

Property Tax Reforms in Africa: Lessons from Tanzania

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Africa's Property Tax Gap

- **High Potential – Low Revenue**
 - Rapid urban growth, rising service demands
 - Property tax remains underutilised
- **Average property tax levels:**
 - $\approx 0.1\%$ of GDP in Sub-Saharan Africa
 - $\approx 1\%$ of GDP in Europe
 - $\approx 3\%$ of GDP in the United States
- **Result:** Rising service demands with limited revenues

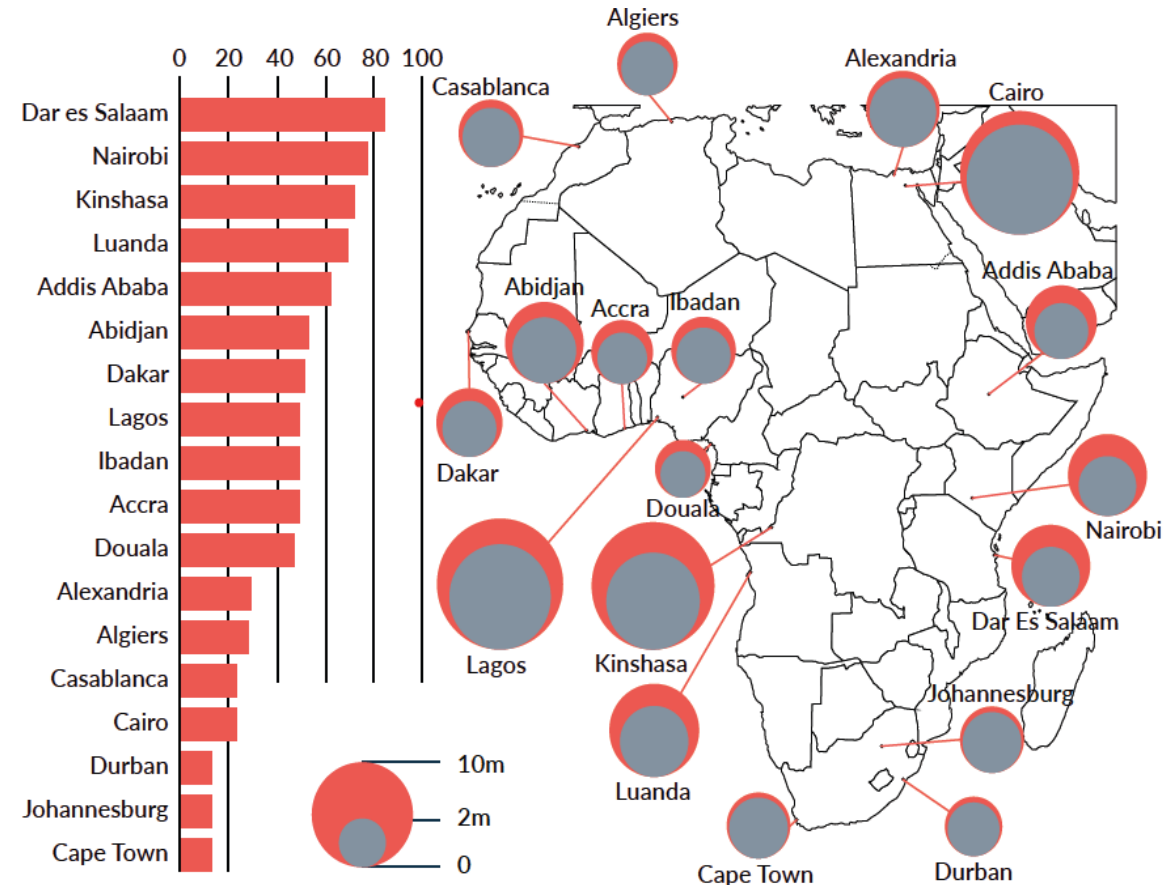


Figure 1: Growth of African cities. Forecasted % increase, 2010-2025
Source: UN-Habitat

Potential Benefits of Property Tax

Revenue Benefits

- Stable, predictable revenue source
- Hard to evade compared to other taxes

Governance Benefits

- Links taxes to public services
- Strengthens accountability

Institutional Impact

- Supports property rights



Bank of Tanzania: Does it pay property tax?

Key Question: Why don't we see these benefits in practise?

Tanzania: A Reform Laboratory

Since 2008: Frequent changes in property tax administration

- **Pre-2008 → Local Governments**

Full administrative responsibility: valuation, billing, collection

- **2008–2014 → Hybrid system**

TRA: collection | Local governments: registration, valuation & rating

- **2014–2016 → Local Governments**

Administrative responsibility back to local governments

- **2016–2021 → Centralised (TRA)**

Administration centralised; reduced local role

- **2021–Present → Hybrid system**

TANESCO: collection | Central government: flat-rate system



Tanzania: A Reform Laboratory (cont.)

- **Key Pattern:** Oscillation between centralised and decentralised models
- **Constraints that undermine reform:**
 1. Institutional misalignment
 2. Administrative capacity constraints
 3. Political economy challenges
- **Consequences**
 - Weak institutional learning
 - Reduced revenue performance
 - Blurred responsibilities and coordination failures
 - Erosion of taxpayer trust
- **Key Message:** Institutional instability - not just technical design - has been a central constraint on reform outcomes

Property Tax Reform: Lessons from Tanzania

Stable Institutions

- Ensure clear and consistent mandates
- Avoid frequent institutional shifts

Strong Data Systems

- Build reliable property registers
- Invest in valuation capacity

Aligned Incentives

- Coordinate national and local roles
- Strengthen revenue-sharing mechanisms

Taxpayer Trust

- Link taxes to visible services
- Improve communication and transparency

Key Takeaways:

- Reform requires alignment of politics, capacity, and trust
- It is a long-term political and institutional process - not just a technical one

The Property Tax Reform Dilemma: Who Should Collect?

Central Government

Local Government

Hybrid

Advantages	Advantages	Advantages
• Strong technical capacity	• Direct local accountability	• Combines capacity & accountability
• Better IT systems	• Better knowledge of properties	• Centralised valuation standards
• Stronger enforcement powers	• Stronger link to service delivery	• Local control over revenue
Risks	Risks	Risks
• Weak incentives to collect	• Limited administrative capacity	• Coordination challenges
• Weak link to local services	• Weak valuation systems	• Blurred accountability
• Limited local knowledge	• Political interference	• Requires strong cooperation

There is no perfect model - but frequent changes make any model fail

- ***Tanzania illustrates the risks of poorly coordinated and frequently changing arrangements***

Thank you!