

Tanzanians endorse taxation but see tax evasion as widespread

Afrobarometer Dispatch No. 542 | Derick Msafiri, Thadeus Mboghoina, and Constantine Simba

Summary

Paying taxes is a fundamental civic duty meant to be exercised by citizens for their welfare and national development (Prichard, 2010). Tax revenues account for more than 85% of Tanzania's domestic revenues and about 70% of government expenditures (Bank of Tanzania, 2021).

The government has initiated several measures to improve tax compliance, including updating tax-collection technology, enhancing outreach of tax services and education to the public, restructuring the Tanzania Revenue Authority, and strengthening enforcement measures (Mzalendo & Chimilila, 2020). The government recently introduced a tax on mobile-money transactions, whose proceeds are intended to support the improvement of social-services delivery, including the construction of classrooms and health centres, particularly in underserved areas (Mshomba, 2021).

Afrobarometer survey findings show that most Tanzanians see tax collection as legitimate and believe that the government uses tax revenues for the well-being of its citizens. Yet a majority report that citizens "often" or "always" avoid paying their taxes, and most say it is difficult to know what taxes and fees they are supposed to pay and how government uses tax revenues.

Tanzanians are divided on whether they favour higher taxes to support more government services, but a large majority say they would welcome higher taxes to fund programmes targeting young people.

Afrobarometer surveys

Afrobarometer is a pan-African, nonpartisan survey research network that provides reliable data on African experiences and evaluations of democracy, governance, and quality of life. Eight rounds of surveys have been completed in up to 39 countries since 1999. Round 9 surveys (2021/2022) are currently underway. Afrobarometer conducts face-to-face interviews in the language of the respondent's choice.

The Afrobarometer team in Tanzania, led by REPOA, interviewed a nationally representative sample of 2,398 adult Tanzanians in March 2021. A sample of this size yields country-level results with a margin of error of +/-2 percentage points at a 95% confidence level. Previous surveys were conducted in Tanzania in 2001, 2003, 2005, 2008, 2012, 2014, and 2017.

Key findings

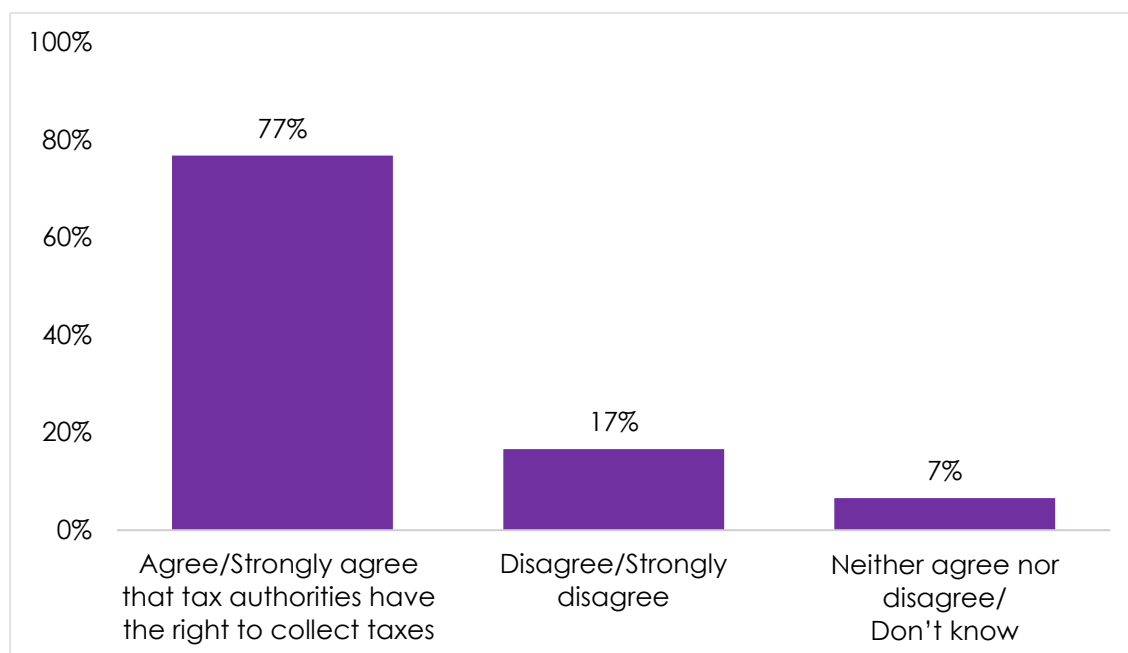
- Tanzanians overwhelmingly (77%) endorse the government's right to collect taxes.

- Yet almost half (46%) say people in the country “often” or “always” avoid paying their taxes.
- Two-thirds (65%) of Tanzanians say it is “difficult” or “very difficult” to find out what taxes and fees they are supposed to pay.
- And even more (70%) report that it is hard to find out how the government uses the tax revenues it collects.
 - Even so, 76% of citizens say the government generally uses tax revenues for the well-being of its citizens.
- Strong majorities say it is fair to tax rich people at higher rates than ordinary citizens (69%), but also that small traders and others in the informal sector should be made to pay taxes on their businesses (68%).
- More Tanzanians think that tax rates for both ordinary people and the rich are “about right” than say they are too low or too high.
- Citizens are about evenly divided as to whether it would be better to pay higher taxes if it meant more government services (46%) or to pay lower taxes with fewer services (49%).
- But two-thirds (66%) endorse paying higher taxes to support programmes to help young people.

Support for taxation

More than three-quarters (77%) of Tanzanians “agree” or “strongly agree” that tax authorities always have the right to collect taxes (Figure 1).

Figure 1: Do tax authorities have the right to collect taxes? | Tanzania | 2021



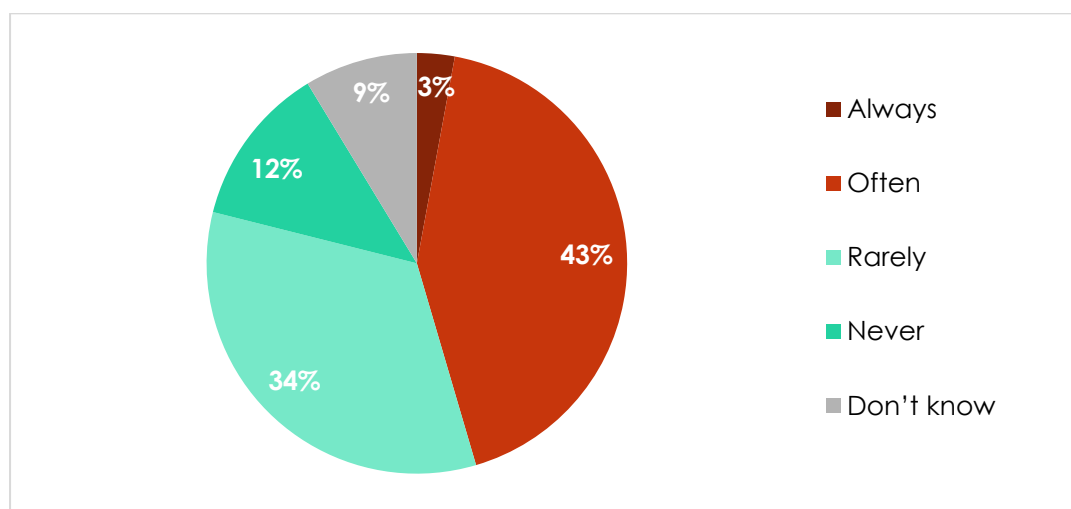
Respondents were asked: Please tell me whether you agree or disagree: Tax authorities always have the right to make people pay taxes?

Frequency of tax evasion

Despite their endorsement of taxation, almost half (46%) of Tanzanians say people “often” or “always” avoid paying the taxes they owe the government. The same proportion (46%) say this “never” or “rarely” happens (Figure 2).

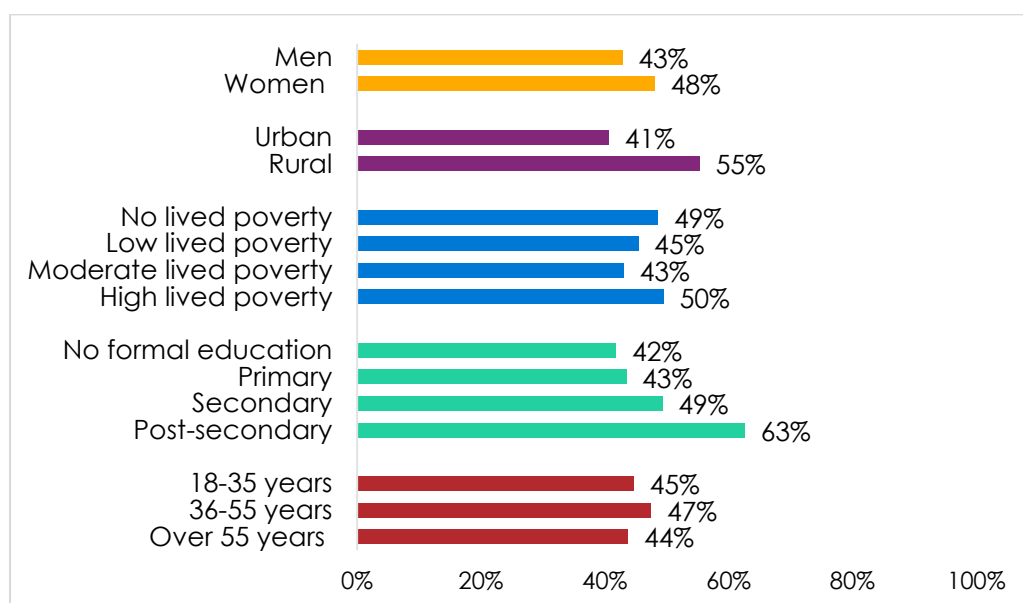
Respondents with post-secondary education (63%) are more likely to believe that people often evade their taxes than their less educated counterparts (42%-49%), as are urban residents (55%) compared to rural residents (41%). Differences by gender, age, and economic status are small (Figure 3).

Figure 2: Frequency of tax evasion | Tanzania | 2021



Respondents were asked: In your opinion, how often, in this country, do people avoid paying the taxes that they owe the government?

Figure 3: People often/always avoid paying taxes | by demographic group | Tanzania | 2021



Respondents were asked: In your opinion, how often, in this country, do people avoid paying the taxes that they owe the government?

Access to tax information

Among potential barriers to tax compliance may be uncertainty about which taxes and fees one is supposed to pay and a lack of knowledge about how the government uses tax revenues.

Tanzanians pay a variety of taxes, both directly and indirectly. These include income tax, corporate tax, pay-as-you-earn (PAYE) taxes, export and import taxes, and value-added tax.

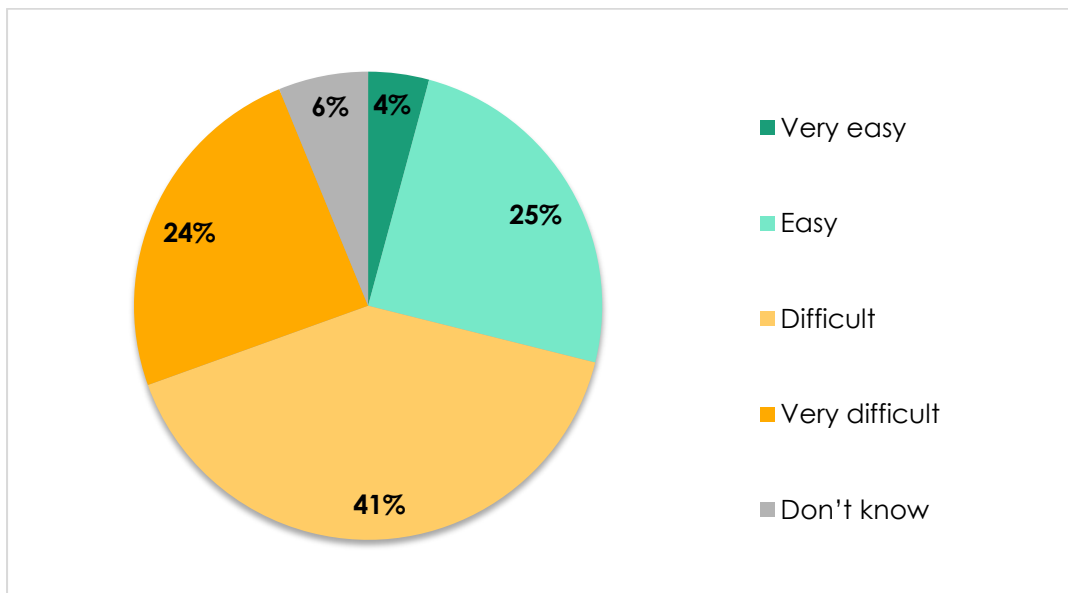
Two-thirds (65%) of Tanzanians say it is “difficult” or “very difficult” to find out what taxes and fees they are supposed to pay to the government. Only 29% see it as easy, while 6% say they “don’t know” (Figure 4).

Rural residents (67%) and citizens with no formal education (71%) or only primary schooling (68%) are particularly likely to report difficulties in finding out what taxes and fees they owe (Figure 5). Young and economically better-off respondents¹ report fewer difficulties.

Similarly, seven in 10 respondents (70%) say it is “difficult” or “very difficult” to find out how the government uses the tax revenues it collects (Figure 6).

Difficulties in determining how the government spends taxpayers’ money are especially common among rural residents (72%), citizens experiencing moderate or high lived poverty (72%-75%), and those with primary education or less (69%-72%) (Figure 7).

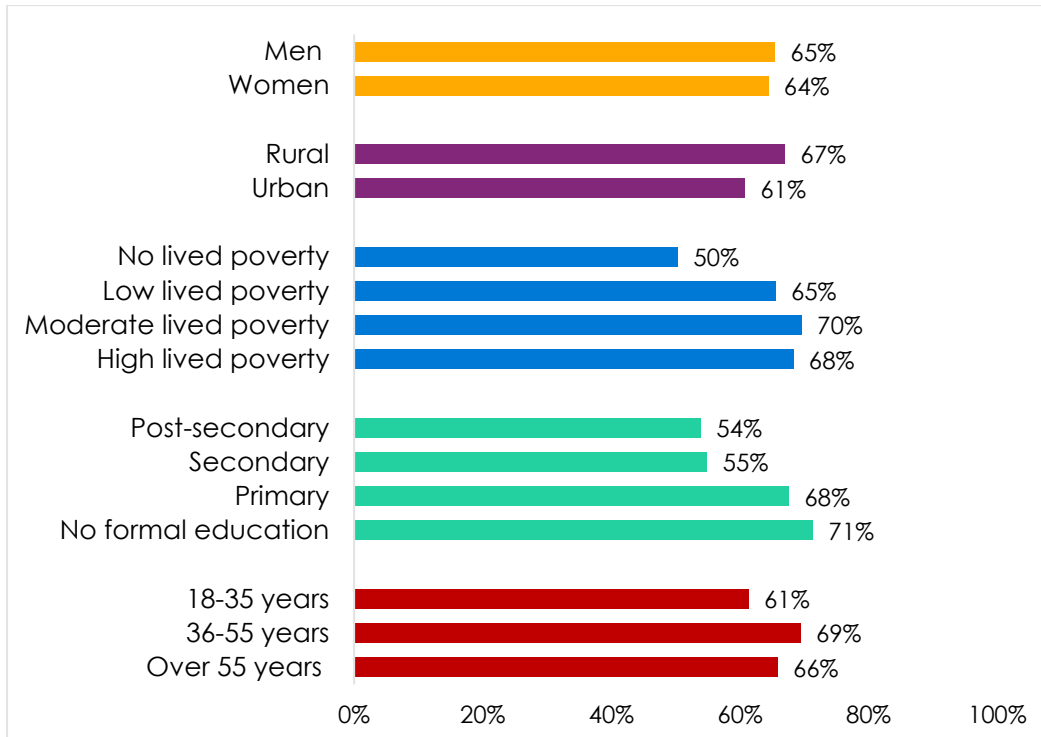
Figure 4: Difficulty finding out what taxes and fees to pay | Tanzania | 2021



Respondents were asked: Based on your experience, how easy or difficult is it to find out what taxes and fees you are supposed to pay to the government?

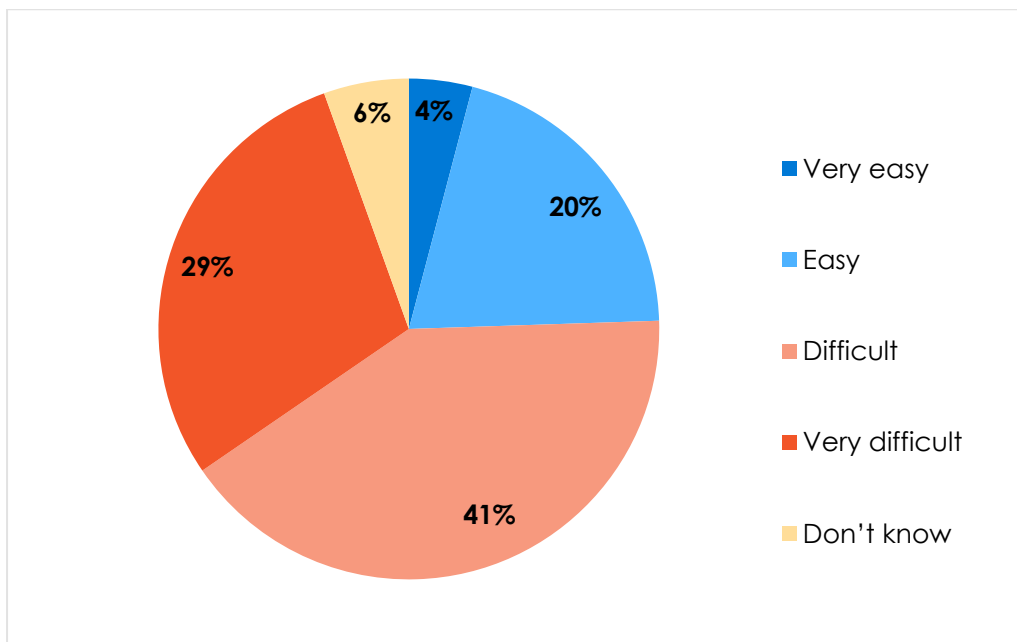
¹ Afrobarometer’s Lived Poverty Index (LPI) measures respondents’ levels of material deprivation by asking how often they or their families went without basic necessities (enough food, enough water, medical care, enough cooking fuel, and a cash income) during the preceding year. For more on lived poverty, see Mattes (2020).

Figure 5: Difficulty finding out what taxes and fees to pay | by demographic group
| Tanzania | 2021



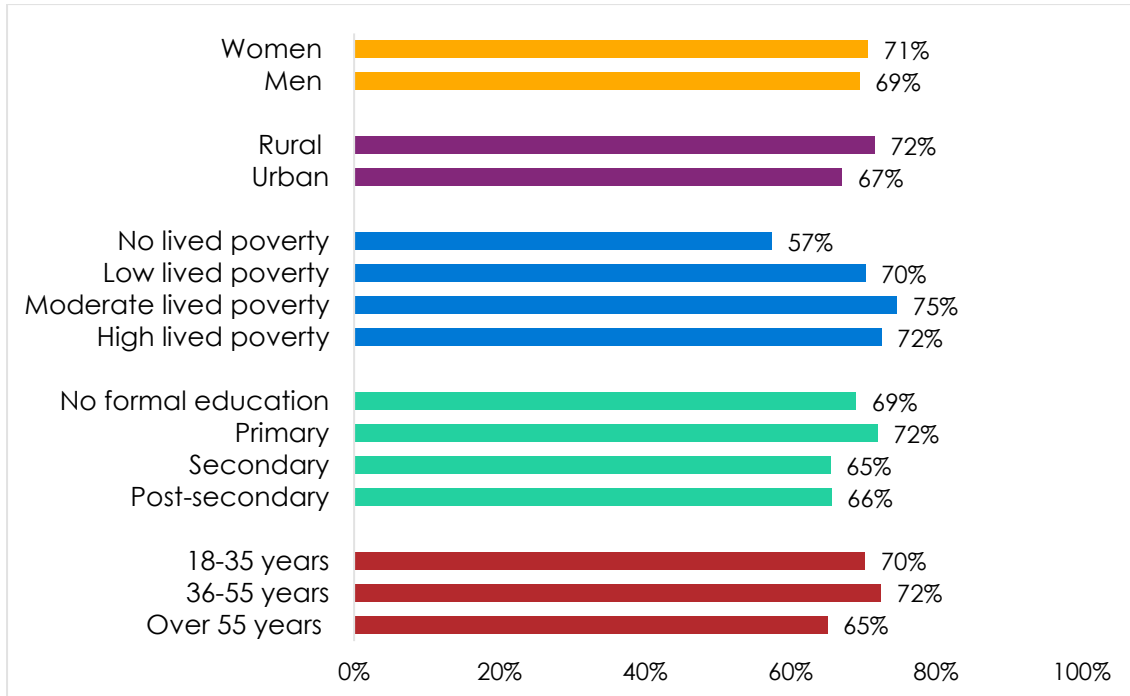
Respondents were asked: Based on your experience, how easy or difficult is it to find out what taxes and fees you are supposed to pay to the government? (% who say "difficult" or "very difficult")

Figure 6: Difficulty finding out how government uses tax revenues | Tanzania | 2021



Respondents were asked: Based on your experience, how easy or difficult is it to do find out how government uses the revenues from people's taxes and fees?

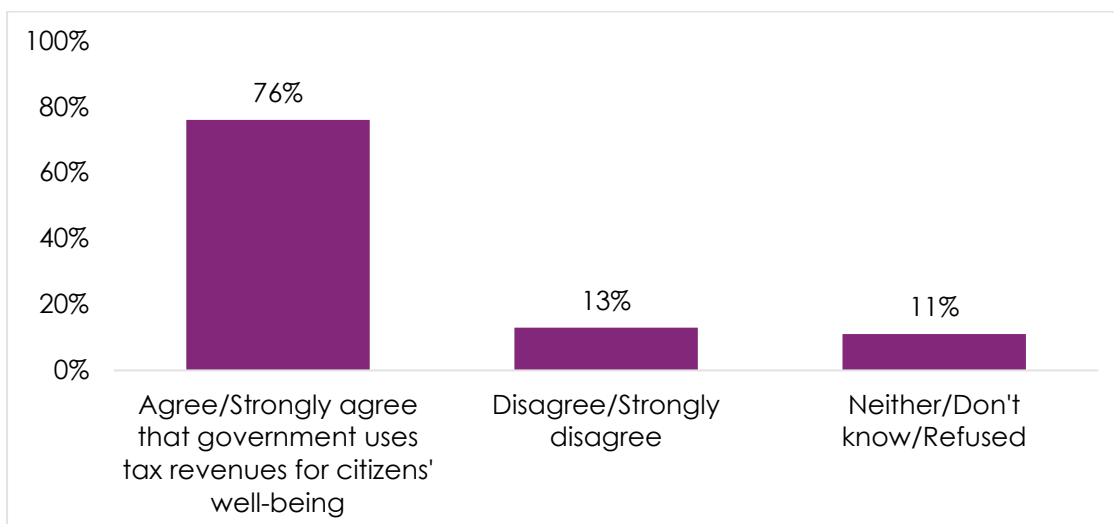
Figure 7: Difficulty finding out how government uses tax revenues | by demographic group | Tanzania | 2021



Respondents were asked: Based on your experience, how easy or difficult is it to find out how government uses the revenues from people's taxes and fees? (% who who say "difficult" or "very difficult")

Despite limited information about which taxes to pay and how the government uses its tax revenues, more than three-quarters (77%) of respondents believe that the government generally uses collected taxes for the well-being of its citizens (Figure 8).

Figure 8: Does the government use tax revenues for citizens' well-being? | Tanzania | 2021



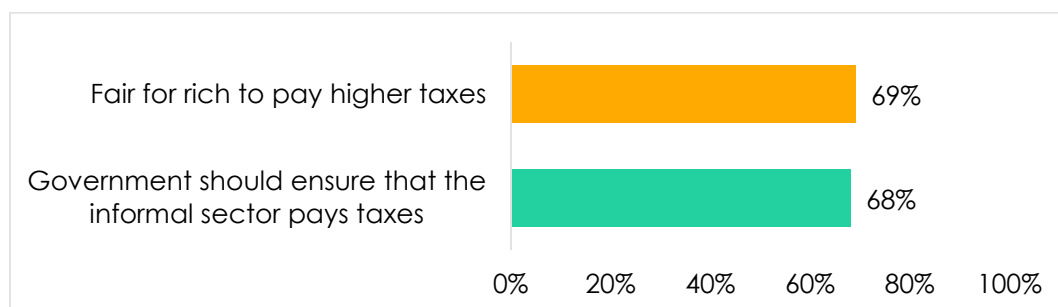
Respondents were asked: Do you agree or disagree with the following statements: The government usually uses the tax revenues it collects for the well-being of citizens?

Views on levels of taxation

In addition, seven in 10 respondents (69%) “agree” or “strongly agree” that it is fair to tax rich people at higher rates than ordinary citizens to help pay for government programs to benefit the poor (Figure 9).

Nonetheless, more than two-thirds (68%) of respondents also say that the government should make sure that small traders and other people working in the informal sector pay taxes on their businesses.

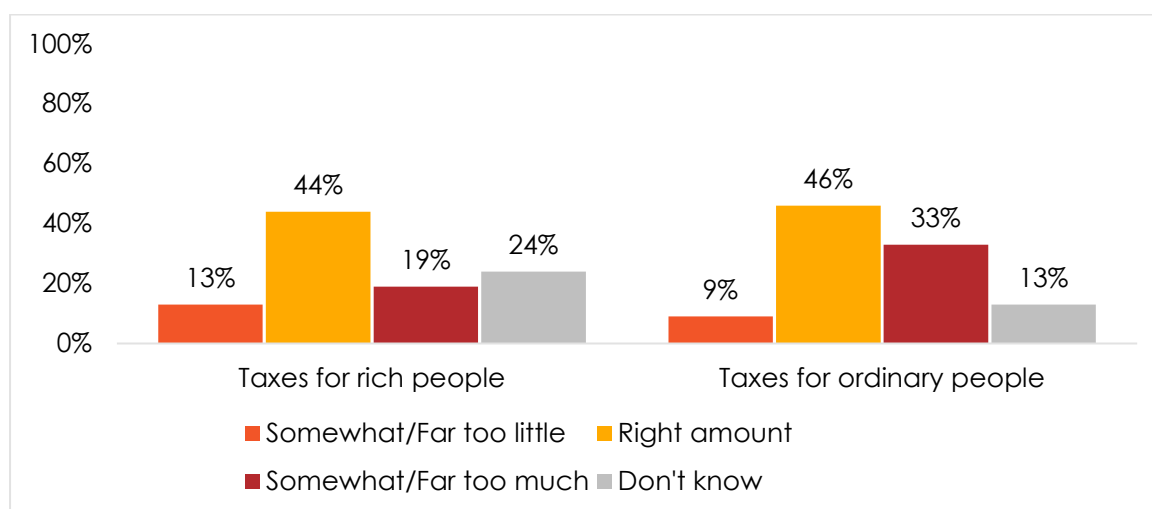
Figure 9: Perceptions on tax payment | Tanzania | 2021



Respondents were asked: Do you agree or disagree with each of the following statements?
It is fair to tax rich people at a higher rate than ordinary people in order to help pay for government programs to benefit the poor?
Government should make sure small traders and other people working in the informal sector pay taxes on their businesses?
 (% who “agree” or “strongly agree”)

Tanzanians are divided in their views on taxation levels, but pluralities say ordinary citizens and rich people both pay “about the right amount” of taxes (Figure 10). Only 33% think ordinary people pay too much, and just 13% say wealthy people pay too little in taxes.

Figure 10: Taxes for ordinary people and the rich: Too little or too much? | Tanzania | 2021

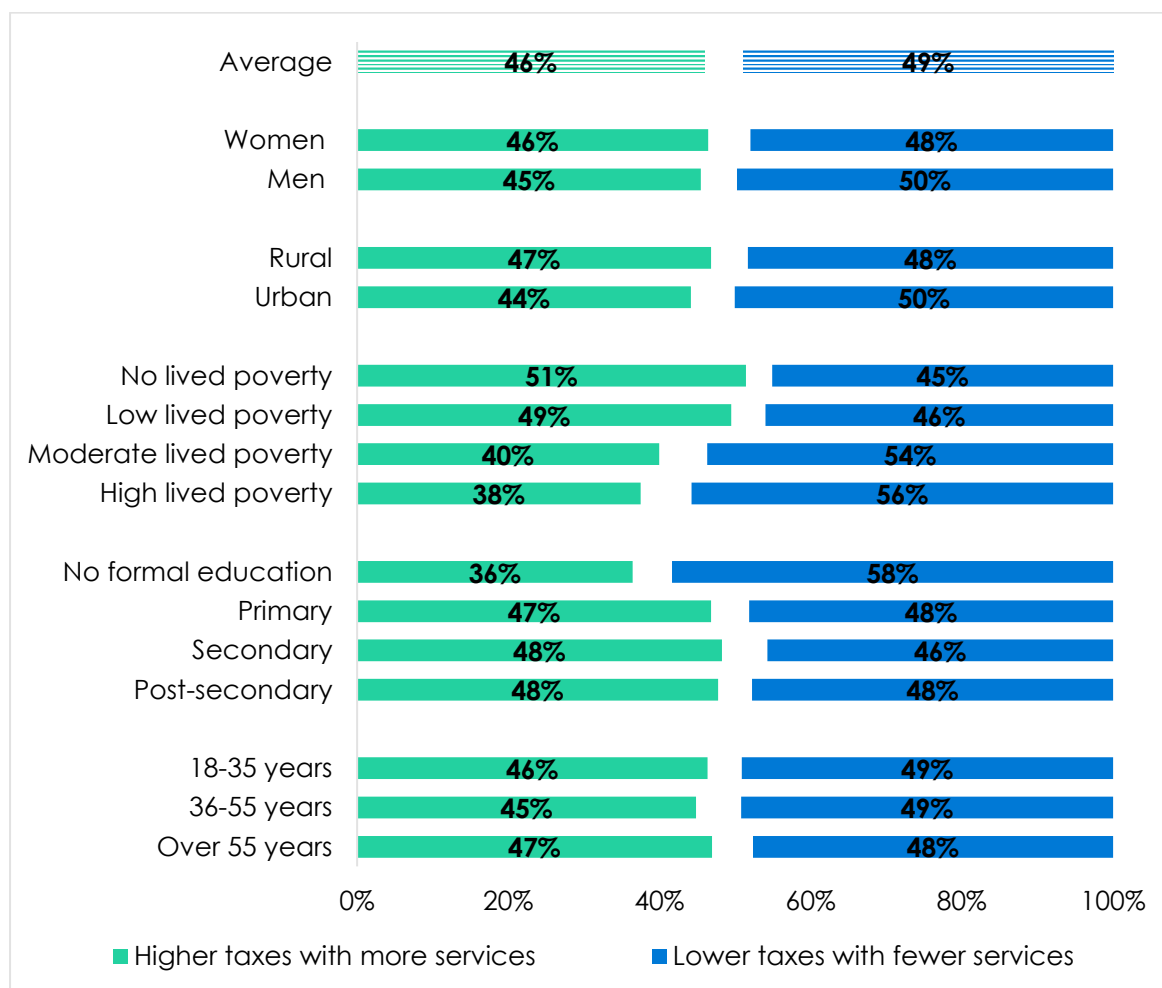


Respondents were asked:
Do you think that the amount of taxes that ordinary people in Tanzania are required to pay to the government is too little, too much, or about the right amount?
Do you think that the amount of taxes that rich people in Tanzania are required to pay to the government is too little, too much, or about the right amount?

Tanzanians are also sharply divided as to whether it would be better to pay higher taxes if it meant more services from the government (46%) or to pay lower taxes with fewer services (49%) (Figure 11).

Poor citizens (38%) and those with no formal education (36%) are least likely to favour paying higher taxes in exchange for more government services.

Figure 11: Higher taxes for more services? | Tanzania | 2021



Respondents were asked: Which of the following statements is closest to your view?

Statement 1: It is better to pay higher taxes if it means that there will be more services provided by government.

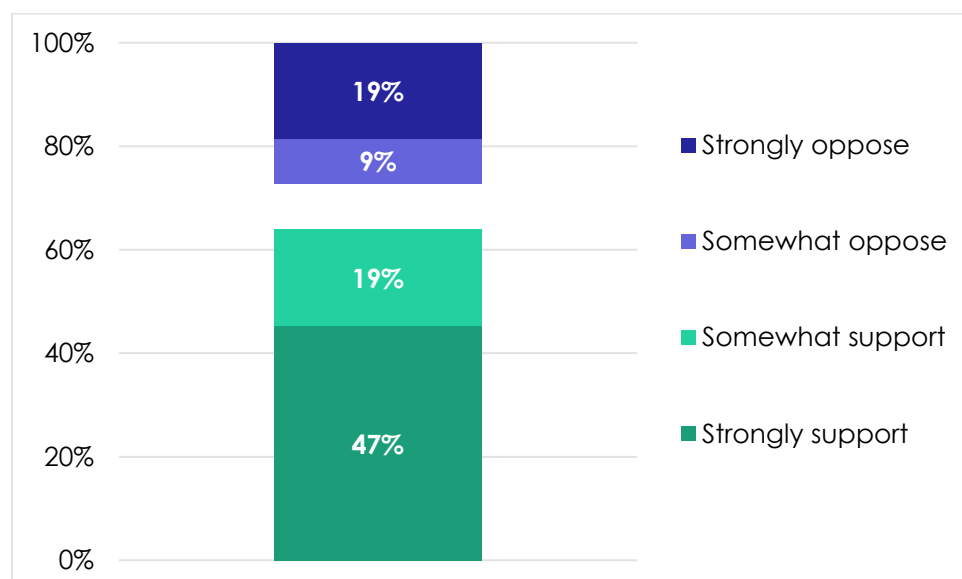
Statement 2: It is better to pay lower taxes, even if it means there will be fewer services provided by government.

(% who "agree" or "strongly agree" with each statement)

However, two-thirds (66%) of Tanzanians say they would support paying higher taxes to support programmes to help young people. Almost (47%) say they would "strongly support" such an initiative (Figure 12).

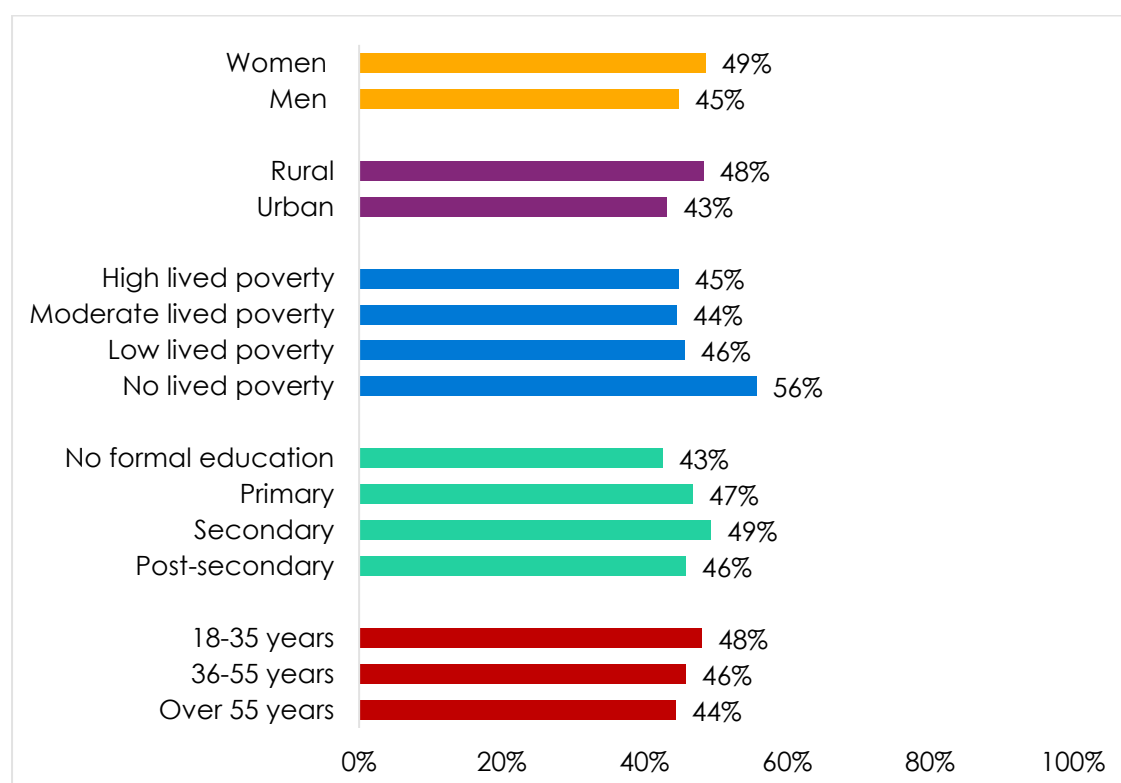
"Strong support" for higher taxes to fund youth programmes is especially common among wealthy respondents (56%) and rural residents (48%) (Figure 13).

Figure 12: Higher taxes to support youth programmes? | Tanzania | 2021



Respondents were asked: If the government decided to make people pay more taxes in order to support programmes to help young people, would you support this decision or oppose it?

Figure 13: 'Strongly support' higher taxes to fund youth programmes | by demographic group | Tanzania | 2021



Respondents were asked: If the government decided to make people pay more taxes in order to support programs to help young people, would you support this decision or oppose it? (Those who strongly support)

If the government could increase its spending on programmes to help young people, Tanzanians say they would prioritise job-creation initiatives (cited by 37% of respondents), followed by education (22%), business loans (22%), job training (10%), and social services for youth (9%).

Conclusion

Most Tanzanians say the government has the right to collect taxes. But almost half also report that citizens frequently avoid paying their taxes, and a majority say it is difficult to find out what taxes they owe and how tax revenues are used.

While stronger enforcement of tax compliance may be one response, these findings also point to a need to improve information flow to taxpayers and transparency by the government.

Any proposal to raise taxes appears likely to generate lively public debate unless the purpose is to help young people – a priority on which a majority of citizens agree.

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