

EXAMINING THE TAXATION OF HIGH-NET-WORTH INDIVIDUALS IN TANZANIA

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ABBREVIATIONS

ATAF	African Tax Administration Forum
ATO	Australian Tax Office
ATP	Aggressive Tax Planning
BOT	Bank of Tanzania
BRELA	Business Registrations and Licensing Agency
CEO	Chief Executive Officer
CRS	Common Reporting Standard
FGD	Focus Group Discussion
HNWIs	High Net Worth Individuals
ICTD	International Center for Tax & Development
IMF	International Monetary Fund
KII	Key Informant Interview
LIC	Low Income Countries
NGN	Nigerian Naira
OECD	Non-Government Organization
PAYE	Pay As You Earn
PIT	Personal Income Tax
SBIRs	State Boards of Internal Revenue
TRA	Tanzania Revenue Authority
TZS	Tanzania Shillings
UNDESA	United Nations Department of Economic and Social Affairs
USD	United States Dollars

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EXECUTIVE SUMMARY

Taxation of High Net Worth Individuals (HNWIs) is a fairly new area, and countries are still experimenting with various approaches, with the main reform action in African countries being the establishment and operation of a dedicated HNWI Unit. The task of taxing this segment of taxpayers is challenging because HNWIs have complex tax affairs, are involved in cross-border transactions, and are politically connected which may end up limiting the enforcement capability of the revenue authorities.

This report generates valuable insights on the HNWIs in Tanzania and their taxation. Specifically, this study provides profile of HNWIs in Tanzania and their revenue Contribution. It also documents the leading practices in Taxation of High Net Worth Individuals in Africa. Finally, it benchmarks Tanzania's practice on Taxation of High-Net-Worth Individuals against the leading practices in Africa.

TRA defines HNWIs generally as those (individuals) having a unique and substantial contribution into the economy of the country through ownership of businesses or investment ventures in the various sectors of the economy plus a category of individuals who occupy high-ranking leadership positions in the public sector (TRA, 2024). Specific criteria, which range from owning a controlling interest in company shares and substantial interests in partnerships to holding leadership roles in government service, applied in identifying HNWIs. The study revealed that HNWIs represent a taxpayer segment that is worth focused attention due to the revenue potential involved, the unique challenges they present and the need to promote fairness, equity and integrity of the tax system.





The major findings show that:

HNWIs warrant focused attention because of the revenue potential they offer and the challenges they present to tax systems.

Attention to HNWIs is necessary, with hopes of both increasing the country's revenue collection and reducing income inequality.

The tax policy responses to the HNWIs currently show no targeted taxes or tax rates with a belief that there are already tax instruments which have a bearing on HNWIs (such as PIT on business, dividend taxes, capital gains taxes, taxes on royalties, taxes on rental income). Notably, however, discussions of possible targeting of HNWIs through a tax on net wealth or higher tax rate(s) are gaining ground.

There are essentially no tax law provisions targeted at HNWIs. In the determination that there is no need for targeted provisions reference is made to adequacy as regards effective access to information for tax administration needs. The same reference is thus relevant as regards, discussion. The main points being tax administration powers to obtain information including from third parties.

Consensus seems to converge on administrative responses to the HNWIs through the services of a dedicated unit in the organisation structure of the Tax Administration of a country.

From these findings, it is clear that HNWIIs are an important taxpayer segment deserving focused attention. The approaches taken so far recognize that the current tax regimes contain taxes that already facilitate taxation of HNWIIs, with discussions (touching upon higher rates or net wealth taxes for HNWIIs) in place for possible tax policy reforms in future. Existing tax laws are seen as providing the necessary legal framework to bring taxation of HNWIIs into effect. The major reform action thus has mostly been the introduction of dedicated units to deal with the HNWIIs. From these findings and conclusions, the study recommends:

- Adoption by the Government of a consultative process explore the possibilities of introducing a special income tax rate or a net wealth tax for HNWIIs. The developments in neighboring Kenya provide a good starting point.
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- Optimizing the developments in property taxation by exploring on the possibilities of higher rate for multi-storey buildings which are likely to be owned by HNWIIs
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- Undertaking a concrete investment scheme to strengthen the HNWIIs Unit within TRA in terms of staffing and technical capacities;
-
- Strengthening access to information through streamlining information sharing locally and internationally and joining international platforms aiding exchange of information
-
- Adoption of a set of other administrative measures such as lifestyle audits, and use of leaked documents (such as the Panama leaks) for more comprehensive information on HNWIIs and their tax affair.

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PART I

INTRODUCTION AND BACKGROUND

1.1 Motivation

High Net Worth Individuals (HNWIs) as a taxpayer segment is understood to present both opportunities for countries to increase their tax revenues; and challenges to the existing taxation practices of the countries. The opportunity is defined in terms of the potential that the HNWIs possess to contribute to government revenues. The challenges are associated with the general characteristics of the taxpayers in the HNWIs category. HNWIs are characterized by complexity of tax affairs; international mobility and access to sophisticated tax planning schemes (OECD, 2009).

Taxation of HNWIs is a relatively recent concept in taxation literature. Just over a decade ago it was simply absent in the board room discussions of many of the tax administrations in Africa (Masalu, 2018). Currently, many African countries have embarked on dedicated measures to target HNWIs as a special taxpayer segment (ICTD, 2024). The motivation behind these efforts is identifiable as promotion of more effective and equitable taxation. The critical question being whether the HNWIs are paying their fair share of taxes.

The view taken by this study is that, as an evolving subject, just past an infancy stage (if not still in), Taxation of HNWIs deserves continuous research attention. Important questions persist that deserve scientific answers. These include the very question of who really, among the population of taxpayers, should be accorded treatment as HNWIs? This question points to the necessity of clarity as regards the definitional criteria. Closely connected to definitional criteria is the question about the wealth characteristics (and hence the income streams) of HNWIs-which generates the issue of proper profiling of the taxpayer segment. Whether HNWIs are contributing their fair share of taxes is the ultimate question that continues to beg answers. The nature of wealth holdings and income streams of HNWIs could be seen to generate opportunities for tax avoidance, tax evasion and even lobbying for reduction in tax rates (Piketty, Saez and Stantcheva 2014; Cooper et al.2015; Alstadsaeter, Johanneses and Zucman, 2014; Dom et al.2022, as cited in ICTD, 2024).

1.2 Rationale

The importance of HNWIIs as a potential taxpayer segment is premised on concerns that this group may not be paying their fair share of taxes (despite their potential taxable capacity). Dependence on indirect taxes in the tax revenue collections and the dominance of corporate income tax and PAYE, as indicated below, signify low contribution of individual taxpayers and imply low compliance of the HNWIIs.

In the context of the pressing need to increase government revenue and enhance domestic resource mobilization necessary for financing sustainable development, coupled with a need to reduce increasing inequalities across the globe, such concerns call for attention by all concerned. For African countries including Tanzania, especially, there are concerns that there is a high degree of dependence on regressive indirect taxes; and underperforming personal income tax (PIT) systems which are affected by dependence on taxation of employment income through the PAYE system (Occhiali et al., 2025 and Morwa, 2024). Effective taxation of HNWIIs can thus be seen as opportunity to enhance the performance of PIT and tackle rising inequality.

Ideally, the questions that should underlie the taxation of HNWIIs will include whether or not a policy change is necessary; whether or not a legislative reform is required; and what sort of administrative reform is needed. As indicated below, the practices adopted by countries seem to have favoured administrative reforms (mostly by way of introducing a dedicated unit to deal with HNWIIs) than policy and legislative reforms. The rationale for scientific study of taxation of HNWIIs generally is built on the fact that this remains a new area in the world of taxation. As such, there is still a need for deeper understanding of the nature of individuals who qualify as HNWIIs; the nature of their tax affairs and the accompanying challenges posed; the nature of the practices adopted by countries in response and their applicability to particular situations. In the particular case of Tanzania, practice on taxation of HNWIIs is significantly new and scientific knowledge of this taxpayer segment, its characteristics, compliance behavior and revenue contribution remains scanty, warranting further study.

1.3 Research Objectives

1.3.1 Main objective

The main objective of the study is to generate comprehensive evidence on the profile, economic activities, and fiscal contribution of High Net Worth Individuals in Tanzania in promoting fair and equitable taxation.

1.3.2 Specific Objectives

- i. Profile HNWIIs in Tanzania and their revenue Contribution.
- ii. Document the leading practices in Taxation of High Net Worth Individuals in Africa.
- iii. Bench mark Tanzania's practice on Taxation of High Net Worth Individuals against the leading practices in Africa.

1.3.3 Research Questions

- i. What is the profile and revenue contribution of HNWIIs in Tanzania?
- ii. What are the leading practices in Taxation of High Net Worth Individuals in Africa?
- iii. How does Tanzania's practice in Taxation of High Net Worth Individuals compare with leading practices?

1.4 Approach and Methodology

1.4.1 Research Design

This study adopted largely a qualitative method to generate a comprehensive, evidence based account of the profile, economic activities, and a quantitative approach to quantify fiscal contribution of High Net Worth Individuals (HNWIs) in Tanzania. Mixed methods approaches are recommended where complex taxpayer behaviours and institutional processes cannot be fully captured by either qualitative or quantitative methods alone (Monageng, 2023; Morgan, 2017). The research was both exploratory and explanatory: it explored how the Tanzania Revenue Authority (TRA) has defined and operationalised the HNWI segment and explained the administrative, legislative and policy mechanisms that have accompanied recent changes in compliance and revenue collection. The qualitative strand prioritised in depth understanding of institutional practices, decision making and stakeholder perspectives through semi structured interviews and documentary analysis (Guest et al., 2017; Fjeldstad and Sjursen, 2023). The quantitative strand used administrative figures reported by TRA and its HNWI Unit to describe changes in identification, filing and revenue outcomes and to anchor qualitative inferences with descriptive evidence (Bachas and Jensen, 2023; OECD, 2016). The pragmatic logic for combining these streams follows established models for integrating qualitative and quantitative data in public finance and tax administration research (Creswell and Plano Clark, 2011; Kaushik and Walsh, 2019).

1.4.2 Study Population and Units of Analysis

The principal units of analysis were individual taxpayers identified by TRA as HNWIs under the criteria applied by the TRA HNWI Unit and the HNWI Unit itself as an administrative actor; secondary units of analysis included TRA institutional and performance reports, relevant legislative and regulatory texts, and comparative country documents used for benchmarking. Employing multiple units of analysis enabled the study to link aggregate administrative outcomes to the institutional processes and legal instruments that generate those outcomes, an approach recommended for evaluations of tax administration reforms (TRA, 2014; James and Alley, 2002). Use of official TRA reports and policy documents for triangulation and validation is consistent with good practice in documentary review for public finance research (UN Women and UNSD, 2022).

1.4.3 Sampling Strategy and Participant Selection

Purposive sampling was used to select interview respondents who possess direct, operational knowledge of HNWI identification, profiling, compliance management and policy; selected informants included HNWI Unit staff, senior TRA administrators responsible for compliance and information exchange, policy and legal advisers within the tax administration, and external practitioners who advise HNWIs. Purposive and maximum variation principles are appropriate when the objective is to access information rich cases and diverse administrative perspectives rather than to produce statistically representative estimates (Patton, 2015; Ahmad and Wilkins, 2025). Documentary sources were selected by criterion sampling, including only materials that explicitly addressed HNWI identification, enforcement actions, revenue outcomes, or inter agency and international information exchange (Sekiziyivu, 2009; TRA, 2014).

1.4.4 Data Collection Methods

Primary qualitative data were collected through semi structured, in depth interviews guided by an interview schedule derived from the study objectives and the international literature on HNWI engagement and compliance; semi structured interviews are well suited to eliciting the tacit knowledge, motivations and procedural details required for HNWI research (Guest et al., 2017; Ruslin et al., 2022). Interviews probed definitional criteria and profiling methods; detection, audit and enforcement practices; information sharing arrangements; revenue targets and outcomes; and perceived constraints and best practices. Interviews were supported by contemporaneous field notes following established fieldwork protocols (Guest, Namey and Mitchell, 2013). Secondary data collection comprised systematic documentary review of TRA institutional reports, HNWI Unit summaries where accessible, statutory texts and regulatory guidance, plus comparative country case material and international guidance; the documentary review employed a structured extraction template to capture identification criteria, unit staffing and functions, outreach activities, numbers of HNWIs identified, filing behaviour and revenue collected (UN Women and UNSD, 2022; James and Alley, 2002). Administrative data reported in TRA documents and HNWI Unit summaries were extracted, cleaned and tabulated to provide descriptive measures of identification, compliance change and revenue yields following the Unit's establishment (Bachas and Jensen, 2023; OECD, 2016).

1.4.5 Instrument Development and Pilot Testing

The interview guide and document extraction template were drafted from the methodological literature on HNWI engagement and tax administration (OECD, 2009; Creswell and Plano Clark, 2011). Instruments were subjected to expert review and pilot testing with senior tax officers outside the HNWI Unit to assess clarity, relevance and sequencing; pilot testing informed refinement of probes and adjustments to extraction fields to better capture third party information flows and international cooperation mechanisms, in line with recommended instrument development practices (Kalkbrenner, 2021; SRO Best Practices).

1.4.6 Data Management and Analytical Approach

Audio recordings were transcribed verbatim and transcripts cross-checked with field notes. All qualitative materials and extracted administrative figures were anonymised and stored securely. A thematic analysis approach was applied to qualitative data, proceeding through familiarisation, coding, theme development and iterative mapping of themes to the study's research questions on profiling, revenue contribution and comparative practice. Coding worked from both deductive nodes informed by the literature (for example, profiling criteria, information exchange, and compliance tools) and inductive nodes that emerged from interviews and documents. Administrative figures were analysed descriptively, using counts, sums and simple rate comparisons to show before-and-after changes in filings and collections attributable to the HNWI Unit's activities. Triangulation across interviews, documents and administrative extracts was used to validate inferences about compliance change and the mechanisms responsible for revenue gains (TRA 2014; OECD 2009).

1.4.7 Analytical Outputs

Qualitative descriptive was used in narrating profile of HNWI in Tanzania, documenting the leading practices in Taxation of High Net Worth Individuals in Africa and benchmarking Tanzania's practice on Taxation of High Net Worth Individuals against the leading practices in Africa. While qualitative numbers were used in measuring HNWI's revenue Contribution.

1.4.8 Trustworthiness, Limitations and Ethical Considerations

Credibility was enhanced through methodological and source triangulation, cross checking administrative figures against TRA publications where available, and seeking convergence across independent interview accounts and documents (Flick, 2019; Aliyu and Audu, 2021). Dependability was supported by an audit trail documenting instrument versions, coding decisions and analytic memos; confirmability was pursued through reflexive documentation of interpretive choices and privileging contemporaneous documentary records for numerical claims (Braun and Clarke, 2006; Guest et al., 2013). Transferability was addressed by providing rich contextual description of the Tanzanian tax administration environment and TRA's HNWI criteria to enable assessment by other low income country readers (TRA, 2014). Key limitations include the purposive administrative focus that constrains statistical generalisability, the limited temporal depth of available administrative revenue figures which restricts long term causal inference, and restricted access to cross border or third party records limiting independent verification of foreign asset declarations; these limitations were recorded in the evidence matrix and addressed by using contribution logic rather than strong causal claims (Bachas and Jensen, 2023; Monageng, 2023). Ethical procedures included obtaining informed consent, offering anonymity to interviewees, reporting sensitive administrative data only at aggregate levels, and handling TRA documents in accordance with TRA data sharing protocols and national data protection guidance (Guest, Namey and Mitchell, 2013; Tanzania Statistical Master Plan II, 2022/23–2026/27).



PART II

LITERATURE ON HNWI'S AND THEIR TAX ISSUES

2.1 Profile and Revenue Contribution of HNWI's

2.1.1 General Overview

Currently, there does not seem to be a universally agreed definition of the term HNWI's (Oguttu, 2024). The existing definitions vary across countries and institutions. One definition, for example, delineates HNWI's as individuals with wealth in excess of US\$1 million (OECD, 2009). Another definition describes HNWI's as individuals at the top of the wealth or income scale (OECD, 2009); holders of US\$ 1 million or more in financial or investable wealth or assets (Various wealth reports). Another definition is that of the International Monetary Fund (IMF), which describes HNWI's as individuals who have accumulated net worth to the level that places them at the very top of the wealth or income scale. Yet there are other definitions by different countries and institutions using different parameters such as real estate ownership, holding positions as chief executive officer (CEO) in large multinational companies and in public sector entities, etc. A subset of the HNWI population is the "ultra high net worth individuals". These are individuals who control the equivalent of USD 3-30 million or more in financial assets (OECD, 2009).

From a fiscal perspective, the HNWI's, as a taxpayer segment, offer an opportunity for enhancing domestic resource mobilization that is necessary for financing provision of social services and sustainable development. Taking the example of Uganda, the attention to HNWI's, through the services of a dedicated unit in the Uganda Revenue Authority (URA), yielded an immediate increase of USD 5 million in government revenue in the first year of the unit, more than doubling in the following year (Kangave et al., 2018)

The justification for focused attention to HNWI's is based on some four factors; the complexity of their tax affairs (including as regards the HNWI's' international mobility); their revenue contribution; their access to sophisticated tax advice (including exposure to aggressive tax planning) by professionals who also operate within a network where tax products are circulated; as well as integrity considerations associated with the need to show that all taxpayers are treated equally (OECD, 2009). In reference to these factors, focusing on HNWI's thus represents an effort towards ensuring everyone in society pays their fair share of taxes and, in this way, the tax system is made more equitable. Conversely, failure to effectively tax HNWI's is tantamount to violation of fairness and equity. As pointed out by Oguttu (2024), failure to address the tax non-compliance of HNWI's can lead to erosion of trust in the fairness of the tax system which leads to non-compliance by other taxpayers.

2.1.2 Tax Risks associated with HNWIs

The necessary starting point in dealing with HNWIs is an understanding of the risks posed by HNWIs. Middleby (2013) identifies the key risks and behaviours as including funding lifestyle without relying on income in conventional taxable form; use of business assets for private purpose; classification between capital and revenue account; undeclared or under-declared capital gains; concealment of overseas interests and international dealings; trust arrangements; complex structures –“divide and hide”.

According to Oguttu (2024) some of the challenges lie in the difficulties in understanding the complexity of the financial affairs of HNWIs, which often entail a mix of private and tax affairs. Oguttu (2024) expounds further that the income of HNWIs is normally derived from tangible and intangible property, professional services, investment income, rental income, capital gains on sale of real estate, income from intricate financial structures and complex business arrangements. Another notable tendency of HNWIs is to invest in discretionary trusts (in which they purport to divest themselves of the ownership of the trust property and yet they retain control of the trust, with their children or themselves being the actual beneficiaries); and hold shares in various companies through connected persons such as spouses, children or quasi-business partners, but it is the HNWIs that actually controls the company (Oguttu, 2024).

2.2 Leading Practices on Taxation of HNWIs

2.2.1 Policy Practices

From a tax policy perspective the key questions are whether or not and to what extent (if yes) there should be a targeted policy response to taxation of HNWIs. Save for the case of high income countries where there is growing opinion for taxes on net wealth targeting HNWIs and, as advocated by Zucman (2025), a coordinated minimum tax on Ultra-High Net Worth Individuals, the traditional opinion has been to have no targeted taxes for the HNWIs. The arguments in favour of a special tax for HNWIs are premised on realizations of growing inequalities caused by lower effective tax rates for HNWIs and revenue potential offered by HNWIs. The arguments against are mainly centred on disincentive to generate work or incentive to convert asset holdings due to taxes ; as well as the risk of having HNWIs change their tax residence due to taxes. Further arguments are advanced in reference to administrative challenges such as that of ensuring reliable valuation of assets. However, views are emerging that favour an attempt at policy changes to expand the tax burden on wealthy taxpayers and increase progressivity. These included advocating the adoption of higher marginal tax rates on the wealthy, raising tax thresholds for lower income groups, and the adoption of new taxes on wealth such as a net wealth tax (see Saez and Zucman, as cited in Occhiali et al., 2025).

2.2.2 Legislative Practices

The practices adopted by African countries towards HNWIIs have mostly not included legislative reforms. This is possibly explained by the absence of targeted tax policy measures for the HNWIIs, which would, as a matter of principle, necessitate implementation through legislation. In this regard, where legislative reforms have been attempted or recommended, the intention has basically been about making tax administration more effective. The relevant elements have included strengthening access to third party information (such as requiring banks to provide information about their customers) and to prescribe additional reporting requirements for the HNWIIs. According to Oguttu (2025), whether or not a policy change causes them, legislative measures are undertaken for purposes of making the laws more effective, enabling Tax Administrations to obtain information.

In cases where the existing legal framework towards effective taxation has been rated as adequate, the elements of that have given rise to such conclusions are identifiable as including the existence of taxes that have a bearing on HNWIIs (such as personal income tax, dividends, capital gains, interest, royalties, rental income and property ownership). The other element is the sufficiency of tax administration powers to access information (including third party information).

Occhiali et al. (2024) cite some unique elements in the Nigerian legal framework on matters of access to information: Nigeria's Personal Income Tax Act requires banks to request customers who are opening bank accounts for business purposes to provide identification numbers; submit monthly returns with the names and addresses of new customers; and respond to additional information request of further information about their customers; and that failure to provide the information can result in a fine. Further requirements cited by Occhiali et al. (2024) in the Nigeria case include: all government bodies, professional bodies, and trade associations to provide the tax administration with information as it may require; individuals seeking to serve as a chair or member of a public board, institution, commission, or other government body, or to be elected to a public office, to present a tax clearance certificate (TCC) for a three-year period; and that failure to ask for the TCC is a punishable offence.

2.2.3 Administrative Practices

According to the OECD (2009) a good understanding of the HNWIIs segment will help early identification of the issues, trends and international developments and may allow for a speedier and more considered response.

In the area of tax administration, the emphasis is on gathering and using information efficiently. The hypothesis is that a tax administration will gather information on the HNWIIs segment most effectively where it dedicates resources to that specific task. This is to be achieved by having a part of the tax administration that can interact with HNWIIs and their advisors, which is seen as a way of enhancing dialogue and mutual understanding for better information provision. In this regard, the factors that would need to be considered include the question of whether the dedicated unit should be a single centralized unit or a number of regional units. Furthermore, decision needs to be made as to whether the dedicated unit should deal with service providing alone or it should also deal with the compliance aspects.

In terms of the relevant administration functions, Oguttu (2024) identifies a set of measures in this area: lifestyle audits (an assessment of an individual's income and expenses in comparison to their living standards, using a lifestyle questionnaire) citing the example of South Africa Revenue Authority (SARS)- which has this practice; utilize information from data leaks (such as the 2014 Luxembourg leaks, the 2015 Swiss HSBC client leaks, the 2016 Panama Papers, the 2017 Paradise Papers, the 2019

Mauritius Leaks, and the 2020 Luanda Leaks) exposing the investments of HNWI's (to learn about the conduct and activities of HNWI's); setting up 'high net worth units' in tax administration (citing various recommendations and practices); strengthening the tax system to effectively tax HNWI's-essentially to make personal income tax more progressive; and improving information required of HNWI's to file the income tax return. As a point of emphasis on the establishment of a HNWI's Unit, Oguttu (2024) notes the need for specialist teams which could include a "finance" team-to focus on individuals investing in the finance sector, a "rising stars" team-which deals with people who have rapidly increasing wealth, an "analysis and intelligence" team which focuses on data analysis to understand the behavior and financial structures of HNWI's, and a "customer relationship" team which works closely with HNWI's.



PART III

FINDINGS

3.1 Profile of HNWIIs in Tanzania and their Revenue Contribution

3.1.1 Focus on HNWIIs in Tanzania: Why it Matters

The rationale for attention to HNWIIs as a special taxpayer segment is built on the basis of the revenue potential that they offer and the challenges that they present to tax systems; in the context of enhancing domestic resource mobilisation and tackling inequality. Tanzania is no exception to the general rule implied above. With significant income inequality-reflected in an average Gini Coefficient of 0.413 over the past five years and dependency on regressive indirect taxes as shown below, attention to HNWIIs in the country, within the foregoing context, is necessary. This view is reinforced by the population of individuals who can potentially meet the definition of HNWIIs. According to the Africa Wealth Report (2022), Tanzania's number of HNWIIs (defined in this report as those with wealth of US\$ 1 million and above) is estimated at 2,400 (80 of them being multi-billionaires-with wealth of US\$ 10 million and above, 8 of them centi-millionaires-with wealth of US\$ 100 and above and US\$ 1 billionaire). This is a significant number of individuals who can potentially qualify as HNWIIs for tax purposes.

3.1.2 HNWIIs in Tanzania: Who Are They and What are their Economic Activities?

TRA defines HNWIIs Unit generally as those (individuals) having a unique and substantial contribution into the economy of the country through ownership of businesses or investment ventures in the various sectors of the economy plus a category of individuals who occupy high-ranking leadership positions in the public sector (TRA, 2024).

In specific terms, according to TRA(2024), HNWIIs are defined as individuals meeting specified criteria. A non-exhaustive list of the criteria is given as:

- An individual with ownership of a controlling shareholding interest in one or more companies registered in Tanzania or abroad and such companies having an average annual turnover valued at Tanzania Shillings 20 billion (approximately USD 7.8 million) or more during the most recent three-year period.
- An individual with significant ownership of shares in one or more companies listed in the Dar es Salaam Stock Exchange or in other stock exchange markets and such shares or stocks having an aggregate value of Tanzania Shillings 2.5 billion (approximately USD 0.97 million) or more.

- An individual with substantial interest in a partnership(s) generating annual turnover averaging Tanzania Shillings 20 billion (approximately USD 7.8 million) or more during the most recent three-year period.
- An individual occupying a high-ranking leadership role in the service of the Government.

These are the criteria used to make the initial identification of HNWIIs. The criteria are further indicated as likely to include other suitable criteria, such as asset holdings and loan transactions with the following characteristics:

- Commercial buildings
- Private use assets, private jets, yachts, expensive cars (with values of USD 500,000 and above)
- Loan transactions at TZS 5 billion (approximately USD 1.94 million) or more

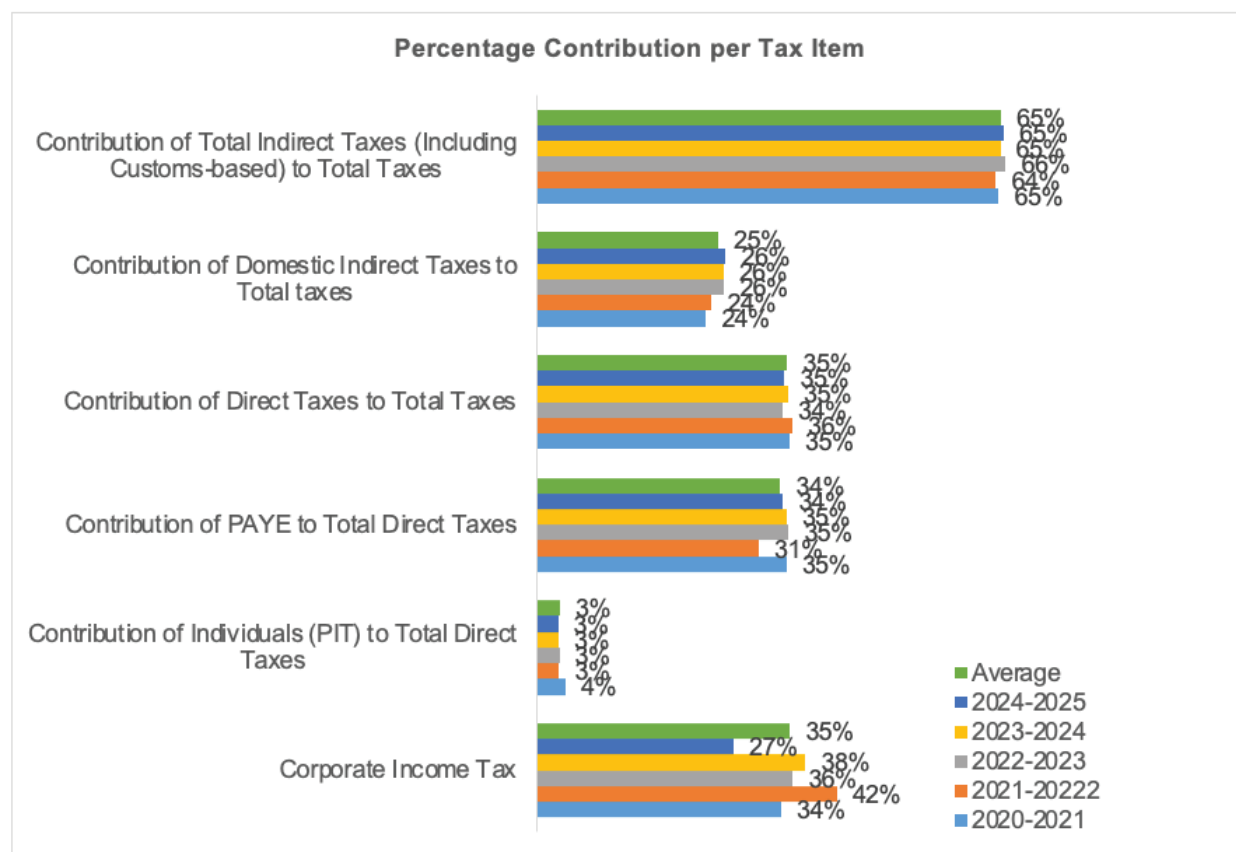
As mentioned earlier, the definition and criteria for identification of HNWIIs needs as much as possible the country-specific factors. In this regard, the above definition appears to leave out some of groups of individuals which (in the typical case of Tanzania) can generally be associated with HNWI status. These include the political elite, directors of big companies in the private sector, owners of traditional wealth (such as cattle) in significant quantity and which can easily be converted into cash.

From the current population of HNWIIs the economic activities involved could be established as including investment holdings in company shares; entrepreneurship through partnerships and sole proprietorships; and company directorship. The income streams are thus in the form of dividends, capital gains, business profits and executive salaries/directors' fees.

3.1.3 Compliance and Revenue Contribution of HNWIIs in Tanzania

Before the introduction of the HNWIIs Unit in TRA, no specific data are available on the contribution of HNWIIs to total tax revenues. However, the dependency on indirect taxes (contributing 65%, on average, to the total tax revenues); and the dominance of corporate income tax and PAYE (contributing 35% and 34% respectively to total direct taxes), reflect low contribution of individuals outside the PAYE system (See Figure 1). In reference to the existence of a significant number of rich individuals (potentially qualifying as HNWIIs) in Tanzania (See Morwa, 2024), the above scenario is indicative of low contribution of HNWIIs.

Figure 1: Percentage Contribution per Tax Item



Source: Authors' own construction from TRA Reports

As seen in Figure 1, indirect taxes account for an average 65% of the total tax revenues in Tanzania indicating dependence on indirect taxes, which are regressive in nature. This means that the proportion of direct tax is lower, which limits their contribution to both government revenue and the reduction of inequality. Figure 1 shows further that in addition to their lower contribution to total tax revenue, the direct taxes are dominated by corporate income tax and PAYE. This implies dependency on taxation of companies and easy to tax employees (through the PAYE system). It also represents limited capacity to tax individuals outside the PAYE system. A situation that is common for many low-income countries (Occhiali et al. 2024). Logically, such limitation will be more pronounced against HNWI's with the challenges that they present to tax systems. It follows therefore that effective taxation of HNWI's will contribute to improved performance of PIT, increased government revenue and reduction of inequalities.

On the background of international and regional trends; and in an effort to enhance the tax compliance of the HNWI's, TRA has introduced a dedicated Unit for the management of the affairs of HNWI's. The HNWI's Unit was established in October 2024 and is placed under TRA's Large Taxpayers Department. The experience is that a significant number of cases of non-compliance (in terms of non-filing of returns) by the HNWI's was noted to exist during the commencement of the activities of the HNWI's Unit, which confirms the observations made above in relation to the performance of PIT.

The measures taken in the course of execution of the Unit's responsibilities, which included outreach and engagement, yielded an immediate surge in compliance. In the process, the Unit was able to identify over 100 taxpayers who qualified as HNWI's. Majority of the currently registered taxpayers (98%) are company shareholders, with remaining being either sole proprietors or partners in partnerships. The income streams of the HNWI's registered so far are mostly in the form of dividends even though salary income and directors fees are also observable.

In terms of distinctive contribution of HNWI's to total tax revenues, measurement is a bit limited due to the infancy of the HNWI's Unit (hardly a year old from launching). However, there is strong indication of positive results with the initiative of introducing a dedicated unit to manage the tax compliance of HNWI's. In less than a year since its establishment, the Unit has already been able to collect an estimated Tanzania Shillings 14 billion (approximately USD 5.4 million) in tax revenue from HNWI's against an initial target of Tanzania Shillings 8 billion (approximately USD 3.1 million). The study noted the keys to success as including: expertise in the Unit; visibility of attention to the tax affairs of the HNWI's provided by the Unit; a friendly/service-oriented approach adopted; strategy of letting taxpayer speak first (when visited)-making them feel at ease; HNWI's seen as helping the HNWI's appear as they would wish, that is, clean tax-paying citizens-which is important, given their profile and status in society.

These findings are consistent with the opinion in Ochialli et al.(2025) that there is potential for tax authorities to relatively quickly identify substantial and obvious non-compliance by large numbers of high-income taxpayers and that (citing Kangave et al., 2014) this led to quick revenue gains.

Performance of HNWI's is expected to grow higher on account of some fundamentals which inherently support effective tax administration. These include the general strength of TRA as a semi-autonomous agency of the government-which reduces political interference. This is an important element when it comes to dealing with the affairs of politically connected HNWI's. TRA's growing reputation as a service-orientated organization is also an important element. Ongoing investments in ICT and engagement with other government agencies through signing of MoUs will definitely yield more positive results.

From an analysis of the interviewees' opinions, a number of challenges are identifiable as facing the Unit currently. Firstly, there is lack of transparency in HNWI's' declaration of assets. Notably, foreign-based investments and business holdings are not disclosed. Also, assets such as cars are owned through business companies even though they are used as private property. Secondly, there is experience of reluctance on the part of third-party entities such as banks to share information with TRA. Even when this is done, the information does not provide all details needed, on the pretext of customer confidentiality. Practically, this will limit TRA's compliance management activities. There is also a notable limitation of current systems in accessing information (technological limitations) that would be available from other government departments. Furthermore, information such as that on ownership of, and transactions in, land and marine assets is less automated. Such a situation not only limits availability of information but also restricts information exchange between TRA and other parties to the "upon request" mode, keeping the automatic exchange of information out of reach.

Furthermore, Tanzania's platform for exchange of information internationally remains narrow. This is due to a narrow tax treaty network (with only nine tax treaties in force, according to publicly available information) and limited membership to global forums. In summary, TRA needs to create formal, streamlined data-sharing agreements with other domestic agencies to get a 360-degree view of a taxpayer's wealth. Even more importantly, this cooperation must extend internationally. Actively participating in global information-sharing agreements, is essential for tracking offshore assets where much of this wealth is often hidden.

3.2 Leading Practices in Taxation of HNWIs

In response to an overarching question of how best to tax HNWIs, the study sought to document the policy, legislative and administrative practices currently used by countries, with a focus on African Countries.

3.2.1 Policy Practices

From a tax policy perspective, the rationale for taxation of HNWIs is built on the basis of the need to enhance government revenue and to reduce growing inequality (Zucman, 2025). This aspect was addressed by way of a question as to whether a tax policy response targeted at HNWIs was needed.

From the review of literature, the practices and trends reflect no need for a tax policy change. For low-income countries, especially, the view is that most tax systems provide the taxes that have a bearing on the income of wealthy individuals (Occhiali et al. 2025). In reference here are taxes such as capital gains taxes, taxes on property, dividend taxes and rental taxes. Where targeted taxes for HNWIs are mentioned, reference tends to go to the "traditional" wealth taxes which are rare (with only four OECD countries: Norway, Belgium, Switzerland and Spain operating them)-on account of the reasons mentioned above; and to the emerging ideas of a net wealth tax. Consideration is also being given to higher marginal tax rates on the income of HNWIs. Practices have not so far gone beyond discussions of possibilities. The typical example of this situation is that of neighbouring Kenya. The Kenya Revenue Authority (KRA) documents an attempt (at least at discussion level) at imposing a higher marginal tax rate for HNWIs or a tax on net wealth. According to KRA, "In 2018, the Treasury sponsored an Income Tax Bill that sought to impose a higher maximum tax rate of 35% on income of more than Ksh. 9 million per annum or Ksh. 750,000 a month. This bid was however stalled after the views collected from members of the public who were not in favour of it". Possible, alternative, measures are then mentioned as: a tax on net worth; an inheritance tax, increasing land rates, imposition of high capital gains taxes at the same rate as on income, etc. understandably, due to existence of arguments against these alternative forms as well, Kenya falls short of a definite plan to introduce a targeted tax for HNWIs. However, it can be inferred that these discussions signify a possible course of action for African countries including Tanzania.

Consistent with the literature review findings, the opinions of interviewees expressed confidence that the existing taxes are sufficient instruments in getting HNWIIs to contribute to tax revenues provided they are properly complied with. The same arguments against targeted tax policy are advanced: political acceptability; a tax on wealth (as an option) could be seen as discouraging wealth creation and one that would be costly to administer in terms of the problem of valuation and tracking wealth allocated outside borders. In the understanding that the HNWIIs have international mobility (with capability to change tax residence), the interviewees also mentioned the risk of driving the HNWIIs away, which would be contrary to other social-economic objectives of the country.

In summary, the study notes that while general opinion appears to favour a no policy change approach (no new taxes/no tax rate change) and a belief that the existing tax system contains tools that potentially address the affairs of HNWIIs, some opinion is also notable that a special tax rate (tax band) or tax net wealth are worth considering in future for purposes of creating space for the HNWIIs to contribute more.

On balance, these opinions appear to corroborate the view in Occhiali et al. (2025) that “there are immediate opportunities for LICs to strengthen taxation of the wealthy, as well as good reasons to believe that this investment will, in turn, make the adoption of new policy tools, like wealth taxes and more progressive rates, more likely to succeed in the future”.

3.2.2 Legislative Practices

From a review of literature and similar to the question on tax policy, the practices reflect satisfaction with the existing legal frameworks. The belief being that no explicit provisions for HNWIIs are needed. few cases of legislative change mostly in terms of enhancing access to information. One of the recent such cases is the case of the Nigerian State of Borno (Occhiali, Kangave and Khan, 2024) which enacted legal provisions to effect access to third party information.

The findings from interviews are consistent with those from a review of the literature with the interviewees feeling no need for changes in tax statutes. However, the findings note challenges with compliance behaviour of the HNWIIs against limited administrative capacity for enforcement. The interviewees’ comments cited concerns with reluctance of the HNWIIs to declare their wealth and income streams of HNWIIs. More so in cross-border scenarios. The recommended solutions include expansion of information exchange platforms, in particular; widening Tanzania’s tax treaty network. The country’s membership to the Global Forum on Transparency and Exchange of Information for Tax Purposes is notable as a positive move in response to the problem of cross-border traceability of the affairs of HNWIIs. A further suggestion is that Tanzania needs to join the Multilateral Convention on Mutual Administrative Assistance in Tax Matters to complement the Global Forum mentioned above.

3.2.3 Administrative Practices

Dedicated Units for managing the affairs of HNWIIs is the main recommendation from both literature review (citing country practices) and the interview findings. The emphasis is on establishing an effective HNWIIs unit. One that is well-staffed, capacitated and adequately supported. The opinions in this regard can be summarised by the following quotation "...this unit would need to be empowered by a major investment in technology and data analytics. By creating a central database that integrates information from various government agencies—such as the Ministry of Lands, BRELA, and financial institutions—the TRA could use software to automatically detect discrepancies and flag high-risk individuals for audits, moving beyond a reactive, manual approach.

Literature cites Uganda Revenue Authority (URA)'s HNWIIs Unit (established in 2015) as a key example from which other African countries can emulate. Its success is attributable to active engagement and commitment by top management at URA; placing focus on taxing HNWIIs that the URA could identify easily-by first utilizing publicly available information to generate a list of possible HNWIIs and then developing a formal criteria for identifying HNWIIs; collaboration between the HNWIIs Unit and URA's research division, which ensured that the Unit's approach was evidence-based; officials of the Unit were selected based on their interpersonal skills-such as their ability to balance assertiveness and respectfulness to effectively handle HNWIIs and communicate tax matters in a simple way (Oguttu, 2024).

The experience in Tanzania, despite the infancy of the HNWIIs Unit, is that having a dedicated unit, especially one that is promoted with a message of service orientation, enhances compliance, which justifies the approach taken. However, as evidenced above, success depends on a number of factors that should accompany the establishment and operation of a dedicated unit, ranging from right strategy, top management support and cooperation with stakeholders.

3.3 Tanzania's Policy and Legal Practice on Taxation of HNWIIs

3.3.1 Policy Practice

In terms of tax policy practice, Tanzania appears to follow a policy of no targeted tax/tax rates for HNWIIs. From discussions with TRA staff, this practice is based on the belief that the existing tax regime already has instruments that potentially have effect on the need for effective taxation of HNWIIs. These include tax on individual business profits (simply categorised as individuals in TRA reporting nomenclature), tax on dividends, tax on capital gains, tax on rental income, tax on royalties and tax on property.

3.3.2 Legal Practice

3.3.2.1 Substantive Tax Law

In the current setting, there are no legal prescriptions specifically targeted at HNWIIs. This may be associated with the fact that there is no tax policy designed specifically for this taxpayer segment. However, as indicated earlier, the current tax law regime includes a number of taxes that take care of the affairs of the HNWIIs. These are mainly personal income tax (on business income), tax on dividends, capital gains tax, tax on royalties, tax on rental income and tax on property. All of these taxes are charged under Tanzania's Income Tax Act 2004 as the substantive law, save for the tax on property [governed by the Local Government Finance Act of 1982 and the Local Government Authorities (Rating) Act]. Table 2 presents a summary of the nature and types of the taxes in point.

Table 1: Generally Applicable Taxes with Impact on HNWI's

S/N	Tax Base	Tax Rate
1	Personal income (business/employment income)	Progressive tax rate systems (presumptive and non-presumptive) rising to a marginal rate of around 30%.
2	Dividend income	• 5% for distributions by a company listed in the Dar es Salaam Stock Exchange (DSE) • 10% in other cases
3	Capital Gains	• 10% for realisation of an interest in land or buildings (for residents); • 30% for realisation of an interest in land or buildings (for non-residents); • 3% on agreed price/approved value for residents with no records of cost • 10% on realisation of shares or securities in a resident entity (for residents) • 20% on realisation of shares or securities in a resident entity (for residents) • Exemption for residents holding less than 25% of shares listed in the DSE
4	Royalties	• 10% for residents • 15% for non-residents
5	Rental income (on land and buildings)	• 10% for residents • 20% for non-residents
7	Property ownership	• TZS 18,000 (approximately USD 7) for a normal building • TZS 90,000 (approximately USD 34) per storey for a storey building

Source: Author's Construction from TRA Documents

3.3.2.2 The Tax Administrative Legal Framework

The general nature of tax administration work is that it is dependent on relevant, accurate and timely information about taxpayers and their tax affairs. The taxes described above (except the tax on property) are administered mainly through the Tax Administration Act of 2015 (TAA 2015). This law, among other things and together with the substantive tax laws, prescribes pertinent information requirements in the tax administration process. The information requirements are effected through provisions for filing of various tax returns and maintenance of records. In addition to obligating taxpayers to furnish TRA with information in the foregoing context, the TAA 2015, through Section 51, empowers TRA to access any premises, documents, vessels, vehicles, aircraft or any other assets. This expands and deepens the information access powers mentioned above.

Furthermore, Section 53 empowers TRA to require a person whether or not liable for tax to produce any information as prescribed in a notice to that effect. These provisions are complemented by powers to TRA to undertake audits and investigations. A special requirement is also prescribed under Section 54 for taxpayers operating in the construction and extractive industries to disclose information on contracts entered into by other parties.

3.1.1 Access to information as a Critical Success Factor

Given the nature of HNWI's and their affairs, any hope of effective taxation should depend on cooperation between revenue authorities and a network of actors including other government agencies, banks and employers, utility companies, professional bodies and revenue authorities of other countries (Moore, 2013, as cited in Kangave et al.2016). An effective regime granting access to information is thus necessary. In addition to provisions in the domestic tax laws of Tanzania, the regime needs to include international taxation instruments. According to publicly available information, currently, Tanzania is a party to some 9 tax treaties that are in force. These treaties include clauses for exchange of information and assistance in the collection of taxes, which are useful in the taxation of HNWI's. Expansion of the treaty net work would thus grant more opportunity for exchange of information and assistance in the collection of taxes. However, membership to tax treaties needs to be considered while having in mind the negative impact of the treaties, in terms of the giving up of taxing power that comes with them. This would necessitate policy-based targeting of treaty partners.

Tanzania is also a member to the Global Forum on Transparency and Exchange of Information for Tax Purposes, but remains outside the Multilateral Convention on the Mutual Administrative Assistance in Tax Matters. The two forums provide a platform for exchange of information and mutual administrative assistance in tax matters between member states, which is necessary in dealing with the cross-border affairs of HNWI's. Locally, the notable development in recent years has been the enactment of legal provisions requiring companies to disclose their beneficial owners. These include the Companies (Beneficial Ownership) Regulations of 2021; and the Extractive Industries (Transparency and Accountability) Act of 2015. These enhance TRA's access to information about the individual persons behind companies and related arrangements.

3.1.2 A Note on the Administration of Property Tax

On the part of property taxation, Tanzania has experimented with different models for some time now. On the one hand, the country has migrated from a value-based system (with varying rates across LGAs) to a flat-rate system whereby the tax rate is prescribed in terms of currency units per property. From the year 2023/2024 (through the Finance Act 2023), property tax is charged at the rate of TZS 18,000 (approximately USD 7) for ordinary buildings and TZS 90,000 (approximately USD 34) per floor in a storey building. These rates are a “third generation” of rates under the “flat-rate, currency units-based” system of property taxes, having started with TZS 10,000 (approximately USD 3.8) and TZS 50,000 (approximately USD 19.4) in the “first generation” of rates in 2017/2018 (which also included a rate of TZS 20,000 (approximately USD 7.6) for rural-based storey property. This “first generation” lasted up to the year 2021/2022 when (through the Finance Act of 2021) the “second generation” (TZS 12,000 [approximately USD 4.7] for ordinary buildings and TZS 60,000 (approximately USD 23.3) per floor for storey buildings) was adopted.

In terms of administration and collection of property tax, there has been a history of shifts back and forth between a decentralized system where property tax administration was fully a responsibility of Local Government Authorities (LGAs) and a centralised system whereby property tax administration became a responsibility of TRA. Five phases are identifiable in this trend. The first phase is the pre-2008 period. This is a period when property taxation was fully a responsibility of LGAs. The second phase was the period between 2008 and 2014. This is a period in which TRA was assigned the responsibility to administer and collect property taxes for the (then) three municipalities of the city of Dar es Salaam (Ilala, Kinondoni and Temeke). The third phase is the period from 2014 to 2016, when the responsibility again went back to being fully under LGAs. The fourth phase started in 2016 when TRA was assigned full responsibility for the administration and collection of property taxes. This phase lasted up to December 2023 when the responsibility was taken back to LGAs again. The frequency of changes in the past six or so years may suggest that this is an area offering room for further improvement. There are feelings of both inadequate revenue contribution and limited equity of property tax in Tanzania. It thus an agenda worth further pursuit, more so in the context of HNWIIs.

3.1.3 Tanzania’s Practice vs. Leading Practices

3.1.3.1 Benchmarking on Practice as regards Definition of HNWIIs

While the global standard often classifies high-net-worth individuals (HNWIIs) as people with assets over USD 1 million (OECD, 2009), this definition does not quite work the same everywhere. In many African countries, where average incomes are considerably lower and financial data is often incomplete or scattered, using this global benchmark can give a distorted picture. Tanzi (2012) argued that such regions need more tailored definitions that reflect their specific economic realities.

As a result, what qualifies someone as an HNWI varies quite a bit from country to country. In South Africa, for example, the South African Revenue Service (2012) categorizes individuals earning R75 million (roughly \$4.35 million) as high-net-worth. In Uganda, the criteria are more complicated. According to Kangave, Nakato, Waiswa, Nalukwago, & Lumala Zzimbe, (2018), the Uganda Revenue Authority looks at several factors: high-value property deals, loans taken from banks, income from rentals, and ownership in well-known companies. In this regard, the definition is not based just on income and assets; it is a combination of indicators.

In Sierra Leone, the bar is significantly lower. People who are politically exposed, own multiple properties, and make even just \$100,000 a year might be considered HNWIs (Kangave, Occhiali, & Kamara, 2023). It reflects how the local context heavily influences these classifications.

Nigeria adds another layer of complexity. Occhiali, Kangave, and Khan (2025) noted that most State Boards of Internal Revenue (SBIRs) rely on informal criteria. Even in states without official HNWI units, like Bauchi, Kaduna, or Kano, authorities still try to identify wealthy individuals. Some states set income thresholds: NGN 2 million in Borno and Kano, up to NGN 25 million in Lagos. Others use asset-based criteria like property value or asset totals. In some areas, they combine both income and assets and might even consider tax records or bank transactions. Then there's Mauritius, where lifestyle seems to play a bigger role. The Mauritius Revenue Authority (MRA) tends to look at how lavish someone lives, think of fancy homes, expensive cars, yachts, and high-end apartments. Here, someone is considered an HNWI if they have at least USD 1 million in investable assets, but appearances and luxury also carry weight.

Basically, there is no one-size-fits-all rule, and the definitions vary across jurisdictions due to local economies and access to reliable data. A benchmark of definitions and profiling of HNWIs between Tanzania and other African Countries is presented in a Table 2.

Country	Definition Criteria
Uganda	High-value property deals, loans taken from banks, income from rentals, and ownership in well-known companies
Nigeria	Combination of informal criteria and income thresholds: NGN 2 million in Borno and Kano, up to NGN 25 million in Lagos and property value or asset totals.
South Africa	Individuals earning R75 million (roughly \$4.35 million)
Mauritius	Have at least USD 1 million in investable assets, but appearances and luxury also carry weight.
Sierra Leone	Own multiple properties, and make even just \$100,000
Tanzania	As represented under Section 3.1.2 above.

Source: Authors' own construction from Literature

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3.1.3.2 Benchmarking on Policy, Legal and Administrative Practices

The benchmarking of Tanzania's practice in dealing with HNWI's vs. leading practices is presented by way of a matrix presented below. The benchmarking here complements the comparative analysis made in Section 4.1 of the paper.

Table 3: Tanzania's Practice on HNWI's vs. Benchmark Countries' Practices

Area of Attention	Practice in Benchmark countries	Practice in Tanzania
Tax Policy	• No new taxes introduced • Citing Kenya as an example, attempts (at least at discussion level) have been made towards a higher rate/a net wealth tax for HNWI's	No new taxes introduced
Tax Law	• No legislative change • Practice seems to be influenced by the absence of targeted policy change. Emphasis placed on access to tax administration information. Legislative framework which includes strong provisions for access to information (including from third parties). An example is cited of Nigeria where aspirants to political positions are even required to produce tax clearance certificates as part of the nomination process.	No legislative change Experience so far points to
Tax Administration	The major element is the operation of a Dedicated Unit for HNWI's in the structure of revenue authorities. In South Africa, as one of the pioneer countries, the strategies adopted by the HNWI's Unit include lifestyle audits	TRA has introduced a Dedicated Unit for HNWI's under its Large Taxpayers Department. Currently, practices such as lifestyle audits have not yet been adopted.

Source: Authors' own construction

PART IV

CONCLUSION AND RECOMMENDATIONS

4.1 Introduction

The primary objectives of this study were to Profile HNWIs in Tanzania and their revenue contribution; document the leading practices in Taxation of High Net Worth Individuals in Africa; and benchmark Tanzania's practice on Taxation of High Net Worth Individuals against the leading practices in Africa. Essentially, the study aimed at generating a deeper understanding of HNWIs and generating recommendations for possible reform action towards more effective taxation of HNWIs in Tanzania with a view to enhancing the Government's capacity to finance provision of social services and reducing inequality.

4.2 Summary of the Findings and Conclusions

Taxation of High Net Worth Individuals (HNWIs) is relatively new area in the world of taxation and it continues to receive growing attention. It receives such attention because taxation of HNWIs may enhance government revenues and help reduce growing inequalities; and a recognition of the challenges it presents to the existing taxation systems.

The responses to the situation created by HNWIs are reflected in the actions and recommendations of various stakeholders including national and state governments; multilateral institutions (such as the UNDESA, OECD, ATAF); members of academia. Even though some rationale is emerging for a policy response (geared more towards wealth taxation), the evidence of practices on the ground points more to administrative action and some (limited) legislative reform. In, especially, the case of low-income countries, the view underlying this scenario is that most countries already have taxes that have a bearing on the HNWIs. These include personal income tax, taxes on dividends, capital gains tax, taxes on rental income and taxes on property. As a corollary to the foregoing, most countries already have the necessary tax law provisions to cause compliance by HNWIs, rendering legal reforms less relevant.

In the setting presented, the reform agenda towards taxation of HNWIs is framed as one that should seek more effective taxation of the HNWIs from the existing tax architecture. Any legal reform, that may be found to be necessary-in addition to tax administration reform, should thus be more about strengthening tax administration (especially strengthening the access to information) rather than implementing new tax policy elements targeted at HNWIs. However, some discussions are notable that are pointing to possibilities for a higher tax rate on the income of HNWIs or a tax on the net wealth of the HNWIs are worth further consideration.

In summary, the practices adopted by countries so far in the taxation of HNWIIs appear to have been informed by the context presented above. The major reform has been the establishment of a dedicated unit within the structures of the tax administrations to handle the affairs of HNWIIs. The attempts at legislative reforms have mostly been geared towards enhancing access to information.

In the particular case of Tanzania, formal practice has commenced with creation of a dedicated unit (HNWIIs Unit), in October 2020, in TRA's Large Taxpayers Department. Through the work of this Unit, a definition and criteria for identification of the taxpayers have been developed. Currently, the population of registered HNWIIs (over 100 in number) is substantially made up of shareholders in business companies (constituting 98%), with the remaining 2% being sole proprietors and partners in partnerships. As an indicator of a step in the right direction, the Unit has already been able to collect an estimated Tanzania Shillings 14 billion (approximately USD 5.4 million) in tax revenue from HNWIIs against an initial target of Tanzania Shillings 8 billion (approximately USD 3.1 million).

In the consideration of a possible reform agenda, no tax policy changes have made to target HNWIIs. Consistent with the findings in other countries, the ideas of a higher tax rate or even a net wealth tax for HNWIIs can be considered as a long term measure. The recent trends in property taxation make it an attractive avenue for a reform agenda geared towards HNWIIs. It should be possible, for example, to proceed with the question of can we go higher on the tax rate for high value property (such as multi-storey and commercial buildings) that are likely to be owned by HNWIIs? In a final assessment, HNWIIs are an important taxpayer segment in Tanzania-offering potential to increased Government revenue and capacity to finance provision of social services. The practices adopted by the country so far are substantially consistent with the leading practices and seem to be conscious of the same opportunities for further reform.

4.3 Recommendations

In a bid towards more effective taxation of HNWIIs in Tanzania, the following recommendations are made:

- i. On the part of tax policy, even though practice has not yet favoured targeted taxes HNWIIs, the discussions towards this end provide opportunity for Tanzania's own agenda for a possible targeted tax for HNWIIs. Both, a higher marginal rate for wealth/income exceeding a certain threshold and a tax on net wealth consideration are worthwhile endeavours. The government needs to adopt formal consultative agenda towards this end.
- ii. The Government should consider increasing the tax rate for property taxation, especially for multi-storey buildings that are likely to be owned by HNWIIs.

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- ii. The Government should consider increasing the tax rate for property taxation, especially for multi-storey buildings that are likely to be owned by HNWIIs.
- iii. The establishment of a dedicated unit for HNWIIs is a move in the right direction and is commendable. What is necessary now is to ensure that this unit is well structured and adequately equipped in terms of staffing, skills, technological tools, and work processes. TRA needs to continue investing in the HNWIIs Unit

- iv. The Government is called upon to consider strengthening the legal framework by enacting specific provisions to oblige third party organizations (such as banks and professional bodies and membership/industry associations) to share information to TRA automatically and upon request. This should include penalties for non-compliance.
- v. To complement the preceding recommendation TRA will need to ensure more effective information sharing platforms with other government agencies. If deemed necessary, this may be made mandatory including by introducing penalties for non-compliance.
- vi. The Government needs to expedite the process of joining the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. This will complement Tanzania's membership to the Global Forum on Transparency and Exchange of Information for Tax Purposes.
- vii. The Government needs to consider expanding Tanzania's treaty network for a more robust platform for exchange of information and assistance in the collection of taxes. This, however, needs to be guided by a policy that minimizes the effects of giving up of taxing power that comes with tax treaties.
- viii. The Government needs to consider introducing tax amnesties as part of the immediate actions to identify and register HNWIIs
- ix. The Government needs to consider introducing tax clearance certificates for those register to contest political positions.
- x. Broadened definition of HNWIIs is needed. One that will include the currently missing aspects such as directors of big companies in the private sector.
- xi. TRA needs to consider introducing lifestyle audits on HNWIIs following the South African example.

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