

**Assessment of the performance of presumptive tax rates in Tanzania; a case of Kinondoni
Tax Region**

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There has been an increased growth of the ^formal sector in Tanzania, characterized by small and medium business growth. Income tax for small businesses with annual turnover below Tshs 20,000,000 is administered through presumptive tax regime which is based on estimation of turnover or profit of the businesses.

This study was conducted with the objectives of identifying criteria used in establishing presumptive tax rates and their suitability and to assess challenges associated with presumptive tax management. Various literature have indicated that performance of presumptive tax rates can be enhanced through creating friendly tax services, tax education, record keeping and ICT infrastructure.

The study used secondary data from TRA and primary data collected through survey of TRA staff in Kinondoni tax region. The study used descriptive analysis to answer the research questions. Findings indicate that key criteria used in establishing presumptive tax rates include size of business, nature of business, location of business, and age of business. Further, it was found that presumptive tax has a significant on total national revenue.

Key challenges in tax management include; low tax education among payers, increased corruption, political interference, and cumbersome tax procedures. Finally, the study recommends on tax rates adjustments, increased awareness campaigns on tax compliance, enhanced fight against corruption, and provision of tax training to taxpayers and tax collectors.

Further, it is recommended that, further studies be conducted on other aspects of presumptive tax such as record keeping on the side of taxpayers, graduation from one band to the other and perception of taxpayers and staff on efficiency of presumptive tax regime.