

A prognosis of the challenges facing the Tanzania revenue authority on the taxation of

Electronic commerce

Haji John Mkwawa

Master of Laws (LLM)

University of Dar es Salaam, School of Law, 2006

The growing use of electronic commerce (e-commerce) in the world today is posing special challenges in taxation. The shift from a physical commercial environment to a knowledge -based electronic environment threatens to unravel the traditional tax administration strategies. Tax authorities throughout the world are grappling to deal with the challenges of identifying transactions and the parties involved. They also face challenges in ascertaining jurisdiction on taxation because electronic commerce is borderless. The Tanzania Revenue Authority is not an exception. It has to face the problems posed by electronic commerce and devise new tax administration strategies to cope up. Uncontrolled electronic commerce can substantially erode the tax bases for taxes on international trade as well as consumption taxes like the Value Added Tax (VAT). Stamp duty is also adversely affected. Electronic commerce can create a motorway for tax evasion and avoidance. This study gives an overview of electronic commerce in the country and discusses the challenges posed by electronic commerce to the Tanzania Revenue Authority. Finally, it provides findings, suggestions and recommendations on how to tax electronic commerce.