Implementing Property Tax Reform
in Tanzania

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Countries in East Africa are undertaking a variety of local government reform efforts aimed at improving local service delivery and economic governance. In addition to rationalizing central-local fiscal relations, these governments are placing attention on improving financial management and revenue mobilization efforts. One key reform priority is improving the role of the property tax as a source of dependable local own-source revenue.

Tanzania embarked on its property tax reform in 1993, following a “valuation-pushed” implementation strategy that focused priority on creating a property valuation roll for Dar Es Salaam (DSM). Phase One of the reform was completed in 1996, producing a valuation roll covering about one third of all properties. The DSM City Commission established in 1996 used this new valuation roll to generate significant increases in the property tax, along with major increases in all locally generated revenues.

This paper analyzes the current Tanzanian property tax reform to identify possible lessons for refining and improving the property tax reform implementation strategy. Part One of this paper provides a brief background of the legal and administrative framework for the property tax in Tanzania. Part Two focuses on the specific property tax reform experience in Dar Es Salaam, while Part Three concludes with lessons and recommendations.
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Implementing Property Tax Reform in Tanzania

1. Introduction

Tanzania is undertaking a variety of macroeconomic and structural reforms aimed at laying the foundation for higher and sustained economic and social development. To date, these reforms have focused on fiscal consolidation, streamlining the civil service, privatizing about half the parastatal enterprises and restructuring the financial system (IMF, 1999).

One important reform priority has been the rationalization of government to improve service delivery and provision of physical infrastructure. The intent is to strengthen central government decisionmaking and oversight functions, while transferring increased responsibility for service delivery and infrastructure maintenance to local authorities and the private sector.

To realize the local authority reform objectives, the Government in 1996 established a special local government reform team within the Office of the Prime Minister and initiated a “Local Government Reform Agenda (1996-2000)” which involves three distinct activities, namely:

1. restructuring the regional administration,
2. developing an enabling institutional framework and capacity and
3. restructuring and strengthening local authorities (Kweba and Baruti, 1998).

This Local Government Reform Agenda began with a major restructuring of the central government’s regional administration. First, the role of the regional administration was reduced to providing and coordinating technical support to local authorities. The average size of the central government’s regional staff was reduced from 700 to 80 per region. Second, the Government in January 1999 introduced a new grant system to provide additional financial resources directly to local authorities. This new system of conditional and unconditional grants is to be phased in over a three-year period to 35 local authorities each year. Third, in March 1999, a newly created Ministry of Regional Administration and Local Government was established to assume full responsibility for coordinating and supporting the local government reform process.

This Local Government Reform Agenda is still in its early stages, with attention now focused on strengthening local government capacity to absorb these increased responsibilities and financial resources. Priority is being placed on improving local government financial management systems, multisectoral planning and service delivery capacity. The Government is also developing appropriate mechanisms to ensure
consistency between district programs and sector-wide/national policy priorities (IMF, 1999).

One critical prerequisite for sustainable local government reform is adequate financial resources. Thus, in addition to supplementing local resources through the new central–local transfer system, the Government has been evaluating various options to improve local own-source revenue mobilization. To date, the primary effort has been on implementing a local property tax reform that began in 1993.

This property tax reform initiative was structured to mobilize sufficient revenues to maintain the local physical infrastructure to be funded through the World Bank’s Urban Sector Engineering Project (USEP). This property tax reform was structured originally to develop a valuation roll for Dar Es Salaam (DSM). The valuation exercise was divided into three phases. Phase One (1993-1996) valued about 30,000 properties in DSM, while undertaking some preliminary valuation work in the eight other municipalities. Phase Two (1997-2001) was structured to expand the valuation roll in DSM by 17,000 properties and value an additional 24,000 properties in these eight other municipalities. Phase Three (2001-onwards) is expected to complete the valuation roll for DSM and further expand the valuation rolls in other localities. It is hoped that these improved valuation rolls will provide the basis for generating the local own-source revenues necessary to develop and maintain local infrastructure and to provide improved local services.

This paper is written to evaluate the reform progress to date and to identify lessons for refining the property tax reform strategy in Tanzania. Part One provides a brief background of the legal and administrative framework for the property tax in Tanzania. Part Two focuses on the specific property tax reform experience in Dar Es Salaam while Part Three concludes with lessons and recommendations.

2. Property Taxation in Tanzania

The modern application of property tax in Tanzania began in 1946 with the enactment of the Municipalities Ordinance (Cap 105) that authorized municipalities to levy a ten percent tax on the capital value of all buildings. Then in 1952, the Local Government (Rating) Ordinance (Cap 317) was passed which expanded the property tax base to include the unimproved site value for all properties held under long-term leases. Thus, properties under long-term leases were subject to a tax on land and buildings while properties under short-term lease and customary laws were subject to only a tax on buildings.

This property tax system lasted up to Independence in 1961. Following Independence, Tanzania quickly adopted a form of “African Socialism” which radically changed the structure of government affecting the property tax system. In 1967, all land was nationalized. In 1972, all local governments were abolished through a policy paradoxically known as “decentralization.” In fact, the central government took over all
public functions and nationalized virtually all private sector industries and commercial activities at that time.

The abolition of local governments in 1972 eliminated all existing taxes on property. By 1974, however, due to financial constraints, the Government was forced to enact the Land Rent and Service Charge Act which introduced a system of central-level land rent and service charges levied on land held under both short- and long-term rights of occupancy.

By 1978, the Government policy to abolish local governments was recognized as a failure—Tanzania was facing a crisis of rapidly deteriorating urban services and infrastructure. Thus, local governments were reestablished in 1978 and became fully operational with the passage of the Local Government (Urban Authorities) Act of 1982, the Local Government (Township Authorities) Act of 1982, the Local Government Services Act of 1982 and the Local Government Finance Act of 1982.

The Local Government Finance Act of 1982 laid the foundation for the financial management and revenue raising powers of the newly-reestablished local authorities. This Act authorized local authorities to collect a property tax and other revenues, such as a development levy (a form of poll tax), business licenses, user charges and fees as well as produce, livestock and industrial cess. Section 13 and 15c of this Local Government Finance Act allowed local authorities to impose a flat rate property tax by enacting local by-laws which were subject to central government approval. These flat rate property taxes could be levied on buildings, adjusted by such factors as size, location, and use.

In the following year, the Government enacted the Urban Authorities (Rating) Act of 1983 (UARA) that reintroduced an ad valorem property tax on buildings which could be levied in either urban and township authorities.

These two laws provide the legal basis for the current property tax system in Tanzania. The following section will briefly discuss the legal and administrative parameters for the property tax base, valuation, assessment, and collection/enforcement. Priority is placed on the Urban Authorities (Rating) Act of 1983 (UARA) since this law provides the framework for the ongoing property tax reform in Tanzania.

2.1 Tax Base

The property tax base is narrowly limited to buildings, structures or similar development. Land is not taxed under the property rating since all land belongs to the State and is therefore liable for land rent collected by the central government (GOT, 1999).

Property tax base exemptions are granted to property personally occupied by the President; properties used for public utilities or public worship, public libraries and museums, cemeteries and crematoria, civil and military aerodomes, sporting facilities,
railway properties and any such property as the Minister responsible for Local Authorities shall prescribe (UARA Section 7).

In principle, UARA Section 7(2) provides the option for the responsible Minister to authorize the Government to pay a payment in lieu of rates, “such amount as may be considered expedient”. In practice, however, the Central Government has never paid this property tax equivalent. In fact, in 1997, the Government issued a circular that explicitly exempted government buildings, government residential properties used exclusively by government officers and employees, property used by educational institutions, and property owned by religious institutions not used for commercial purposes (GOT, 1997).

The property tax base is legally defined to include only buildings thus limiting the potential tax base. However, even this limited tax base is underutilized due to extensive lags in the identification and maintenance of the building information on the tax roll. It is estimated that Tanzania has only about 25% of the eligible taxable buildings on the property tax roll. Based on aerial photographs taken in 1992, it is estimated that DSM has about 400,000 buildings while the tax rolls only contain about 100,000 buildings. Improving the administrative capacity to systematically identify buildings and capture the information on the tax rolls to expand this coverage ratio would dramatically improve revenue, equity and economic efficiency.

What are some of the administrative constraints facing Tanzania with regards to increasing tax base coverage? Up until recently, property tax base identification was done mostly on an ad hoc basis. Property cards were created and updated periodically, with considerable lag in the building market information especially in the fast growing unplanned areas. There was a lack of systematic administrative procedures, proper tax maps or a consistent property identification numbering system. All this led to tax roll information which was usually incomplete and out-of-date. There was no use of computerization, further complicating the maintenance of the property tax rolls.

To begin addressing some of these deficiencies, the Government, with funding assistance from the Norwegian Agency for Development (NORAD), undertook an aerial photographic survey of the major urban centers in 1992. Base maps were generated from this survey that can provide the basis for systematically identifying buildings. As will be discussed later, these maps are being used as part of the ongoing Tanzanian property tax reform to expand the coverage ratio.

2.2 Valuation (Tax Assessment Basis)

The Urban Authorities (Rating) Act of 1983 stipulates that property should be valued based on the capital market value of the premise or, where the market value cannot be ascertained, the replacement cost of the buildings, structures and other developments, adjusted for depreciation (UARA Section 22). To date, due to the perceived lack of market information, all valuation for rating is being done on a cost replacement approach. The law provides for a maximum allowable depreciation rate of 25 percent. And
according to the UARA (Section 9c), the property tax roll is to be valued every five years or for such longer period as the responsible Minister may approve.

An important component of a valuation-based property tax system is the need for a simple but effective system of appeals. Sections 33-42 of the UARA provides for an appeals Tribunal which is centralized and which can only be appointed by the Minister responsible for local authorities. It is reported that the high level of this Tribunal has often caused considerable delay in the hearing of appeal cases and therefore postponing the use of the valuation rolls for taxation (UNCHS, 1998).

Property valuations until recently in Tanzania were conducted on a sporadic basis funded by the central government—usually without proper maps and without a systematic property ID system. These valuations were largely carried out by the Ardhi Institute on behalf of the local authorities due to the lack of in-house valuation expertise.6

To date, no empirical studies have been undertaken to estimate the level or the accuracy of the property valuations in Tanzania. However, based on international experience in other similar countries, it can be assumed that the average valuation ratio may be in the order of 30-50% of market value, with large variations among properties.7 This low valuation ratio would typically be attributed to the valuation standards used, lags in the valuation roll, and lack of indexation in the unit rates used for the flat rate system.

2.3 Tax Rates

Under the Urban Finance Act of 1982, local governments may levy a flat rate property tax through issuing local by-laws which must be approved by the Minister. In its simplest form, the flat rate property tax system would apply a single tax amount to be paid on each building—in essence a continuation of a simple hut tax first introduced during the early colonial period. Although a uniform flat rate system is simple to administer, it creates inequity given the vast differences in use, size, and location of buildings within a jurisdiction. Thus, the flat rate system in Tanzania has evolved to introduce a number of adjustments—differentiating the flat rate by size, building use and location.

For example, Dar Es Salaam reinstated a property tax in 1987 based on a simple flat rate system which applied a flat amount per building according to location. Under this initial system, Dar Es Salaam divided the city into 8 distinct zones with a specific unit amount applied to each building located within a particular zone (see Table 1). In 1996, Dar Es Salaam modified their flat rate system by expanding the number of flat rates categories from 8 to 52, with adjustments made for size and building use (Table 2). Other municipalities, such as Tanga and Tabora also use a similar 52 category flat rating system in their jurisdictions. This flat rate property tax system is used on all buildings that are not yet valued under the UARA.

For those properties that are valued, the local council can use any tax rate passed by a council resolution supported by a two-thirds majority and approved by the responsible
Minister. Local governments can choose either a uniform or a classified rate structure. For example, Mwanza, Arusha, Morogoro, and Dar Es Salaam use a uniform tax rate structure for their buildings, while other towns such as Iringa and Mbeya tax commercial property at a higher rate than residential. Dar Es Salaam initially used a 0.1 percent rate in 1996 for valued properties, raising the rate to 0.15 percent in 1998. Mwanza used a rate of 40 percent from 1992-1995. Iringa and Mbeya, on the other hand, used differential rates of 0.30 percent for residential and 0.60-0.70 percent for commercial buildings. In 1996, these two towns switched to a uniform rate system applying 0.70 and 0.60 percent, respectively.

In addition to the general rate, the council (with the responsible Minister’s approval) may levy a special rate to cover the costs of special capital works schemes which only benefit the owners of a portion of the rateable area (UARA Sections 18 and 19). To date, the special betterment assessment (i.e., known as a “special rate”) option has not been used in Tanzania.

2.4 Tax Collection and Enforcement

While the local level valuation department is responsible for the valuation roll and issuance of the tax demand notices, the actual revenue collection and enforcement activities are administered through the Town Treasurer’s office.

With the exception of Dar Es Salaam which introduced computerized billing for about 30,000 parcels in 1996, all tax demand notices are produced manually, creating problems of delay and transcription errors. Demand notices are delivered either manually or through the postal system—often with difficulty due to incomplete or out of date addresses and names. In Dar Es Salaam, for example, 15.7% of the demand notices were returned as undelivered in 1996 (Kironde, 1997, p.19).

The UARA law is silent on the due dates and the number of installments for the property taxes—leaving these to the by-laws of each local authority. Under the by-laws issued by Dar Es Salaam, for example, the tax deadline is defined as 30 days “after receipt of the property tax bill.” In practice, tax payments in DSM are made in one installment, although large taxpayers are allowed more than one installment.

For those taxpayers that do not pay the tax, the DSM By-Laws provide for a 25 percent penalty per year or imprisonment for a term not to exceed one month, or both fine and imprisonment, or any other penalty as contained in the UARA. The UARA itself provides for a 1 percent per month interest penalty on all outstanding amounts (UARA Section 47). In 1999, the UARA was revised to increase the level of fines and penalties to more appropriate levels in line with current economic conditions.

The Law also provides for a warrant to be issued to seize the personal goods and chattels of defaulters up to the value of the outstanding rates. The Rating Authority may, at their discretion, recover any amount due by civil action without further notice or demand.
(UARA Section 26). In addition, all outstanding rates are to be a charge on the premise, having priority over other claims (UARA Section 27) and the law allows for the premise to be auctioned to recover the rates outstanding (UARA Section 29).

Despite the various legal provisions to enforce payment, collection rates appear to be quite low (e.g., less than 30-50% in Dar Es Salaam). There are a variety of possible explanations to explain this low collection rate—ranging from a lack of taxpayer education/understanding to outright resistance, due to lack of local services. Some attribute the low collections largely to lack of political will and administrative efficiency. Improvement in the application of the legal provisions available for improving the collection ratio would improve revenue, equity and efficiency.

As identified, there are four critical ratios that affect property tax performance, namely, the coverage, valuation, the tax rate and collection. Although the tax policy concerning tax base definitions, exemptions, valuation standards, and collection/enforcement provisions are important, the efficiency of the property tax administration is of equal or perhaps more importance. That is, the government must ensure that all buildings are on the tax rolls (i.e., improve the coverage ratio), that these buildings are valued close to market value (i.e., improve the valuation ratio), that the tax is assessed correctly (improve the tax ratio), and that the revenue is collected (i.e., improve the collection ratio). This relationship can best be illustrated through the following property tax revenue model:\(^{10}\)

\[
\text{Tax Revenue} = \text{Tax Base} \times \text{TR} \times \text{CVR} \times \text{VR} \times \text{CLR}
\]

Definitions used in this tax revenue model are as follows:

- **Tax Base**: Tax Base is defined according to the government policy in terms of what is and what is not taxed and typically is the value of that base under an ad valorem tax system.\(^{11}\)

- **TR**: Tax Rate is defined as the “rate struck” for the taxing jurisdiction. This measures the tax amount per value of the property that is to be paid as tax. The tax ratio (or tax rate) is normally determined through the annual budget process.\(^{12}\)

- **CLR**: Collection Ratio is defined as the tax revenue collected over the total tax liability which has been billed for that year. This measures the collection efficiency. The collection ratio is affected by the collection of both current liability and tax arrears (i.e., enforcement efficiency).\(^{13}\)

- **CVR**: Coverage Ratio is defined as the amount of taxable property captured in the fiscal cadastre, divided by the total taxable property in a jurisdiction. This measures the accuracy and completeness of the property information in the valuation roll.
VR Valuation Ratio is defined as the value on the valuation rolls divided by the real market value of properties on the valuation roll. This measures the accuracy of the property valuation level.\textsuperscript{14}

As this formula indicates, potential tax revenue is a function of the accuracy and level of the coverage ratio, the valuation ratio, the tax ratio and the collection ratio. In fact, these four ratios ultimately determine the effective tax rate and tax burden for each property, thus affecting the revenue yield, economic efficiency and overall equity of the property tax system. Unlike the tax rate which is politically determined once during the annual budget process, the coverage ratio, valuation ratio and collection ratios are affected by the level of administrative capacity and political will continuously throughout the year.

Using this model and the estimated ratios identified above, it is possible to roughly estimate the potential improvement in revenue yield in Tanzania. Holding the tax base and tax rate constant, for example, it would be possible to double the tax yield through introducing administrative improvements to expand the coverage ratio, improve the valuation ratio, and increase the collection ratio. Assuming that these three ratios could be increased from roughly 40 percent to 60 percent, the revenue yield could be increased by 340 percent.\textsuperscript{15} The revenue potential from improving the administration related to tax base coverage, property valuation and revenue collection is tremendous. Let us now turn to the specific property tax reform experience under Phase One in Dar Es Salaam.

3. Property Tax Reform Experience in Dar Es Salaam (1993 to Date)

The Government of Tanzania, with financial assistance from the World Bank, embarked on a major property tax reform project in 1993. The property tax reform was developed as part of the Urban Sector Engineering Project (USEP), which was launched with financial assistance from the World Bank and Norwegian Assistance for Development (NORAD). The USEP objective was to prepare nine urban centers for a comprehensive infrastructure investment project by initiating municipal restructuring, improving urban financial management and revenue mobilization, and preparing engineering designs for priority infrastructure rehabilitation (World Bank, 1996).\textsuperscript{16}

As with all major foreign-funded infrastructure projects, a key project component was enhancing revenue mobilization to generate sufficient funds for the operation and maintenance of the new investments. An evaluation of the revenue structure in Dar Es Salaam suggested that the property tax was being underutilized as a revenue source. Further analysis by the USEP project identified the lack of valuation rolls as the primary obstacle to improved property revenue generation. Thus, the adopted reform strategy was to shift the property tax in Dar Es Salaam from its flat rate system to a system based on market values. This was to be accomplished by the creation of a valuation roll for Dar Es Salaam.

Prior to this USEP project, Dar Es Salaam levied its property rates based on a flat amount per building under local by-laws established under the Local Finance Act of 1982. These
unit rates were established in 1987 when property rates were first re-introduced to Dar Es Salaam following the reestablishment of local authorities in 1984. Property rates were being levied as a per unit amount per building depending on zonal location—with these rates being held constant up to the start of USEP.

The property tax reform’s valuation roll effort was divided into three stages. Dar Es Salaam was broken into 18 zones. Stage One was to cover the core business section of town, approximately 30,000 buildings located in 6 zones. Phase Two was to cover approximately 17,000 buildings located in 4 other zones, while Phase Three would cover the remaining properties.

In addition to preparing a valuation roll for Dar Es Salaam, USEP Phase One was to undertake preparatory work in the other eight municipalities, identify and enumerate buildings using the new aerial photographs produced in 1992, and provide technical assistance and valuation training.

An important priority for the USEP project was the development of a systematic procedure for conducting both the property tax base identification as well as providing building valuations. Thus, the Government, using the maps produced in 1992, developed a system to identify the buildings, enumerate them, assign a property identification number and collect the relevant physical information on each building. In addition, the Government developed a consistent set of rating assessment guidelines to establish a uniform valuation basis for the revaluation process. Due to the lack of perceived market values, the Government decided to use the cost replacement approach as provided for in law. These guidelines categorized all buildings into four basic groups (residential, commercial, industrial and hotels). Within each of these categories, there were three sub-categories of building types, each with an established range of values per square meter. In addition, a separate category was established for site works, with a percentage adjustment to be applied to the basic cost figure. There were three percentage adjustments, namely 0, 5 and 10 percent depending on the quality of the site works. Finally, four categories for depreciation adjustment were established, depending on the physical condition, functional obsolescence, and remaining economic life of the property.

Using these fieldwork and valuation guidelines, the government’s reform strategy was to outsource the valuation work to private valuation companies due to the lack of in-house valuation capacity within the city. Six valuation firms were contracted under Phase One to value approximately 30,000 buildings at a total cost of about US $1 million (approximately $33 per property).

This exercise produced a valuation roll in 1995 of 30,000 buildings, with a total estimated value of Tsh 800,686,920,000 (roughly US$ 100 million). In 1996, Dar Es Salaam adopted a 0.1 percent tax rate which generated a tax potential of Tsh 800 million. This tax revenue potential combined with the potential for buildings under the flat rate system (i.e., Tshs 400 million) produced a revenue potential of over Tsh 1.2 billion (US$1.5 million) (Musunu and Rwechungura, 1996).
In 1996, the new tax roll was used for tax purposes. In addition, a new City Commission appointed by the central government replaced the DSM City Council in 1996. Together these actions contributed to a major increase in local revenues. As Table 3 indicates, Dar Es Salaam local own-source revenues rose by an average annual rate of 81 percent over the three year period from 1993-1996, with above average increase in property rates, development levy, the industrial cess, and taxi/bus park fees. Part of the revenue improvement in the property tax was no doubt due to the new property tax roll, which provided a basis for increased property revenue liability. However, a large portion of the overall revenue increase could also be attributed to the strong political will and improved revenue mobilization efficiency brought about by the change in city administration. The expanded property tax base coverage and improved property valuations, in combination with strong political will and collection efficiency, enabled DSM to generate substantial improvements in local revenues during that time.

Phase One of the property tax reform produced a partial valuation roll of 30,000 buildings based on a cost approach, created a Valuation Office in Dar Es Salaam, complete with a computerized database of this partial valuation roll, and contributed to the revenue increases under the new city commission. This new DSM Valuation Office is now responsible for producing the tax demand notices each year, maintaining the valuation roll by issuing supplementary rolls as necessary. They are also now involved in monitoring the private valuation contractors involved in Phase Two of the reform.

The USEP project was completed in 1997, succeeded by a new World Bank-assisted Urban Sector Rehabilitation Project (USRP) which also focused on rehabilitating urban infrastructure and services such as roads, drains, water supply and sewerage. Under this new project, Memorandum of Understandings (MOUs) were signed with each municipality officially transferring infrastructure operation and maintenance responsibility to the local authority—thus, reemphasizing the importance of local government revenue mobilization.

The USRP continued to place priority on property taxation as the revenue mobilization mechanism. The property tax reform strategy for Phase Two was virtually identical to Phase One. Priority was once again placed on creating valuation rolls, using private sector contractors. The specific Phase Two objective was to expand the valuation roll by approximately 17,000 buildings in Dar Es Salaam and up to 24,000 buildings in the other eight municipalities. In addition, the information on approximately 70,000 additional properties in these eight municipalities is to be updated.

Building on the experience from Phase One, however, the Government introduced several changes to the field data collection procedures. In contrast to Phase One where the private sector contractors were responsible for both the building inventory/enumeration and the valuation, Phase Two shifted the inventory/enumeration responsibility to the government valuation surveyors. Under this approach, the government valuation surveyors are using maps to identify and number all buildings to ensure a more complete tax base coverage prior to having private contractors collect
detailed property information and determine building property values. In addition, the Government has placed increased priority on supervising the private contractors to ensure some quality control over the field data collection effort. Under Phase Two, the government valuation surveyors are randomly carrying out quality checks of the individual property cards to ensure a more complete and accurate coverage ratio.

Phase Two field activities commenced in January 1999 in Dar Es Salaam with the issuance of two private sector contracts to collect detailed individual building data and to value each building. Once the private sector field work is complete, the information and values will be computerized at the DSM valuation department. In addition to the work in DSM, Phase Two will involve hiring private contractors for data collection and valuation work in the eight other municipalities, with the information being computerized in the local valuation departments. Phase Two activities will also involve preparing the documents for the Valuation Tribunal, providing computerization training for local in-house valuers, and arranging for external attachment opportunities for local authority in-house valuers. Due to some delays in project implementation, these Phase Two activities are only just getting underway. Now is the ideal time to consolidate the lessons to date and to incorporate these into refining the reform implementation strategy. This paper will now briefly discuss six of these lessons drawn from the reform experience to date.

4. Lessons Learned from the Tanzanian Reform Experience

4.1 The Property Tax Reform Needs to Be Comprehensive

To date, the property tax reform has placed priority on developing valuation rolls, primarily in Dar Es Salaam with some preparatory work in eight other municipalities. Under Phase One, private contractors were hired to collect the necessary property information and to determine a value for approximately 30,000 buildings. Phase Two is continuing the same focus—using private sector valuers to expand the valuation roll in Dar Es Salaam by about 17,000 properties and to build or update a valuation roll in eight other municipalities with about 24,000 properties. In addition, there will be some updating of data for an additional 70,000 buildings contained on the rolls in these eight other municipalities.

Although project documents seem to recognize the need to strengthen the link between valuation and the collection/enforcement function, in practice Tanzania continues to follow a pure “valuation-pushed” property tax reform strategy. All project resources continue to be focused solely on the valuation component of property tax administration, largely ignoring the important collection-related activities.

As international experience indicates, successful property tax reform must be comprehensive, covering all aspects of property tax administration (property identification, valuation, assessment, collection, enforcement and taxpayer service). Improvements in valuation alone cannot achieve the expected results of increased local
government revenues. Property valuations are only intermediate outputs that are used by local governments to generate the final output of increased revenues. It will be important for Tanzania to shift its focus from pure valuation to a more comprehensive basis with priority given to improving collection and enforcement. This broader focus will better allow the property tax reform to generate sustained revenues to the local government which can be used to provide vital local services and maintain local infrastructure.

4.2 The Property Valuation Needs to Be Based More on Market Values

The property valuation for tax purposes needs to be based more on market values to improve the equity of the tax system. Currently, the property valuation exercise is valuing all buildings based on a cost replacement approach. This means that similarly constructed buildings located in different parts of town are paying the same tax. In essence, the current ad valorem property tax system is based on the asset value of the building with no adjustment for the market (e.g., locational influence). To improve equity, therefore, Tanzania needs to begin incorporating market value considerations in the valuation methodology in accordance with the original legal intent.

Theory and international practice suggest a number of ways to introduce more of a market approach to property valuation. In short, some form of locational adjustment must be included in the valuation methodology. Under the current legal framework, this can either be done through refining the flat rating approach which can make adjustments for factors such as location, size and use or through the UARA which provides for a market value approach.19

The flat rating system as practiced in DSM currently allows for adjustments for location, building size and use which are three of the major determinants of property value. DSM could introduce a simple market based mass valuation system by calibrating its current 52 flat rating categories to estimated market values. For those properties under the ad valorem system, Tanzania could introduce a locational coefficient to adjust the building value depending on the relative location within the city. This locational coefficient, as well as the location adjustment for the flat rating system, could be determined using the similar land value zone approach as practiced in Latin America and Indonesia (Youngman and Malme, 1994; Kelly, 1993) or determined by computer-assisted mass appraisal techniques as practiced in the United States and test piloted in Kenya and South Africa (Kelly and Ward, 1999). Adjusting the flat rating system and/or the cost approach value for a building for location would allow the taxable value to more closely resemble a market value approach, thus improving equity and overall buoyancy of the property tax revenues.

4.3 Property Valuation Should Be Conducted on a Mass Valuation Basis

As with countries throughout Sub-Saharan Africa, Tanzania continues valuing property on an individual parcel basis, which requires that a valuation surveyor physically visit each property to determine a single building value. This individual valuation approach is
time consuming and costly, usually leading to long delays in the updating of valuation rolls.

To overcome these problems, many countries are simplifying their valuation systems and adopting a more mass valuation approach to property taxation purposes (IAAO, 1996). Mass valuation of properties has been shown to produce more equitable, up-to-date values in a manner that is more transparent, cost effective, timely and sustainable (Kelly and Ward, 1999). These mass valuation techniques separate the field data collection activities associated with the coverage ratio from the valuation activities associated with the valuation ratio. This allows the scarce and more expensive valuation resources to be focused on market data analysis, valuation models and specific property valuations rather than on collecting and maintaining property data in the field. To reduce the lags in the valuation roll and to minimize the costs involved with valuation, Tanzania should also consider adopting a mass valuation approach for property tax purposes while the newly-enacted Land Act is brought into full operation.

4.4 The Property Tax Reform Needs to Be Sustainable

The Tanzanian property tax reform is being implemented through contract private sector valuation surveyors, who are responsible for collecting the relevant building information and ascribing a value to each building. During Phase One, the Government spent about US$1 million to value approximately 30,000 buildings in Dar Es Salaam, while in Phase Two the Government is expected to spend an additional US$1.2 million for private contract work.

This reliance on the private sector is due to the lack of capacity at the local government level for property valuation activities. Although perhaps an expedient way to generate valuation tax rolls, if done in isolation without involving local government staff, this private sector approach does not strengthen or institutionalize in house local government institutional capacity for maintaining the new valuation rolls or for preparing supplementary rolls. The current approach is putting priority on a one-time updating of the valuation roll but does not fully consider the ongoing process of maintaining a valuation roll, that is, the timely and systematic capturing and valuing of buildings.

Long-term and ongoing valuation roll maintenance is an essential component of tax administration. It is essential to have qualified local government staff and adequate funding for updating and maintaining the roll. To address these concerns, the USRP is now beginning to place priority on building some local in-house valuation capacity through offering short term training seminars and external attachment for local government valuers. In addition, the USRP has recently instituted a system whereby the eight USRP project towns have agreed in principle to allocate ten percent of the total property tax revenue collections to fund valuation roll maintenance.

Ultimately property tax reform must be viewed as a long-term process—not limited solely to a one-time construction of a valuation roll. Property tax reform must involve
institutional and structural reform focused on reengineering all tax administrative aspects. Limiting the reform objectives to creating a valuation roll, without institutionalizing the administrative procedures and capacity to maintain the coverage, valuation and collection ratios, will not enable Tanzania to achieve sustainable revenue for its local authorities. Tanzania should expand its current computerized billing system in DSM to a more comprehensive “Property Tax Administration Management System” which would cover all aspects of the property tax including property information management, valuation, assessment and billing, collection, enforcement, dispute resolution and taxpayer services.

4.5 Construction of the Fiscal Cadastre Requires Quality Control

The Tanzania property tax reform has focused on constructing a fiscal cadastre—a compilation of the basic property information necessary for valuation, assessment, billing, collection and enforcement.

Constructing a fiscal cadastre is primarily a field exercise where teams, using available maps, go to the field to enumerate the properties and collect basic information on each property using individual forms or property cards. These completed cards/forms provide the basis for creating a computerized or manual tax roll. The quality of the final tax roll is a function of the quality of the data collected in the field. If the field data collection process is incomplete or inaccurate, the final property tax roll will not reflect the full revenue potential and will introduce equity and efficiency problems.

During Phase One, the fiscal cadastre construction was largely left to the private contractors with little quality control and field supervision by the government. Under Phase One, for example, one valuation contractor had a rejection rate of 21 percent of its submitted property information cards. Based on these experiences, Phase Two of the project was redesigned with a stronger emphasis on quality control and field supervision.

First, the government has taken over the responsibility for the initial property enumeration in the field. Under Phase Two, the government surveyors are responsible for using maps to enumerate and assign a unique property ID number to each building. These maps are then given to private contractors to use to collect the information on each house. In this way, the government can better ensure there are no missing properties.

Second, the Government has instituted a system of quality control of the private contractor information to ensure that the collected information is accurate and timely. For this, the private sector valuation contracts have been designed so that contractors complete 200 properties every week. The government will then perform an office verification procedure on 100% of the submitted property tax cards to ensure that all the cards are filled out completely and neatly. A ten percent sample (i.e., twenty properties) will then be selected for audit by a team of three government valuers. Of this sample, four percent will be taken from the high value properties and 3 percent each from the middle and low value properties. In addition, a separate 10 percent sample will be taken
for a “drive by” evaluation. All property information, which is found to be incomplete or inaccurate, will be given back to the contractor for correction.

For this quality control system to succeed, it will be important for the government to be vigilant in its inspection process. It will also be important for the government to establish clear and strict decision rules to deal with inaccurate information. Rather than returning all those property cards which were identified as inaccurate or incomplete, the Government should establish an acceptable error rate for the collected information. Any batch of property cards submitted weekly which does not meet this established error rate should be returned in full to the contractor to be redone completely. In addition, it would be advisable to include a financial penalty in each contract to deal with rejected cards (i.e., the contractor should be penalized financially for submitting property cards which do not meet the quality control standards.) This strict quality control of the field data collection and the property valuation will assist the Government to bring the coverage ratio and the valuation ratios closer to 100 percent.

4.5 Stakeholder Education is Essential

Successful property tax reform depends on the combined efforts of many stakeholders with different responsibilities, the central government for general policy and oversight, the local valuation department for the fiscal cadastre maintenance and valuation, the local treasury department for collection and enforcement, the centralized valuation tribunal and courts for appeals, the private sector for possible contract mapping and valuation, and the taxpayer for ultimately paying the tax. In addition, local politicians play a major role in setting the tax rate, allocating sufficient resources for effective administration, providing political support/will for collection and enforcement, and using the collected revenues to provide improved local services all of which affect the collection and enforcement rate.

Since these stakeholders all influence the revenue raising capacity of property taxation, proper mobilization of their support is vital. Each stakeholder group must be made aware of their responsibilities and given the resources to properly exercise their obligations and rights. Tanzania must continue to place priority on this stakeholder education process. Through a combination of in-house and external training efforts, the Government will need to continually focus on ensuring a high degree of public awareness of the property tax reform objectives and procedures. One key for this will be to effectively link the collection of the property tax revenues with the delivery of improved local services.

5. Closing Comments

Tanzania has been undertaking a property tax reform since 1993. Under Phase One that was completed in 1996, the Government developed a property tax reform strategy that introduced a valuation-based property tax system in Dar Es Salaam to replace the flat rating system which had been used previously. Under Phase One, the government produced a valuation roll of about 30,000 properties in Dar Es Salaam, established a
valuation office in Dar Es Salaam, and commenced preparatory work on the property tax in eight other municipalities.

Phase Two commenced in January 1999, follows the same basic reform model where private sector valuation companies are to be hired to value an additional 17,000 in Dar Es Salaam and 24,000 properties in the eight other municipalities.

Now is the time to evaluate the progress to date and identify important lessons which can help refine and improve the reform. This paper has identified six lessons that Tanzania should consider in the reform strategy.

**First**, the reform should be expanded to include the collection and enforcement components. Property valuation is only an intermediate output which is necessary to realize the final output of revenue generation.

**Second**, the reform must incorporate market aspects into its valuation methodology. The current cost replacement approach largely ignores the locational considerations which dramatically affect the equity and buoyancy of the property tax.

**Third**, the reform should aim to introduce mass valuation techniques to reduce the costs and time needed to update and maintain the valuation rolls. The introduction of these mass valuation techniques based on market values will be facilitated by the reforms ushered in by the newly-enacted land laws.

**Fourth**, the reform must incorporate a longer-term administrative and institutional reform perspective. The property tax reform must be viewed as a continuous process—not a one-time construction of a valuation roll. This calls for the institutionalization of a comprehensive rates administration management system which can manage all aspects of the property tax including those related to collection and enforcement.

**Fifth**, the reform must continue to emphasize strict quality control to ensure accurate and reliable data for the fiscal cadastre construction effort.

**Sixth**, the reform must strengthen its stakeholder education program to ensure long-term, sustainable revenue mobilization.
Endnotes

1 The USEP project was targeted to provide infrastructure and technical assistance support to nine urban centers, which included Dar Es Salaam, Morogoro, Iringa, Mbeya, Arusha, Tanga, Tabora, Mwanza, and Moshi.

2 The UARA is specifically applied only to urban and township councils. Thus, district and village councils are not legally authorized to levy a value-based property tax in Tanzania but may adopt the flat rate tax through local by-laws subject to central government approval under the Local Government Finance Act of 1982 (Sections 13 and 15).

3 Recent changes have been introduced into Tanzania regarding the valuation and taxation of land. The newly enacted Land Act No. 4 of 1999 states that land will be deemed to have value which will need to be reflected in all transactions involving land. This law has been given Presidential assent but the effective date of the law has not been yet declared.

4 The number of estimated buildings in DSM is from the Urban Sector Rehabilitation Project (USRP) based on the new aerial photographs produced in 1992. It must be noted that although the coverage ratio may be less than 25% in terms of the number of properties, it is likely to be close to 50-60% in terms of the total value of properties. It is estimated that there are about 250,000 buildings in the eight other municipalities. (See Kelly, 1999a, 1999b, for further discussion on the importance of the coverage ratio in property tax reform policy).

5 The UARA (Section 22(3)) does provide power to the responsible Minister to prescribe a system other than the market value or the cost replacement approach for assessment purposes. To date, this option has not been exercised under the UARA. The flat rate property tax system, as allowed under the Local Government Act of 1982, also provides for extreme flexibility in the factors used to adjust the rates applied to buildings if the Minister approves.

6 The Ardhi Institute was an educational institute offering advanced Diploma in Land Management and Valuation which served as the training ground for valuers throughout East Africa. In 1996, this Institute became the University College of Land and Architectural Studies (UCLAS) within the University of Dar Es Salaam system.

7 The average valuation ratio in DSM would be higher since the valuation rolls were recently completed in 1996. However, the variation among properties may be substantial since the replacement cost valuations are not systematically correlated with market values.
8 Dar Es Salaam is the only municipality that uses computers in its tax administration, having a property tax billing system introduced in 1995/96 as part of the World Bank project.

9 Defining tax due dates as “30 days after receipt” has complicated tax administration in a variety of countries since each tax payer can potentially have a different tax due date (See Kelly, 1992).

10 See Kelly (1999a, 1999b) for further discussion of this analytical model and its application to the property taxation in Sub-Saharan Africa.

11 The property tax base under an ad valorem system is the total value of the properties that are defined as liable for taxation. The property tax base for an area-based tax would be the total area of property that is defined as being taxable.

12 In simplest form, the tax rate structure would be an average uniform rate applied to the potential tax base. However, the tax rate structure in the real world can be designed either as a uniform rate or a classified rate—which would tax property differentially depending on property tenure, ownership or use.

13 The Collection Ratio measures the efficiency of the revenue collection. It is possible to break the Collection Ratio into two components: Collection Ratio on current liability and Collection Ratio on outstanding liability. The Collection Ratio on outstanding liability could be referred to as the Enforcement Ratio.

14 The Valuation Ratio measures the accuracy of the overall valuation level (i.e., what percent of market value is being captured through the valuation process). In contrast, the relative accuracy of the valuations is measured by the coefficient of dispersion (i.e., the dispersion around the median).

15 This 337 percent change is derived from the percentage change from the current ratios (i.e., 0.4*0.4*0.4 = 0.064) to the improved ratios (i.e., 0.6*0.6*0.6=0.21). The percentage change from 0.064 to 0.21 is 337% (more than 3 times the current revenue yield.

16 As previously mentioned, the nine identified urban centers were Dar Es Salaam, Morogoro, Iringa, Mbeya, Arusha, Tanga, Tabora, Mwanza, and Moshi.

17 As Table 3 indicates, the average annual increase for all DSM own-source revenues between 1993-1996 was 78%. There was substantial above average increases in industrial cess (329%) and property rates (112%), close to average increases in development levy and taxi parks, and less than average growth in licenses and hotel levies. Table Three shows a general decline from 1993-1996 in all revenue sources except the industrial cess. The sharpest decline was in 1995, just prior to the replacement of the city council with a city commission. A portion of the revenue increase in 1996 was no doubt from arrears—
not current liabilities. For example, it is estimated that approximately 40 percent of the property tax collections in 1996 were from arrears from previous years.

18 See Dillinger (1988) for an analysis of a valuation-pushed strategy in the Philippines—where the reform generated maps and values while actual tax revenues increased by less than 1 percent. See Kelly (1993, 1994) for an analysis of a collection-led strategy in Indonesia—where the reform generated more than a 25% increase in revenues and led to the first property tax seizure enforcement since Independence.

19 Ghana also taxes only buildings—valued at the replacement cost approach. All land is owned by the State—thus subject to ground rents. To introduce some equity into their property tax system, Ghana adopted a set of differential tax rates which vary by location to provide a proxy for market values. Thus, in Ghana, the adjustment for the market is not through property valuation but through its tax assessment (Keith, 1995, p. 10).

20 The UK adopted a simple mass valuation system under with 1993 Council Tax which classifies all residential property into one of 8 valuation bands. In North America and Scandanavia, local authorities since the 1980s have adopted computer-assisted mass appraisal (CAMA) techniques for property tax purposes. These CAMA approaches have been introduced on a pilot basis to Russia, Kenya and South Africa in recent years. Countries in Latin America and Southeast Asia use a simple mass valuation system based on similar land value zones for land and the cost approach for buildings. Estonia and Latvia are also using a similar land value zone approach for their land tax valuation systems.

21 The Government is currently preparing a Land Markets Reform Project geared towards institutionalizing the concept of land values. This project will be assisting the Government incorporate these land values into all transactions involving land. These values will assist the Government introduce market value-based mass valuation for property tax purposes.

22 See Kelly (1996) and Montes (1996) for more information on the creation of a computerized property tax administration management system as implemented in Indonesia and Chile, respectively.
References


Table 1: Flat Rates for Property Taxation in Dar Es Salaam (1988-1996)

<table>
<thead>
<tr>
<th>Area Unit</th>
<th>Description</th>
<th>Rate per Annum (Tshs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Residential Unsurveyed Areas</td>
<td>200</td>
</tr>
<tr>
<td>2a</td>
<td>High Density Residential Surveyed Area</td>
<td>300</td>
</tr>
<tr>
<td>2b</td>
<td>High Density Residential Surveyed Area in City Centre</td>
<td>10,000</td>
</tr>
<tr>
<td>3</td>
<td>Medium Density Area</td>
<td>1,000</td>
</tr>
<tr>
<td>4</td>
<td>Low Density Area</td>
<td>2,000</td>
</tr>
<tr>
<td>5</td>
<td>Industrial Area</td>
<td>10,000 – 50,000</td>
</tr>
<tr>
<td>6</td>
<td>Unsurveyed Commercial Area</td>
<td>500</td>
</tr>
<tr>
<td>7</td>
<td>Surveyed Commercial Area outside City Centre</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Note: The Dar Es Salaam Property Rates By-Laws in 1989 divided the city into seven area units for the purpose of property taxation. (Source: Kironde, 1997, p. 17)

Table 2: Flat Rates for Property Taxation in Dar Es Salaam, 1996-1999

<table>
<thead>
<tr>
<th>Area Unit</th>
<th>Description / Area Adjustment</th>
<th>Rate per Annum (Tshs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Residential Low Density</td>
<td>0-100 m</td>
</tr>
<tr>
<td>2</td>
<td>Residential Low Density</td>
<td>100 m – 150m</td>
</tr>
<tr>
<td>3</td>
<td>Residential Low Density</td>
<td>Over 150 m</td>
</tr>
<tr>
<td>4</td>
<td>Residential Medium Density</td>
<td>0- 75 m</td>
</tr>
<tr>
<td>5</td>
<td>Residential Medium Density</td>
<td>75 m- 100 m</td>
</tr>
<tr>
<td>6</td>
<td>Residential Medium Density</td>
<td>Over 150 m</td>
</tr>
<tr>
<td>7</td>
<td>Residential High Density</td>
<td>0- 50 m</td>
</tr>
<tr>
<td>8</td>
<td>Residential High Density</td>
<td>50 - 75 m</td>
</tr>
<tr>
<td>9</td>
<td>Flat Good Locality</td>
<td>0- 50 m</td>
</tr>
<tr>
<td>10</td>
<td>Flat Good Locality</td>
<td>Over 50 m</td>
</tr>
<tr>
<td>11</td>
<td>Flat Secondary Locality</td>
<td>0- 50 m</td>
</tr>
<tr>
<td>12</td>
<td>Flat Secondary Locality</td>
<td>Over 50 m</td>
</tr>
<tr>
<td>13</td>
<td>Commercial Good Position</td>
<td>0 – 50 m</td>
</tr>
<tr>
<td>14</td>
<td>Commercial Good Position</td>
<td>Over 50 m</td>
</tr>
<tr>
<td>15</td>
<td>Commercial Secondary Position</td>
<td>0 – 50 m</td>
</tr>
<tr>
<td>Area Unit</td>
<td>Description / Area Adjustment</td>
<td>Rate per Annum (Tshs)</td>
</tr>
<tr>
<td>-----------</td>
<td>--------------------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>16</td>
<td>Commercial Secondary Position Over 50 m</td>
<td>100,000</td>
</tr>
<tr>
<td>17</td>
<td>Office Good Position 0 – 50 m</td>
<td>30,000</td>
</tr>
<tr>
<td>18</td>
<td>Office Good Position Over 50 m</td>
<td>45,000</td>
</tr>
<tr>
<td>19</td>
<td>Office Secondary Position 0 – 50 m</td>
<td>23,000</td>
</tr>
<tr>
<td>20</td>
<td>Office Secondary Position Over – 50 m</td>
<td>30,000</td>
</tr>
<tr>
<td>21</td>
<td>Heavy Industry 0 – 400 m</td>
<td>375,000</td>
</tr>
<tr>
<td>22</td>
<td>Heavy Industry Over- 400 m</td>
<td>750,000</td>
</tr>
<tr>
<td>23</td>
<td>Light Industry 0 – 250 m</td>
<td>300,000</td>
</tr>
<tr>
<td>24</td>
<td>Light Industry Over- 250 m</td>
<td>600,000</td>
</tr>
<tr>
<td>25</td>
<td>Service Industry 0 – 150 m</td>
<td>150,000</td>
</tr>
<tr>
<td>26</td>
<td>Service Industry Over – 150 m</td>
<td>225,000</td>
</tr>
<tr>
<td>27</td>
<td>Residential Complex 0 – 500 m</td>
<td>450,000</td>
</tr>
<tr>
<td>28</td>
<td>Residential Complex 500 – 750 m</td>
<td>475,000</td>
</tr>
<tr>
<td>29</td>
<td>Residential Complex Over – 750 m</td>
<td>600,000</td>
</tr>
<tr>
<td>30</td>
<td>Commercial Complex 0 – 200 m</td>
<td>450,000</td>
</tr>
<tr>
<td>31</td>
<td>Commercial Complex 200 – 400 m</td>
<td>675,000</td>
</tr>
<tr>
<td>32</td>
<td>Commercial Complex Over – 400 m</td>
<td>725,000</td>
</tr>
<tr>
<td>33</td>
<td>Industrial Complex 0 – 600 m</td>
<td>600,000</td>
</tr>
<tr>
<td>34</td>
<td>Industrial Complex 600 – 800 m</td>
<td>750,000</td>
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<tr>
<td>35</td>
<td>Industrial Complex Over – 800 m</td>
<td>1,125,000</td>
</tr>
<tr>
<td>36</td>
<td>Unsurveyed Semi Permanent Residential</td>
<td>10,000</td>
</tr>
<tr>
<td>37</td>
<td>Unsurveyed Semi Permanent Commercial / Residential</td>
<td>20,000</td>
</tr>
<tr>
<td>38</td>
<td>Unsurveyed Permanent Residential</td>
<td>14,000</td>
</tr>
<tr>
<td>39</td>
<td>Unsurveyed Permanent Commercial / Residential</td>
<td>30,000</td>
</tr>
<tr>
<td>40</td>
<td>Unsurveyed Permanent Traditional</td>
<td>10,000</td>
</tr>
<tr>
<td>41</td>
<td>Cinema 0 – 100 seats</td>
<td>75,000</td>
</tr>
<tr>
<td>42</td>
<td>Cinema Over 100 seats</td>
<td>150,000</td>
</tr>
<tr>
<td>43</td>
<td>Bank Main Branch</td>
<td>1,000,000</td>
</tr>
<tr>
<td>44</td>
<td>Bank Secondary</td>
<td>750,000</td>
</tr>
<tr>
<td>45</td>
<td>Petrol Station Good Location</td>
<td>225,000</td>
</tr>
<tr>
<td>46</td>
<td>Petrol Station Secondary Location</td>
<td>150,000</td>
</tr>
<tr>
<td>47</td>
<td>Institutions 0 – 500 m</td>
<td>750,000</td>
</tr>
<tr>
<td>Area Unit</td>
<td>Description / Area Adjustment</td>
<td>Rate per Annum (Tshs)</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>48</td>
<td>Institutions Over – 500 m</td>
<td>1,500,000</td>
</tr>
<tr>
<td>49</td>
<td>Hotels / Rest Houses 0 – 20 beds</td>
<td>300,000</td>
</tr>
<tr>
<td>50</td>
<td>Hotels / Rest Houses Over 20 beds</td>
<td>600,000</td>
</tr>
<tr>
<td>51</td>
<td>Guest House 0 – 20 beds</td>
<td>200,000</td>
</tr>
<tr>
<td>52</td>
<td>Guest House Over 20 beds</td>
<td>400,000</td>
</tr>
</tbody>
</table>


Table 3: Revenue Collection in Dar Es Salaam (1993-1996) (Tsh. Millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Rates</td>
<td>128.1</td>
<td>111.9</td>
<td>60.1</td>
<td>559.7</td>
<td>112%</td>
</tr>
<tr>
<td>Development Levy</td>
<td>143.8</td>
<td>116.8</td>
<td>140.5</td>
<td>506.9</td>
<td>84%</td>
</tr>
<tr>
<td>Hotel Levy</td>
<td>76.5</td>
<td>68.7</td>
<td>80.5</td>
<td>118.9</td>
<td>18%</td>
</tr>
<tr>
<td>Industrial Cess</td>
<td>28.0</td>
<td>78.6</td>
<td>191.4</td>
<td>304.2</td>
<td>329%</td>
</tr>
<tr>
<td>Taxi Fees</td>
<td>22.9</td>
<td>9.0</td>
<td>27.7</td>
<td>82.7</td>
<td>87%</td>
</tr>
<tr>
<td>Licenses</td>
<td>167.9</td>
<td>107.5</td>
<td>137.5</td>
<td>413.4</td>
<td>49%</td>
</tr>
<tr>
<td>Market Dues</td>
<td>36.8</td>
<td>29.8</td>
<td>26.2</td>
<td>37.3</td>
<td>0%</td>
</tr>
<tr>
<td>TOTAL Revenue</td>
<td>604</td>
<td>522.3</td>
<td>663.9</td>
<td>2023.1</td>
<td>78%</td>
</tr>
</tbody>
</table>

Source: USRP, 1999

Note: The exchange rate is approximately Tsh 800/US$1.