The myth of property taxation management in Africa: Reflections and lessons from Tanzania

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ABSTRACT

Africa has a lot of unrealized potential for property taxation as a reliable and fair source of public revenue. The central myth about property taxation in many African nations is that they may be easily tapped to become a significant source of funding for both local and national governments. Although official records often highlight property taxes as a reliable source of income, the reality is quite different. The study employed data collected from many sources throughout several fieldwork trips and was based on a survey research design. Documentary review technique was used to gather secondary data. Applying the Ability to Pay Theory and An Allingham-Sandmo Theory reveals that taxpayers will be willing to pay taxes to authorities since they are aware of, and capable to, pay the taxes; and if the risks of detection and the costs of incompliance are high enough to outweigh the benefits. The study's findings showed that property taxation in Tanzania only contribute a small amount of revenue. Low rates, inadequate valuation techniques, enforcement issues, and public awareness are the primary barriers to Tanzania's property taxation revenue realization. To overcome these challenges, comprehensive improvements in property valuation, a gradual increase in tax rates, enhanced enforcement strategies, and increased public awareness of the benefits of property taxation for national growth are all required. The report concludes that, to solve the problems with Tanzania's property taxation management, legislative changes are inevitable. The study recommends to establish a special authority to manage all property taxation-related issues which can be known as The Real Estate Authority of Tanzania (REAT). This will ensure that all property transfers, purchases, and leasing agreements will be registered with REAT so that the appropriate taxes are paid. REAT will be responsible for property registration, valuation, and creating taxpayers' awareness on property taxation.

Keywords: Ability to Pay Theory, Africa, Property Taxation, Tax Compliance, Tax Revenue, Tax Valuation, Tanzania, Allingham-Sandmo Theory.

I. INTRODUCTION

From the beginning of their independence, African countries have been struggling with tax policies and particularly with the element of tax administration; of course, even tax structure has been a serious problem for these countries. The informal sector enterprises have always been difficult for taxation authorities, with respect to both tax assessment and tax collection. But so have been retail, wholesale and private professional activities in the formal sector. Property taxation in Africa has significant untapped potential as a stable, equitable source of revenue. The central myth surrounding property taxation in many African countries is the observation that, while the estate sector is increasingly booming, the potential tax revenue expected to be derived from that sector is static and not in tandem with such a boom of properties in the estate sector. Property taxation is frequently mentioned in official reports as a source of steady revenue, but the truth is very different. Property taxation raises on average revenues of less than 1% of the Gross Domestic Product (GDP) in developing countries, and in many African countries it contributes far less than 0.5%. (Ali et al., 2017). Property taxation in this context, refers to property tax and withholding tax on rent of property. In Tanzania, for example, property taxes have been very low in comparison to the potential that policymakers had anticipated as illustrated in Figure 1 below:

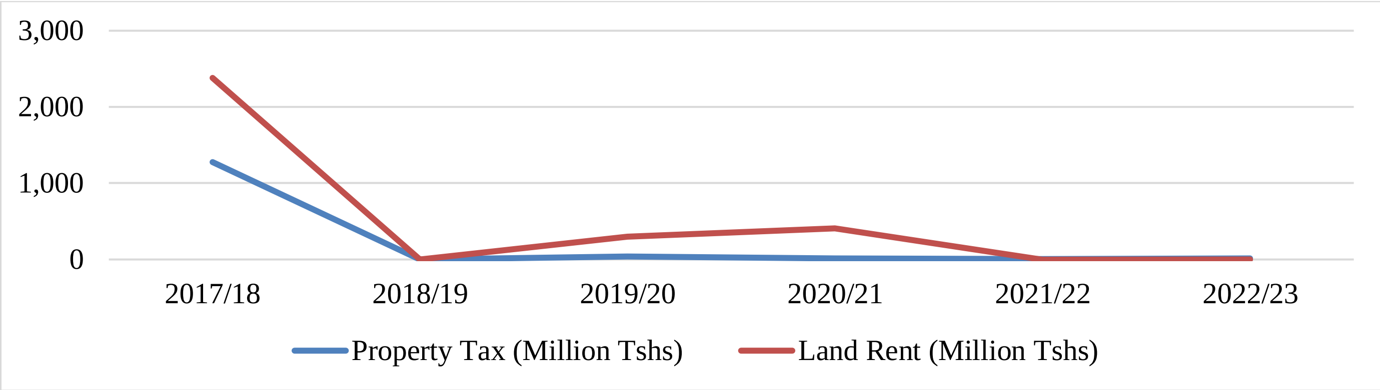

Figure 1
Property Tax Revenue from all Local Government Authorities' own source, Tanzania Mainland, 2017/18 to 2022/23

Withholding tax is the amount of tax which tenants must withhold before sending landlords their rent (Mwigamba, 2024). Following institutional reforms, Tanzania's real estate industry has seen markedly better growth (Kongela, 2013). Due to the expansion of Tanzania's real estate industry, rental housing has become a lucrative urban investment in Tanzania, generating a sizable amount of public revenue for the government through the withholding tax on rental payments (Mlawa, 2015). For instance, rental services in Tanzania produced TZS 4,492 billion (US$ 1,991 million) in economic activity in 2018, or 3.5 percent of GDP, according to Gardner et al. (2020). TZS 449.2 billion was the minimum amount of withholding tax that could have been collected. However, according to NBS's Tax Statistics Report 2022–2023 for Tanzania Mainland, the actual amount of withholding tax received from rental services in 2018 was just TZS 94.5 billion (The National Bureau of Statistics [NBS], 2024). This falls well short of what many officials had anticipated for when they originally imposed withholding taxes.

According to NBS (2024), despite the significant increase in overall withholding taxes, the rental income tax contribution to total withholding taxes stayed, on average, below 100 billion Tanzanian shillings. While withholding tax receipts on rental payments stayed constant over the time, total withholding tax collections increased by 374% from Tshs. 279 billion in 2011–12 to Tshs. 1.325 trillion in 2022–23. According to Kongela (2013), withholding tax receipts from rental payments showed modest increases and decreases over the course of the 12 fiscal years, despite Tanzania's expanding real estate market. The trend of rental withholding tax relative to total withholding taxes is displayed in figure 2.

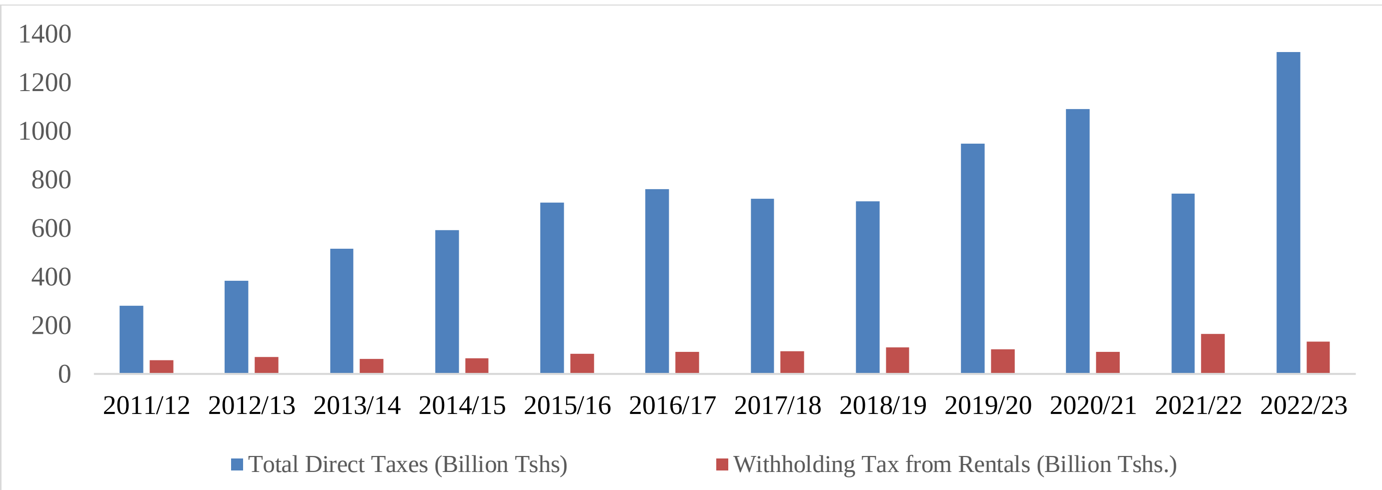

Figure 2
Withholding Tax from Rentals Compared to Total Withholding Taxes, Mainland Tanzania, 2011/12 to 2022/23

In Tanzania, property taxation has developed in response to the country's evolving political and economic conditions. In the colonial period, taxation focused primarily on urban properties to generate funds for colonial administration (Organization for Economic Development [OECD], 2013). Following independence in 1961, the Tanzanian government aimed to broaden property taxation to enhance local revenue independence. However, the rise of informal settlements in cities such as Dar as Salaam, along with a transition to socialist policies, resulted in a decrease in formal property ownership and tax compliance. In the post-structural adjustment period, which began in the 1980s, Tanzania implemented neoliberal economic reforms. These changes resulted in the decentralization of local taxes, such as property taxes, to address the financial shortfalls caused by decreased transfers from the central government.

1.1 Statement of the Problem

Despite the enormous potential of property taxation in Africa, the revenue from this source has never been stable and equitable. In underdeveloped nations, property taxes often generate less than 1% of GDP, and in many African nations, less than 0.5% of GDP. According to several reports, the estate sector in Tanzania, for instance, has been steadily growing, but the taxes associated with it have not produced enough revenue to match such a boom. 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 performance of revenue collection through property-based taxes (Fjeldstad et al., 2025). The government implemented a new system that required paying property taxes by buying power from the state-owned Tanzania Electric Supply Company (TANESCO) in an attempt to boost property tax revenue. Purchasing power from TANESCO to pay property taxes hasn't worked either. Its distinguishing features include low flat rates, poor planning, and a lack of distinction between property owners and tenants (Fjeldstad et al., 2025). Using insights from Tanzania, this study sought to dispel the myth of property tax management in Africa.

1.2 Research Objectives

For both the government and property owners, Tanzania's property taxation administration continues to be extremely difficult. The need for a simplified, open, and efficient tax system due to the nation's fast urbanization and growing real estate industry has always been great. The main issues surrounding Tanzania's property taxation administration are examined in this article, along with possible fixes to enhance the tax collection procedure. The specific objectives include:

i. An investigation of Property Taxation awareness among taxpayers;
ii. Property Taxation Administration; and
iii. The Property Tax Rates and Evaluation Method.

II. LITERATURE REVIEW

2.1 Theortical Review

This study is guided by “the Ability to Pay Theory” and “An Allingham-Sandmo Theory”. The Ability to Pay Theory which was developed by a Swiss Philosopher Jean, emphasizes that more revenue will be generated when more people can pay the tax due to affordable tax rates. That the tax base will be expanded by including more taxpayers because they are capable to pay taxes (Shemdoe, 2015). Advancing this theory, Adam Smith added the factor of tax knowledge to the theory of Ability to Pay. In short there will be no quid pro quo because taxpayers will be willing to pay taxes to authorities since they are aware of and capable to, pay the taxes (James Lyimo, 2018). An Allingham-Sandmo Theory, developed by Allingham and Sandmo in 1972, views each individual taxpayer as a reasonable actor of the economy, comparing the benefits (determined by the tax rate) and costs (determined by the chance of detection and the penalty or fines for the fraud) of tax evasion. The taxpayer chooses not to pay if the benefits of non-compliance exceed the expenses (OECD, 2009). The theory assumes that the taxpayer balances the advantages of tax evasion against identification and penalties (OECD ibid). The act will not be done if the risks of detection and the costs are high enough to outweigh the benefits (Tapera & Majachani, 2017). The idea presented by this theory is acceptable for it is true taxpayers can comply when they feel that the likelihood of being detected and penalized is high.

2.2 Empirical Review

2.2.1 Property Taxation Awareness among Taxpayers

The awareness and education of Tanzanian taxpayers is one of the issues related to property taxation. In his study "The Factors influencing Compliance with Withholding Tax on Rental Payments by Small and Medium Enterprises in Tanzania," Mwigamba (2024) concluded that, taxpayers' tax education is partly to blame for the significant discrepancy between the potential and actual amounts of withholding tax collected on rental payments. In their study of "Property Owners' Knowledge and Attitudes towards Property Taxation in Tanzania," Fjeldstad et al. (2018) discovered that the Tanzania Revenue Authority (TRA) paid little attention to interacting with and educating property owners about the purpose, processes, and obligations related to property tax.

According to Chegere et al. (2020), there is a chance that the cost of collecting property taxes may have been decreased, making it simpler and more inexpensive for more property owners to pay the tax, and increasing the number of property owners who do so. Nonetheless, among other things, they advise that taxpayers be informed on the rates, the property tax payment process, and the penalties that result from failing to pay property tax. (Ibid, 2020). The study

"The Influence of Taxpayer Education in Tax Collection Performance" by Bitegeko and Bingireki (2023) found a positive correlation between tax revenue and taxpayer education. Property tax administration in the nation nevertheless faces a variety of legal and non-legal obstacles, despite its ability to help generate revenue. One of the non-legal issues is that voluntary property tax compliance is impacted by inadequate taxpayer education regarding property taxes (Massawe, 2020).

2.2.2 Property Taxation Administration

Tanzania has alternated between centralised and decentralised collection regimes for the administration of property taxes (the form of Decentralised, Centralised, Re-decentralised, and re-centralised routes).

Decentralised Collection: Before 2008, a crucial element of Tanzania's decentralization effort was the revision of property taxes (McCluskey & Franzsen, 2005). The minimal amounts of property taxes that the city councils were able to collect, however, caused significant worry among national politicians. Property taxes were about 10–30% of Tanzanian urban councils' revenue at the beginning of the new millennium, or less than 0.3% of GDP (Fjeldstad et al., 2004). Due to a combination of ineffective collection methods and out-of-date property registrations, some estimates indicate that over 60% of the potential property tax revenue was not collected during this time (URT, 2007).

The primary barriers to enhancing the property taxation system were perceived to be outdated property registries and assessment rolls, inadequate administrative capabilities, corruption, and political meddling in tax collection. According to Fjeldstad et al. (2009), politicians frequently interfered with tax collection and used their influence to block taxes that were intended specifically for their holdings. As a result, it became very challenging to enforce the property taxation laws. In addition, many expressed dissatisfaction over corruption and the lack of benefits they received from paying taxes. A number of unsuccessful attempts were made to address these issues, such as contracting with private agents to collect property taxes (Fjeldstad et al., 2009).

Centralised Collection (2008-2014): Under-collection of revenues was one of the main concerns raised by lawmakers during the June 2007 National Assembly debate of the 2007/2008 budget proposal for local government bodies (LGAs). The government responded by deciding to implement certain policy measures to deal with the issue, one of which was to transfer property tax collection in Dar es Salaam to the Tanzania Revenue Authority (TRA). It was believed that TRA may significantly increase collecting. A committee was created in July 2007 to create procedures for the reform's implementation in accordance with the government policy directive (URT, 2007). The committee examined the pertinent laws and suggested a series of actions that must be taken before TRA assumes responsibility for property tax collection. In July 2008, the National Assembly passed the proposed revisions. TRA was required to carry out capacity building on tax collection in the three Dar es Salaam municipal councils in addition to increasing revenues. The mandate began on July 1, 2008, and lasted for five years.

Re-decentralisation (2014-2016): The centralization of property tax collection was perceived by some international donors and city councils as an attempt by the government to derail the decentralization reform that began in the 2000s. The Association of Local Authorities in Tanzania (ALAT) assisted the city councils in their vigorous lobbying efforts, although TRA was not consulted beforehand (Chegere et al., 2020). The management of the property tax was essentially taken over by the municipal councils in 2014. Council members and municipal employees stated in interviews that they firmly thought municipal collection would be superior to TRA's. They contended that the municipality would be more motivated to accomplish the income objective because it would be aware that the funds were being collected to fund its own budget. The re-decentralization of property tax administration was deemed "a perfect move" by the municipal personnel.

Re-centralisation (2016-): In June 2016 in the Budget Speech for 2016/17 (URT 2016), the Minister for Finance and Planning announced a countrywide transfer of property tax administration from local government bodies to the TRA. He stated that the decision "reflects the Government's view that local government authorities did not reach the revenue targets because of inefficient property tax collection" (URT 2016). This change meant that all facets of property tax administration, including property registration, assessment, rate setting, collection, and enforcement, would fall under the purview of TRA. The "Government is determined to increase and strengthen domestic revenue collection through several measures," the Minister emphasized. The Minister claimed that TRA's revenue collecting expertise, as well as their current nationwide tax collection infrastructure and coverage, served as the foundation for this decision, which went into effect on July 1, 2016. TRA began collecting property taxes in 30 municipal councils on October 1, 2016, and nationwide on July 1, 2017 (URT, 2017). The municipal councils were caught off guard when the property tax management was transferred back to the TRA.

In an effort to increase property tax income, the government instituted a new system in August that mandated paying property taxes by purchasing electricity from the state-owned Tanzania Electric Supply Company (TANESCO). In particular, this was done to collect property taxes on land that had not been surveyed. This system creates a direct link between tax payments and electricity consumption by collecting property taxes using electricity tokens. The tax structure is based on flat rates (Fjeldstad et al., 2025). As of September 2025, there are two flat tax rates in effect:

Standard single-family homes cost 18,000 TZS (about USD 7.38) a year, whereas multi-story buildings cost 90,000 TZS (around USD 36.90). These tariffs apply to both commercial and private properties. In June 2023, the government announced that local government representatives would once again be in charge of collecting property taxes (Fjeldstad et al., 2025). As of May 2026, TANESCO is still in charge of collecting property taxes.

Paying property taxes by buying power from TANESCO has also not paid off. Low flat rates, inadequate planning, and a lack of differentiation between property owners and tenants are its defining characteristics (Fjeldstad et al., 2025). There are still issues with fairness because some owners—including non-owners—pay more than others. In their study, "Lessons from Tanzania's property tax reform in 2021: Perceptions of fairness and efficiency," Kasongwa and Kiria (2025) note a high degree of scepticism and disagreement over the justice and fairness attained by the property tax reform. Reducing tax burdens for lower-income people, resolving historical inequities, and equitable distribution of the tax burden are important areas of concern. The World Bank (2020) claims that there are large gaps in tax collection since many properties, especially those in metropolitan areas, are not properly recorded or appraised. Due to a lack of official records and unclear ownership rights, property owners in Tanzania's informal housing sector—which makes up a sizable portion of the country's urban population—frequently avoid paying taxes. (Ibid, 2020). As a result, property taxes are now an under-utilized fiscal resource that causes administrative hassles. Tax compliance is still a significant problem, according to Raymond (2013), partly due to outdated databases, lengthy valuation processes, inadequate systems, and ignorance of property taxes. Revenue collection operations are hampered by the fact that Many residents are unwilling to pay property taxes on their properties, even if they own luxury homes or other high-value assets (Raymond, 2013). This inadequate administrative capability have made property tax collection difficult. In Tanzania, property taxes make up less than 5% of all local government revenue, according to the World Bank (2020).

Tanzania's property tax base is still largely unregistered or inadequately reported. Inaccurate or out-of-date property valuations exacerbate this and result in inconsistent tax collection. This problem is made worse by the lack of a central property registration, which makes it challenging to monitor property ownership and enforce tax duties (UN-Habitat, 2017). According to Chegere et al. (2020), ineffective enforcement and collection of the tax from the same limited tax base constitute another issue associated with its poor collection. According to Ibid (2020), there are legal considerations involved in resolving the informality problem with the majority of properties, both urban and rural.

2.2.3 The Property Tax Rates and Evaluation Method

The antiquated and irregular property valuation procedure is one of Tanzania's main problems. Undervaluation and income leakage result from many local administrations' inability to properly determine property values due to a lack of technical know-how and capacity (Nyabakora et al., 2021). This lowers potential revenue and compromises the system's fairness. Tanzania's current property tax rates are frequently low since the government and administration are reluctant to raise them for fear of opposition from the populace (URT, 2021). As a result, local development projects cannot be adequately funded using property tax revenue, which limits the overall impact. Setting the right tax rates has become more difficult due to the growing demand for land and property development brought about by the rapid urbanization of towns like Dodoma and Dar es Salaam. Urban properties are either overtaxed or undertaxed as a result of the government's inability to modify tax laws to reflect rapidly shifting land use patterns. A comprehensive, realistic evaluation of the strengths and weaknesses of the administrative framework in charge of implementation is a vital cornerstone for successful tax reform. Robust valuation methods are necessary for effective property tax administration. However, it seems that Tanzanian officials have not given this crucial element enough thought during the property tax revisions that have been underway since 2008. Significant administrative obstacles, such as inadequate planning, out-of-date property and value records, and a lack of incentives for interagency cooperation, weakened the changes. These flaws significantly reduced the reforms' efficacy and contributed to their poor performance. (Fjeldstad et al., 2025). Additionally, rising property tax rates are frequently opposed by the general public and political constituents because they are seen as onerous. Local governments' ability to modify rates to reflect rising land and property values is hampered by this political sensitivity (URT, 2021).

A combination of enforcement and administrative difficulties, taxpayer ignorance, political issues, and are the causes of the frequent changes. Mutual understanding of the goals, mutual understanding of roles and expectations, technical design, and resources are four factors that may have influenced the relationship between the Central Government, Municipalities, and the Tanzania Revenue Authority, with implications for the execution of the property tax reforms discussed above.

2.2.4 The Research Gap

Significant constraints that limit the breadth and applicability of findings on dispelling the fundamental myth of property-related taxation management in African nations are shown by the studied literature. Numerous studies, such as those by Chegere et al. (2020), Fjeldstad et al. (2025), Fjeldstad et al. (2019), and Fjeldstad et al. (2018), focused on evaluating the effects of property taxation reforms, examining the relationship between Central and Local Governments in the administration of property taxes, and evaluating the knowledge and attitudes of property owners regarding property taxation. Generally speaking, the research attempted to determine "why property tax reforms fail." This study by exposing the myth of property tax management in Africa, provides practical solutions that can help improve the efficiency, effectiveness, and fairness of property tax management systems across the continent with insights from Tanzania.

III. METHODOLOGY

A desk review of several secondary data sources, such as reports, books, journals, and government statistics, was the main method used to conduct the study's research. The study selected a variety of published research reports and studies addressing topics connected to property tax in Tanzania and internationally, strategies for raising income, and financing public goods in Tanzania after screening a variety of documents to determine their relevance to the research questions. Reports and studies on these subjects that were not released before to 2010 were not included. Reliable sources included a variety of publications written and/or commissioned by non-governmental organizations, the World Bank, the OECD, the United Nations, and reputable research institutes and organizations. The Tanzania Revenue Authority (TRA), Local Government Authorities (LGAs), and several CAG reports—all of which offered incredibly fascinating and helpful data—were among the numerous Tanzanian government sources that were cited.

IV. FINDINGS & DISCUSSION

4.1 Findings

The main purpose of this study was the establishment of the influence of Property Taxation awareness among taxpayers; Property Taxation Administration including how properties are valued; and the property tax rates on property taxation compliance in Tanzania. Data was qualitatively and quantitatively analysed, interpretated, and findings discussed in the light of related literature and previous studies.

4.1.1 Property Taxation Awareness among Taxpayers

The effect of tax awareness on the level of taxpayers' compliance with property taxation in Tanzania was found to be significant. Officials interviewed agree that more tax education increases property taxation compliance. On other hand, the study has found that tax education has a positive relationship with property taxation compliance. These findings are supported by previous studies conducted by other scholars. According to Ali et al. (2018), there are three primary obstacles that property owners must overcome while paying property taxes. These include not knowing how the tax is computed and not knowing how the government uses the money it collects. For this reason, they came to the conclusion that taxpayers should be educated about the purpose, processes, duties, and responsibilities associated with property taxes. According to Chegere et al.'s (2020) assessment of the Impact of Institutional Reforms on Mobilization of Property Tax Revenue, it is crucial to inform taxpayers about the rate, the steps involved in paying property taxes, and the penalties associated with nonpayment. The public's mistrust of property tax compliance and fairness is still a major obstacle. In order to create a more knowledgeable and compliant taxpayer base, taxpayer education initiatives must be put in place to improve public awareness of property tax requirements and advantages. By showcasing concrete advantages, more transparency about the use of tax proceeds can further promote voluntary compliance. Furthermore, addressing taxpayer issues, enhancing service delivery, and boosting confidence in the property tax system would all be facilitated by the establishment of clear communication channels (Kasongwa & Kiria, 2025)

4.1.2 Property Taxation Administration

The study aimed to assess the effect of property taxation administration against the country's ability to tap the potential revenues from property taxation. Findings show that one of the reasons why Property taxation in Africa has significant untapped potential as a stable, equitable source of revenue, is lack of proper mechanism for tax administration. In Tanzania, the switching between centralized and decentralized property tax systems has not born fruits to increase revenue collection and enhance administration. Even the 2021 reforms which saw Tanzanian authorities coming up with a strategy to collect property taxes along with the purchase of electricity from the state-owned electric supply company (TANESCO), has also not produced the desired results. The 2021 property tax reform raised revenue collection by 28.3% in its first year (2022), indicating improved compliance due to the automation and convenience of use of power token payments. However, revenue growth slowed to 3% in 2023, perhaps due to issues with system integration, enforcement, or compliance fatigue. Before the modification, revenue increased by 5% annually on average (Kasongwa & Kiria, 2025). There are significant gaps in property registrations. TRA employees estimate that between 30 and 50 percent of properties in the majority of Municipal Councils are not registered. (Fjeldstad, et al., 2019).

The most successful regulatory framework for property tax collection at the Kinondoni tax region, according to Sereri and Munisi (2023), was thorough registration, monitoring, and follow-up on property tax payments by all owners of taxable properties. This must be followed by sufficient central government monitoring and follow-up of Tanzania Revenue Authority / Local Government Authorities (TRA/LGAs) and timely information and communication about the number of taxable properties and collection made by the TRA/LGAs to the central government. This calls for a more efficient property taxation administration mechanism to enable effective collection of property and withholding taxes. According to Collin et al. (2022), Tanzanian property taxes are difficult to enforce and have a low rate of tax compliance. Income growth slowed to 3% by 2023, according to Kasongwa and Kiria (2025), underscoring the need for further measures to uphold compliance and enhance collection tactics. Breaking down income collection by region could provide deeper insights into whether urban and peri-urban towns witnessed differing trends, which would help enhance policy activities.

Masawa (2017) examined Small and Medium Enterprises (SMEs) in Dar es Salaam to report on withholding taxes from property rent. He discovered that fair tax laws and regulations, public governance, tax authority service quality, and taxpayer trust all had a significant impact on SMEs' compliance with tax laws and regulations.

According to Gardner et al. (2020), Tanzania's predominantly informal economy now provides very little in the form of taxes and levies, even though a healthy housing sector can also generate major advantages for the government. For example, taxation and fee income (such as VAT and permitting fees), property rates and services income, and increased demand for core infrastructure (such as transportation, power, and water consumption) can all be important sources of funding for local and national governments. Therefore, building and renting homes offers Tanzania a positive cycle that, if properly developed and maintained, will concurrently boost economic growth, encourage the expansion and diversification of manufacturing and services, and directly address the pressing need for more affordable housing in society. Ibid (2020) concludes that the housing industry has a significant potential to become a pillar of Tanzania's future economic growth and diversification, as demonstrated by the Housing Economic Value Chain and Housing Cost Benchmarking assessments. Therefore, building and renting homes provides Tanzania with a positive cycle that, if properly established and maintained, will boost economic growth.

The Emirate of Dubai in the United Arab Emirates lacked comprehensive annual property taxes and had a less regulated system with less direct property taxation for inhabitants or owners.

The Real Estate Regulatory Authority (RERA) was established in 2007 by the emirate's Law No. 16 of 2007, which provided structure, investor protection, and more precise guidelines for ownership and leasing. According to the Annual Report of Dubai Land Department 2024, Law No. (4) of 2019 Concerning the Real Estate Regulatory Agency was passed in 2019 to amend Law No. (16) of 2007 to support the growth of the real estate industry through an integrated set of regulatory and supervisory procedures that strengthen this industry's role in the Emirate's overall economic development. As a result, Othman (2025) affirms that throughout the last six years, Dubai's real estate market has shown incredible tenacity and development, becoming one of the world's most vibrant and alluring. According to the table below, the overall value of real estate transactions hit a record high of AED 760.99 billion in 2024, representing a 20.4% year-over-year increase:

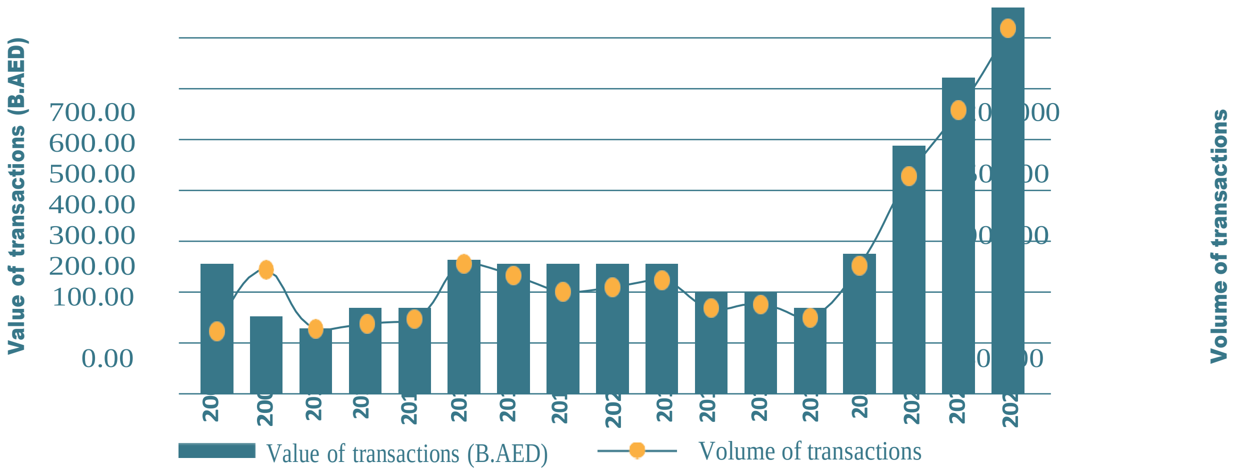

Figure 3
Dubai's Real Estate Transactions for period from 2008 - 2024
Source: Dubai Land Department Annual Report 2024

4.1.3 The Property Tax Rates and Evaluation Method

Assessing whether property taxation rates and appraisal techniques have an impact on Tanzania's capacity to access potential property tax revenue was another goal of the study. This includes figuring up the appropriate real estate tax rates, particularly for property tax and withholding tax on building and land rentals. The results demonstrate that undervaluation and revenue leakage are features of the current property taxes regime that derive from the property taxation administration system's incapacity to accurately calculate property values. It is necessary to develop a system that would guarantee a proportionate tax system and set favourable rates for both the government and taxpayers. There are two flat tax rates in effect now: Standard single-family homes cost 18,000 TZS (about USD 7.38) a year, whereas multi-story buildings cost 90,000 TZS (around USD 36.90). These tariffs apply to both commercial and private properties. Fairness and justice are still issues, especially when it comes to how the tax burden is allocated across various socioeconomic groups. The absence of a progressive taxation structure and perceived irregularities in enforcement add to suspicion even when the total amount paid in taxes may not be seen as a significant hardship (Kasongwa & Kiria, 2025).

V. CONCLUSION & RECOMMENDATIONS

5.1 Conclusion

The main obstacles to realizing significant revenues from property taxation in Tanzania are low rates, poor valuation methods, problems with enforcement, and public awareness. Comprehensive property valuation improvements, a phased increase in tax rates, improved enforcement tactics, and more public knowledge of the advantages of property taxation for national development are all necessary to meet these obstacles. The issues have not been resolved by previous or current technology advancements or reforms. To create effective tax regimes, governments must consider market dynamics, administrative capability, economic benefits, and justice. This calls for a sophisticated approach. To strike a balance between revenues, economic growth, and social equality, innovative evaluation tools, stakeholder participation, and continuous review are crucial. Taxation methods must change along with real estate markets in order to accomplish their goals without impeding development and investment. Enhancing valuation systems, establishing fair tax rates, raising public awareness of the value of property taxes, and, most importantly, strengthening enforcement methods must all be considered in any reforms that are implemented.

5.2 Recommendations

We suggest legal amendments that will create a specific authority to handle all property tax-related concerns, including property tax and withholding taxes on land and structures, in order to address the issues raised with Tanzania's property tax administration. It is advised that the Real Estate Authority of Tanzania (REAT) be established by the Tanzanian government through a parliamentary legislation. According to the REAT Act, in order to guarantee that the right taxes are paid, all property transfers and purchases as well as lease agreements must be registered with REAT. The authority will: Prior to registering a purchase, transfer, or tenancy agreement, ensure that the property and withholding taxes have been paid;

Create standard contracts for the sale, purchase, transfer, or tenancy of land or buildings to guarantee that the rights of each party are safeguarded and that the obligations of the buyer, seller, government, landlord, and tenant are clearly stated in the agreement; The authority will be able to ensure that the majority of properties are registered, appropriately valued, and have their taxes estimated accurately; It will also have the primary responsibility of educating taxpayers about taxes and the benefits of registering their property purchase or tenancy contracts with the authority, as well as the drawbacks of not doing so; and It will assist the government in determining the right tax rates and rental prices for different kinds of properties in different geographical areas.

One of the issues that could immediately emerge and result in opposition to this move is the cost of extending the power to the grassroots (the places where real estate properties are located). However, local governments may be able to use their leadership to address this issue because they are aware of which properties are being sold, rented, or ownership changed.

Declaration of Interest

The authors declare that they do not have any known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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