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Tax reform for inclusive development



Preamble

IN July 2024, Her Excellency Samia Suluhu Hassan, President of the United Republic of Tanzania, held a significant meeting with the Tanzania National Business Council (TNBC) in the country's commercial capital, Dar es Salaam.

During the meeting, one of the most pressing issues raised was the urgent need for comprehensive tax reforms, which were identified as a major concern impacting not only businesses but also individual taxpayers and the broader Tanzanian economy.

Recognising the magnitude and urgency of the issue, just two days after the TNBC meeting, President Samia announced the formation of an eight-member Commission on Tax Reforms.

This special commission was tasked with undertaking a thorough and inclusive review of country's tax regime, with the ultimate goal of advising the government on how to modernise and enhance taxation in a manner that supports economic growth while ensuring fairness and efficiency in revenue collection.

In October 2024, nearly two months after its formation, President Samia officially inaugurated the Commission, emphasising the strategic importance of aligning Tanzania's tax system with the country's long-term economic vision.

The Head of State called upon the Commission to conduct a detailed review of existing tax rates and structures, with a clear mandate to determine whether current tax policies were fair or burdensome.

The ultimate objective was to ensure that tax policy not only facilitates government revenue collection but also supports business growth, attracts investment and promotes economic inclusivity.

As a government-owned media house, **Tanzania Standard (Newspapers) Ltd (TSN)**, took on a fundamental role in promoting this crucial national agenda.

TSN has long served as a platform for disseminating government policy and development initiatives to the public. In this case, it recognised the significance of the tax reform debate and the vacuum that existed in terms of clear, reliable and accessible information on the subject.

In response, the Company, through its **flagship newspapers — Daily News (English) and HabariLEO (Kiswahili)** — launched a three-month-long special editorial series on tax reforms. This initiative was also extended to the company's digital platforms.

The editorial campaign had several key components that worked together to provide a comprehensive understanding of tax reforms. It began with in-depth analysis, where articles broke down the complex subject into understandable segments.

These pieces explained the rationale behind existing tax policies, the implications of proposed changes and how various sectors of the economy—such as agriculture, manufacturing, small businesses, and import/export—could be affected.

TSN also engaged a number of contrib-

utors including economists, tax consultants, financial analysts and policymakers. The experts offered diverse perspectives on the potential direction of tax reforms, helping readers grasp both the benefits and the challenges of the evolving policy landscape.

The series also centered on public engagement and dialogue. It created space for public voices, analysis from business leaders and feedback from the public. This participatory approach enriched the conversation.

Recognising that policy changes can be confusing, the campaign included practical guidance for individuals and business owners on how to adapt.

TSN's proactive coverage not only helped demystify the tax reform process but also contributed to transparency and public trust. By bridging the gap between technical policy discussions and ordinary citizens, TSN solidified its role as a reliable, informative, and responsive media institution.

In doing so, TSN upheld its mission of supporting national development through responsible journalism, while also empowering Tanzanians with the knowledge needed to navigate and contribute to one of the most important economic policy reviews in recent years.

Let's Build a Better Tax System ■

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There are also concerns about unprofessional conduct during tax collection, including the use of force, disrespectful language, and authoritarian behaviour by some government officers. Furthermore, some businesses report being subjected to duplicate taxation or levies imposed by more than one institution for the same thing, which raises legitimate concerns that must be addressed.

An American cartoonist once wrote: "It takes more brain and effort to make up the income tax form than it does to make the income."

This illustrates why our systems must be user-friendly. Whether it's filling out forms by hand or submitting them online, we must ensure that the processes are simple and accessible.

Feedback indicates concerns regarding loopholes in tax evasion, lack of integrity among some government officials, and unsatisfactory procedures for granting tax exemptions to investors. It is evident that a significant portion of the economy remains informal, estimated at over 60 per cent, a situation exacerbated by a tax system that does not incentivise business formalisation and overlooks the needs of startups. This presents a systemic issue.

Taxpayer education is crucial. Do our taxpayers know whom they are paying, and are they aware of the rates applicable to them? Currently, only about 2 million out

of an estimated 37 million eligible citizens contribute to taxes, which is alarmingly low.

This indicates that a small fraction is shouldering the tax burden, making it challenging to build a robust economy. For sustainable development, everyone must contribute proportionally.

Regarding Tax Reform Commission

In response to public feedback, private sector stakeholders, and other investors, I established this commission to comprehensively assess the entire tax system. The goal is to strengthen the system and enhance the business and investment environment. Additionally, we aim to streamline tax administration across the country.

As you can see, this commission comprises experts; there are no outsiders because we seek practical solutions. An external expert might bring theoretical knowledge, but our local experts will offer practical solutions. They will consider both taxpayers' and the government's perspectives, so we expect significant contributions from you.

Fellow citizens, as I have previously informed you, all indicators show that our economy is growing rapidly—not slowly. When you look at the economic growth graph for African countries, Tanzania is performing very well; we are growing swiftly.

However, this growth does not reflect in the revenue we collect. The demand for social services and infrastructure is also increasing. Despite economic growth, 60% of our

economy still operates in the informal sector

In our mission to build an inclusive economy, it is clear that revenue sources enabling the government to fulfil its duties must be strengthened, ensuring they are reliable and predictable.

In my opinion, and I believe the majority concurs, domestic taxes are among the most reliable sources. Therefore, we have established this commission to help us evaluate and analyse proposals to enhance the entire tax system in line with our ongoing economic and social changes, including the use of technology.

Regarding technology, you hear me emphasising the need for systems to communicate with each other. They do communicate, but at a very low level; people are progressing very slowly in this regard. You will look into this and inform us where the problem lies.

All Commission members have sufficient experience in public service, private sector operations, and are experts in the field of taxation. We have also provided them with a competent secretariat, which I believe will assist them greatly. It is my hope that they will carry out this task with the highest professionalism, unquestionable patriotism, and with the future well-being of our nation's children in mind.

A significant and fundamental issue for us is that we want to build a fair tax system where everyone who is supposed to pay taxes does so correctly, and all taxes are levied according to the law.

We also want a tax system that promotes industrial economic growth and contributes to building an inclusive economy, enabling the government to achieve its goals of bringing prosperity to the citizens.

Since the chairman of the commission is also a member of the planning commission, I am confident that the commission's assessments and plans regarding the tax system will enable us to strengthen all government sectors and guide us not only in tax administration but also in drafting tax plans in that other vision.

This report will guide us there so that we have a tax system aligned with national development goals.

As I mentioned earlier, everyone who is supposed to pay taxes should pay the correct taxes; no one is above the tax law. If someone receives tax exemptions, there are procedures to follow for forgiveness, but it is not acceptable to offload goods and then not pay taxes. This is not possible.

I urge you to continue with this patriotic spirit for our country. Whenever we make purchases, we should demand receipts, and whenever we sell, we should issue receipts. This is where the major problem lies ■