

To pay or not to pay?

Citizens' views on taxation in local authorities in
Tanzania

Odd-Helge Fjeldstad

WP 2004: 8

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1 Introduction¹

Widespread tax evasion reflected in persistent public resistance to pay is seen as an important part of the problem of raising local government revenue in Tanzania.² The measures prescribed for addressing the non-payment problem are to build administrative capacity in the local authorities to enhance revenue collection (URT, 1996, 1999; PriceWaterhouse, 1998), and to educate and mobilise taxpayers (Bukurua, 1991; URT, 1991). But dealing with the policy problem of revenue enhancement and tax evasion also requires some understanding of the factors underlying the individual's decision whether to pay or evade taxes. However, taxpayers' views have to a large extent been ignored in this policy debate. What are the reflections, experiences, priorities and recommendations of Tanzanian citizens with respect to payment of taxes and fees? What do people feel they get in return for taxes paid? And what do they consider to be the major challenges to improving the present system? Based on data from a recently conducted citizen survey, this paper presents the views of ordinary people on local government taxation.

The paper is organized as follows: Section 2 presents the theoretical framework for analysing tax compliance. The methodological approach and organisation of the empirical study are presented in section 3. Section 4 presents citizens' views on taxation, compliance and service delivery. Finally, section 5 concludes.

2 Understanding tax compliance³

In the standard economic model of taxpayer behaviour, the perceived quality of government does not influence the level of taxes remitted. The basic behavioural assumption is that people are free riders: no one will voluntarily contribute to the government unless the threat of punishment makes it sensible (Allingham & Sandmo 1972). But an increasing amount of evidence from experimental studies and survey data reveals that the rate of contribution to a public good is affected by factors such as citizens' trust in others and perceptions of the trustworthiness of the government (Slemrod, 2003).

As Scholz (1998:137) points out, without trust there is little basis for social co-operation and voluntary compliance with laws and regulations that could potentially benefit everyone. Thus, without trust coercion provides a reasonable guide for governance. The temptation not to comply even if others do comply defines the free-riding problem that is endemic in collective action situations in private as well as public institutions (Hardin 1982). Why should the taxpayer not take advantage of the opportunity for a free ride? In this perspective, Levi (1998) argues that citizens are likely to trust the government only to the extent that they believe that it will act in their interests, that its procedures are fair and reasonable, and that their trust of the state and others is reciprocated. She stresses that government

¹ This article is the result of co-operative research between Chr. Michelsen Institute (CMI), the Norwegian Institute for Urban and Regional Research (NIBR), and Research on Poverty Alleviation (REPOA). The research is financially supported by the Norwegian Agency for Development Cooperation (NORAD) through the research programme *Formative process research on the local government reform in Tanzania*. Earlier versions of the paper were presented at workshops in Dar es Salaam organised by REPOA in March and August 2004. I would like to thank the workshop participants for constructive comments. Thanks also to Karl Pedersen and Arne Wiig for useful comments, to Florida Henjewe, Geoffrey Mwambe and Knut Nygaard for excellent research assistance, and to Erasto Ngalewa for facilitating the study. Points of view and possible errors are entirely my responsibility.

² Appendix 3 provides an overview of local government revenue from its own sources for 2002 and 2003.

³ This section is based on Fjeldstad (2004).

trustworthiness, plus the perception that others are doing their share, can induce people to become ‘contingent consenters’ who co-operate even when their short-term interest would make free-riding the individual’s best option.⁴ Accordingly, citizens’ willingness to pay taxes voluntarily rests on the local government’s capacity to provide services and its demonstrated readiness to secure the compliance of the otherwise non-compliant. This is the perspective I will apply in this paper.

Following the analytical approach suggested by Levi (1988, 1997), the relationship between a taxpayer and the local government includes at least three elements. First, there is an element of *fiscal exchange*, as payment of taxes and the provision of services may be interpreted as a contractual relationship between taxpayers and the local government. A citizen’s decision to pay derives from his/her perception that the local government is trustworthy. Second, there is an element of *coercion*, as represented by the enforcement activities of tax collectors and the penalties imposed on those detected for non-payment. The credibility or trustworthiness of the revenue administration’s sanctions against defaulters is important in this context. A third element is the impact of *social influences* and norms on the taxpayer’s compliance behaviour. For example, attitudes toward the government may affect the taxpayer’s normative commitment to comply with the law. An individual’s perceptions, in combination with her opportunities, may thus determine her current choice of whether or not to be a tax evader.

2.1 Fiscal exchange

Compliance can be motivated by the presence of government expenditures. Individuals may pay taxes because they value the goods provided by the government, recognising that their payments are necessary both to help finance the goods and services and to make others contribute (Andreoni *et al.* 1998; Cowell & Gordon 1988). Hence, a taxpayer may be seen as exchanging purchasing power in the market in return for government services. Fiscal exchange, however, requires trade-off gains that may be seen as prerequisites of voluntary compliance (Levi 1988:56). The existence of positive benefits – measured according to quantitative and qualitative criteria – may therefore increase the probability that taxpayers will comply voluntarily, without direct coercion. Most taxpayers are, of course, not able to assess the exact value of what they receive from the government in return for charges paid. However, it can be argued that the taxpayer has general impressions and attitudes concerning her own and others’ terms of trade with the government. If this is the case, then it is reasonable to assume that a taxpayer’s behaviour is affected by her satisfaction or lack of satisfaction with her terms of trade with the government. In psychological terms, an unfair tax system could lead people to ‘rationalise’ cheating. Thus, if the system of user fees is perceived to be unfair, non-payment may, at least partly, be regarded as an attempt by the citizen to adjust her terms of trade with the government.

2.2 Coercion

The coercive element of the taxpayer-government relationship is the focus of the classical tax evasion model (Allingham & Sandmo, 1972), which assumes that the taxpayer’s behaviour is influenced by factors such as the tax rate determining the benefits of evasion, and the probability of detection and penalties for fraud which determine the costs. The problem is

⁴ The analytical distinction between trust and trustworthiness is clarified in Levi (1998:80): “Only persons can trust or be trusting, but trustworthiness can attach to either individuals or institutions.” She writes that institutional trustworthiness implies procedures for selecting and constraining the agents of institutions so that they are competent, credible, and likely to act in the interests of those being asked to trust the institution.

thus one of rational decision making under uncertainty whereby tax evasion either pays off in lower taxes or subjects one to sanctions. This implies that if detection is likely and penalties are severe few people will evade taxes.⁵

Trust and coercion are closely linked in the new perspective on compliance and governance (Scholz 1998:163). The government is sometimes crucial in establishing levels of trust among citizens that make possible a whole range of social, political and economic transactions that would otherwise not be possible (Levi 2002:20). Critical to this task is its use of coercion to ensure that non-compliers are punished. As argued by Scholz (1998), no law can reshape behaviour without the backing of an effective enforcement agency. On the other hand, an effective enforcement agency does not deter each citizen from breaking the law but instead tries to provide a basis for trust by ensuring that non-compliers will be made to obey the law.

At the same time, agencies concerned with trust aim to minimise the use of ruthless enforcement techniques on trustworthy citizens and ensure that enforcement procedures are perceived by the broader public as reasonable, fair and in accordance with the accepted standards of society. Therefore, in the long run trust-enhancing enforcement cannot be separated from legal processes and the contents of the law, since trust-based compliance is dependent on long-term social gains that make up for compliance costs (Scholz 1998:163). With reference to taxes, this implies that factors expected to affect payment are the knowledge that all other people have to pay, that fair and reasonable enforcement mechanisms ensure that there is no way of avoiding payment, and that failure to pay will be punished with fines or eventually the cut-off of services.

2.3 Social influences

The importance of social interactions in forming tastes and actions has long been stressed by sociologists and social psychologists (see, e.g., Helsing *et al.* 1988). It is reasonable to assume that human behaviour in the area of whether or not to pay taxes is influenced by social interactions much in the same way as other forms of behaviour. Compliance behaviour and attitudes towards the tax system may thus be affected by the behaviour of an individual's reference group such as relatives, neighbours, friends and political associates. Consequently, we may argue that if a taxpayer knows many people in groups important to her who do not pay taxes, her commitment to comply will be weaker.⁶ On the other hand, social relationships may also help deter non-payment. Individuals can be dissuaded from engaging in evasion out of fear of the social sanctions incurred should their action be discovered and revealed publicly (Grasmick & Green 1980; Grasmick & Scott 1982). Theoretical research on herd behaviour in economic situations (e.g., Banerjee 1992; Sah 1991) also indicates that social influences may affect compliance, in particular by affecting the perceived probability of detection and punishment. Hence, evidence suggests that perceptions about the honesty of others may play an important role in compliance behaviour.

⁵ Nearly all economic approaches to tax evasion are based on this economics-of-crime framework. Cowell (1990) provides a review of this literature.

⁶ One of the most consistent findings in survey research in Western countries about taxpayer attitudes and behaviour is that those who report compliance believe that their peers and friends (and taxpayers in general) comply, whereas those who report cheating believe that others cheat (see Yankelovich *et al.* 1984). Furthermore, it has been found that interpersonal networks act to reduce an individual's fear of governmental sanctions (Mason 1987).

Furthermore, evidence from behavioural science suggests that greater individual participation in the decision process will foster an increased level of compliance (Lewis *et al.* 1995; Hessing *et al.* 1992). This is partly because participation implies some commitment to the institution and such commitment in turn requires behaviour that is consistent in words and actions. Thus, we may expect that compliance is higher when taxpayers feel that they have a voice in the way their taxes will be spent, for instance, whether a share of the charges paid is retained in the local community. Another dimension by which social commitment may be affected by government actions is related to the level of popular support for the government. A government's lack of legitimacy almost by definition diminishes the moral justification for obeying its laws. In contrast, widespread support tends to legitimise the public sector and may thus impose a social norm in favour of paying taxes.

3 The survey

The survey was conducted in October 2003 and comprised 1260 respondents in Bagamoyo DC, Ilala MC, Iringa DC, Kilosa DC, Moshi DC and Mwanza CC. It included respondents from 42 villages/mtaas, all located in different wards, some of which were located close to and others more distant from the council headquarters.

3.1 The case councils

The six case councils were selected on the basis of the following criteria:

- variations in resource bases;
- rural-urban variations;
- degree of inclusion in the LGRP;
- degree of donor presence or support; and
- composition of political parties.

Three of the case councils were part of the initial phase 1 of the local government reform, i.e., Ilala MC, Iringa DC and Mwanza CC (table 1).

Table 1: Profile of the six case councils

<i>Council</i>	<i>Region</i>	<i>Council area size (sqkm)</i>	<i>Population (2002)</i>	<i>Major economic sectors</i>	<i>Part of Phase 1 of the LGRP</i>
Bagamoyo DC	Coast	9,842	230,164	Agriculture	No
Ilala MC	Dar es Salaam	210	637,573	Services, trade, manufacturing, agriculture	Yes
Iringa DC*	Iringa	-	245,623	Agriculture	Yes
Kilosa DC	Morogoro	14,245	489,513	Agriculture	No
Moshi DC	Kilimanjaro	1,713	402,431	Agriculture, tourism	No
Mwanza CC	Mwanza	1,324	476,646	Agriculture, fishery, services	Yes

* Iringa DC was split into two districts in 2004, i.e. Iringa DC and Kilolo DC. The area of the two districts combined is 28,457 sqkm.

Source: URT (2003).

3.2 The sample

The survey covered 210 households from 7 wards in each of the six case councils. Some wards were located close to and others more distant from the council headquarters. In 2002, the research team had identified two case wards for in-depth fieldwork study in each of the six case councils. The survey sampling procedure ensured that the pre-identified case wards

were automatically included. The remaining five wards were randomly selected based on the criteria of rural-urban settlement and distance from the council headquarters. In each case ward, a village/*mtaa* had also been pre-identified for in-depth study. These pre-selected villages/*mtaa* were automatically included in the sample. The rest of the villages were selected using the same formula as for wards. The villages constitute the primary sampling units. Appendix 1 gives a list of the surveyed wards, and appendix 2 a list of the villages/*mtaa* included in the survey.

30 respondents were selected per village. Since the selection of wards and villages was random, except for the pre-identified case areas, respondent households were also randomly picked from the village/*mtaa* register. In each identified respondent household, we picked any adult (over 18 years) as the appropriate respondent. Obviously, dominance of household heads and spouses is always difficult to avoid in this approach.

Further details on the sample include:

- 53% of the respondents are men and 47% women;
- 71% of all respondents are married;
- 64% of all respondents were born in the council in which they now live;
- almost 60% of the respondents are Christians and almost 40% Muslims, while traditional religions are only (openly) practised by two respondents;
- 28% of the respondents were between 18-29 years of age, 47% between 30-49 years, and 25% 50 years and above;
- the literacy rate was 87% of all respondents, which corresponds to the share of the respondents with no formal education;
- almost 70% of the respondents had only primary school education, 11% secondary school, 2% college or university education, while about 3% had vocational/adult education.

The main occupations of the respondents and the principal sources of income of their households are presented in table 2. Almost 60% (747 persons) of the respondents are self-employed in agriculture. Agriculture is also the principal source of income in the respondents' households. Thereafter follows self-employment in other sectors, including trade and commerce, which 28% of the respondents (369 people) report as their main occupation and the principal source of income for the household (357 people). Only 23 respondents (2%) are public sector employees. Wages from the public sector is the major household income in as few as 3 households.

Table 2: Main occupation and principal source of income in the respondents' households (number of respondents)

Main occupation		Principal source of income for household							Total
		Self-employed			Wage-employee			Transfer from relatives	
		Agriculture	Trade and commerce	Other	Private sector	Public sector	Other (NGO, etc.)		
Self-employed	Agriculture	692	12	30	2	5	-	6	747
	Trade and commerce	10	70	3	1	-	-	1	85
	Other	40	5	211	4	1	1	2	264
Wage employee	Private sector	-	-	1	41	-	-	-	42
	Public sector	1	-	-	-	22	-	-	23
	Other (NGO, etc.)	1	-	1	-	-	11	-	13
Unemployed		6	13	11	7	3	-	46	86
Total		750	100	257	55	31	12	55	1260

3.3 The questionnaire

The respondents were grouped according to socio-economic characteristics such as age, gender, size of household, education, occupation etc. Based on the theoretical framework outlined in section 2, the survey included questions on citizens' views on:

- taxation and tax evasion;
- who pays and why;
- service delivery;
- major problems in tax collection;
- who is to blame for poor tax collection; and
- measures required to improve revenue collection.

3.4 Data analysis

The limitations of survey methods are acknowledged, yet more rigorous methods were found unsuitable in this particular research effort. Although the survey questions do not cover the whole range of possible choices by taxpayers, they probably represent many of the most important choices and decisions.

The statistical analysis consisted of a step-by-step process, starting with frequencies, cross-tabulations combining bi- and multivariables, and, finally, an exploratory analysis of the respondents' perceptions on taxation and factors explaining tax compliance. No findings of statistical significance are generated in this exploratory stage of the analysis except for generating suggested explanations for the reported compliance behaviour and respondents' views on taxation. Hence, although the analysis developed in the following sections is limited by the stage of the research process, it has a more general interest and application.

4 Results

This section first provides a descriptive presentation of the characteristics of those who pay local government taxes, fees and charges (i.e., compliers), and then proceeds to present perceptions on why (some) people pay, including the credibility of the enforcement mechanisms, the impacts of others' compliance behaviour, and the linkages between tax compliance and service delivery.

4.1 Who pays?

In the total sample, almost 59% report paying taxes and/or fees (table 3). The most frequently cited tax types are property tax, water charges and non-fee school contributions. It should be acknowledged, however, that reported tax payments may differ from actual payments. For instance, it is not uncommon that some people overstate their compliance. But the aggregate compliance rate in the sample of almost 60% does not diverge substantially from findings from previous studies (e.g. Fjeldstad & Semboja, 2001). Moreover, the survey was carried out three months after the development levy was abolished. Since the development levy created a lot of tension and conflict between taxpayers and the council, people might have been more willing to speak the 'truth' after the abolition of the levy.

Table 3: Payment of taxes, fees and charges (as a % of the respondents)

		Council name						Total
		Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	
Do you pay any taxes, fees or charges?	Yes	64.3	53.3	56.7	69.5	54.3	54.3	58.7
	No	35.7	46.7	43.3	30.5	45.7	45.7	41.3

Table 3 shows, however, quite substantial differences between the six case councils with respect to tax payment. While almost 64% report having paid taxes in Ilala MC, only 53% gave this answer in Bagamoyo DC. This difference is not surprising given the rural-urban divide with respect to the coverage of taxes, fees and charges. But in this perspective it is surprising that only 54% of the respondents in Mwanza CC report that they pay taxes.

The survey data show only minor differences between male and female respondents with respect to declared tax payment. Neither do different religious beliefs matter with respect to claimed tax compliance. The same applies to whether the respondent is born in the case council or is a migrant. However, age and education matter. With respect to age, a larger share of the middle-aged group (30-49 years of age) claim to pay taxes (table 4), which is not surprising since a larger share of this age group is expected to have a taxable income compared to the two other age groups.

Table 4: Age and tax payment (as a % of the respondents)

		Age			Total
		18 - 29	30-49	50 and above	
Do you pay any taxes, fees or charges?	Yes	52.7	62.1	59.2	58.7
	No	47.3	37.9	40.8	41.3

Admitted tax compliance also increases with the level of education, and is significantly higher among respondents who have completed college or university (table 5). Again, this is not surprising since we would expect that people with higher education were relatively better off than other groups and more integrated into the formal and taxable economy.

Table 5: Education and tax payment (as a % of the respondents)

		Education					Total
		No formal schooling	Primary	Secondary	College/ university	Vocational/ adult education	
Do you pay any taxes, fees or charges?	Yes	52.9	58.4	63.6	75.0	61.9	58.7
	No	47.1	41.6	36.4	25.0	38.1	41.3

4.2 Why people pay

When asked why people pay taxes and fees, only 23% of the respondents said that it was because people anticipated public services, and less than 10% believed that it was because people felt obligations towards the government (table 6). The majority of the respondents said people paid taxes because they ‘wanted to avoid disturbances’ (46% of the total sample). This response indicates that the revenue collection regime is considered to be harsh and unpleasant by many respondents. However, we observe substantial differences among the case councils in this respect. While less than 39% of the respondents in Ilala MC gave this answer, as many as 57% had this view in Kilosa DC. Previous studies have shown that the tax collection regime in Kilosa is perceived by many residents in Kilosa DC to be harsh (e.g. Fjeldstad, 2001). However, for comparative purposes we do not have sufficiently detailed information about how tax enforcement is actually carried out in the other case councils.

Table 6: Why people pay taxes (as a % of the respondents)

Description	Council name						Total
	Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	
They will avoid disturbances	38.6	43.3	57.1	53.8	39.0	41.4	45.6
They anticipate public services	25.7	22.9	20.0	18.6	23.3	25.2	22.6
They have no opportunity to evade	13.3	10.0	6.2	10.0	13.3	6.7	9.9
Feel obligations towards the government	11.4	8.1	11.4	12.4	4.8	9.5	9.6
Others	4.3	2.4	0.5	1.9	8.6	5.7	3.9
Don't know	6.7	13.3	4.8	3.3	11.0	11.4	8.4

On the question of why (some) people pay taxes, the survey data show some differences between age groups, the respondents' level of education and whether the respondent is born in or has migrated to the case council. For instance, a larger share of the youngest age group (47.3%) say that people pay because they will avoid disturbances (table 7). This is consistent with previous studies, which found that especially young and relatively poor men were exposed to harsh enforcement of local taxes, in particular the development levy (Fjeldstad & Semboja, 2001). Moreover, the data show that a larger share of the respondents in the oldest age group perceives that people pay taxes because they anticipate public services.

Table 7: Major reasons why people pay taxes (as a % of age groups)

Major reasons why people pay taxes	Age group			Total
	18 - 29	30-49	50 and above	
Avoid disturbances	47.3	45.8	43.0	45.6
Anticipate public services	19.3	23.7	24.3	22.6
No opportunity to evade	10.6	10.8	7.4	9.9
Obligations towards the government	6.7	11.1	10.0	9.6
Others	3.6	3.0	5.8	3.9
Don't know	12.3	5.6	9.4	8.4

The higher the level of education, the more likely it is that the respondent either anticipates reciprocal services for his/her tax payment or feels an obligation to the government (table 8).

Table 8: Major reasons why people pay taxes (as a % of education levels)

Major reasons why people pay taxes	Level of education					Total
	No formal schooling	Primary	Secondary	College/ university	Vocational/ adult education	
Avoid disturbances	48.8	45.9	40.6	32.1	50.0	45.6
Anticipate public services	15.7	24.2	21.7	25.0	19.0	22.6
No opportunity to evade	7.6	10.4	11.2	10.7	4.8	9.9
Obligations towards the government	7.0	8.8	13.3	21.4	16.7	9.6
Others	2.3	3.8	6.3	10.7	-	3.9
Don't know	18.6	6.9	7.0	-	9.5	8.4

The survey data also show that respondents who have migrated to the case councils are more likely to pay taxes for other reasons than simply to avoid disturbances, relatively to people born in the area (table 9). This may be a reflection of the fact that migrants in the sample have a relatively higher education and also have a higher average age than respondents who are born in the council.

Table 9: Major reasons why people pay taxes (as a %, disaggregated according to whether the respondent is born in or has migrated to the council)

Major reasons why people pay taxes	Was the respondent born in the council?		Total
	Yes	No	
Avoid disturbances	49.0	39.4	45.6
Anticipate public services	22.1	23.6	22.6
No opportunity to evade	8.9	11.8	9.9
Obligations towards the government	8.6	11.4	9.6
Others	3.3	4.9	3.9
Don't know	8.1	8.9	8.4

Interestingly, only 38.6% of the respondents in Kilosa DC said that they agreed with the statement that ‘people would evade paying taxes if possible’ (table 10). In contrast, as many as 59% in Moshi DC and 58.1% in Mwanza CC gave this answer.

Table 10: Tax evasion (as a % of the respondents)

		Council name						Total
		Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	
	Agree	48.6	48.6	38.6	37.1	59.0	58.1	48.3
Would people evade taxation if possible	50-50	9.5	11.0	10.5	10.0	7.6	9.5	9.7
	Disagree	34.3	32.4	48.1	43.8	25.7	26.7	35.2
	Don't know	7.6	8.1	2.9	9.0	7.6	5.7	6.8

The responses on this question, however, differ substantially between the age groups. A larger share of the respondents in the youngest age group agree with the statement that people would evade paying taxes if possible compared to the older respondents (table 11).

Table 11: Tax evasion (as a % of age groups)

Would taxpayers evade taxation if possible?	Age group		
	18 - 29	30-49	50 and above
Agree	51.3	50.2	41.4
50-50	7.8	9.4	12.3
Disagree	32.2	36.0	36.9
Don't know	8.7	4.4	9.4

There are also differences of view between respondents who are born in the case councils and those who have migrated to the area. In aggregate, a larger share of the migrants agrees with the statement that people would evade taxes if possible. But the longer a ‘migrant’ has lived in the area, the more likely he/she is to have views on taxation similar to those who are born in the area (table 12). This may reflect the existence of a ‘socialisation process’, and when a ‘migrant’ has lived in an area for some years it does not make much sense to distinguish between ‘migrants’ and ‘natives’.

Table 12: Tax evasion (disaggregated according to how long the respondent has lived in the case council, as a %)

Would taxpayers evade taxation if possible?	For how long has the respondent lived in the council?				
	0-1 year	2-5 years	6-9 years	10 years plus	Native
Agree	45.5	65.9	59.3	49.8	45.4
50-50	9.1	7.1	13.0	11.6	9.1
Disagree	30.3	24.7	25.9	30.7	38.6
Don't know	15.2	2.4	1.9	7.9	6.9
Number of respondents	33	85	54	277	811

4.3 Problems in tax collection

The most serious problem hampering tax collection, according to citizens' perceptions, is that taxes collected are not spent on public services (table 13). More than 58% of the respondents in the sample had this view. Thereafter follow 'too high taxes/fees' (47.9%) and 'dishonest collectors' (45.7%) as the second and third major problems. This reflects a deep distrust among citizens on the local governments' ability or motivation to provide services. The perception of dishonest collectors adds to this distrust, although there are substantial differences between the six councils in this respect. For instance, while 65% of the respondents in Bagamoyo DC believe that taxes collected are not spent on public services, the corresponding figure for Iringa is 45%. And while 51% of the respondents in Bagamoyo DC agree that tax collectors are dishonest, the figure for Iringa DC is 33%. Surprisingly, only 28.6% of the respondents consider taxpayers' unwillingness to pay to be a major problem. Nor is dishonesty among elected local leaders perceived to be a major problem.

Table 13: Major problems in tax collection (as a % of the respondents)

Description		Council name					Total	
		Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC		Mwanza CC
Tax revenues not spent on public services	Agree	62.9	65.2	48.1	44.8	68.1	61.4	58.4
	50-50	13.3	11.9	18.1	26.2	5.2	9.0	14.0
	Disagree	14.3	10.0	13.8	12.4	7.6	11.9	11.7
Too high tax/fee rates	Agree	51.9	51.9	46.2	30.5	52.9	53.8	47.9
	50-50	12.9	17.1	11.4	29.0	10.5	11.9	15.5
	Disagree	14.8	14.8	25.2	21.4	17.1	18.6	18.7
Dishonest collectors	Agree	53.8	51.4	40.0	33.3	49.5	46.2	45.7
	50-50	20.0	16.2	14.3	30.5	12.4	17.6	18.5
	Disagree	14.3	17.6	22.9	17.1	13.8	11.9	16.3
Too many taxes/fees	Agree	50.5	44.3	28.6	23.3	41.4	45.2	38.9
	50-50	15.2	16.2	13.3	26.7	14.3	13.3	16.5
	Disagree	16.7	20.5	40.5	28.1	25.2	22.9	25.6
Harassment by tax collectors	Agree	43.3	36.2	33.3	29.0	41.0	46.2	38.2
	50-50	20.0	21.4	20.0	23.3	21.0	21.0	21.1
	Disagree	23.8	27.6	29.5	30.5	16.7	9.5	22.9
Tax payers unwilling to pay taxes	Agree	31.0	28.1	22.9	31.4	30.0	28.1	28.6
	50-50	19.0	21.0	22.9	17.6	15.7	21.0	19.5
	Disagree	35.7	36.7	39.5	36.7	36.7	34.8	36.7
Dishonest local government elected leaders	Agree	21.0	17.1	29.5	21.0	28.1	23.3	23.3
	50-50	23.8	24.8	13.8	23.3	28.6	24.3	23.1
	Disagree	39.0	38.1	38.6	35.2	15.7	24.3	31.8
Dishonest parliamentarians	Agree	15.7	11.9	12.4	11.0	22.4	15.7	14.8
	50-50	15.7	17.6	10.0	15.2	19.5	19.0	16.2
	Disagree	49.5	44.8	50.0	48.6	19.0	33.3	40.9

4.4 Tax compliance and service delivery

The survey data show that the majority of the respondents consider poor public services to be the most important explanatory factor behind poor tax compliance (table 14). First, only 9% of all the respondents agree with the statement that most of the tax revenues collected in the area where they live are used to provide services. In Kilosa DC only 2.4% of the respondents agree, while almost 50% say that taxes are not used at all to provide services.

Second, the majority of all respondents (51%) agree that people should refuse to pay taxes until services improve. In Moshi DC, however, this percentage is as high as 66%, compared to about 35% in Iringa DC, which may reflect the political opposition's stronghold in Moshi.

Third, 73% of all respondents say they are willing to pay more taxes if public services are improved. There are, however, significant differences between the six case councils in this respect. The respondents in Iringa DC are least inclined to increase tax payments willingly in exchange for further service improvements. Surprisingly, given the strong position of the opposition, the respondents in Moshi DC are those most positive towards this hypothetical question. But the response may also reflect a situation in which poor service delivery is a way taxpayers legitimise non-compliance.

Fourth, almost 75% of the respondents agree that people should contribute to improved services through self-help activities, though there are large variations across councils. But there are substantial differences between the councils in this respect. While more than 90% of the respondents in Kilosa DC and Iringa DC are positive towards self-help in improving service delivery, only 56.2% of the respondents in Ilala MC are in favour of the self-help approach. These differences might reflect the fact that various self-help and matching schemes have had some positive impacts on service delivery in Iringa (TASAF) and Kilosa (CIS), while they have been less prevalent in Ilala. The rural-urban divide most likely also reflects the difficulty in mobilising urban dwellers for community development initiatives due to the high mobility and turnover of residents. Hence, neighbours often know each other less well in urban settings compared to rural communities. But there are also differences across rural councils. In Moshi DC, the support for self-help is lower (69%) than in the other district councils. This might be due to local politics, which may become a hindrance for self-help. According to information collected during fieldwork in Moshi DC in August 2003, people from the opposition were allegedly saying that the citizens should not contribute to development projects since services 'should be provided by the government'.

Table 14: Views on tax collection and service provision (as a % of the respondents)

Description		Council name					Total	
		Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC		Mwanza CC
Are tax revenues collected in the area used to provide public services?	Yes, mostly	9.0	9.5	2.4	11.0	9.5	12.9	9.0
	Partly	23.3	23.8	14.3	21.0	15.7	22.9	20.2
	Not at all	33.8	31.9	49.5	32.4	38.1	32.9	36.4
	Don't know	33.8	34.8	33.8	35.7	36.7	31.4	34.4
Should people refuse to pay taxes until they get better services?	Agree	51.4	49.0	39.5	35.2	66.2	64.3	51.0
	Partly	6.2	8.1	8.1	9.0	9.0	6.7	7.9
	Disagree	38.1	35.2	47.6	48.1	18.6	24.3	35.3
	Don't know	4.3	7.6	4.8	7.6	6.2	4.8	5.9
Willing to pay more taxes if public services improved?	Yes	72.9	65.7	72.9	59.0	82.4	83.3	72.7
	No	25.7	28.6	25.2	37.6	14.3	11.4	23.8
	Don't know	1.4	5.7	1.9	3.3	3.3	5.2	3.5
Should people contribute to better social services through more self-help activities?	Agree	56.2	70.0	90.5	92.9	69.0	71.0	74.9
	Partly	13.8	5.7	3.8	3.3	12.4	13.3	8.7
	Disagree	29.5	18.1	4.8	2.4	14.8	11.4	13.5
	Don't know	0.5	6.2	1.0	1.4	3.8	4.3	2.9

Citizens' satisfaction or dissatisfaction with service provision, however, varies substantially between various services. Peoples' views may also reflect that they know that some services are provided by the central government (e.g. education) and others are the responsibility of the local authorities (e.g. clean water supply). Table 15 shows the share of all respondents, by council and for the whole sample, who say they are satisfied with the various services listed. As many as 70% of the respondents say they are satisfied with primary schools, while only 22% say they are satisfied with the water supply and road maintenance. Law and order (18.6%) and the market place (13.2%) also score low. People are least satisfied with garbage collection (7.1%) and agricultural extension services (7.9%). But again there are significant differences between the councils. For instance, in Bagamoyo DC only 10% of the respondents say they are satisfied with the water supply, compared to 35.2% in Iringa DC. With respect to law and order, only 9.5% in Moshi DC say they are satisfied, while the corresponding figure for Iringa DC is 27.6%. In contrast, 24.8% of the respondents in Moshi DC say they are satisfied with the market place, compared to only 3.8% in Kilosa DC and 4.8% in Iringa DC.

Hence, if the problem of tax compliance is to be addressed by improving services, this may require different measures in different councils. For instance, in Bagamoyo DC an appropriate policy might be to focus on improved water supply for a period, while law and order may be a key issue in Moshi DC. Improvement of market places may seem to be important in Kilosa DC, while better agricultural extension should be a priority in Iringa DC.

Table 15: Service satisfaction (as a % of the respondents)

Description		Council name						Total
		Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	
Primary school	Satisfied	68.6	61.4	83.3	73.3	66.7	67.1	70.1
Dispensary	Satisfied	45.7	36.7	34.8	36.7	35.2	38.1	37.9
Secondary school	Satisfied	19.0	21.0	29.0	34.3	16.2	21.4	23.5
Water supply	Satisfied	18.1	10.0	21.0	35.2	18.6	30.0	22.1
Road maintenance	Satisfied	25.7	27.1	13.3	27.6	13.8	24.8	22.1
Sanitation	Satisfied	23.8	16.7	20.5	26.2	21.0	18.6	21.1
Electricity	Satisfied	23.8	10.0	20.0	15.2	27.6	19.0	19.3
Law and order	Satisfied	21.9	12.4	24.8	27.6	9.5	15.2	18.6
Health clinic	Satisfied	25.2	23.8	5.2	15.7	9.5	13.3	15.5
Market place	Satisfied	19.0	11.9	3.8	4.8	24.8	14.8	13.2
Agricultural ext.	Satisfied	1.9	8.1	12.4	5.7	10.0	9.0	7.9
Garbage collection	Satisfied	19.0	5.7	1.0	-	7.1	10.0	7.1

4.5 Whom to blame for poor tax collection

Table 16 presents the percentage of all respondents, by council and in total, that agree, agree partly (50-50) or disagree as to whether the given groups/institutions are most to blame for the poor tax collection. Other respondents either did not know or had no view. Tax collectors (53.7% of the respondents) and council employees (49.3%) are those most frequently blamed. These views cross-cut all the case councils, although the share of the respondents who blame tax collectors most is lower in Iringa DC (40.5%) than in the other councils (higher than 50%). Only 20.4% of the respondents agree with the statement that taxpayers are most to blame. These views are consistent with those previously reported in section 3.3 (table 6), where dishonest tax collectors are perceived to be a major problem in tax collection. Fjeldstad (2001) argues that coercive tax collection has important consequences for citizens' rights and for the democratisation process. If taxpayers' rights are unclear for both taxpayers and tax authorities, tax compliance and accountability will be affected. Moreover, as long as coercion is accepted as an integral part of tax collection it is unlikely that state-society relations can become more accountable and democratic.

The lack of trust in tax collectors has been documented in previous studies (Tripp, 1997; Fjeldstad & Semboja, 2000; Kelsall, 2000). In particular, the collection of the development levy often led to conflicts and tensions between collectors and citizens. Since this survey was carried out only a few months after the abolition of development levy in June 2003, citizens' perceptions of tax collectors may still reflect their views based on their experiences with development levy collection. If this is the case, we may expect that taxpayer-tax collector relations will improve. However, in the two urban councils, Ilala MC and Mwanza CC, the development levy was not an important revenue base. In these councils the poll tax mainly covered public and formal sector employees, whose payment of the levy was deducted from their salaries by the employer with limited contact between collectors and taxpayers. Hence, taxpayers' lack of trust in collectors in Ilala MC and Mwanza CC is most likely related to other factors than the now abolished development levy.

Table 16: Who is most to blame for poor tax collection (as a % of the respondents)

Description		Council name					Total	
		Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC		Mwanza CC
Tax collectors/fee collectors	Agree	57.6	56.2	55.2	40.5	53.8	58.6	53.7
	50-50	16.2	13.3	10.5	21.0	8.6	12.9	13.7
	Disagree	16.7	14.8	21.4	21.9	21.4	19.0	19.2
Council employees	Agree	48.1	48.1	45.2	40.5	55.2	58.6	49.3
	50-50	20.5	14.3	9.0	15.2	12.4	10.5	13.7
	Disagree	17.6	20.0	30.5	29.0	16.2	19.5	22.1
Central government authorities/TRA	Agree	50.0	46.2	30.0	30.0	43.3	56.2	42.6
	50-50	16.7	9.5	5.2	11.9	7.1	6.2	9.4
	Disagree	21.4	21.0	47.1	39.5	22.4	23.3	29.1
Licences and permits officers	Agree	42.4	37.1	38.1	32.4	39.0	50.0	39.8
	50-50	20.0	16.2	8.6	18.6	14.8	11.9	15.0
	Disagree	25.2	27.1	33.8	32.4	29.5	26.2	29.0
Local government elected leaders	Agree	26.7	28.1	49.0	34.8	41.4	46.2	37.7
	50-50	23.3	22.4	10.0	21.0	19.5	13.8	18.3
	Disagree	35.7	30.5	26.7	27.1	21.0	27.1	28.0
Parliamentarians	Agree	18.1	19.5	15.7	16.7	28.6	33.8	22.1
	50-50	18.1	11.4	8.6	10.5	9.5	9.5	11.3
	Disagree	45.7	39.0	54.8	51.9	23.8	35.2	41.7
Tax payers/fee payers	Agree	28.1	21.0	12.4	19.0	17.1	24.8	20.4
	50-50	17.6	20.5	16.7	16.7	17.1	17.1	17.6
	Disagree	44.3	42.4	56.7	47.1	48.6	48.6	47.9

4.6 Citizens' views on how to improve the system

In a series of questions, the survey addresses the issue on how to improve the present system. The questions address matters such as where the respondents think revenues are least likely to be misused, and actions to be taken to reduce the misuse.

As many as 27.4% of all respondents think that misuse of funds is unavoidable, though there are large variations across councils (table 17). While only 11% of respondents in Iringa DC see misuse as unavoidable, as many as 41% percent in Moshi DC hold this view. The discouraging data from Moshi DC may reflect the high political tensions in the council between opposition and ruling party politicians. In general, respondents favour village authorities over ward, council and parliamentarians to allocate tax revenue.

Table 17: Where is misuse of tax revenue least likely? (as a % of the respondents)

	Council name						Total
	Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	
Village authorities	6.7	9.0	32.4	18.1	7.6	16.2	15.0
Ward office	10.0	3.3	10.0	13.8	8.6	14.8	10.1
Council authorities	8.6	11.4	5.7	20.5	2.9	2.4	8.6
Service facility	5.7	10.0	8.1	4.3	6.2	7.1	6.9
Tanzania Revenue Authority (TRA)	13.3	17.6	15.2	11.9	12.9	17.6	14.8
Misuse unavoidable	38.1	29.0	20.5	11.0	40.5	25.2	27.4
Don't know	17.6	19.5	8.1	20.5	21.4	16.7	17.3

When asked what actions would reduce the misuse of tax revenue, as many as 40% to 50% of the respondents say it would not help to report this to the village authorities, the ward and council offices, and the police (table 18). The most frequent reason given for this attitude is “all civil servants are corrupt and they protect each other”. However, almost 64% of all respondents think that reporting the misuse of tax revenue to a journalist would help reduce this form of corruption. Citizens’ relatively high trust in journalists is also reported in other studies, for instance ESRF & FACEIT (2003).

Table 18: Actions to reduce the misuse of tax revenue (as a % of the respondents)

Report to:		Council name						Total
		Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	
Journalist	Yes	63.3	60.5	59.5	63.3	67.6	68.1	63.7
	No	27.1	25.2	25.7	24.3	15.2	20.5	23.0
	Don't know	9.5	14.3	14.8	12.4	17.1	11.4	13.3
Village authorities	Yes	43.8	50.0	49.5	64.8	41.0	48.6	49.6
	No	45.7	36.2	46.7	30.0	40.0	42.9	40.2
	Don't know	10.5	13.8	3.8	5.2	19.0	8.6	10.2
Ward office	Yes	38.1	49.5	49.5	57.1	43.3	50.0	47.9
	No	51.9	36.7	45.7	38.1	37.6	41.0	41.8
	Don't know	10.0	13.8	4.8	4.8	19.0	9.0	10.2
Member of Parliament	Yes	40.0	43.8	40.5	49.0	50.0	62.9	47.7
	No	50.0	41.9	52.4	45.2	30.0	27.1	41.1
	Don't know	10.0	14.3	7.1	5.7	20.0	10.0	11.2
Police	Yes	41.9	39.5	54.8	49.0	42.4	43.8	45.2
	No	49.5	48.1	40.0	46.2	39.5	43.8	44.5
	Don't know	8.6	12.4	5.2	4.8	18.1	12.4	10.2
Political party leaders	Yes	42.9	41.4	30.5	38.1	56.2	59.0	44.7
	No	45.7	44.3	58.1	50.0	27.1	28.6	42.3
	Don't know	11.4	14.3	11.4	11.9	16.7	12.4	13.0
Council authorities	Yes	36.7	40.5	47.1	53.3	40.5	46.7	44.1
	No	53.3	44.8	44.8	40.5	39.0	42.4	44.1
	Don't know	10.0	14.8	8.1	6.2	20.5	11.0	11.7

When it comes to actual action taken by citizens, only 4% of all the respondents say they have reported a misuse of tax funds over the last two years (table 19). In Moshi DC the figure is only 1%. Some respondents (11%) say, however, that they are aware of other people who have reported the misuse of money. When it comes to why so few people take action and report the misuse of revenues collected, almost 21% of the respondents say that it is because they are scared of repercussions, and 15.2% say that such actions will not have any effect anyway. These figures are discouraging given the fact that the government has run extensive anti-corruption campaigns since 1996 and has also encouraged people to report officials who abuse their position for personal gain. The figures support the argument that there is an urgent need to take action to improve the trust relations between local authorities and citizens.

Table 19: Actual action taken to report misuse of tax money

Description		Council name						Total
		Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	
Have you reported misuse of tax revenue in the last 2 years	Yes	3.8	5.2	3.3	5.2	1.0	3.3	3.7
	No	96.2	94.8	96.7	94.8	99.0	96.7	96.3
Are you aware of anybody who has taken such action?	Yes, many persons	1.4	2.4	5.2	4.3	1.0	3.3	2.9
	Yes, only some persons	8.1	5.7	12.4	7.6	7.1	7.6	8.1
	No one at all	56.7	57.1	56.2	63.8	41.0	43.8	53.1
	Don't know	33.8	34.8	26.2	24.3	51.0	45.2	35.9
Reasons for not taking reporting misuse of tax money	Do not know what to do	12.9	18.6	15.7	24.3	7.1	6.7	14.2
	Scared of repercussions	22.9	18.6	24.8	26.7	12.9	19.5	20.9
	Will not have effect	20.0	15.2	10.0	9.5	20.5	16.2	15.2
	Don't know	1.0	4.8	5.7	3.3	0.5	1.4	2.8
	Not applicable	43.3	42.9	43.8	36.2	59.0	56.2	46.9

To build trust, information to the public is crucial (Levi, 1998; Levi & Stoker, 2000; Rothstein, 2000). Citizens' access to and right to information is often seen as a necessary condition to achieve accountable, transparent and participatory governance and people-centred development (Crook & Manor, 1998; Jenkins & Goetz, 1999). Information to the public on tax revenues collected, financial allocations and how to report corruption are, however, in scarce supply, according to the survey data. Very few of the respondents have seen posted any information about local government finances (table 20). Less than 6% of the respondents say they have seen information posted on taxes and fees collected, and only 2.5% say they have seen audited statements of council expenditure. And while only 16% of the respondents have seen information on how to report corruption, a large majority have seen posters for HIV/AIDS prevention (almost 78%). Those respondents who have heard about the local government reform (LGR) seem, however, to be slightly better informed than those who have not heard about the LGR (table 20). This is particularly evident with regard to information on how to report corruption, where 23% of those who have heard about LGR have received such information, compared to 10% of those who have not heard about LGR.

Table 20: Access to information (as a % of the respondents)

Description	Have you in the last two years seen any of the following information posted in a public place?											
	LG budget		Taxes and fees collected		Audited statements of council expenditure		Financial allocation to key sectors		HIV/AIDS prevention		How to report corruption	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Heard about LGR	10.6	89.4	8.9	91.1	4.0	96.0	7.4	92.6	84.5	15.5	23.4	76.6
Not heard about LGR	3.0	97.0	2.6	97.4	1.2	98.8	1.8	98.2	71.2	28.8	9.9	90.1
Total	6.6	93.4	5.6	94.4	2.5	97.5	4.4	95.6	77.5	22.5	16.3	83.7

There are large variations across councils with respect to information collected on tax revenue (not tabled here). The respondents in Kilosa DC seem to be relatively better informed compared to other councils. 33.3% of the respondents in Kilosa say they have received information on tax revenue collected in their area. In contrast, only 5.7% of the respondents in Ilala MC and Mwanza CC say they are informed. The survey data do not provide us with an answer on why the respondents in the two urban councils are more ignorant on this issue than people living in rural councils. However, among those who have received information on tax revenue, the Village Executive Officer (VEO) is in general the most likely institution to have issued it. This may indicate that the VEOs in some contexts function as an effective channel of information between the council and citizens.

How can the use of tax revenues be improved? Table 21 presents the percentage of all respondents, by council and in total, that agree, agree partly (50-50) or disagree on whether the given measures will work or not. The measures most favoured by citizens are stronger punishment of government employees (83%) and politicians (almost 80%), followed by more information to the public on the allocation of tax revenue (78%) and revenue collection (74%). These views cross-cut all the six case councils. From a citizen perspective the measures suggested for improving the use of tax revenues can all be interpreted as trust-enhancing devices. This is in line with recent research which concludes that one of the factors that determine taxpayers' compliance is whether citizens perceive the local government to be trustworthy and acting in their interest (Fjeldstad, 2004). In particular, three dimensions of trust may affect citizens' compliance (Slemrod, 2003): (1) trust in the local government to use revenues to provide expected services; (2) trust in the authorities to establish fair procedures for revenue collection and distribution of services; and (3) trust in other citizens to pay their share.

Table 21: Measures to improve the use of tax revenue (as a % of the respondents)

Description		Council name						Total
		Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	
Stronger punishment of government employees	Agree	78.1	79.5	89.5	89.0	80.0	83.3	83.3
	50-50	10.5	11.0	6.2	4.8	9.5	6.7	8.1
	Disagree	8.1	5.2	3.8	5.2	5.7	5.7	5.6
Stronger punishment of politicians	Agree	67.6	75.2	89.0	86.7	77.1	82.4	79.7
	50-50	16.7	12.4	7.1	6.7	10.0	7.1	10.0
	Disagree	12.4	7.6	3.3	5.7	8.1	6.2	7.2
More information on allocation of tax revenues	Agree	79.0	75.2	82.9	77.1	74.8	77.1	77.7
	50-50	11.9	10.5	10.0	13.8	13.8	13.3	12.2
	Disagree	5.2	7.1	6.7	7.1	6.7	4.3	6.2
More information on collection	Agree	78.1	69.5	79.5	72.4	71.9	75.2	74.4
	50-50	10.0	11.9	11.9	14.8	15.7	14.8	13.2
	Disagree	7.6	11.4	8.1	11.4	7.6	4.8	8.5
More involvement of police in tax collection	Agree	12.9	21.9	24.3	21.4	17.6	16.7	19.1
	50-50	14.8	17.1	10.0	12.4	6.2	5.2	11.0
	Disagree	66.7	54.3	64.3	64.3	66.2	70.0	64.3
More involvement of the military in tax collection	Agree	12.9	21.4	21.0	15.2	15.7	20.5	17.8
	50-50	15.7	16.7	13.8	11.9	16.7	11.9	14.4
	Disagree	66.2	52.9	62.9	67.6	55.7	57.1	60.4
More fundamental changes	Agree	14.3	8.6	3.8	7.6	14.8	19.0	11.3
	50-50	1.0	1.4	0.5	0.5	-	-	0.6
	Disagree	8.6	6.7	1.4	5.7	4.3	-	4.4

5 Concluding remarks

The survey data show that citizens feel they get little in return for taxes paid. This perception has impacts on their willingness to pay and contributes to eroding peoples' trust in the local government's capacity to provide the expected services. The majority of the respondents said that "they would be willing to pay more taxes if public services were improved". Hence, from a policy perspective it is a major challenge to provide better linkages between tax compliance and service delivery.

To improve compliance it is also important to address the broader problem of free-riding. Some people seem to be in a position to pay, but opt for non-compliance. However, taxpayers' unwillingness to pay is not perceived to be the main problem in revenue collection. The survey data point at misuse of tax revenues by council staff (particularly by tax collectors) and councillors as the major problem. Hence, stronger punishment of council staff and councillors whose mismanagement is detected is perceived to be a key measure for improving the present system.

Information to the public on tax revenues collected, financial allocations and how to report corruption are in scarce supply, according to the survey data. Very few of the respondents have seen posted any information about local government finances. To build trust between citizens and the council, information to the public is crucial. Citizens' access to and right to information on taxes collected and how revenues are spent is often seen as a necessary condition to achieve accountable, transparent and participatory governance and people-centred development.

Moreover, the mechanisms for enforcing compliance are not indifferent for the outcome. A trust-enhancing approach to improving the payment of local taxes and fees might be based on the proposition that citizens are likely to perceive the local government as reciprocating their trust when they feel they are being treated with respect. Thus, the previous fierce and uncompromising approaches in some rural councils to collecting the development levy may actually have contributed towards increasing present-day resistance by taxpayers. It is therefore imperative to establish mechanisms for improving relations between the local revenue administration and citizens. Relevant measures include improvements to the billing and accounting systems, establishing more accessible and efficient payment facilities, and strengthening the capacity to follow up cases of non-payment through fair and reasonable enforcement.

The problems of non-payment should therefore be attacked on several fronts, including service delivery, better administration and information schemes, and community involvement. To achieve this, in-depth knowledge and data are required on payment levels for each village and ward, the proportion of lower local government accounts delivered, the number and type of complaints received, living conditions for the poorest segments of the population, including the elderly and unemployed, etc. Moreover, customer care must show that complaining will bring results. Citizens should therefore be encouraged to report defaults such as misappropriation of revenue and services not delivered as promised. The prompt redress of such complaints may help convince people that the local authority means business. Furthermore, citizens' involvement in identifying problems and setting priorities may motivate a greater sense of community involvement. Initially, it is advisable to link payment directly to visible improvements in services. Finally, the co-operation between local

government officials, councillors and community leaders in setting common goals might be a crucial trust-enhancing device.

The study provides us with some directions for future research. For an improved understanding of tax compliance behaviour in local authorities in Tanzania, there is a need for a more thorough examination of the concept of fairness in fiscal exchange, i.e. the contractual relationship between taxpayers and the government. In this context it is also relevant to analyse if - and when - user charges are to be preferred instead of general taxes to finance public services. Critical factors in this respect are citizens' perceptions about the role of the state, how the tax law is administered, perceptions about enforcement and government trustworthiness. Furthermore, there is a need for research focusing on taxpayers' rights in situations where the government - and donors - are pressing for increased domestic tax effort. Can compliance be established in poor countries without an extensive and costly enforcement apparatus, and if so, under what conditions? This question is important because it is likely that governments seeking power on the basis of popular consent face restrictions on their use of coercion in tax collection. Thus, the challenge for local government taxation in Tanzania is to raise domestic revenues from consenting citizens.

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Appendix 1: Wards included in the survey

Council	Ward
Bagamoyo DC	DUNDA
Bagamoyo DC	KIROMO
Bagamoyo DC	KIWANGWA
Bagamoyo DC	MAGOMENI
Bagamoyo DC	MBWEWE
Bagamoyo DC	MIONO
Bagamoyo DC	UBENAZOMOZI
Ilala MC	BUGURUNI
Ilala MC	CHANIKA
Ilala MC	GEREZANI
Ilala MC	KINYEREZI
Ilala MC	KIPAWA
Ilala MC	KITUNDA
Ilala MC	PUGU
Iringa DC	IFUNDA
Iringa DC	IZAZI
Iringa DC	KALENGA
Iringa DC	KIHOROGOTA
Iringa DC	MSEKE
Iringa DC	NDULI
Iringa DC	ULANDA
Kilosa DC	CHANZURU
Kilosa DC	GAIRO
Kilosa DC	MAGOLE
Kilosa DC	MIKUMI
Kilosa DC	MKWATANI
Kilosa DC	RUBEHO
Kilosa DC	ZOMBO
Moshi DC	KAHE
Moshi DC	KIRIMA
Moshi DC	KIRUAVUNJO KUSINI
Moshi DC	MABOGINI
Moshi DC	MAKUYUNI
Moshi DC	MAMBA KUSINI
Moshi DC	OLD MOSHI
Mwanza CC	BUGOGWA
Mwanza CC	IGOMA
Mwanza CC	ILEMELA
Mwanza CC	ISAMILO
Mwanza CC	MIRONGO
Mwanza CC	MKOLANI
Mwanza CC	SANGABUYE

Appendix 2: Villages/mtaas included in the survey

Council	Village
Bagamoyo DC	BUMA
Bagamoyo DC	DUNDA
Bagamoyo DC	KIWANGWA
Bagamoyo DC	MAGOMENI
Bagamoyo DC	MANDERA
Bagamoyo DC	MBWEWE
Bagamoyo DC	MWIDU
Ilala MC	BUGURUNI MADENGE
Ilala MC	CHANIKA
Ilala MC	GEREZAN
Ilala MC	GEREZANI MASHARIKI
Ilala MC	KINYEREZI
Ilala MC	KITUNDA
Ilala MC	MOGO
Ilala MC	PUGU KAJIUNGENI
Iringa DC	ISMANI
Iringa DC	IZAZI
Iringa DC	KALENGA
Iringa DC	KIBEBE
Iringa DC	KIBENA
Iringa DC	NDULI
Iringa DC	TANANGOZI
Kilosa DC	CHANZURU
Kilosa DC	IBUTI
Kilosa DC	KWIPIPA
Kilosa DC	MABANA
Kilosa DC	MIKUMI
Kilosa DC	MTENDENI
Kilosa DC	ZOMBOLUMBO
Moshi DC	CHEKERENI
Moshi DC	HIMO
Moshi DC	KIRIMA JUU
Moshi DC	LEKURA
Moshi DC	MANDE
Moshi DC	ORYA
Moshi DC	UPARO
Mwanza CC	IGOGWE
Mwanza CC	ILEMELA
Mwanza CC	ISAMILO
Mwanza CC	KILOMBERO
Mwanza CC	MKOLANI
Mwanza CC	MTAA WA KATI
Mwanza CC	NYAFULA

Appendix 3: Local government own revenue sources

(2002 and 2003*, in mill. TSh and as a % of total revenue from their own sources)

A: District case councils	<i>Bagamoyo DC</i>				<i>Iringa DC</i>				<i>Kilosa DC</i>				<i>Moshi DC</i>			
<i>Revenue sources</i>	2002	%	2003	%	2002	%	2003	%	2002	%	2003	%	2002	%	2003	%
Development levy	13.7	4.5			252.3	56.2			138.4	31.7			60.8	11.0		
Crop cess (local tax on agricultural products)	25.7	8.5	39.7	10.8	42.9	9.6	57.6	23.9	104.6	24.0	18.0	15.6	201.3	36.4	158.7	36.3
Livestock cess	0				40.3	9.0	50.1	20.8	13.2	3.0			0.4	0.1	3.0	0.7
Business licences	68.3	22.5	73.1	19.8	32.1	7.1	34.6	14.4	36.1	8.3	30.9	26.8	51.9	9.4	27.0	6.2
Market fees	20.7	6.8	20.0	5.4	1.8	0.4	2.1	0.9	16.2	3.7	14.9	12.9	25.2	4.6	46.2	10.6
Other taxes	0.6	0.2	2.0	0.5	18.8	4.2	25.3	10.5	25.5	5.8	10.2	8.8	11.1	2.0	28.1	6.4
Other fees, licences & fines	155.1	51.1	221.7	60.1	50.9	11.3	53.8	22.3	66.4	15.2	41.5	35.9	94.2	17.0	74.1	17.0
Miscellaneous	19.5	6.4	12.4	3.4	10.1	2.2	17.2	7.2	35.6	8.2			107.4	19.4	99.6	22.8
<i>Total</i>	<i>303.6</i>	<i>100</i>	<i>368.8</i>	<i>100</i>	<i>449.2</i>	<i>100</i>	<i>240.7</i>	<i>100</i>	<i>436.1</i>	<i>100</i>	<i>115.4</i>	<i>100</i>	<i>552.5</i>	<i>100</i>	<i>436.7</i>	<i>100</i>

B: Urban case councils	<i>Ilala MC</i>				<i>Mwanza CC</i>			
<i>Revenue sources</i>	2002	%	2003	%	2002	%	2003	%
Development levy	36.3	0.6			279.5	13.2		
Property taxes	690.8	11.5	1,115.3	16.3	243.6	11.5	442.2	21.6
Business licences	1,194.5	19.9	1,943.5	28.4	364.7	17.3	391.7	19.2
City Service levy	2,044.2	34.1	2,303.9	33.6	452.9	21.5	477.9	23.4
Other taxes	16.4	0.3	80.5	1.2	121.2	5.7	485.9	23.8
Other fees, licences & fines	1,697.1	28.3	1,109.3	16.2	460.6	21.8	244.3	11.9
Miscellaneous	311.3	5.2	301.3	4.4	188.4	8.9	2.5	0.1
<i>Total</i>	<i>5,990.6</i>	<i>100</i>	<i>6,853.9</i>	<i>100</i>	<i>2,111.2</i>	<i>100</i>	<i>2,044.5</i>	<i>100</i>

Sources: Fjeldstad *et al.* (2004) based on data from the councils' 'Abstracts of Final Accounts (2002)' and 'Budget Estimates (2003)'.

Summary

Widespread tax evasion reflected in persistent public resistance to pay is seen as part of the problem of raising local government revenues in Tanzania. Dealing with the policy problem of revenue enhancement and tax evasion requires some understanding of the factors underlying the individual's decision whether to pay or evade taxes. However, the views of taxpayers are to a large extent ignored in this policy debate. What are the experiences, priorities, and recommendations of Tanzanian citizens with respect to payment of taxes and fees? What do people feel they get in return for taxes paid? And what do they consider to be the major challenges to improving the present system? Based on data from a recently conducted citizen survey, this paper presents the perceptions of ordinary people on local government taxation.

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