POLICY BRIEF

"EXPANDING TANZANIA'S TAX BASE THROUGH PROPERTY AND CORPORATE TAXATION"

About the Brief

This policy brief offers a succinct analysis of Tanzania's present state of property and corporate taxes. It emphasizes their economic contribution, the obstacles to revenue collection, a comparison with regional counterparts, and the influence of significant economic factors. Understanding these elements is vital for creating effective policies to boost domestic resource mobilization and support Tanzania's developmental objectives.

It aims to Unlock Tanzania's Fiscal Potential by Strengthening Property and Corporate Taxation for Sustainable Development. These will reduce Tanzania's significant reliance on Indirect taxes and restrict its ability to mobilize sufficient domestic resources for development. These reforms are vital not only for increasing revenues but also for promoting equity, improving public service delivery, and achieving long-term development goals such as FYDP III and the SDGs.

Policy and Legal framework

Tanzania's tax system is primarily governed by the Income Tax Act 2004, the Value Added Tax Act 2014, the Tax Administration Act 2015, and the Tax Revenue Appeals Act 2000, along with their respective amendments.

Property tax in Tanzania is governed by the Local Government Finance Act of 1982 and the Urban Authorities (Rating) Act of 1983. The 1982 act empowers all local authorities to impose a flat-rate property tax through by-laws, subject to central government approval. Urban and township authorities, under the 1983 act, have the option to base property tax on the value of buildings.

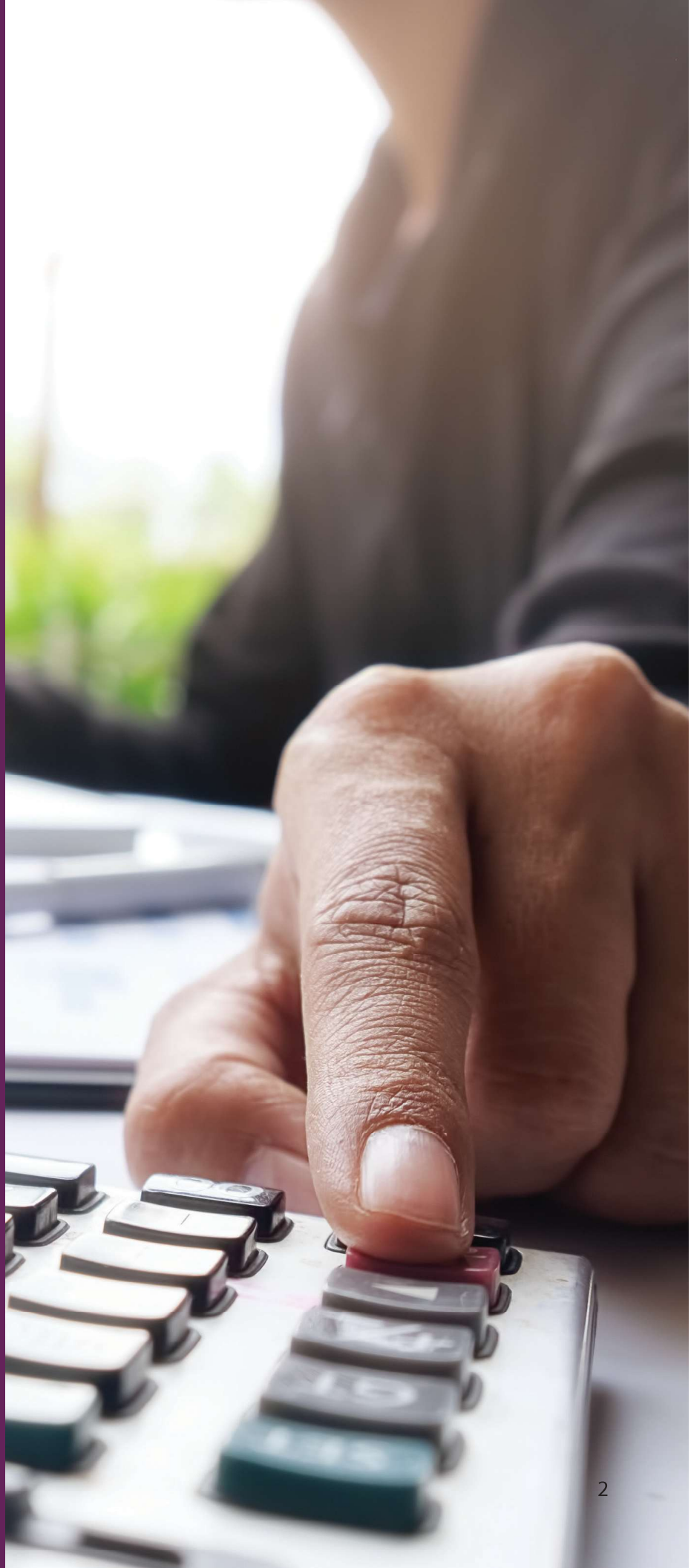
1. United Republic of Tanzania, Income Tax Act, Cap 332 (2004); Value Added Tax Act, 2014; Tax Administration Act, 2015; Tax Revenue Appeals Act, 2000

2. Local Government Finance Act, 1982; Urban Authorities (Rating) Act, 1983.

However, reforms have been introduced, such as the President's Declaration in 2018, which set a flat rate for property tax: TZS 10,000 for standard houses and TZS 50,000 for multi-story buildings. These measures aim to simplify and enhance tax collection. The tax base for property tax in Tanzania mainland is 13,907,951. Of these, 61,258 are storey buildings, while 13,152,298 are non-storey buildings. 694,395 buildings are under construction.

Capital gain in Land and Buildings are mandated by income Tax Act Cap 332 Section 39,53 and 90 stipulate that any gain from realizing land or buildings in Tanzania is subject to income tax, payable in a single installment: 10% for residents and 20% for non-residents and 30% for corporation. The Finance Act, 2023, further introduced a 3% flat capital gains tax for individuals without proper records.

Corporate taxation in Tanzania is primarily governed by the Income Tax Act, CAP 332. This Act outlines the rules and regulations concerning the taxation of income derived by companies and other corporate entities within the country. The rules and regulations are such as Companies to be registered with the TRA, file tax returns, and the standard corporate tax rate is 30% for resident corporations and permanent establishmentsof non-resident corporations.



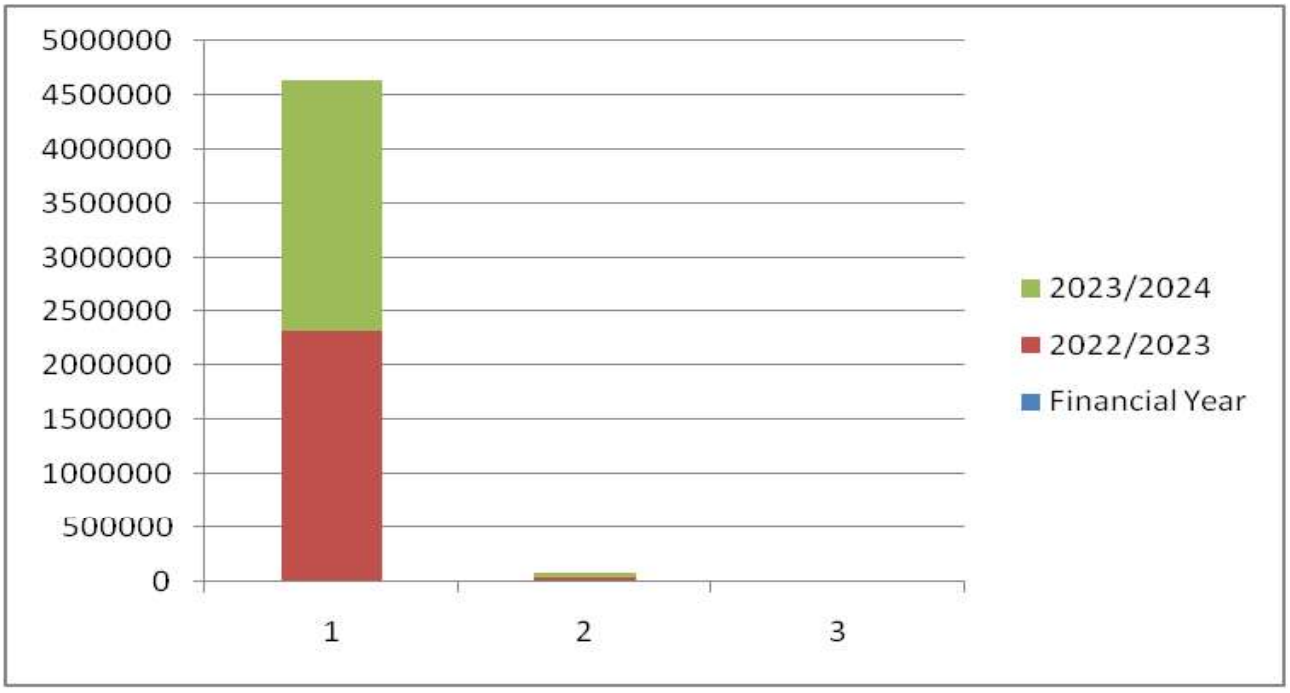
Context and Background

- ***Current Contribution of Property and Corporate Taxes to DRM:***

Property tax has historically made a minimal contribution to Tanzania's economy and indicates a substantial potential revenue gap. Corporate tax, being a key component of direct tax revenue, has shown a declining trend in its contribution to Tanzania's economy, as indicated below .

Financial Year	Corporate Tax (millions)	Property Tax (millions)
2022/2023	2,323,367.4	43,504.08
2023/2024	2,315,349.1	39,469.31

(Source: Tanzania Revenue Authority, 2024 Budget Speech)



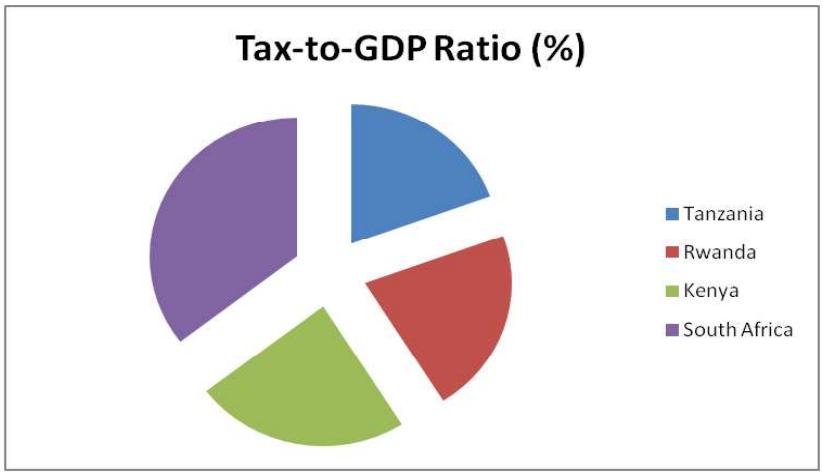
3 Ministry of Finance, President's Directive on Property Tax Reform, 2018
4 Tanzania Revenue Authority (TRA), Domestic Revenue Report, 2024.
5 Income Tax Act, Cap 332, Sections 39, 53, 90.
6 Government of Tanzania, Finance Act, 2023
7 TRA, Corporate Taxpayer Guide, 2022.
8 Ministry of Finance, The Budget Execution Report for The First Quarter of the Year 2024/25 (July to September 2024)
9 International Centre for Tax and Development (ICTD), Property Tax Reform in Tanzania, 2021
10 Government of Tanzania, Budget Speech 2023/24, Ministry of Finance and Planning.

Comparison with Regional Peers: Tax-to-GDP Ratio

Comparing Tanzania's 14.9% tax-to-GDP ratio with regional peers reveals potential areas for improvement. In 2022, Rwanda's tax-to-GDP ratio was 16.5%, and Kenya's was 16.8%, both higher than Tanzania's. South Africa's tax-to-GDP ratio was significantly higher at 27.1% in 2022. These comparisons indicate that Tanzania has a lower capacity for revenue mobilization compared to some regional counterparts.

Table 2: Tax-to-GDP Ratio Comparison of Tanzania and Regional Peers

Country	Tax-to-GDP Ratio (%)	Year Source
Tanzania	14.9	2025
Rwanda	16.5	2022
Kenya	18.0	2025
South Africa	27.1	2022



- ***Impact of Informality, Tax Incentives, and IFFs:***

The large informal sector in Tanzania significantly impacts tax collection, narrowing the tax base for both property and corporate taxes.

Tax incentives can reduce corporate tax revenue in the short term, and property tax exemptions also exist. The effectiveness of these incentives in generating long-term revenue requires careful evaluation.

Illicit financial flows (IFFs) represent a substantial drain on Tanzania's potential tax revenue, estimated at $1.83 billion annually, eroding the corporate tax base through tax evasion and transfer pricing manipulation, particularly in the extractive sector.

11 OECD/ATAF/AUC, Revenue Statistics in Africa 2023.

Analysis of the Issues

1.1 Property Taxation Challenges in Tanzania

The government has initiated reforms to enhance property tax administration, including aerial photographic surveys for better property identification and efforts to computerize tax rolls. Institutional reforms have shifted property tax collection mandates between LGAs and the Tanzania Revenue Authority (TRA) to improve efficiency despite of the efforts mentioned property taxation face some challenges as stipulated

- ***Outdated Valuation Systems:***

Property valuations in Tanzania have historically been sporadic and often lack proper maps or systematic property identification systems. Valuations predominantly use a replacement cost approach, resulting in valuations significantly below actual market values (estimated at 30-50% of market value) and under-assessment of properties for tax purposes. Although the legal framework requires valuation rolls to be updated every five years, delays and inefficiencies persist due to centralized appeals tribunals and limited in-house expertise.

- ***Poor Compliance and Narrow Tax Base:***

Property tax compliance is low, partly due to taxpayers' perception that payments do not translate into improved local services. Many property owners do not pay taxes, and local authorities have historically focused on wealthier areas, leading to a narrow tax base and low revenue collection (approximately 0.1% of GDP).

- ***Low Administrative Capacity in Local Government Authorities (LGAs):***

Local governments face limited capacity in identifying, assessing, and collecting property taxes, resulting in revenue losses. ActionAid in the sealing of the gap reported that Tanzania loses Tsh 109.5 billion (USD 50.2 million) per year from 2015/16 to 2018/19 due to inefficiencies of LGAS. The lack of computerization and systematic procedures further complicates tax roll maintenance, and LGAs struggle to meet revenue collection targets, often collecting less than 50% of planned revenue, which weakens their ability to finance public services.

- ***Disconnect Between Tax and Service Delivery:***

Taxpayers often resist paying property taxes due to the perceived lack of tangible benefits, such as improved urban infrastructure or services. This disconnect undermines voluntary compliance and the legitimacy of tax collection efforts.

1.2 Corporate Tax Challenges in Tanzania:

Tanzania's corporate tax system faces several key challenges that hinder its effectiveness in generating revenue and promoting economic development.

Unnecessary tax incentives

The tax incentives often lack clear objectives and targeting, diluting their impact by benefiting businesses that would likely invest regardless. The absence of robust monitoring and evaluation mechanisms further compounds this issue, making it difficult to assess the true costs and benefits of these incentives and allowing inefficient ones to persist.
Weak enforcement mechanisms

The Tanzania Revenue Authority (TRA) encounters difficulties in enforcing compliance, especially with large corporations involved in aggressive tax planning and profit shifting using transfer pricing abuses that drain substantial resources and undermine the tax system's integrity.

Unregistered Informal Sector:

A significant portion of Tanzania's economy operates informally, with many businesses unregistered and thus not paying corporate taxes. The informal workforce, comprising approximately 25.95 million workers in agriculture, small businesses, and retail trade, was 71.8% of the total workforce as of April 16, 2025. In 2021, revenue loss from not taxing the informal economy was Tsh 6.5 trillion (USD 2.8 billion).(ActionAid sealing the gap report 2022).

24 Tax Justice Network Africa (TJNA), Tax Incentives and Revenue Loss in Tanzania, 2020.
25 ActionAid, Tax Incentives in East Africa: Impacts and Policy Recommendations, 2021.
26 OECD, Base Erosion and Profit Shifting: Country-by-Country Reporting Compilation, 2023.
27 National Bureau of Statistics (NBS), Integrated Labour Force Survey Update, April 2025.
28 ActionAid, Sealing the Gaps: Illicit Financial Flows and Informal Sector Losses in Tanzania, 2022.

RECOMMENDATIONS FOR EXPANDING TANZANIA'S TAX BASE THROUGH PROPERTY AND CORPORATE TAXATION

1

Strengthen revenue and tax collection agencies

Government through the Ministry of finance should enhance the capacity of the Tanzania Revenue Authority (TRA) by ensuring adequate training, deploying digital tools, and ensuring sufficient staffing. This will lead to improved tax audits and compliance monitoring, with a specific focus on high-risk sectors and large corporate taxpayers.

2

Rationalize Tax Incentives:

The government should Conduct a thorough review of corporate tax exemptions and incentives, particularly those benefiting extractive industries and large-scale investors, to ensure they are economically justified and effective.

Parliament should enact and amend the legislation that governs Tax incentives by conducting a thorough review of corporate tax exemptions and incentives, particularly those benefiting extractive industries and large-scale investors, to ensure they are economically justified and effective.

3

Modernize Property Valuation and Registration:

The local government Authority Should Adopt modern methods like Geographic Information Systems (GIS), satellite imagery, and property mapping to determine property values more accurately and fairly. Establish a centralized digital property database with unique identifiers for each property to minimize duplication and fraud.

4

Build Local Government Capacity:

The government through the Ministry of Regional Administration and local Government authority should Ensure adequate training and staffing to equip LGAs with skilled personnel in property valuation, tax collection, and record management. Provide LGAs with digital tools, such as mobile devices and platforms, to streamline revenue collection and enable real-time payment monitoring.

5

Expand Coverage and Compliance:

The government through the ministry of finance should Broaden the tax base by identifying and including unregistered or informal properties, especially in peri-urban and informal settlements. Incentivize compliance by offering rebates or service-linked benefits (e.g., waste collection discounts or infrastructure improvements) to compliant property owners.

6

Link Taxation to Tangible Service Delivery:

Local government authority should ensure that a portion of property tax revenue is allocated to visible community projects (e.g., streetlights, roads, water) to build trust and demonstrate the value of tax payments. Implement public awareness campaigns to educate taxpayers on how their contributions support development.

CONCLUSION

The analysis reveals that both property and corporate taxation in Tanzania face significant challenges that hinder their contribution to the national GDP. Property tax currently contributes a very small fraction, indicating substantial untapped/ uncollected potential. Corporate tax, while more significant, has shown a declining trend in its relative contribution. These challenges are exacerbated due to the untaxed informal sector, the complex interplay of tax incentives, and the significant drain caused by illicit financial flows. Compared to regional peers like Rwanda and Kenya, Tanzania's overall tax-to-GDP ratio is lower, suggesting a need for more effective revenue mobilization strategies.