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Why property tax reforms fail: Lessons from Tanzania

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Over the past two decades, property tax administration in Tanzania has undergone substantial changes, shifting between decentralized and centralized collection models. However, despite numerous reform initiatives, these efforts have largely failed to boost tax revenues and improve property tax administration. This CMI Insight outlines five reasons why these reforms have not delivered the intended outcomes in Tanzania:

1. Lack of alignment between property tax reforms and broader public sector reforms.
2. Weak implementation of tax policy with poor coordination among various levels of government.
3. Insufficient measures to strengthen property tax administration.
4. Limited engagement and communication with taxpayers.
5. Absence of a coherent, long-term strategic vision for reform.

A brief history of property tax reforms in Tanzania[1]

Tanzania has undertaken several significant property tax (PT) reforms in recent years. Prior to 2008, local government authorities were responsible for managing all aspects of property tax, including registration, valuation, rate setting, collection, and enforcement. However, national policymakers expressed serious concern over the low levels of PT collection by municipalities. At the turn of the millennium, PT contributed between 10% and 30% of the revenue collected by urban councils in mainland Tanzania, which then amounted to less than 0.3% of GDP.[2] Some estimates suggested that over 60% of the potential property tax revenue remained uncollected in this period (URT, 2007). Key obstacles to improving the PT system included poor administrative capacity, corruption, and political interference in tax enforcement.

In 2008, a new property tax collection and enforcement system was introduced in Dar es Salaam, Tanzania's largest city. This reform shifted responsibility for property tax collection from municipal councils to the national tax authority, the Tanzania Revenue Authority (TRA). The government hoped that centralizing property tax collection would significantly increase revenue, but this did not materialize. The move was viewed by municipalities as an effort to reverse the decentralization reforms that had begun in 2000 (URT, 1998).[3] This shift created a climate of distrust between municipalities and TRA, which negatively impacted both the design and implementation of the property tax reforms.

In February 2014, the government announced that the responsibility for property tax collection would return to the municipalities, following extensive lobbying by local authorities. However, this decision was made without consultations with the TRA After the shift back to decentralization, municipalities saw a significant increase in revenue collection. This growth was driven by a combination of policy changes and administrative improvements, including mass property valuations and the introduction of new collection methods. Municipalities implemented electronic and mobile phone-based payment systems, which simplified tax payment and enhanced transparency. Additionally, some municipalities began using subward *(mtaa)* leaders to notify property owners and collect taxes. The municipalities also benefited from measures introduced by TRA during the previous period of centralized collection, such as tax payment via banks.

This shift, however, was short-lived. By July 2016, property tax collection was once again centralized. TRA was granted full responsibility for administering the tax, including property registration, valuation, rate setting, collection, and enforcement in 30 municipalities. In July 2017, this responsibility was extended nationwide across mainland Tanzania. The return of property tax administration to TRA took the municipalities by surprise. Local authorities argued that the re-centralization was not based on an evaluation of the municipalities' achievements in enhancing revenue since early 2014, nor did it take into account the challenges faced during the previous period (2008–2014), when TRA had managed property tax collection.

In August 2021, the government introduced a new reform in which property tax payments were to be made through the purchase of electricity from the state-owned Tanzania Electric Supply Company Limited (TANESCO). Under this system, property tax is collected via electricity tokens, directly linking tax payments to electricity usage. The tax structure is based on flat rates. As of April 2025, two flat tax rates are in effect: (1) Standard building (single house): 18,000 TZS per year (approximately USD 6.70), and (2) Multi-story building (per floor): 90,000 TZS per year (approximately USD 33.60). These rates apply equally to both private and commercial properties.

Finally, in June 2023, the government announced that local government authorities would resume responsibility for property tax collection (URT, 2023). However, as of April 2025, TANESCO continues to handle the collection of the tax.

Since 2008, there have been five major changes to the property tax regime:

Pre-2008 (Decentralized):
Property tax was administered and collected by local government authorities.

- Poor revenue performance.
- Corruption and political interference by local councilors.

2008-2014 (Centralized):
The Tanzania Revenue Authority (TRA) was responsible for collecting property tax on behalf of the municipalities in Dar es Salaam.

- Poor, but slightly improving revenue performance after 2012/13.
- Problems with coordination and cooperation between municipal councils and TRA.

2014-2016 (Re-decentralized):
Property tax administration and collection returned to the municipalities.

- Major increases in revenue performance across all three municipal councils.
- Mass valuation and updating of property registers.

2016-2021 (Re-centralized):
The administration and collection of property tax in all municipalities were transferred to TRA, with the introduction of low, flat rates.

- Major drop in property tax collection in fiscal year 2016/17.
- Inadequate preparation for centralized collection.

2021–Present (TANESCO):
Property tax payments are made through the purchase of electricity from TANESCO.

- Low, flat rates.
- Poor preparation.
- Does not distinguish between property owners and tenants.

Frequent shifts in property tax administration have significantly impacted revenue generation, administrative efficiency, local government autonomy, and public trust in the property tax system. In the following sections, we examine how Tanzania's property tax reforms have fallen short of aligning with internationally recognized principles for effective property tax management, as outlined by Kelly (2013).

1. Weak alignment with broader public sector reforms

Property tax reform should not be treated as a standalone initiative implemented in isolation. When integrated as a core element of fiscal decentralization, property tax reform can play a vital role in empowering local governments with financial resources in an efficient and accountable manner. In Tanzania, property tax was initially embedded within the broader decentralization agenda, with the goal of enhancing local government financial autonomy. However, the move to centralized collection undermined this objective. The abrupt reversals in 2014 and 2016 further disrupted the system, eroding municipal fiscal independence—particularly as local governments were not compensated for the revenue losses incurred from the centralization of property tax collection. As a result, local government authorities have increasingly depended on alternative revenue streams, such as city service levies, business licenses, building permits, and hotel levies, many of which are less stable and more distortionary.

2. Deficient implementation of policies

Effective policy implementation depends on a shared understanding among all responsible actors of the policy's objectives, their respective roles, and the expectations placed upon them. To support coordination and constructive working relations, it is essential to establish clear rules and standard operating procedures that define what needs to be done, when, how and by whom. Successful tax policy implementation also requires well-defined goals, strong stakeholder collaboration, and sufficient resources. These foundational elements were largely lacking in Tanzania's property tax reforms.

Decisions were often made unilaterally by the national government, with minimal consultation with key stakeholders—including local governments and major property owners. In addition, there were limited incentives for inter-agency cooperation, which further weakened implementation efforts. When the TRA was tasked with property tax collection in 2008 and again in 2016, it was not equipped with additional personnel or resources. This led to capacity constraints and inefficiencies that significantly hampered the effectiveness of the reforms.

Under the current property tax system in mainland Tanzania, the state-owned electricity utility, TANESCO, is responsible for collecting property tax through electricity token purchases. This approach links property tax payments to electricity usage, using electricity meters (locally known as luku) to identify taxpayers. Despite its innovative intent, the system has encountered significant challenges. A key issue lies in the method of taxpayer identification. Many properties are equipped with multiple meters - often for both owners and tenants - which may result in tax being charged multiple times for the same property. This raises the risk of over-collection beyond what is legally required. Moreover, in some instances, tenants—who are not legally liable for the property tax—end up paying it in place of the actual property owners, creating both equity and administrative concerns.

3. Inadequate tax administration coupled with limited coordination

A critical foundation for effective tax reform is a thorough, realistic assessment of the capabilities and limitations of the administrative system responsible for implementation. Effective property tax administration depends on accurate and up-to-date property registers, robust valuation systems, and efficient enforcement mechanisms. However, these essential components appear to have been insufficiently considered by Tanzanian policymakers during the property tax reforms initiated since 2008. The reforms were undermined by significant administrative constraints, including poor preparation, outdated property and valuation records, and a lack of incentives for inter-agency cooperation. These weaknesses severely limited the effectiveness of the reforms and contributed to their underperformance.

During the periods of centralized property tax collection (2008–2014 and 2016–2021), TRA introduced several improvements, including digital tax collection methods. However, local governments were often reluctant to cooperate with TRA's initiatives due to mistrust and opposition to the centralization of the property tax system (Fjeldstad et al., 2019). Unlike municipal staff, TRA had limited knowledge of the local property tax base, which created a significant challenge. A major issue was the lack of comprehensive and accurate statistical data on the property tax base. TRA relied heavily on data collected at the local government level to build property registers, necessitating cooperation from municipal offices, especially at the ward level. However, ward officers had few incentives to collaborate with TRA. In contrast, during the decentralized period (2014–2016), some municipalities, such as Kinondoni in Dar es Salaam, successfully worked with local ward officers to collect property taxes, with ward officers receiving a share of the revenue collected.

4. Limited engagement with taxpayers

Effective property tax reforms require a deep understanding of how citizens perceive and experience the tax system, including its administration and enforcement. Tax administrations can only secure taxpayer compliance by fostering a climate of fairness and trust. This underscores the importance of transparency regarding how properties are registered, valued, and taxed, as well as clearly communicating the rates applied to different property categories. To encourage voluntary compliance, it is essential to provide convenient payment options, such as electronic payment systems, and to establish clear links between tax payments and tangible improvements in public services.

During the decentralized period (2014–2016), municipalities leveraged local structures, such as ward and mtaa (street) executive offices, to inform property owners and facilitate tax payments. These structures were directly engaged with local residents and businesses on a daily basis. Additionally, municipalities introduced user-friendly payment options, including MaxMalipo and mobile phone-based platforms like M-Pesa, to make tax payments more accessible.

In contrast, TRA gave limited attention to engaging with and informing property owners about the rationale, procedures, and responsibilities associated with property tax (Fjeldstad, Ali, and Katera, 2018). Perceptions of an unfair property tax system were a significant driver of non-compliance among property owners, with dissatisfaction over local service provision also playing a major role. TRA was not well-positioned to link property tax compliance with tangible improvements in local services. These observations suggest that fostering constructive working relationships between the central government and municipalities could have served as a catalyst for more effective property tax collection.

5. Lack of a clear, long-term strategic approach

Successful property tax reform requires sustained effort, political commitment, and a long-term vision. Tanzania's frequent shifts in property tax policy—averaging major reforms every three years since 2008—have undermined stability and hindered long-term progress. For reforms to succeed, institutional change is essential, but this process must occur gradually. Effective tax reforms demand time and continuous government commitment. The absence of a predictable policy environment has eroded trust among stakeholders and contributed to lower compliance. A stable and predictable tax policy is crucial for the credibility and legitimacy of the tax system. Property tax reforms should, therefore, be implemented only after thorough consideration of transitional arrangements and as part of a broader, long-term strategy. Unfortunately, such an approach has been lacking in Tanzania, where policymakers have given limited attention to adequate preparation, reform analysis, and consultations with both implementing agencies and taxpayers.

Looking ahead: Implications for reform

The shortcomings of Tanzania's property tax reforms can largely be attributed to weak planning and preparation, evident in vague objectives, unclear implementation procedures, and inadequate resources to implement the reforms. Frequent transitions between central and local control have further disrupted continuity and progress. Moreover, limited administrative capacity, a lack of clear rationale for reform, and insufficient consultation on roles and responsibilities have undermined effective collaboration among key stakeholders—particularly between municipalities and the Tanzania Revenue Authority (TRA). Combined, these issues have hampered the successful execution of reform initiatives.

To improve property tax collection, efforts should focus on enhancing voluntary compliance by offering incentives to encourage taxpayers to pay their taxes in a timely manner. Such incentives may include linking property tax payments to visible improvements in public services, reducing compliance costs, and offering discounts or rewards for prompt and full payment. Simplifying the payment process and making it more accessible can also lower barriers to compliance and foster a culture of voluntary payment. To further reduce both administrative and compliance costs, many countries are adopting a range of convenient payment options—such as through banks, post offices, ATMs, internet platforms, electronic checks, credit cards, direct bank deductions, and mobile phone transfers. These innovations aim to make tax payment more user-friendly and efficient.

Linking property tax revenue to visible improvements in public services is essential for building taxpayer trust and compliance. Unlike user fees for specific services such as water or electricity, property tax is not easily associated with a direct, individual benefit. Therefore, it is crucial for taxpayers to understand that property tax functions as a general benefit tax—funding location-specific infrastructure and services such as roads, drainage, and public parks. To foster this understanding, governments should invest in taxpayer education and outreach efforts that clearly explain the purpose and benefits of property taxation. Equally important, however, is the efficient, transparent, and accountable use of property tax revenues to deliver tangible improvements in public services. Demonstrating this link in practice can strengthen public confidence and encourage greater compliance.

Recent experiences from other African countries indicate that property tax administration is most effective when local governments are institutionally responsible for tax collection (Ali et al., 2017), as this gives them a stronger incentive to maximize revenue. In the case of Tanzania, strengthening collaboration between national and local tax authorities, ensuring comprehensive preparation before implementing reforms, and adopting a clear long-term strategic vision are critical steps toward building a more effective and sustainable property tax system.

The Government's 2023/24 Budget (URT, 2023: 109) introduces a new property tax framework, with plans to shift to a value-based property tax system beginning in the 2026/27 financial year. The President's Office – Regional Administration and Local Government (PO-RALG) will be responsible for overseeing the property valuation process and managing tax collection. In the interim, property tax will continue to be collected through the purchase of electricity tokens. This transitional measure aims to provide the government with time to establish a valuation framework, while allowing TANESCO to refocus on its core mandate of electricity generation and distribution. If carefully planned and implemented, this reform presents an opportunity to address past shortcomings and establish a stable, efficient property tax system that strengthens local government finances and supports broader economic development.

These recommendations come with an important caveat: as with many public sector reforms, the success of property tax reform ultimately hinges on politics (Byiers and de Weijer, 2014). Focusing solely on institutional design and technical solutions is insufficient if the political dimensions of taxation are overlooked. For reforms to be effective and sustainable, it is essential that reformers acknowledge and incorporate the political context and allow space for political negotiation and manoeuvring. This requires moving beyond purely technocratic approaches to embrace political economy analysis, without abandoning the technical rigor that underpins sound policy design. Integrating these perspectives can lead to more realistic and implementable reform strategies.

Notes

[1] See Fjeldstad, Ali and Katera (2019) for a detailed discussion of the property tax reforms in Tanzania.

[2] In 2021, total property taxes in Sub-Saharan Africa and Emerging Asia accounted for 0.1% of GDP, compared to 1% in Europe, 3% in the USA, and 1.4% in the OECD (Grote and Wen, 2024).

[3] The local government reform agenda in Tanzania began in 1996 and was aimed at streamlining central-local government relations within the broader context of public sector reforms with the ultimate goal of improving service delivery. This agenda was translated into a government policy on decentralization by devolution (D by D) and promulgated in the *Policy Paper on Local Government Reform* in 1998 (URT 1998). Implementation of the *Local Government Reform Programme* (LGRP) started in 2000.

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