

**The practice and challenges of tax revenue collection from rental housing sector in urban
Tanzania**

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Rental housing is an investment that produces significant income to landlords and a potential source of government tax revenue in urban areas. However, it has not been fully harnessed so as to contribute to the government tax revenue. This study was carried out to investigate the practice and challenges of rental tax collection in urban Tanzania in an attempt to examine the actors involved, the mechanisms used, the extent of contribution and finally propose policy measures for improved collection of rental tax. A sample of 217 landlords and tenants, LGA and the TRA officials, was obtained through purposeful and random sampling. Data was collected from respondents using questionnaires, observations and interview techniques.

The findings revealed that, although rental housing was a profitable investment in urban areas, its contribution to the tax revenue was low. Only 16 (17.4%) landlords complied with the rental tax while 7 (7.6%) and 69 (75.0%) complied sometimes and had never complied respectively. Its contribution to the tax revenue is less than 1.5%. This was attributed to several factors, including unreliable rental tax information system which was partly attributed by the general lack of cooperation between the Revenue authorities (TRA) and LGAs); low level of tax knowledge which resulted from insufficient investment in taxpayers' education; purposeful tax evasion by landlords and corruption.

It was proposed that there should be more cooperation between the LGAs and the TRA that will enable TRA access necessary information from the LGA on all taxable rental income from landlords. In addition, the TRA needs to invest in taxpayers education for immediate and long term impact in promoting voluntary taxpaying culture among citizens.