

**Local Government Resources, Challenges in Property Tax Administration in Tanzania and Existing Policy Options**

Dr. Lewis J. Ishemoi

**Abstract**

*Over the years, subnational governments in most developing countries have been constrained by limited financial resources for provision of public goods in their jurisdictions. This paper brings a discussion of Local Government resources, existing fiscal relations, and challenges that LGAs face in the administration of property tax in Tanzania. These are mainly centered on property identification, existence of squatters and slums, high cost of revaluating properties, unplanned settlements and difficulties in the preparations of valuation rolls for establishing tax bases. Others relate to issuance of correct tax bills, managing tax arrears, low morale as well as low enforcement systems. Comparing with other countries, the paper discusses briefly the existing policy options and concludes by putting forward recommendations to improve the situation.*

**Tax Incentives and Foreign Direct Investment Flow in Tanzania: A Case of Manufacturing Sector**

Alfred James Kimea, Cyril Chimilila and Justin Musa

**Abstract**

*This study investigates empirically the relationship between tax incentives and foreign direct investment (FDI) in Tanzania manufacturing sector for the period spanning 1980 to 2013. Using regression analysis we found that tax incentives, gross domestic product growth, gross fixed capital formation, openness and tax rate have significant impact on FDI inflow. Except for the tax rate, the rest of the variables were found to have a positive influence on FDI flow. We argue that there is a need for further rationalization of taxes on investment in Tanzania.*

**Analysis of the Transfer Pricing Issues under the Income Tax Law in Tanzania**

Avit Nerei Riwa

**Abstract**

*Rapid advances in technology, transportation and communication have given rise to large number of Multinational Enterprises (MNEs) which have the flexibility to place their enterprises and business activities anywhere in the world. A significant volume of global trade currently consists of international transfers of goods and services, capital, intangibles like intellectual property and interest free loans within MNE group. The structure of transactions within a MNE group is determined by a combination of the market and group driven forces which can vary from the open market conditions operating between independent entities. Thus, a large number of international transactions are no longer governed completely by market forces, but by forces which are driven by the ordinary interests of the entities of a group hence "transfer pricing". Economies of developing countries like Tanzania are starting to rebound and cross-border trade is flourishing especially due to the mining sector and the emerging Oil and Gas sector which is expected to pose greater transfer pricing challenges. This article provides a selection of issues one needs*

*to know about transfer pricing in Tanzania by critically analysing transfer pricing issues under the income tax law, it looks at the conceptual and legal framework of the transfer pricing concept, applicability of the legislation and practical issues related to transfer pricing, experience of dealing with transfer pricing from other countries including South Africa and Kenya and transfer pricing challenges encountered by Tanzania Revenue Authority (TRA).*

## **Determination of Corporate Residence Principle under Electronic Commerce: A Tanzania's Perspective**

Haji John Mkwawa

### **Abstract**

*The determination of traditional corporate residence principle has become an uphill task in the wake of emergence of internet and electronic commerce. Internet might reduce tax liability of the company without evading it, and might become potential tools of tax planning. This paper attempts to look into how to determine the corporate residence principle under electronic commerce scenario in Tanzania. Using a combination of legal doctrinal methodology, and interview with tax officials the study concludes that, the application and interpretation of tax laws in electronic commerce circumstances should adopt a substantive approach rather than more formalistic approach. While the internet will make use of residence of a company more difficult to decide, even if a real economic substance approach is adopted. It is recommended that clinical changes to the tax laws need to be initiated.*