



*Afrobarometer Briefing Paper No. 122*

## **Tanzania: Citizens' Perceptions and Attitudes Towards Taxation, Tax Enforcement and Tax Officials**

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June 2013

### **1. Introduction**

The last two decades have seen Tanzania implement important reforms of its tax system in search for more reliable financing for development, other than foreign aid. Thanks to these efforts, revenue raised domestically has grown noticeably, from 12.2 percent of Gross Domestic Product (GDP) in fiscal year 1997/8 to 17.8 percent of GDP in 2011/12. Nonetheless, spending growth has outpaced revenue growth considerably. In 2011/12 public spending as a share of GDP stood at 31.2 percent, compared to 15.2 percent in 1997/98 (IMF, 2000; IMF, 2012) implying a much larger tax—spending gap today than a decade ago.

The ongoing drive to build fiscal self-sufficiency holds several possibilities for Tanzania. First, the government will have more predictable financing for development interventions. Currently, with about a third of the national budget still financed through foreign assistance (URT, 2013), Tanzania remains fiscally vulnerable to changes in foreign aid inflows. Second, by becoming less aid dependent, government officials will have stronger incentive to refocus their attention towards dialogue with and accountability to the local electorate. And third, as more people pay taxes, more citizens will be motivated to pay attention to how the state accounts for tax payers' resources (i.e. how the state manages public resources; delivers public goods and services; and accounts to the electorate), and to seek ways to increase their leverage in dialogue with state officials. In short, these efforts may help to build popular demand for accountability, thus ensuring that the social contract that exists between the citizens and the state is honored.

But what are the popular opinions and attitudes among Tanzanians towards taxation and tax enforcement? Are public views supportive of, or a hindrance to, the country's drive to attain higher revenues? The Afrobarometer surveys have been tracking public opinions and attitudes towards taxation in Tanzania since 2001. This brief uses this data to explore contemporary public opinions and attitudes towards taxation, tax enforcement and tax officials.

### **2. Afrobarometer Surveys**

The Afrobarometer is a comparative series of public attitude surveys, covering 35 African countries in Round 5 (2011-2013). It measures public attitudes on democracy and its alternatives, and evaluations of the quality of governance and economic performance. In addition, the survey assesses the views of the electorate on critical political issues in the surveyed countries. The Afrobarometer's main goal is to produce scientifically reliable data on public opinion in Africa while strengthening institutional capacities for survey research, and sharing research findings to

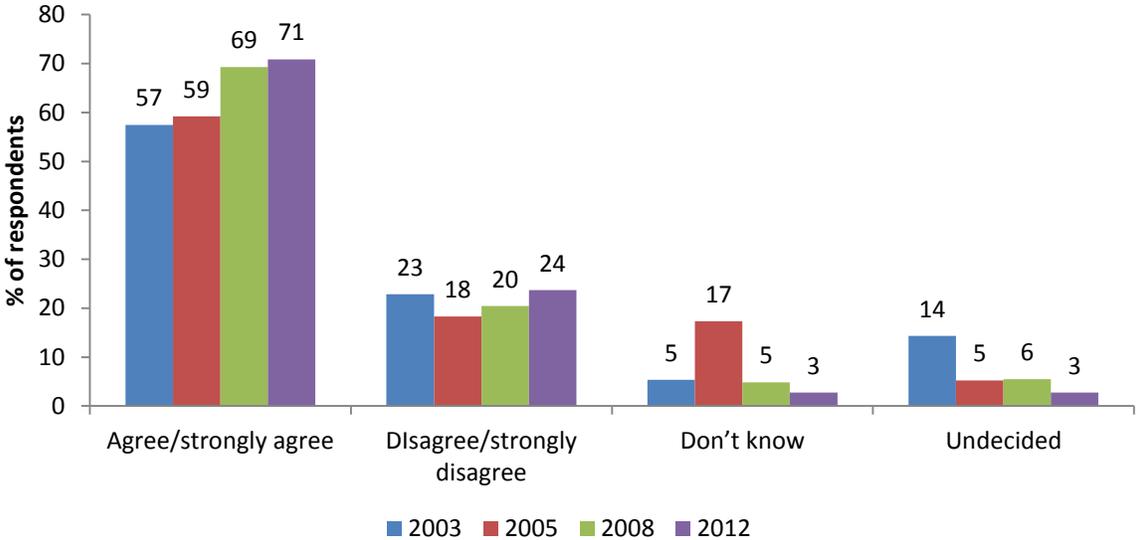
inform policy and practice. The Afrobarometer uses a common survey instrument and methodology in all countries, thus permitting systematic comparisons in public attitudes both across countries and over time. Previous surveys have been conducted in Tanzania in 2001, 2003, 2005 and 2008.

The 2012 survey methodology was based on a national probability sample of 2400 adult Tanzanians selected to represent all adult citizens of voting age, allowing for inferences with a sampling margin of error of +/-2 percent at a 95 percent confidence level. The sample was drawn randomly based on Probability Proportionate to Population Size (PPPS), thus taking account of population distributions, gender as well as rural-urban divides. The sampling process ensured that every adult Tanzania citizen had a proportionate and known chance of being selected in the sample. A purposive oversample was done in Zanzibar to produce a sub-sample of sufficient size for analysis. National results are, however, weighted to reflect the actual proportions of each region in the total population. Fieldwork in Tanzania was conducted by the REPOA between May and June 2012.

**3. Support for Tax Authorities’ Mandate**

The Afrobarometer has been tracking Tanzanians’ views about the legitimacy of the mandate of tax authorities by asking whether the tax authorities have the right to make people pay taxes. This question has been asked in four survey rounds (2003, 2005, 2008 and 2012). There is a growing consensus among Tanzanians about the legitimacy of tax authorities’ mandate to collect taxes. The proportion of Tanzanians agreeing that authorities can make people pay taxes has increased by 14 percentage points, from 57 percent to 71 percent, between 2003 and 2012 (Figure 1). Similarly, more citizens were informed and expressed an opinion about this issue during the 2012 survey compared to earlier rounds. Very few respondents said in 2012 that they did not know whether tax authorities should make people pay taxes.

**Figure 1: Tax authorities always have the right to make people pay taxes**



*Question: For the following statement, please tell me whether you disagree or agree: The tax authorities always have the right to make people pay taxes.*

A slightly higher proportion of residents of Zanzibar (76 percent) and urban areas of Tanzania (73 percent) view the authorities mandate positively, compared to residents of Mainland (71 percent) and rural areas (70 percent), respectively (Table 1).

**Table 1: Support for Mandate of Tax Authorities, by Locality, 2012 (percent)**

	Mainland vs. Zanzibar		Urban vs. Rural		Total
	Mainland	Zanzibar	Urban	Rural	
Agree/strongly agree	71	76	73	70	71
Disagree/strongly disagree	24	18	23	24	24
Don't know	3	5	1	4	3
Undecided	3	1	3	3	3

### Accessibility of Tax Information

Although people agree that tax authorities have the right to make people pay taxes, a majority also says it is not easy to know what they are supposed to pay to the government. For the first time in 2012, the Afrobarometer asked respondents how easy or difficult it is for them to find out what taxes and fees they are supposed to pay to the government. A majority (72 percent) said it was either 'difficult' or 'very difficult' to get this information (Table 2). A higher proportion of respondents in Zanzibar (84 percent) said it was difficult to access tax information compared to Mainland (71 percent). This suggests a need for tax authorities to step up transparency and public outreach efforts to enable citizens to access tax information more easily.

**Table 2: Accessibility of Tax Information (percent)**

	Mainland Vs. Zanzibar		Urban vs. Rural		Total
	Mainland	Zanzibar	Urban	Rural	
Difficult/ very difficult	71	84	71	72	72
Easy/ very easy	23	13	27	21	23
Don't Know	6	3	2	7	6

*Question: How easy or difficult is it to find out what taxes and fees you are supposed to pay to the government?*

### Awareness about Tax Policies and Obligations

Afrobarometer attempted to establish the level of citizens' awareness of obligation to pay value added tax and income tax during the 2012 survey round by asking respondents to say whether or not they were supposed to pay the taxes in question. As Table 3, Table 4 and Table 5 shows, a sizeable proportion of Tanzanians are misinformed about tax obligations. A glaring example in this case is the general consumption tax, Value Added Tax (VAT). Charged in Tanzania at a standard rate of 18%, the VAT is automatically included in purchase prices of goods and services people buy. When respondents were asked to say whether they were required to pay this tax or not, 55 percent said they were not even though everyone pays it on purchase of goods and

services. Another 8 percent said they did not know whether or not they were required to pay value added tax.

**Table 3: Awareness of Taxes on Food and Goods (percent)**

	Mainland vs. Zanzibar		Urban vs. Rural		Total
	Mainland	Zanzibar	Urban	Rural	
<b>Yes, I am required to pay</b>	36	67	45	33	37
<b>No, I am not required to pay</b>	56	30	49	58	55
<b>Don't know</b>	8	3	5	9	8

*Question: Regardless of whether you are able to pay them, are you required to pay value added tax on the food or goods that you buy from shops or traders?*

Scrutiny of citizens awareness of obligation to pay income tax (for people in paid employment and self-employment, show that 44 percent of those in paid employment either thought they did not have an obligation to pay income tax (37 percent) , or did not know (7 percent) they had such an obligation, (Table 4).

**Table 4: Awareness of Income Tax Obligation (percent)**

	Mainland vs. Zanzibar		Urban vs. Rural		Total
	Mainland	Zanzibar	Urban	Rural	
<b>Yes, I am required to</b>	55	81	62	53	56
<b>No, I am not required</b>	37	17	34	38	37
<b>Don't know</b>	8	1	4	10	7
<b>Total</b>	100	100	100	100	100

*Question: If you have paid employment, are you required to pay an income tax, that is, a tax deducted from your wages by your employer?*

*Note: Those without paid employment are excluded. N= 604.*

Similarly 39 percent of those in self-employment said that they are not required to pay taxes on their earnings, while 4 percent did not know they had such an obligation (Table 5). Generally residents of urban areas and Zanzibar islands appear to be better informed about tax obligations compared to those residing in rural areas and the mainland respectively.

**Table 5: Awareness of Self-Employment Tax Obligations (percent)**

	Mainland vs. Zanzibar		Urban vs. Rural		Total
	Mainland	Zanzibar	Urban	Rural	
<b>Yes, I am required to</b>	56	70	64	53	57
<b>No, I am not required</b>	39	30	34	42	39
<b>Don't know</b>	4	1	2	5	4
<b>Total</b>	100	100	100	100	100

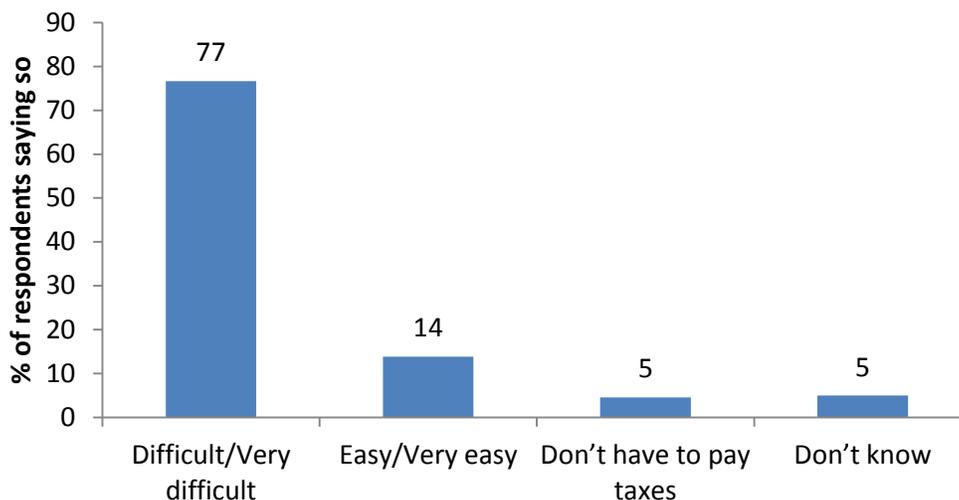
*Question: If you are self-employed, are you required to pay a tax on the earnings from your business or job?*

*Note: Only includes those who are self-employed; all others excluded. N= 1,284.*

#### 4. Tax Enforcement

One of the strategies to achieve fast growth in revenues is through cultivating a sense of personal responsibility among individuals to report their income and pay their taxes honestly. In part, this can be done through enforcing tax laws meticulously (Uslaner, no date). To understand the effectiveness of tax enforcement measures, the Afrobarometer asked citizens, during the 2003, 2005 and 2012<sup>1</sup> survey rounds about how easy or difficult it is to avoid paying income and property taxes. About 77 percent of respondents of the 2012 survey said that it is indeed difficult (Figure 2).

**Figure 2: Difficulty of Tax Avoidance, 2012 (percent)**



*\*numbers do not add up to 100% due to rounding.*

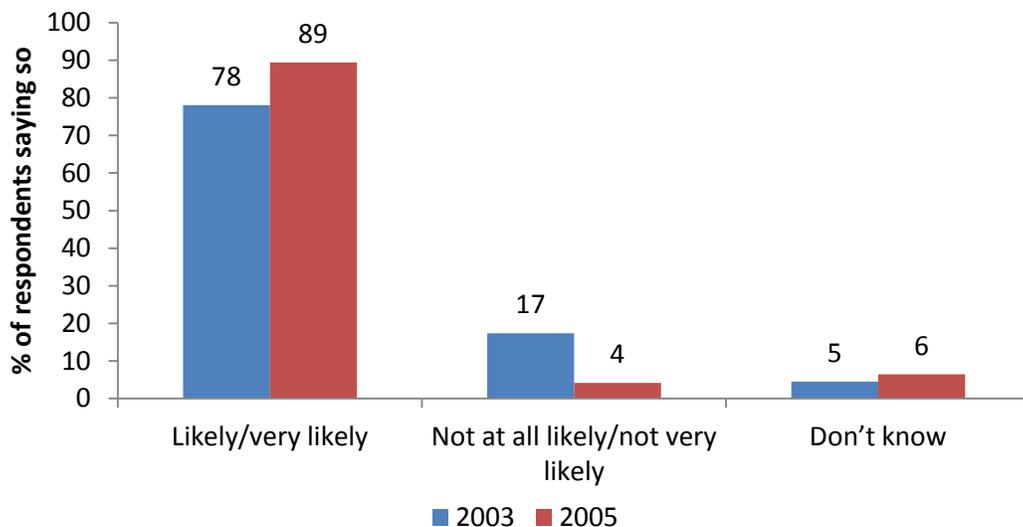
*Question: Based on your experience, how easy or difficult is it to avoid paying the income or property taxes that you owe to government?*

Even so, when responses to the 2012 survey question are compared to responses to a modified version of this question asked in 2003 and 2005, the opinions suggest that tax enforcement may have become somehow more lax in recent times. In 2003 and 2005, respondents were asked to say how likely it would be that authorities could enforce the law if a person like them did not pay income taxes. At its peak in 2005, 89 percent of respondents believed the law would be enforced if they failed to pay tax on part of their income (Figure 3).

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<sup>1</sup> The Afrobarometer question assessing strength of tax enforcement measures is asked differently in 2012 compared to how it was asked in 2003 and 2005 (see formulation below Figure 2 and Figure 3). While in 2012 respondents are asked how easy or difficult it is to avoid paying taxes, in 2003 and 2005 they are asked how likely it is that the authorities could enforce the law if they did not pay taxes on income they earned.

**Figure 3: Likelihood of Enforcement: Income Taxes, 2003-2005 (percent)**

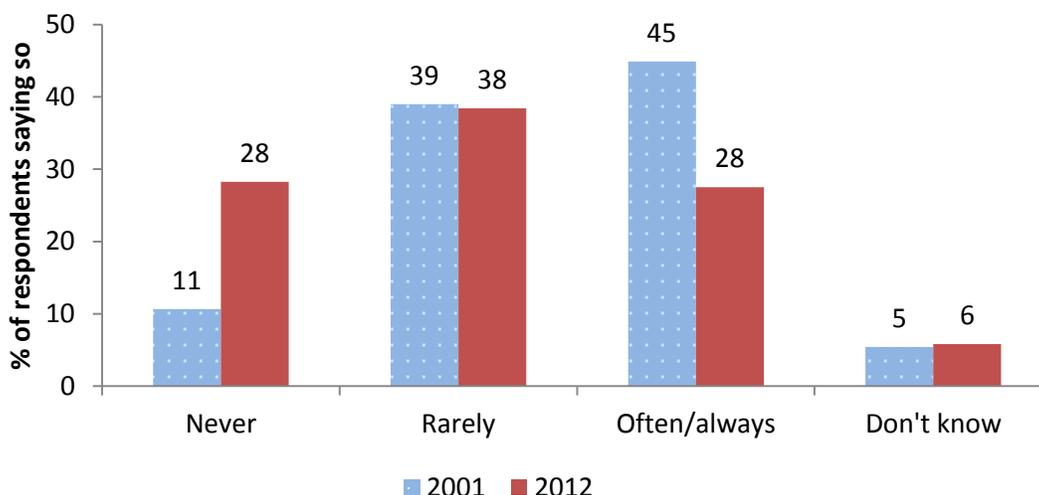


*Question: How likely do you think it would be that the authorities could enforce the law if a person like yourself did not pay a tax on some of the income they earned?*

**Tax Avoidance**

The view that it is difficult to avoid taxes is further reflected in the decline in perceived frequency with which people avoid paying taxes. The question to assess this aspect has been asked twice, in 2001 and 2012. The proportion of respondents who say that people often or always avoid paying taxes declined by about 17 percentage points between 2001 and 2012, from 45 percent to 28 percent (Figure 4). Even so, people do not believe that everyone is paying taxes they owe the government honestly. Only about 3 in 10 people (28 percent of respondents in 2012) say that people never avoid paying taxes to the government.

**Figure 4: Frequency of Tax Avoidance**



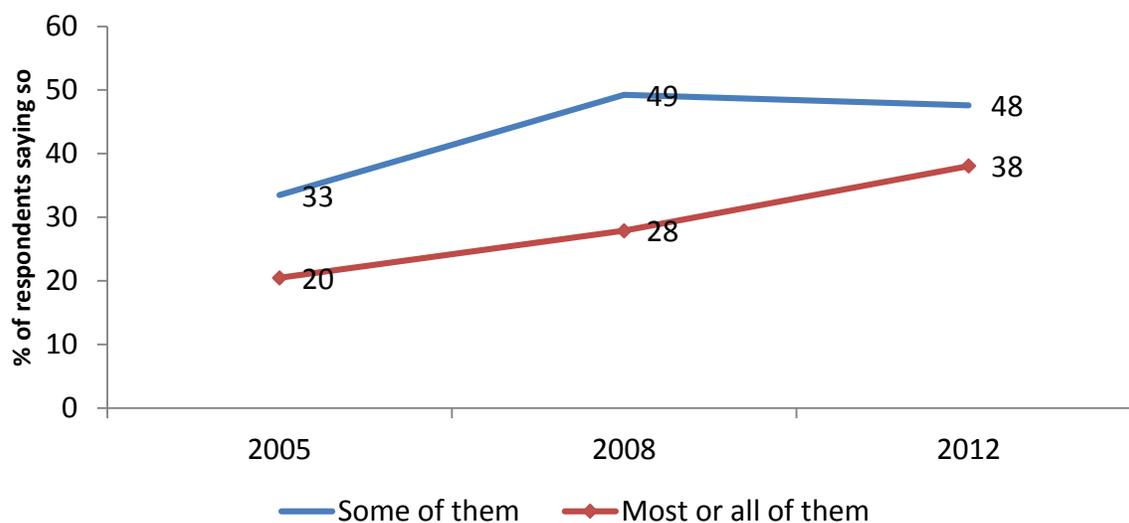
*Question: In your opinion, how often, in this country do people avoid paying the taxes that they owe the government?<sup>2</sup>*

<sup>2</sup> There were again some differences in question wording and response options in 2001. The question asked: “In your opinion, how often do Tanzanians break the law by evading income taxes?” Response options were “never”,

### Perceived Corruption among Tax Officials

The Afrobarometer asked respondents about their perception of corruption among tax officials in 2005, 2008 and 2012. It looks as if the more people have gotten to know tax officials, the more their trust in them has been shaken. The 2012 survey results show that 86 percent of citizens believe that at least some tax officials are involved in corruption (Figure 5). This is a substantial jump compared to 2005 (53 percent). This steep decline in trust suggests that there may be a need for the tax authorities to invest in restoring the credibility of its agents in the eyes of the general public. This is important since a highly negative image of tax officials may stand in the way of the state's efforts to raise more revenues domestically.

**Figure 5: Perception of corruption among tax officials**



*Question: How many of Tax Officials, like TRA officials or Local Government tax collectors, do you think are involved in corruption, or haven't you heard enough about them to say?*

### Self-Reported Tax Compliance

When asked whether they had refused to pay a tax or fee to the government during the past year, 78 percent of respondents indicated that they had honored their tax obligation (Table 6). There is no significant different in self-reported tax compliance between urban (79 percent) and rural dwellers (78 percent) or between male (77 percent) and female respondents (80 percent) (not shown). But there is a marked difference between mainland Tanzanians (77 percent) and Zanzibaris (90 percent).

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“occasionally”, “most of the time”, and “always”. For comparison with 2012 responses for 2001 are interpreted such that “occasionally” is equivalent to “rarely” and, “most of the time” and “always” equivalent to “often” and “always”, respectively.

**Table 6: Self-Reported Tax Compliance by Location, 2012 (percent)**

	Mainland vs. Zanzibar		Urban vs. Rural		Total
	Mainland	Zanzibar	Urban	Rural	
<b>No, would never do this</b>	53	69	51	54	53
<b>No, but would do if had the chance</b>	26	21	28	24	25
<b>Yes, once or twice</b>	8	2	8	8	8
<b>Yes, often or several times</b>	14	7	12	14	13

*Question: Tell me whether you personally have refused to pay a tax or fee to government during the past year. If not, would you do this if you had a chance?*

There is also considerable variation in self-reported compliance by levels of education. More educated respondents are more likely to admit to not having paid taxes (16 percent) compared to respondents who have only primary education or no formal education (13 and 12 percent, respectively) (Table 7). A sizeable proportion of respondents (45 percent) further show an inclination to not want to pay taxes (either they have avoided paying tax at least once (20 percent) or have not, but would consider doing so if they can get away with it (25 percent).

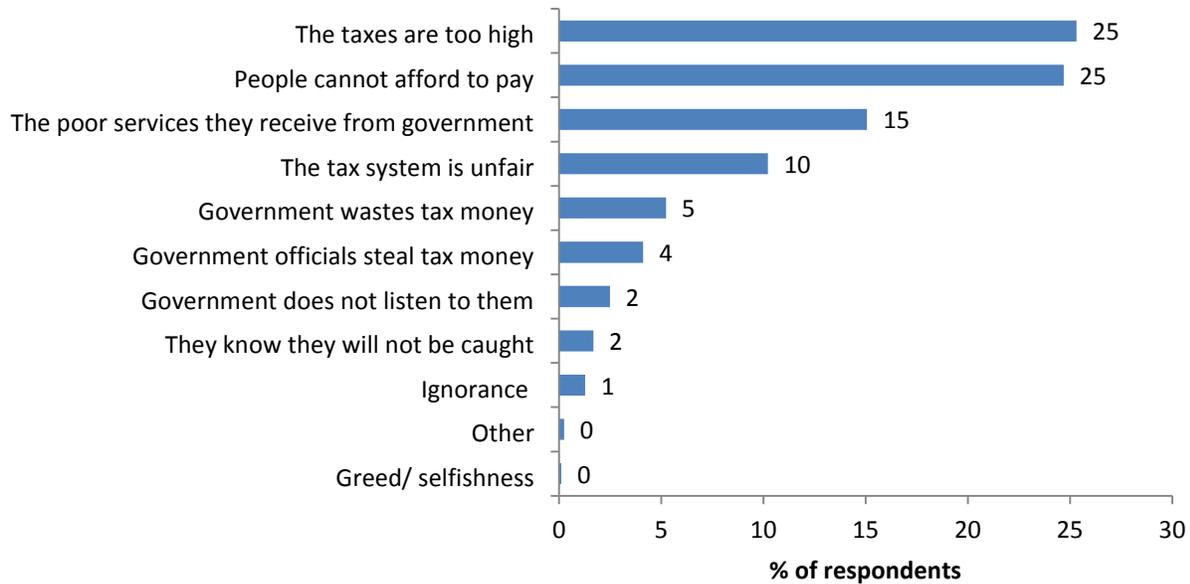
**Table 7: Self-Reported Tax Compliance by Education Level, 2012 (percent)**

	None	Primary	Secondary	Post-Secondary	Total
<b>No, would never do this</b>	60	54	47	45	53
<b>No, but would do if had the chance</b>	23	25	30	27	25
<b>Yes, once or twice</b>	5	8	8	12	8
<b>Yes, often or several times</b>	12	13	15	16	13

### **The Weight of the Tax Burden**

People may refuse to pay taxes for various reasons. The Afrobarometer survey asked respondents why they think people sometimes avoid paying taxes to the government. Three reasons are cited most frequently: taxes are too high, people cannot afford to pay, and the poor quality of government services (Figure 6).

**Figure 6: Why People Don't Pay Taxes**

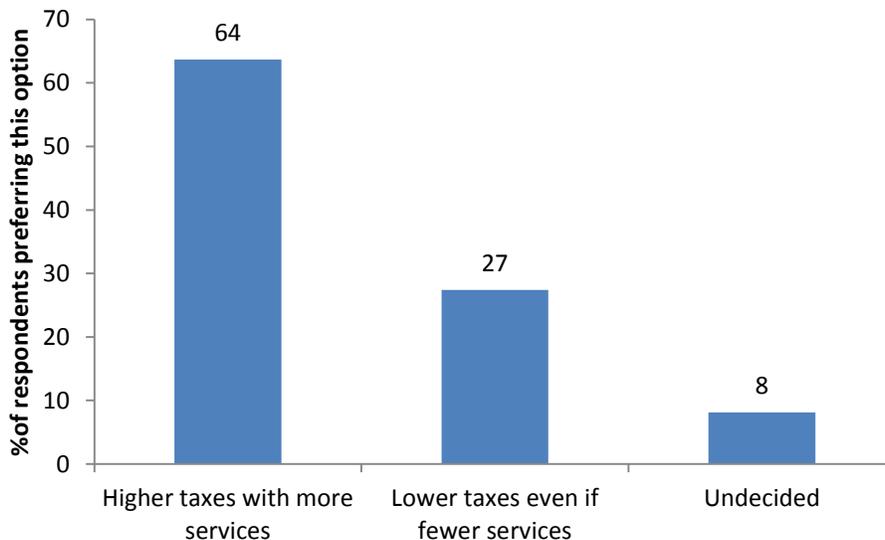


*Question: What do you think is the main reason that some people avoid paying government the taxes and fees that they owe?*

**Willingness to Pay More to Get More**

The Afrobarometer asked respondents to indicate their preference between two statements: “higher taxes, if it means that there will be more services provided by government” (Statement 1), or “lower taxes, even if it means there will be fewer services provided by the government” (Statement 2). Although the tax burden is the most frequent complaint, a comfortable majority (64 percent) still prefers higher taxes provided there are more services provided by the government (Figure 7).

**Figure 7: Support for higher Taxes with more Services**



*Q: Which of the following statements is closest to your view? Choose statement 1 or statement 2:  
Statement 1: It is better to pay higher taxes, if it means that there will be more services provided by government.  
Statement 2: it is better to pay lower taxes even if it means there will be fewer services provided by government.*

More educated respondents are even more likely to prefer higher taxes in exchange for more services (Table 8).

**Table 8: Support for higher Taxes for more Services, by education (percent)**

	Education Level*				
	None	Primary	Secondary	Post-Secondary	Total
<b>Prefer higher taxes with more services</b>	53	62	73	79	64
<b>Prefer lower taxes even if fewer services</b>	36	28	23	17	27
<b>Undecided</b>	7	9	4	4	8

\*For each education level, the category includes those who have completed part or all of that level, e.g., “some primary” and “primary completed” are combined in the “primary” category, and so forth.

Q: Which of the following statements is closest to your view? Choose statement 1 or 2:

Statement 1: It is better to pay higher taxes, if it means that there will be more services provided by government.

Statement 2: it is better to pay lower taxes even if it means there will be fewer services provided by government.

## 5. Conclusion

The current drive to raise more revenue domestically will be a key component of Tanzania’s fiscal policy in the foreseeable future. Popular opinions suggest that a majority of Tanzanians concede the legitimacy of tax authorities making people pay taxes. In addition, a significant proportion of respondents prefer higher taxes with more public services to low taxes with fewer services. Popular perceptions suggest, furthermore, that tax authorities are succeeding in making tax evasion difficult—a large proportion of respondents indicates that it is difficult to avoid paying taxes.

Even so, people say that tax information is not easily accessible. The analysis shows, as a consequence, that many are misinformed about the VAT and income tax policies. In addition, public perception of corruption by tax officials is on the rise, a situation which not only dents the image of tax authorities but may also undermine the effectiveness of tax enforcement measures.

These findings suggest that there is a lot more to be done to enhance domestic tax collections. Firstly, tax education and outreach, as well as strengthened enforcement, can encourage more voluntary compliance. Tax education measures such as introducing tax education in school curriculum, running TV and Radio tax outreach broadcasts, and tax education blogs are all worth considering. Citizens, for their part, can also choose to be more proactive in seeking tax information to enhance their awareness of tax policies.

Secondly, there is a need to restore citizens’ confidence in tax officials. To combat the growing perceptions of corruption among tax officials, tax authorities need to take bold steps to ensure that every eligible tax payer is treated fairly and equitably and that corrupt officials are investigated and removed from their ranks.

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The **Afrobarometer** is produced collaboratively by social scientists from more than 30 African countries. Coordination is provided by the Center for Democratic Development (CDD-Ghana), the Institute for Justice and Reconciliation (IJR) in South Africa, the Institute for Development Studies (IDS), University of Nairobi, and the Institute for Empirical Research in Political Economy (IREEP) in Benin. Survey implementation in Tanzania, including preparations, data collection and management and overall project coordination, was undertaken by Research on Poverty Alleviation (REPOA). We gratefully acknowledge generous support from the UK's Department for International Development (DfID), the Mo Ibrahim Foundation, the Swedish International Development Agency (SIDA), the United States Agency for International Development (USAID), and the World Bank for support for Afrobarometer Round 5. For more information and further requests for analysis on Tanzania please visit Afrobarometer website: [www.afrobarometer.org](http://www.afrobarometer.org) or contact Abel Oyuke: email: [abeloyuke@yahoo.co.uk](mailto:abeloyuke@yahoo.co.uk); or Rose Aiko: +255 22 2700083; email: [raiko@repoa.or.tz](mailto:raiko@repoa.or.tz).