

## Maybe we should pay tax after all?

Citizens' changing views on taxation in local government authorities

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## Outline of the presentation

1. Background and motivation
2. Theoretical and methodological foundation
3. The citizen surveys
4. Results/findings
5. Concluding remarks

# 1. Background and motivation

- How to increase tax compliance in LGAs in Tanzania?
- What factors are underlying the individual's decision to pay or evade taxes?
- Knowledge of taxpayers' views on LG-taxes in short supply
- Taxpayers' views may change over time (- why -) with implications for policy design

## 2. Theoretical and methodological foundation

### \* Understanding tax compliance \*

- Analytical and conceptual framework
  - Levi (1988, 1997)
  - Slemrod (2003)
  
- The relationship between a taxpayer and the local government includes at least three elements:
  - 1) Fiscal exchange
  - 2) Coercion
  - 3) Social influences and norms
  
- Questionnaire based surveys
  - Limitations
  - Statistical analysis

### 3. The citizen surveys: Nov 2003 & Nov 2006

- 6 councils:
  - Bagamoyo DC
  - Iringa DC
  - Moshi DC
  - Ilala MC
  - Kilosa DC
  - Mwanza CC
  
- 1260 respondents (i.e. 210 in each council)
- 42 villages/mitaa (i.e. 7 villages in each council)
  
- Same questions repeated in the same localities
  
- The surveys included questions on citizens' views on:
  - Taxation and tax evasion
  - Who pays and why
  - Service delivery
  - Tax enforcement
  - Who is to blame for poor tax collection
  - Measures required to improve revenue collection

## 4. Results/findings

- Who pays
  
- Why people pay & changes over time
  - 1) Problems in tax collection
  
  - 2) Tax compliance and service delivery
  
  - 3) Whom to blame for poor tax collection
  
  - 4) Citizens' views on how to improve the system

## Payment of taxes, fees and charges:

2006:  $\approx$  90% say they have paid some sort of taxes, fees, charges...

2003:  $<$  60% say they have paid...

2006		Bagamoyo	Ilala	Iringa (R)	Kilosa	Moshi	Mwanza	<i>Total</i>
<i>Central government</i>								
Personal income tax	Yes	3	10	1	3	9	8	<b>6</b>
Business (corporate ) tax	Yes	1	11	0	1	7	2	<b>3</b>
VAT	Yes	44	46	19	15	40	52	<b>36</b>
Mwenge torch contribution	Yes	27	29	60	78	47	39	<b>47</b>
<i>Council sources</i>								
Property tax	Yes	4	30	3	14	12	36	<b>17</b>
Market fees	Yes	9	9	5	8	14	4	<b>8</b>
Agricultural cess	Yes	6	2	8	9	12	3	<b>7</b>
Water fee	Yes	22	29	52	52	24	38	<b>37</b>
Guarding fee (sungusungu)	Yes	3	12	8	11	14	5	<b>9</b>
<i>Service facility</i>								
School contributions	Yes	78	78	94	99	82	73	<b>84</b>
Health cost sharing fee/CHF	Yes	83	84	95	92	22	67	<b>75</b>
Electricity bill	Yes	11	46	8	10	27	32	<b>22</b>

## Why people pay taxes - 2006 and (2003) compared - in % of respondents

	Ilala	Bagamoyo	Kilosa	Iringa	Moshi	Mwanza	Total
They will avoid disturbances	13 (39)	11 (43)	18 (57)	17 (54)	13 (39)	12 (41)	14 (46)
They anticipate public services	62 (26)	50 (23)	46 (20)	52 (19)	43 (23)	49 (25)	50 (23)
They have no opportunity to evade	8 (13)	16 (10)	11 (6)	10 (10)	16 (13)	14 (7)	12 (10)
Feel obligations towards the government	11 (11)	11 (8)	9 (11)	9 (12)	16 (5)	14 (10)	12 (10)



## Major problems in tax collection –2003 and 2006 compared - in % of respondents

		Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	Total
Tax revenues not spent on public services	2003	63	65	48	45	68	61	58
	2006	24	40	43	24	44	37	36
Too high tax/fee rates	2003	52	52	46	31	53	54	48
	2006	9	25	31	14	37	39	26
Dishonest collectors	2003	54	51	40	33	50	46	46
	2006	40	43	41	32	43	35	39
Too many taxes/fees	2003	51	44	29	23	41	45	39
	2006	9	26	27	18	34	32	24
Tax payers unwilling to pay taxes	2003	31	28	23	31	30	28	29
	2006	19	19	25	22	32	32	25

## Corruption – a continuous problem – but positive trend

### Share of respondents who think corruption is a serious problem – 2006 and (2003)

	Bagamoyo	Ilala	Iringa (R)	Kilosa	Moshi	Mwanza	<i>Total 2006 (2003)</i>
Yes	64 (61)	50 (64)	44 (49)	55 (40)	62 (72)	74 (70)	<b>58</b> <b>(59)</b>

### Corruption as a problem compared to two years ago - 2006 and (2003) – in % of resp

	Bagamoyo	Ilala	Iringa (R)	Kilosa	Moshi	Mwanza	<i>Total 2006 (2003)</i>
Worse than before	7 (39)	15 (45)	10 (30)	19 (29)	3 (53)	9 (40)	<b>11</b> <b>(39)</b>
No changes	18 (18)	19 (24)	12 (5)	22 (8)	22 (19)	23 (20)	<b>19</b> <b>(15)</b>
Less than before	51 (28)	54 (21)	56 (39)	44 (40)	50 (13)	49 (24)	<b>51</b> <b>(27)</b>

## Tax collection and service provision

### Are tax revenues collected in the area used to provide public services?

	Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	Total
Yes, mostly 2003	9	10	2	11	10	13	<b>9</b>
Yes, mostly 2006	36	25	36	44	21	22	<b>31</b>

### Should people refuse to pay taxes until they get better services?

	Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	Total
Agree 2003	51	49	40	35	66	64	<b>51</b>
Agree 2006	32	44	41	34	39	42	<b>39</b>

## Views of the general quality of services today compared to two years ago?

	Bagamoyo 2006 (2003)	Ilala 2006 (2003)	Iringa (R) 2006 (2003)	Kilosa 2006 (2003)	Moshi 2006 (2003)	Mwanza 2006 (2003)	<i>Total</i> <i>2006</i> <i>(2003)</i>
Better than before	88 (48)	86 (44)	87 (61)	75 (49)	43 (55)	72 (66)	<b>75</b> <b>(54)</b>
About the same as before	5 (25)	11 (19)	7 (24)	18 (24)	11 (29)	8 (20)	<b>10</b> <b>(23)</b>
Worse than before	4 (25)	1 (26)	1 (5)	6 (11)	45 (14)	16 (10)	<b>12</b> <b>(15)</b>

## Service satisfaction – changes from 2003 to 2006

		Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	Total
Primary school	Satisfied 2003	69	61	83	73	67	67	70
	Satisfied 2006	84	78	79	84	76	71	79
Dispens	Satisfied 2003	46	37	35	37	35	38	38
	Satisfied 2006	57	24	43	73	31	41	45
Sec school	Satisfied 2003	19	21	29	34	16	2	24
	Satisfied 2006	61	43	60	65	57	50	56
Water supply	Satisfied 2003	18	10	21	35	19	30	22
	Satisfied 2006	11	48	15	20	20	27	23
Law and order	Satisfied 2003	22	12	25	28	10	15	19
	Satisfied 2006	43	31	27	38	31	38	35

## Whom to blame for poor revenue collection

		Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	Total
Tax collectors/fee collectors	2003	58	56	55	41	54	59	<b>54</b>
	2006	53	58	49	50	61	55	<b>54</b>
Council employees	2003	48	48	45	41	55	59	<b>49</b>
	2006	35	37	34	27	39	44	<b>36</b>
Central government authorities/TRA	2003	50	46	30	30	43	56	<b>43</b>
	2006	40	27	31	27	27	37	<b>31</b>
Licences and permits officers	2003	42	37	38	32	39	50	<b>40</b>
	2006	42	28	30	32	28	33	<b>32</b>
Local government elected leaders	2003	27	28	49	35	41	46	<b>38</b>
	2006	44	44	41	47	46	42	<b>44</b>
Tax payers/fee payers	2003	28	21	12	19	17	25	<b>20</b>
	2006	21	17	22	26	23	28	<b>23</b>

## Where is misuse of tax revenue least likely?

	Ilala	Bagamoyo	Kilosa	Iringa	Moshi	Mwanza	Total
Village authorities							
2003	7	9	32	18	8	16	15
2006	24	33	41	41	41	25	34
Council authorities							
2003	9	11	6	21	3	2	9
2006	6	4	2	3	3	9	4
Misuse unavoidable							
2003	38	29	21	11	41	25	27
2006	10	5	14	15	8	5	10

## Actual action taken to report misuse of tax money

		Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	<b>Total</b>
Have you reported misuse of tax revenue in the last two years	Yes 2003	4	5	3	5	1	3	<b>4</b>
	Yes 2006	1	3	2	1	2	2	<b>2</b>
Are you aware of anybody who has taken such action?	Yes 2003	10	8	18	12	8	11	<b>11</b>
	Yes 2006	7	7	9	5	6	8	<b>7</b>
Reasons for not taking reporting misuse of tax money	Do not know what to do 2003	13	19	16	24	7	7	<b>14</b>
	Do not know what to do 2006	28	17	31	27	14	14	<b>22</b>
	Scared of repercuss 2003	23	19	25	27	13	20	<b>21</b>
	Scared of repercuss 2006	34	28	28	37	33	22	<b>30</b>
	Will not have effect 2003	20	15	10	10	21	16	<b>15</b>
	Will not have effect 2006	6	13	2	9	13	18	<b>10</b>



## Access to information – Changes from 2003 to 2006

Have you in the last two years seen any of the following information posted in a public place? (in %)											
LG budget		Taxes and fees collected		Audited statements of council expenditure		Financial allocation to key sectors		HIV/AIDS prevention		How to report corruption	
2003	2006	2003	2006	2003	2006	2003	2006	2003	2006	2003	2006
7	14	6	12	3	6	4	8	78	80	16	23

## Citizens' view on how to improve the system

		Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	Total
Stronger punishment of government employees	2003	78	80	90	89	80	83	<b>83</b>
	2006	92	87	92	93	88	89	<b>90</b>
Stronger punishment of politicians	2003	68	75	89	87	77	82	<b>80</b>
	2006	92	85	91	92	88	90	<b>90</b>
More information on allocation of tax revenues	2003	79	75	83	77	75	77	<b>78</b>
	2006	89	94	91	89	94	93	<b>92</b>

## Concluding remarks

- Citizens' view on taxation in LGAs more positive in Nov 2006 than three years earlier
  - Improved service delivery
  - Less oppressive revenue collection
  - More trust in lower levels of local government
  
- Challenges: Trust building
  - Corruption perceived to be a major problem
    - Tougher action demanded against corrupt officials
  - More transparency required on revenue collection and spending
    - Access to accessible information
  - Few people report irregularities and abuse of public revenues
  
  - Free riding
    - Service improvements funded by CG-grants (PEDP, SEDP, health etc)

**ASANTE SANA!**

**THANK YOU FOR YOUR ATTENTION!**