with the same levels of the collection as witnessed before re-

¹ Kayuza, H. (2014), The Dilemma of Implementing Property Taxation in Tanzania amidst Unending Search for Yielding Strategy: Lesson from Dar es Salaam LGAs, *JLAEA Vol 2 Iss. 2*

² *ibid* (Kayuza)

centralization. Moreover, property valuation in that local government authority could not improve revenue collection levels; it remained 70% as the case was before such valuation exercise of 2012.

Table 1: Property Tax Collection by KMC Before TRA (2005/2008)

YEAR	PROJECTION	COLLECTION	PERCENTAGE
2005/2006	1,200,000,000.00	974,801,436.45	81%
2006/2007	2,200,000,000.00	1,607,211,707.00	73%
2007/2008	2,200,000,000.00	1,325,000,000.00	60%
TOTAL	5,600,000,000.00	3,907,013,143.45	70%

Source: Kayuza (2014)

Table 2: Property Tax Collections by TRA (2008/2011) Before Valuation

YEAR	PROJECTION	COLLECTION	PERCENTAGE
2008/2009	2,200,000,000.00	1,123,833,365.40	51%
2009/2010	1,834,000,000.00	1,662,098,445.96	91%
2010/2011	2,200,000,000.00	1,582,363,881.00	72%
TOTAL	6,234,000,000.00	4,368,285,692.52	70%

Source: Kayuza (2014)

The projection of the property rates revenue to be collected in the said local government authority by the Tanzania Revenue Authority leaves more to be desired. It is even more interesting that the projection remained the same even after the property valuation exercise of 2012 that substantially improved the taxable objects in the vicinity. Before 2012, the number of taxable objects reflected in the municipal valuation roll was about 37,000 only basing on the 2009-valuation roll though the authority collected revenue even in properties which were not valued and listed in the roll. The 2012 property valuation captured a sufficient number of properties and thus, improved the roll to 156,000 taxable objects. This paper failed to trace the reasons that made the Tanzania Revenue Authority to retain the same budget estimates despite the fact that valuation roll was improved by 422% by the 2012 valuation exercise. It is clear that property rates collection by the authority in respect of the local government authority was considerably poor; failed to correspond to the roll.

Table 3: Property Tax Collections by TRA (2011/2013) After Valuation

YEAR	PROJECTION	COLLECTION	PERCENTAGE
2011/2012	2,200,000,000.00	1,123,833,365.40	51%
2012/2013	2,200,000,000.00	1,662,098,445.96	91%
2013/2014	4,355,000,000.00	1,582,353,881.16	72%
TOTAL	6,234,000,000.00	4,368,285,692.52	70%

Source: Kayuza (2014)

According to the amendment, besides revenue collection, the agency between the local government authority and Tanzania Revenue Authority aimed at capacity building for the local government authorities to properly administer and manage property tax. Still, the results in the five years piloting agency postulated a more different story. Tanzania Revenue Authority focused more on property revenue collection function and little attention was accorded to some other critical areas of property tax administration. It is pertinent that the authority was unequivocally aware that property tax administration embraces multifarious processes. It is more than merely revenue collection. Besides that, it further entails other lengthy, time-consuming and costly processes such as identification, valuation, assessment, generation and distribution of demand bills, accounting for property rates, enforcement and recovery of property rates. Therefore, the involvement of the authority in tax collection and capacity building had little impact on the performance of local government authorities.

Given the circumstances hereinabove referred to, it remains very skeptical if the Tanzania Revenue Authority will be able to achieve the object and reason incorporated under The Finance Bill of 2016. There are a number of reasons that may be attributed to the said anticipated failure. That is, inadequate number of employees the authority has to effectively administer and manage a plethora of processes for property rate collection; broad nature of the scope of operation where property tax administration and management is expected to cover; and presence of sufficient amount of monies to administer property identification, valuation, assessment and distribution of demand bills. Taking into consideration the number and areas of local government authorities and any geographical areas to be declared rateable by the Minister responsible for finance in consultation with the Minister responsible for local government for the authority to discharge its duties, a substantial amount of monies is required.

An effective administration of property tax requires an adequate number of persons endowed with requisite knowledge and skills on property taxation. These people are needed for the purposes of undertaking the upstream and downstream processes relating to property taxation such as identification, registration, valuation, assessment, generation and distribution of demand bills, the collection of rates, accounting for rates, enforcement and recovery of property rates. The case can be made from Kinondoni Municipal Council that employed and used

more than five hundred (500) in-house and out-house staff to facilitate management of property tax within the municipality. These staffs were used to undertake inspection and assessment of all properties yet to be valued in the area. Besides that, they were responsible for entering data into property register, generating and distributing demand bills, mobilizing owners of property to pay rate, collecting, enforcing and recovering the rates.

Table 4: Persons used in Property Administration and Related Tasks

SN	Valuers	MEO	WEO	Mtaa Leaders	Max Malipo
1	34	34	171	171	171
2	Assess, value, prepare roll	Collect info, enter data in the register	Distribute bills, monitor collection	Mobilize owners pay due rates	Distribute bills, follow-up payment of property rates

Source: Kinondoni Municipal Council Profile, 2014

The table hereinabove referred shows that more than five hundred (500) persons were employed by the Kinondoni Municipal Council to ensure effective and efficient administration of property tax. The list takes on board both administrative staff and political leaders residing within or outside the municipality. Taking into account a such number of persons who were only employed by the Kinondoni Municipal Council, it remains susceptible if the Tanzania Revenue Authority will, definitely, be able to undertake accordingly the function devolved before it by the law. The number of employees the authority has is gravely insufficient compared to the scope of operation, that is, the area where property tax is sought to be collected. Moreover, it is still unknown if the employees of the Tanzania Revenue Authority have sufficient expertise in property tax administration. Giving her contribution in the House in the 2013/2014 parliamentary budget sessions, one Special Seat Member of Parliament alerted Tanzania Revenue Authority would not necessarily be in a superior position to administer local property rates since it has no particular expertise in the property valuation or enforcement of property tax payment.¹

The table shows that every cadre ranging from administrative staff to political leaders had the role to play. It ranges from identification of the most recently developed properties to mobilization and collection of property rates due. The technocrats concentrated on undertaking the technical part of property tax administration. That is, collecting property information through stationed sub-ward officers and present them before the Data Revenue Section, preparing softcopies for collected data by Information and Communication Technology Section and verifying and valuing the said properties following with collection after demand notes have been distributed. Political leaders, on the other hand, concentrated mainly on policy issues like making decisions that enabled technocrats to undertake their responsibilities without hurdles and mobilizing owners of rateable properties to fully co-operate with local government staff in valuation and timely payment of due rates. In some cases, mtaa political leaders assisted the technocrats in the distribution of demand note.

5 Conclusion

The proceeds of property rates serve service delivery in local government authorities. However, it is annoying that while the government is busy re-centralizing the administration and management of property tax, in most local government authorities facilities are either lacking or deteriorated beyond repair and such anomalies are yet to be corrected. Road networks in some parts of urban authorities have developed potholes. Worse still, in some areas access roads are lacking. Some quarters of the town lack pipe borne water, insufficient health care centers and poor drainages, among others. This forced most residents to construct their own waste sewerage system for disposing of unwanted materials. With property tax as a source of revenue at disposal of local government authorities the problems would be taken care of. Re-centralization of property rates administration and management will, therefore, increase the fiscal constraints to local government authorities to the extent that they will be unable to meet both the legislative and constitutional mandate of delivering timely and quality services to the public.

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