

**TAXATION AND LOCAL GOVERNMENT PERFORMANCE
IN TANZANIA: A CASE STUDY OF KINONDONI
MUNICIPAL COUNCIL DAR ES SALAAM**

BY

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DECLARATION

I VICTOR FRANCIS SIMBA declare that, this Dissertation is from my own findings and has never been produced by anybody else for the same award in any institution.

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Signature:



Date:

8th MAY-2010

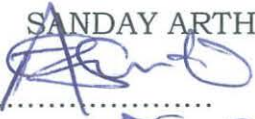
APPROVAL

This is to satisfy that my approval has been given for this Dissertation to be submitted to faculty of business and management as requirement for the partial fulfillment for the award of degree in bachelors of business administration

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05-05-2010

DEDICATION

I dedicate this dissertation to my wife-Hellen Kessi Simba, my son-Victor Junior Simba, and my family members.

ACKNOWLEDGMENT

I would like to acknowledge my wife-Hellen Kessi Simba, my son-Victor Junior Simba, and my father- Francis Simba, my mother-Maura Simba for all their support to me during the times of my studies. I also acknowledge my brothers;- Clarence Simba, Micheal Simba, and Khamis Kessi, my sister-Happy Simba for all their encouragement to me during the days of my studies.

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LIST OF ACRONYMS

KMC	Kinondoni Municipal Council
MDG	Millennium Development Goal
USAIDS	United Nations Agency for International Development

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ABSTRACT

The research was conducted in area that is Kinondoni municipal council, Dar es Salaam-Tanzania. The municipal council has a total population of 1,088,867 people and (60) sixty respondents; that is to say;-twenty (20) municipal council tax collectors, fifty (10) investors, one hundred (25) municipal council tax payers and thirty (5) municipal council administrative staff was selected to represent the total population. The research was guided by research question of the study. The first research question sought to find out the relationship between taxation and local government performance and the research revealed that there is a strong link between taxation and local government performance in Kinondoni municipal council-Tanzania.

Research question two sought to find out the impact of taxation on the service delivery by the local government and the findings revealed that; education provision, medical service provision, water extension, road construction and infrastructure development were the answers given in this research question. The third research question therefore sought to find out the types of taxes levied by the local government and the findings revealed that; sales related taxes, property taxes, income Taxes/ Services levy, business privilege taxes, and transportation Taxes were the answers given. Conclusion was made in the sense that there is poor tax allocation in Kinondoni municipal council and generally poor perception of tax payers in tax payment and the researcher recommended that there should be clear allocation of taxes, government involvement in tax use, clear collection of taxes among other recommend

CHAPTER ONE

INTRODUCTION

1.0 Overview

This chapter is going to cover the background of the study, the statement of the problem, purpose of the study, the objectives of the study, research questions, scope of the study, the significance of the study and the conceptual framework.

1.1 Background of the study

Taxation comes from the word 'taxes' which means what we pay for a civilized society or government. Taxes are non-quid pro quo compulsory payments made to the government by the civilians, organizations and tertiary institutions.

In taxing, the government is in reality deciding how to draw the required resources from the nation's households and businesses for public purposes. The money raised through taxation is the vehicle by which real resources are transferred from private goods to collective goods.

Taxation in Tanzania traces its roots in the Hut Tax that was introduced in 20th century and was later transformed into Poll Tax in 1905 which was meant to raise revenue for the administration structure imposed by the colonial government on the natives. The first tax legislation in Tanzania was introduced in 1919 under the Local Authorities Ordinances and subsequently in 1939

Income Tax was introduced and was collected jointly with the tax from the governments of Kenya, Zanzibar and Uganda. The tax was mainly paid by the European and Asian residents who were in business or were employed while the majority of natives remained tax-exempt since they were peasants.

The East African Income Tax Department was made autonomous in 1942 with the creation of the East African High Commission.

This was followed with the first East African Income Tax Management Act of 1958 and in 1962 a tax on employment emoluments under the system of Pay As You Earn (PAYE) was introduced to ease the assessment and collection of income tax on employment income.

Kinondoni Municipal Council (KMC) was established as a Municipal Council by the local Government (urban authorities) act 1982 which merged & amended the municipalities' ordinance cap105 local Government ordinance cap 333 and urban council act no 11 of 1978. It was later established as an autonomous body by the Government Notice No. 4 of the year 2000, thus giving it the mandate to improve the quality of services provided to the people

The Municipality is bordered by the Indian Ocean to the North East, Ilala Municipal to the South, Bagamoyo District to the North, Kibaha District to the West and Kisarawe District to the South West.

According to the 2002 population census, the Kinondoni Municipality has a population of 1,088,867 people which includes 549,929 males; and 538,938 females with a growth rate of 4.1% per annum. Therefore it is estimated that KMC has a total population of f 1,306,115, in the year 2007 with 624,872 female populations while 636,802 are males. The average house hold size is 4.1. The population density is 2,825 persons per square km influenced by natural causes and migration (birth rate and net migration rates respectively). The migrants are usually upcountry migrants seeking for employment opportunities in the city.

As part of the Local Government Reform Program, KMC has been among the first 38 Local Authorities that participated in the phase one of the Local Government Reform Program (LGRP). The major purpose of the LGRP in Tanzania is to improve quality of services delivery to the public with focus to good governance, restructuring of the local government authorities, financial management, human resources planning and management as well as legal services through the decentralization process. However, due to lack of proper taxation mechanisms has led to poor service delivery, inefficiency and ineffectiveness.

1.2 Statement of the problem

In Tanzania , the local government provides various social services to the general public and these services depends on the availability of funds colleted

through the numerous levies and taxes that it charges the public. However, the taxes and levies charged to the public increasing now and then i.e., 101%, 2002/2003 to 204%, 2006/2007, (KMC strategic plan 2007/2010), but still the services provided by Kinondoni Municipal council is very low (KMC strategic plan 2007/2010, pg 46), in turn affects on its operations and activities and on its service delivery to the citizens.

1.3 Purpose of the study

The purpose of the study was to establish the relationship between taxation and local government performances at Kinondoni Municipal Council.

1.4 Objectives of the study

- i. To establish the relationship between taxation and local government performances
- ii. To investigate the impact of taxation on the service delivery by the local government.
- iii. To examine the types of taxes levied by the local government.

1.5 Research questions

- i. What is the relationship between taxation and local government performance?
- ii. What is the impact of taxation on the service delivery by the local government?
- iii. What are the types of taxes levied by the local government?

1.6 Scope of the study

The study was carried in Kinondoni district, Dar es Salaam, Tanzania. The researcher looked on taxation and local government performance where, taxation is independent variable while local government performance is dependent variable. The researcher based on the statistical data for KMC of 2005-2009. The researcher have chosen Kinondoni district due to the population. Size currently at 1,088,867 million people – growing at an unprecedented rate of 4.1% per annum contained within an aerial expanse of 531 square kilometers.

The Kinondoni Municipal Council was also chosen by the researcher due to the poor service delivery. The researcher also has chosen Kinondoni municipal council due to nearness to the researcher residence and easy access to required information.

1.7 Significance of the study

The study will be useful in finding out how well the Kinondoni Municipal council can effectively levy taxes on the people for better service delivery to the citizens.

The study will help the policy makers of Kinondoni Municipal Council in providing effective taxation system for better service delivery to the public.

l. The study will help to identify loopholes that exist in the taxation system within the Kinondoni Municipal Council.

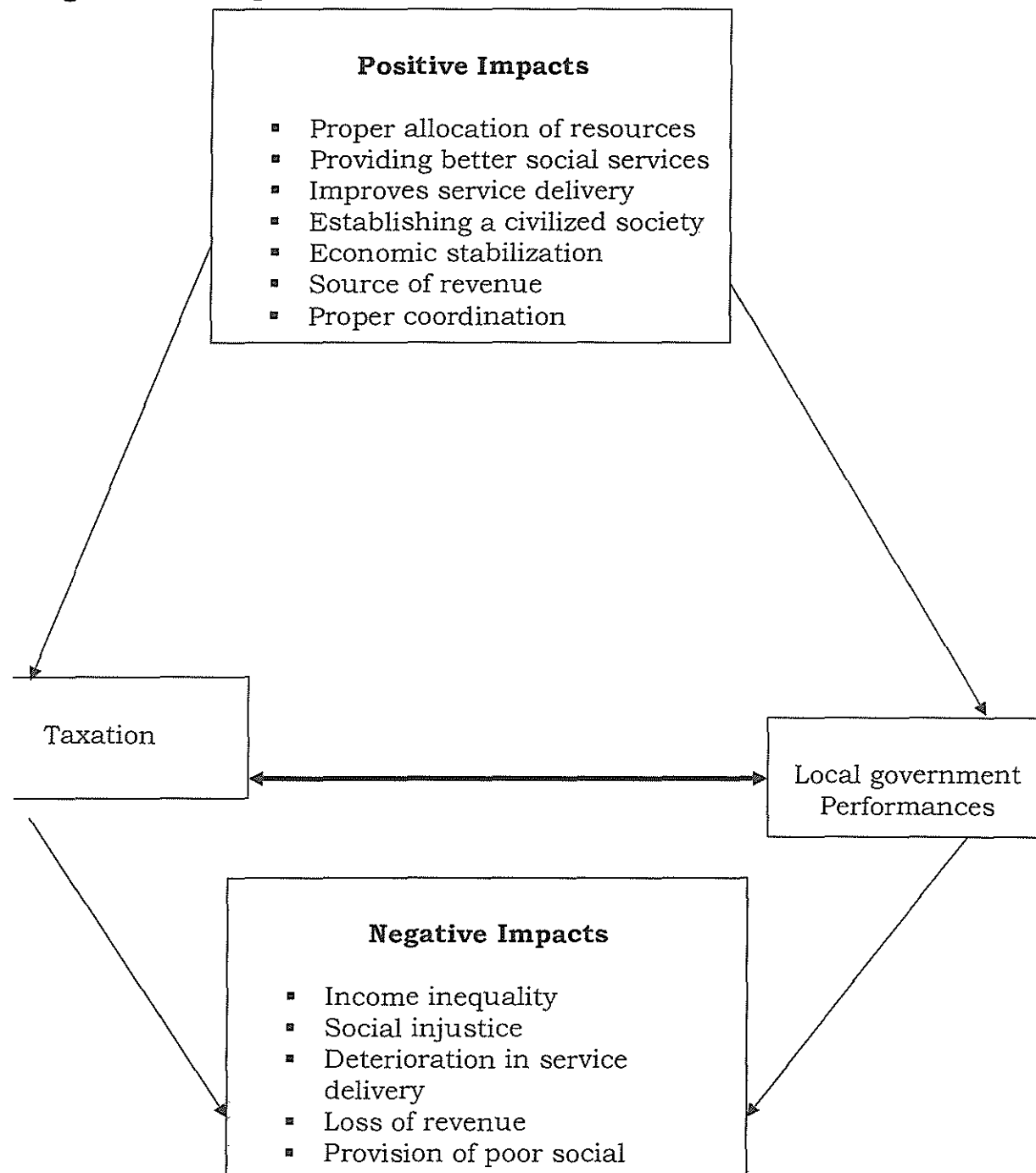
. To provide up-to-date literature for academicians and chief financial advisors of the council in the department of finance.

. The research will contribute to the researcher's part fulfillment of the requirement for the award of bachelor's degree in Business Administration.

. The study will aid other researcher, students of KIU, lecturers and administrators for further references.

1.8 Conceptual Framework

Figure 1: Conceptual framework



Source: Researcher's conceptualization

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter is about the ideas and views of other persons in relation to the topic identified by the researcher. The literature is vital and enables the researcher to investigate further. The literature was mainly taken from other secondary sources of data.

2.1 Definitions of Concepts

According to Savy, J.M (2004) a tax can be defined as a payment to support the cost of government. A tax differs from a fine or penalty imposed by a government because a tax is not intended to deter or punish unacceptable behaviour. Taxes are compulsory rather than voluntary on the part of the payer.

Tayebwa (2005) defined taxation as a legally compulsory transfer of money from the public to the government mainly as a source of government revenue.

According to Samuelson & Nordhib (1999) defined taxation as a compulsory payment to the state by individuals and business enterprises like companies and co-operations.

2.2 Relationship Between Taxation And Local Government Performances

According to Colander (2004), he defined performances of any public institution as a state duty to provide essential privileges to its citizens as a way of discharging its mandate.

It is the way the government fulfills its responsibilities in granting its citizens or the tax payer's state services to anyone, whether the tax has been paid or not.

However, Colander (2004) argues that in order for a public institution such as a local government to discharge its duties efficiently and effectively, a good taxation system must be in place. If the amount of taxes that the local government receives from the public is insufficient, if there exist loopholes within the tax law, if there is corruption in the tax collection system it will lead to unsatisfactory service delivery on the part of the local government. Hence, a good taxation mechanism plays a significant role in determining the level of local government service delivery.

2.3 Impact of Taxation

Good taxation system is necessary for service deliverers to perform different functions. It is through good taxation systems that functions like city planning and providing services as provision of water and sewage services, low cost housing schemes and environmental management is achieved.

Therefore, for service deliverance to be effective, good taxation system is mandatory.

Tayebwa (2007) taxation enables any government institution including the local government to get revenue for expenditure. Revenues are got from different types of taxes that are imposed on nationals. This includes income taxes that are levied based on income earnings such as the state income tax and local income taxes which are based on government adjusted gross income. The local government uses the local income taxes as revenue to run its various operations in providing services to the public.

Ddumba (2001) taxation can increase effort on the part of the local government.

In that when there exists a proper taxation mechanism the local government is motivated to promote citizen prosperity. A good taxation mechanism enables local government to collect considerable amount of taxes to facilitate it to discharge its duties to the public.

Ddumba (2001) the local government needs to employ good taxation mechanism in order to raise large amount of revenue to pay for public services including health, education, infrastructure, environment and security. Most local government rely principally for revenue on broad taxation of citizens and enterprises especially taxes on income, assets and economic transactions.

Colander (2004) when the local government uses a good taxation mechanism it will be able to develop bureaucratic apparatuses and information sources to collect taxes effectively from the public. This has resulted in the taxpayers not to resist taxes and to monitor the mode of taxation and the way the local government uses the tax revenue.

2.4 Types of Taxes Levied by the Local Government

In order for local government to be self-financing and achieve local accountability, the true costs of local government have to be reflected in the local taxes. These taxes include:

2.4.1 Income Taxes/ Services Levy

Colander (2004) income taxes are taxes levied basing on the income earnings. The government income tax and the local income taxes are based on government adjusted gross income. Local nonresident income taxes are based on earnings from within the taxing cities. In general, only the state government and cities are authorized to levy income taxes in a given area.

2.4.2 Business Privilege Taxes

Colander (2004) these are taxes that do business in a given area or city or in some cases engaged in a specific line of business. Business taxes are levied on the rateable value of commercial property and they are normally set by the

central government. The proceeds from business taxes are paid into a national pool and distributed amongst the Local Authorities on the basis of population.

2.4.3 Sales Related Taxes

Ddumba (2001) these taxes are levied on several forms. The sales and use taxes are levied on the retail sale or use of tangible personal properties. Only the state government is authorized to use and levy taxes in a particular area. Excise taxes are levied like sale and use taxes on the purchase of individuals' products and services.

2.4.4 Property Taxes

Ddumba (2001) these taxes are levied basing on the value of the property. In addition to the taxation of real and personal property that typically falls under the local general property tax, local government are authorized to levy four ad valorem taxes, this include state education tax, utility property tax, state real estate transfer tax and motor vehicle registration tax.

2.4.5 Transportation Taxes

Colander (2004) transportation taxes are sales related and property taxes levied on items used for transportation purposes. Each of these taxes is earmarked specifically to transportation infrastructure.

2.5 Principles of an Effective Taxation Mechanism

According to Tayebwa (2007) he laid down four canons of taxation which he said should be followed when imposing a tax. These canons concerned four aspects of taxation and act as signposts in the economy which should guide the taxation process and therefore they punctuate a good tax system. These canons are:

2.5.1 Equality/Equity

This is the most important principle in taxation. It should be both vertical and horizontal equity. According to Tayebwa (2007) the people of the country should contribute towards the support of the government as nearly as possible in proportion to their respective abilities. This principle calls for equality of sacrifice or ability to pay tax in proportion with income received. This means that the rich should pay more taxes than the poor.

2.5.2 Economy

This principle requires the administration cost of collecting taxes to be as low as possible for both the tax authority and the tax payer. To the tax authority the administration costs should not exceed 5% of the tax revenue. To the tax payer, the compliance costs should be as low as possible and the tax payer should be left with enough disposable income Tayebwa (2007).

2.5.3 Certainty

A tax system should always ensure that both the taxpayer and the tax collector are clear on each other's expectations. The tax payer should know how much, what tax, when, why and where the tax should be paid. This will enhance proper tax planning on the part of the taxpayer and up-to-date budgeting on the side of the state.

It also reduces corruption and unfair assessment since the tax payer is not subject to arbitrariness and the discretion of the tax officials Tayebwa (2007).

2.5.4 Convenience

This principle requires that the tax regime should cause as little inconvenience as possible to the taxpayer. What to pay, how much to pay and where to pay should be convenient to the taxpayer Tayebwa (2007).

2.6 Negative impact of taxation

The collection of a tax on earnings is generally thought to more difficult than a consumption tax which would be levied at the point of sale.

For those in the middle class and lower classes, an earnings tax may be a financial hardship, regardless of the amount. Some believe that income tax is a violation of a citizen's individual freedom. Especially Libertarians argue that tax on earnings violates the individual's right to decide how to use the money he earns.

Both methods of taxation are in use in Tanzania. Most states and many cities impose a consumption or sales taxes on certain items. Many also require people to pay state income tax as well as federal income tax. This leads to the claim that Tanzanian citizens are disproportionately taxed according to where they live, be it state to state, county to county, or rural versus urban areas. Those who claim that this is a disadvantage of the current system believe that it would be best to have one system in place that assesses taxation more equitably.

An idea that has been garnering increasing support is called fair tax. This would be similar to consumption tax, and some feel it would not only benefit individuals but also corporations. In this plan, people would pay a 23% tax on purchases of most goods and services, often excluding food. This would in most cases, along with state sales tax increase taxes on purchases to about 30%. Some argue this method would lower prices and make production less expensive. Others say that the middle class would bear the burden of the majority of taxes under fair tax. The method of taxation is a complex one that requires extraordinary scrutiny. Any change to the method of taxation would require congressional approval and possibly constitutional amendments. On this issue of tax on earnings, abundant and multiple opinions exist which further complicate matters (Ipsey. 1990).

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter discusses the operational frame work within which the facts of the study are gathered. It covers sections on study design, area and population of the study, the nature and composition of respondents, instruments of data collection, sampling design, data collection procedures and statistical treatment of data. In this chapter, the researcher identified, specify and discuss all the possible methods which were applied in carrying out the study. Both qualitative and quantitative techniques of data collection and analysis were used since one research method could not yield an authentic report on the relationship between taxation and local government performance.

3.1 Research design

This study was a descriptive cross section survey. The objective of descriptive research portrayed a profile of persons, situations or events (Saunders et al, 2000). It was not possible to access all the information in all the municipal council, so the researcher obtained information from a representative sample.

3.2 Study area

The area of study was Kinondoni municipal council, Dar es Salaam-Tanzania. The area is mainly dominated by the Wazalamo, Chagga, and Pare among other tribes that dominate the municipality. The researcher chooses the site because

of its closeness and it was much convenient in terms of time and reduced costs hence collection of data was easy.

3.3 Research population

The study was conducted in Kinondoni Municipal Council, Dar es Salaam-Tanzania According to the 2002 population census, the Kinondoni Municipality has a population of 1,088,867 people which includes 549,929 males; and 538,938 females with a growth rate of 4.1% per annum.. The population under the study comprised of 1,088,867 people.

3.4. Sample design

This is a technique of data collection, whereby the researcher applied in drawing inferences based on the information collected about the target population. Under sample design, the researcher applied collection of data by using probability of simple random sample technique, with the collection of data from a sample of units (purposive/judgmental sample) that have been selected from the target population with the intention that they should be representatives of the population.

3.4.1 Sample method and procedures

The sampling methods involved purposive random sampling since it is extensively used in the exploratory research stage and is very valuable in the making of a final questionnaire. This method also took care of non responses

and accurate information was obtained perfectly. Consequently, it gave the random size equal chance of participating and being selected. The sampling procedure involves a series of steps as shown here-under.

3.4.2 Sample selection and size

A sample is a small proportion of a target population selected for comprehensive analysis to represent the whole population. In this municipal council has a total population of 1,088,867 people and (60) sixty respondents; that is to say;-twenty (20) municipal council tax collectors, fifty (10) investors, one hundred (25) municipal council tax payers and thirty (5) municipal council administrative staff was selected to represent the total population.

3.5 Data collection and instrument

The researcher used both qualitative and quantitative techniques of data collection such as; questionnaires and documentary review of data collection. These instruments ensured maximum credibility and validity of data collected and helps in organizing it into meaningful information regarding the subject of study.

3.5.1 Structured questionnaires

The questionnaires were self administered to individuals who are the respondents. The questionnaires included both structured and non-structured questions. The researcher will employ these instruments because it covered a

large number of respondents relatively at a shorter time. Besides, questionnaires allowed the respondents to give free and independent opinions because they were not affected by the presence of the researcher. As well, respondents were expected to answer even sensitive questions since they were not identified by their names.

3.5.2 Documentary review

In this, the researcher made a research by carefully studying written documents, or visual information from different libraries reviews literature, related to the study basing on the objectives of the study. This data had the following importance; related data gave direction when setting questionnaires, interviews and readers of this study who would have become suspicious of the data findings always referred to the literature review especially in chapter two. This was the basis for further studies in the same field by acting as a reference book.

3.5.3 Data Collection

Data was collected from the field using both primary and secondary techniques of data collection.

3.5.4 Primary data

The research involved the use of qualitative technique of data collection such as questionnaires and documentary review. This enhanced the credibility and consistency of the data to be collected.

3.5.5 Secondary data

This involved the use of quantitative techniques of data collection. The researcher made a request of recorded information such as those records from the municipal council that can help in the research project.

The researcher made a request of those records if any, which would be read by the researcher hence providing vital information for the research project.

3.6 Data processing and analysis

Audrey J. Roth (1991) argues that data processing is concerned with classifying response into meaningful categories called codes. Data processing starts by editing the schedules and coding the responses. Editing, Coding and Tabulation techniques are used in data processing exercise. Data processing is the link between data collection and analysis.

Nachmas and Nichimas (2003) pointed out that it involves the transformation of data gathered from the field into systematic categories and the transformation of these categories into codes to enable quantitative analysis and tabulation; the data collected is classified into a meaningful manner for easy interpretation and understanding. This involved preparing data collected into some useful, clear and understandable data. The whole exercise involved editing, tabulation and analyzing the data statistically to enable the researcher draw conclusions in relation to the research variables.

3.6.1 Editing

Editing is the process whereby the completed questionnaires are analyzed in the hope of amending recording errors or at least deleting data that are obviously erroneous. This is aimed at improving the quality of information from respondents. The researcher fills out few unanswered questions. However, answers filed are deducted from the proceeding answers or questions.

3.6.2 Coding

The purpose of coding in research is to classify the answers to questionnaires into meaningful categories so as to bring out their essential patterns. Coding was used in this research in order to summarize data by classifying different response given into categories for easy interpretation. For each question, list of probable answers was prepared.

3.6.3 Tabulation

Tabulation can be done manually or by a computer. According to Moser and Kalton, data once edited and coded are put together in some kind of tables and may undergo some other forms of statistical analysis. Data is put into some kind of statistical table showing the number of occurrences of responses to particular questions with percentage to express data in ratio form.

3.7 Data analysis

The data analysis section suggests suitable data analysis techniques that were used to answer the research question or to test the hypotheses posed for the study. The techniques could be statistical for quantitative data; for example- test, Chi square, Correlation coefficients. But for qualitative data, thematic analysis of data might have provided answer to research question.

3.7.1 Quantitative Data Analysis

Editing of the information from the respondents was done. This is before leaving the respondent purposely to avoid the loss of material, misinformation and also to check for uniformity, consistency, accuracy and comprehensibility.

3.7.2 Qualitative Data Analysis

Data was analyzed before, during and after collection. Before data collection, tentative themes were identified. After data collection, information of the same codes were assembled together and a report was written.

3.8 Statistical treatment of data

The researcher employed the use of statistical method in form of tables, percentages, and frequencies to analyze the collected data into meaningful information.

3.9 Ethical consideration

Before going to the field, I began with getting authorization letter from the Dean of faculty of Business and Management then take it to the respondents and this enabled the researcher attain adequate information from the respondents. During the process of data collection, confirmation was given to the respondents in that the researcher assured the respondents that the reason for the research will be for only academic purpose and that no information was given out outside.

3.10 Limitations of the study

- i. Unwillingness of the respondents to effectively respond to the questions was one of the most notable problems that the researcher faced while conducting the research. However, the researcher overcame this problem by convincing the respondents to get involved in the study.
- ii. Financial constraint was also a problem that occurred during the process of conducting the research. Transport costs were so high to be met by the researcher and this fully contributed to the delay of the research because it became so hard for the researcher to continue with the tight budget. However, strict adherence to the budget was the way in overcoming the problem of financial constraint.
- iii. Hostility among some respondents was also other limitations of the study in the sense that the researcher found that there are hostile respondents who in the long run turned down the request of the researcher to answer

the questions. Many of such respondents walked away in spite of the fact that the researcher tried to plead for their attention. The problem of hostility was overcome by humble talk with the respondents so that they can effectively answer the questions.

- iv. Shyness of the respondents was also another limitation of the study. However, the researcher overcame this problem by giving the respondents the questionnaires and keeps himself away from the respondents so that they can fill in the questionnaires in his absence.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF THE FINDINGS

4.0 Introduction

The data was collected using both quantitative and qualitative methods, which was then analyzed and processed to make it useful and understandable. Data was collected, tabulated and then analyzed.

4.1 Social Demographic Characteristics

4.1.1 Age of the respondents

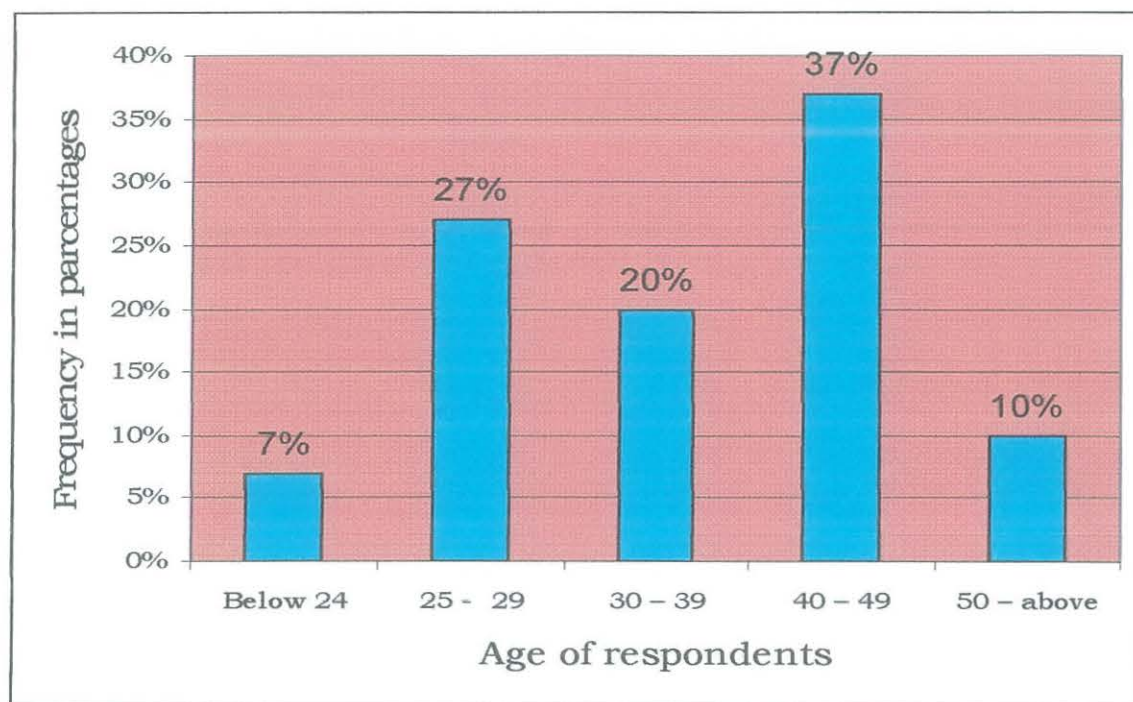
Respondents were asked questions related to their age and the results are shown in the table below:

Table 1: Age Distribution of respondent

Age group	Frequency	Percentage
Below 24	4	7
25 - 29	16	27
30 - 39	12	20
40 - 49	22	37
50 - above	6	10
TOTAL	60	100

Source: Primary data

Figure 2: Age distribution of the respondents



Source: Primary data

The table 1 and figure 2 above show that 7% of the respondents were below 24 years, 27% were between 25-29 years of age, 20% were between 30-39 years of age, 37% were between 40-49 years and 10% were above 50 years of age.

4.1.2 Marital Status of the respondents

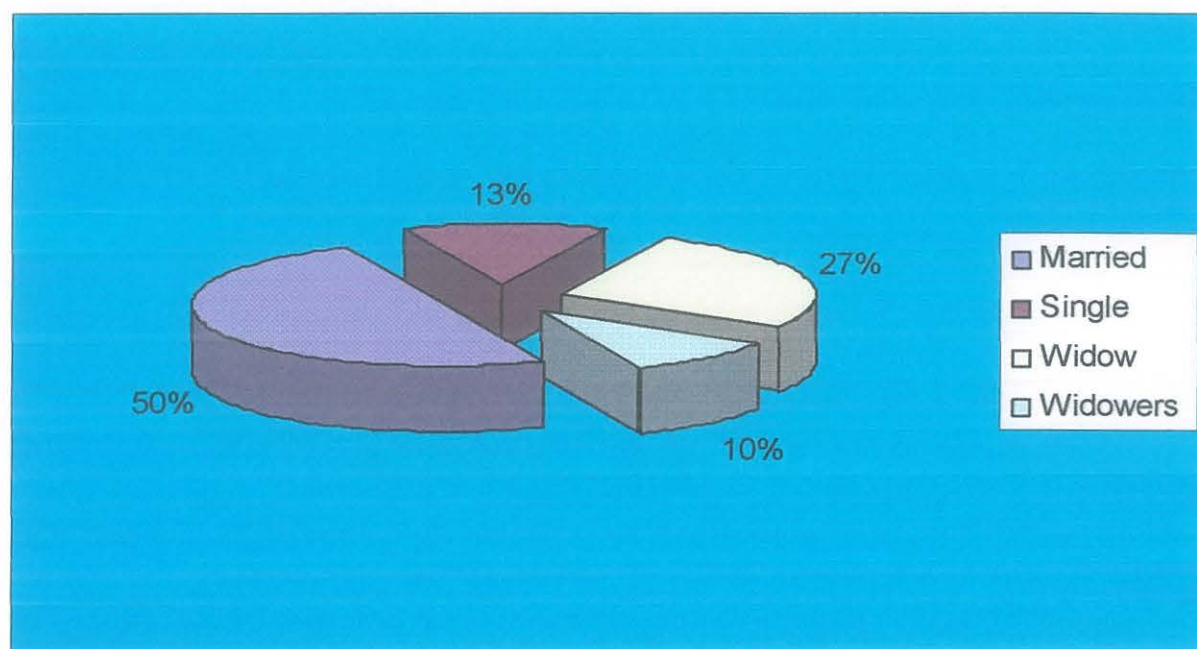
Another variable which was important in respect to the situation of the people in the area was marital status. Information regarding marital status of the respondents was obtained by asking them whether they were married, single, widowed or widowers.

Table 2: Marital status of the respondents

Marital Status	Frequency	Percentage(%)
Married	30	50
Single	8	13
Widow	16	27
Widowers	6	10
TOTAL	60	100

Source: Primary data

Figure 3: Marital status of the respondents



Source: Primary data

Table 2 and figure 3 above show that 50% of the respondents were married, 13% were single, 27% were widows and 10% were widower. And this shows that majority of the people are married.

4.1.3 Sex of the respondents

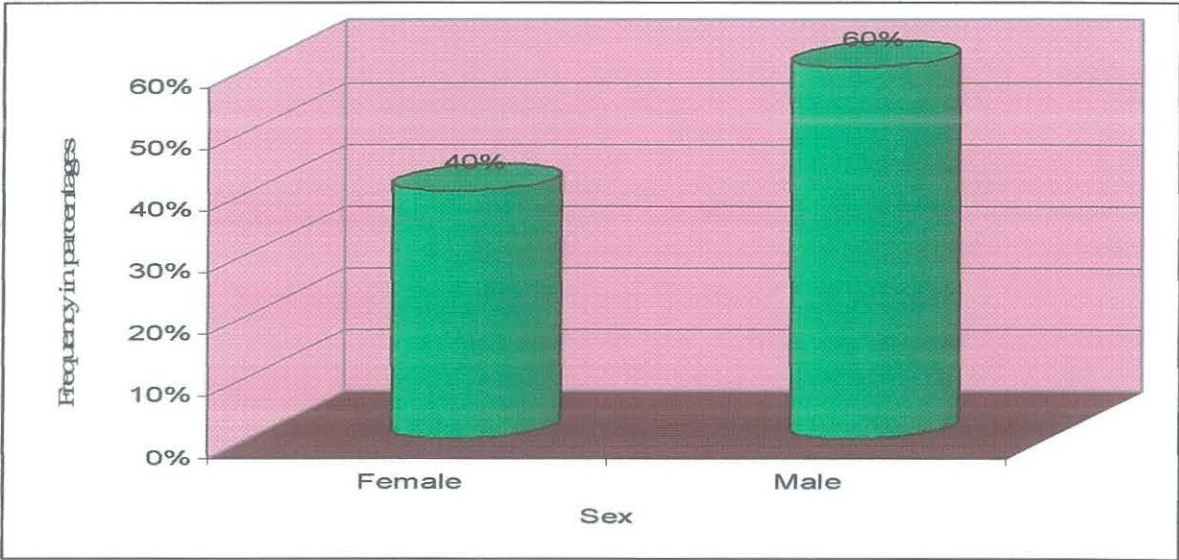
Sex was also another factor which was considered during the study. This is because the researcher was interested in finding out the number of females and males in the whole of the population, and compares the percentage composition of the two.

Table 3: Sex of the respondents

Sex	Frequency	Percentage (%)
Female	20	40
Male	40	60
Total	60	100

Source: Primary data

Figure 4: Sex of the respondents



Source: Primary data

Table 3 and figure 3 above show the sex of the respondents and it was found that 40% of the respondents were females and 60% were males. And this shows that majority of the people are females which means that there are many females than men in the district.

4.1.4 Educational status of the respondents

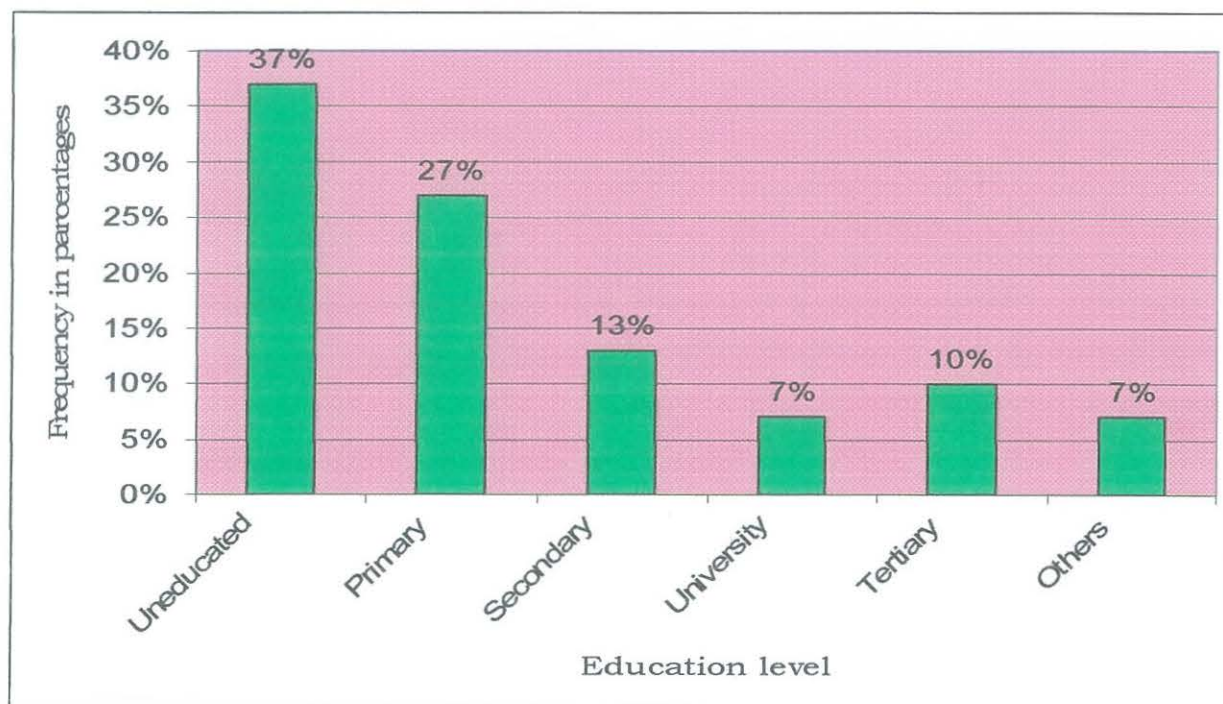
Respondents were asked questions related to their educational status and their responses are shown in the table below;

Table 4: Education levels of the respondents

Education levels	Frequency	Percentage
Uneducated	22	37
Primary	14	27
Secondary	8	13
University	4	7
Tertiary	6	10
Others	4	7
Total	60	100

Source: Primary data

Figure 5: Educational status of the respondents



Source: Primary data

Table 4 and figure 3 above show education levels of the respondents and it revealed that 37% of the respondents were uneducated, 27% were of primary level, 13% had secondary education, 7% received university education, 10% had tertiary education and 7% fell under other levels of education. And this shows that majority of the people are uneducated in Kinondoni municipal council.

4.2 The relationship between taxation and local government performance

The vast number of respondents stated that taxation is necessary so that public institution such as a local government to effectively perform their tasks efficiently and effectively. The respondents noted that the local government can not perform to its full potential unless there are good taxes received with in a given period of time. They stressed that if the amount of taxes that the local government receives from the public is insufficient, poor or avoided, if there is corruption in the tax collection system it will lead to unsatisfactory service delivery on the part of the local government which will in turn affect the general operation of the whole local government institution. This would not only affect the local government structure in the municipal council, but it would also mount pressure on the central government for the provision of social services yet the local government can mobilize the local revenue in Kinondoni municipal council.

The research therefore points that there is a strong link between taxation and local government revenue in Kinondoni municipal council in Tanzania since the respondents stated that the local government survival is only on local taxes mobilized on rent, transportation, sale of property among others. They respondents remarked that taxation is the life of the local government just as food is to the life of a human being.

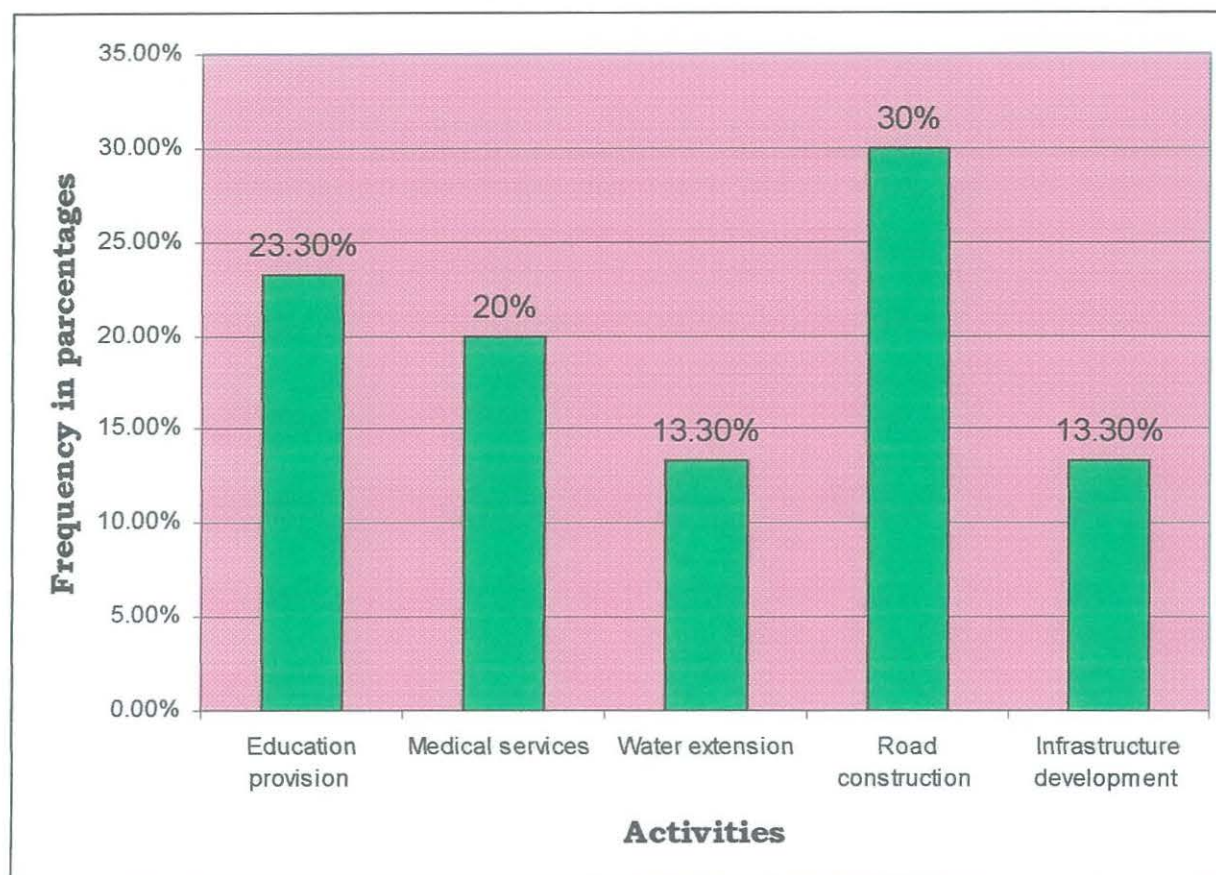
4.3 Impact of taxation on performance of local government in Kinondoni Municipal Council

Table 5: Impact of taxation on performance of local government in Kinondoni Municipal Council

Answer	Frequency	Percentage
Education provision	14	23.3
Medical services	12	20
Water extension	8	13.3
Road construction	18	30
Infrastructure development	8	13.3
Total	60	100

Source: primary data

Figure 6: Impact of taxation on performance of local government in Kinondoni Municipal Council



Source: Primary data

4.3.1 Education provision

Provision of education was one of the evident impacts of taxation in the local government in KMC with over 23.3% of the respondents. The researcher found out that KMC would finance schools from the income that they realize from taxes. They ensured that the schools are aided especially the UPE schools that are run and funded by the government through the grants that they receive from the Millennium Development Goal (MDG) funds and United Nations

Agency for International Development (USAIDS) funds which supplement the taxes. These funds have been used to finance education in Kinondoni Municipal Council.

4.3.2 Provision of medical services

Provision of medical services is said by the respondents to be another impact of taxation in local government. It was noted that Kinondoni Municipal Council provides medical services from the revenues received and much of these income are used for the purchase of tablets and general medicine in municipal aided hospital in KMC and this had 20% of the total impact of taxation in the local government. The respondents noted the government often provides medical services free of cost and this has for really improved on the health conditions of many residents of Kinondoni as per the respondents. Many of the respondents noted that at least they have benefited from free medical services provided by the municipal Council through the local revenue realized in the division.

4.3.3 Water extension

Water extension was also mentioned as one of the impacts of taxation in the local government in Kinondoni Municipal Council with 13.3% of the total percentage of the respondents. The respondents here said that the council has extended water to many of the households at a very cheap cost and even at free cost for some times. Water according to the respondents was a very big problem to many people in Kinondoni but this is no longer the case, as one

respondent put it. It was found out that many parts of the municipal council has water and the people can access water with a lot of ease since water is an essential in human survival.

4.3.4 Road construction

Road construction also appeared as another impact of taxation in local government in Kinondoni Municipal Council. The respondents said that the council has really helped in the provision of social services and road construction was one of the social services provided by the council in Kinondoni with 30% of the total percentage of the respondents in this research question. The research found out that the people of the council were more comfortable and happy with the council construction of roads to them because this had the highest percentage of the total impact of taxation in the local government.

4.3.5 Infrastructure development

The research also found that infrastructure development was yet another impact of taxation in the local government in Kinondoni Municipal Council with 13.3% of the total percentage of the respondents. The respondents said that the council has developed many of the infrastructures in Kinondoni Municipal Council like housing in that many houses have been contracted by the council in the division and these are some of the evident impact taxation in local government. The respondents noted that the council owns a lot of posh

houses in the division and this has helped to eliminate slums and also the living conditions of the residents have improved.

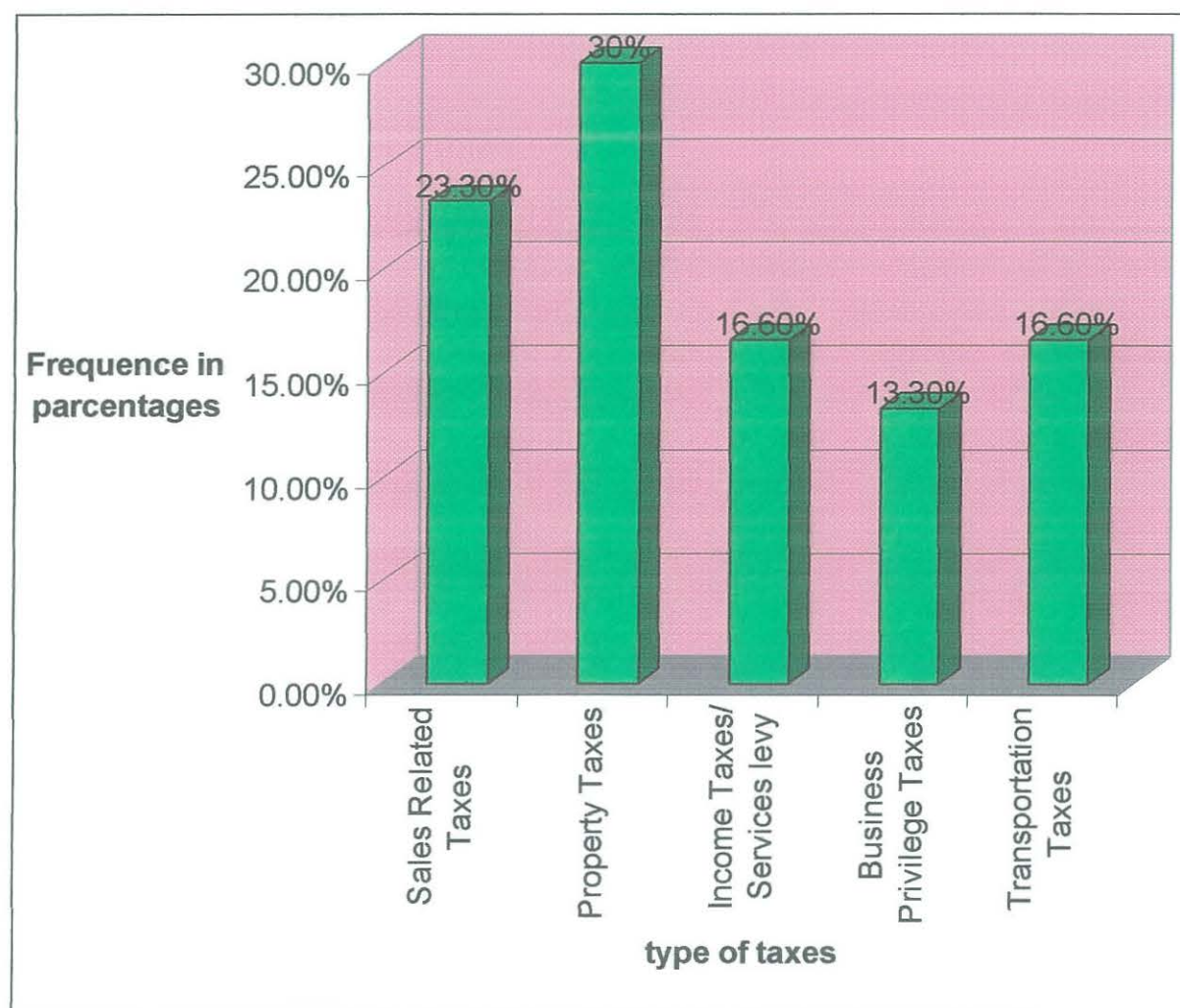
4.4 The types of taxes levied by the local government

Table 6: Types of taxes levied by the local government

Responses	Frequency	Percentage
Sales Related Taxes	14	23.3
Property Taxes	18	30
Income Taxes/ Services levy	10	16.6
Business Privilege Taxes	8	13.3
Transportation Taxes	10	16.6
Total	60	100

Source: Primary data

Figure 7: The types of taxes levied by the local government



Source: Primary data

4.4.1 Sales Related Taxes

Over 23.3% of the respondents noted that sales related taxes one of the types of taxes levied in Kinondoni Municipal council. The sales related taxes are levied on the retail sale or use of tangible personal properties in Kinondoni Municipal council. Excise taxes are levied like sale and use taxes on the purchase of individuals' products and services in the sense that the council

charges all individuals who purchase products. The respondents stressed that this is one of the major sources of local government taxes in Kinondoni Municipal council.

4.4.2 Property Taxes

Property tax was also form of tax taxes are levied in Kinondoni Municipal council with over 30% of the total percentage of the respondents. The respondents noted that that this type of tax is levied basing on the value of the property. It was further noted that in addition to the taxation of real and personal property that typically falls under the local general property tax, local government in Kinondoni also levy four ad valorem taxes, this include state education tax, utility property tax, state real estate transfer tax and motor vehicle registration tax and this is how the council raises taxes.

4.4.3 Income Taxes/ Services levy

In addition to the other type of taxes levied in Kinondoni Municipal council, another 16.6% of the respondents noted that income taxes are also other types of taxes levied in the council and it is only levied basing on the income earnings. The local government levies income taxes in Kinondoni Municipal council and this type of tax is paid by the people as they earn within the municipality and mainly those who are employed within the municipality.

4.4.4 Business Privilege Taxes

Another 13.3% of the respondents noted that business privilege tax is yet another type of tax collated by the local government in Kinondoni Municipal council. The respondents here noted that business taxes are levied on the ratable value of commercial property and they are normally set by the central government. The business privilege tax is levied on ratable value of commercial property like on commercial buildings and it also one of taxes paid in Kinondoni Municipal council municipal council.

4.4.5 Transportation Taxes

Over 16.6% of the respondents stated that transportation taxes are also charged in Kinondoni Municipal council. The respondents also reported that transportation taxes are sales related and property taxes levied on items used for transportation purposes. These taxes are levied on companies that deal on transportation services in Kinondoni like trailers that are hired for ferrying goods from one destination to another as a registered business.

CHAPTER FIVE

SUMMARY OF THE MAJOR FINDINGS, RECOMMENDATIONS, AND CONCLUSIONS

5.0 Introduction

This chapter was concerned with the summary of the study, conclusions and recommendations and conclusions.

5.1 Summary of the study

The research was conducted in area that is Kinondoni municipal council, Dar es Salaam-Tanzania. While conducting the research, the researcher found that the municipal council has a total population of 1,088,867 people and (60) sixty respondents; that is to say;-twenty (20) municipal council tax collectors, fifty (10) investors, one hundred (25) municipal council tax payers and thirty (5) municipal council administrative staff was selected to represent the total population. The research was guided by research question of the study.

The first research question sought to find out the relationship between taxation and local government performance and the research revealed that there is a strong link between taxation and local government performance in Kinondoni municipal council-Tanzania. Research question two sought to find out the impact of taxation on the service delivery by the local government and the findings revealed that; education provision, medical service provision, water extension, road construction and infrastructure development were the answers

given in this research question. The third research question therefore sought to find out the types of taxes levied by the local government and the findings revealed that; sales related taxes, property taxes, income Taxes/ Services levy, business privilege taxes, and transportation Taxes were the answers given. Conclusion and recommendations were therefore made after summary of the study.

5.2 Conclusions

The research showed that impacts on people's 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.

The survey data point to the misuse of tax revenues by council staff (particularly by tax collectors) and councilors as a major problem. Hence, stronger punishment of council staff and councilors whose mismanagement is detected is perceived to be a key measure for improving the present system. Citizens' access to and right to information on taxes collected and how revenues are spent is seen as a necessary condition to achieve accountable, transparent and participatory governance and people-centered development.

However, 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.

5.4 Recommendations

It is also imperative to establish mechanisms for improving relations between the local revenue administration and citizens. Relevant measures should 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.

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.

A simplification and consolidation of currently fragmented local taxes.

There is need to reform in the collection of taxes the Kinondoni municipal council. The research found out that there is poor tax collection in the council by the tax collectors in that many of those who oppose tax payment are legally

dealt with like many of them had their businesses closed and only opened after payment of the taxes.

The amplified use of property tax, property valuation, and improvements in property tax coverage and collection in the municipal council. There should be clear allocation of the council money collected from taxes and the researcher recommends that clear tax allocation be put in place.

The government should consider allowing citizens to elect their respective municipal councilors. Only when citizens have the power to remove or select district commissioners will local governments be truly accountable to local populations. Such accountability is a prerequisite to improved local government performance.

5.4 Areas for further research

Further research needs to be done on the role of the government in enacting tax policies and law in Kinondoni municipal council. Further research also needs to be done on taxation and local government performance.

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APPENDICES

APPENDIX I

Questionnaire

I the students of Business Administration from Kampala International University I conducting research on the taxation and local government performance, a case study of Kinondoni municipal Council. The purpose of this study is to fulfill my academic requirements. I therefore kindly request you to answer for me the following questions.

NOTE: Your responses will be treated with the highest degree of confidentiality.

SECTION A

Background Information

Please tick in the most appropriate box.

1. Age

a) 25-29 ☐

b) 30-34 ☐

c) 35-39 ☐

d) 40-44 ☐

e) 45-49 ☐

f) 50-54 ☐

2. Sex

a) Male ☐

b) Female ☐

4. Level of education qualification

a) Primary level ☐

b) Secondary level ☐

c) Professional certificate ☐ d) Diploma ☐

e) Degree ☐

5. Departments

a) Town planning ☐ b) Agriculture ☐

c) Health ☐ d) finance ☐

e) Education ☐ f) Trade ☐

g) Engineering ☐ h) Human resources ☐

SECTION B

1. How long have you worked with the Kinondoni municipal Council?.....

2. What is your current position/title in the institution?.....

3. What types of taxes does the Kinondoni municipal Council collect from the public? a) Direct ☐ b) Indirect ☐

4. What other types of taxes does the Kinondoni municipal Council collect from the public?.....

5. Do you think the public is getting enough service from the amount paid as tax to Kinondoni municipal council

a) Yes ☐ b) No ☐

6. Do you think the amount of revenue collected by the Kinondoni municipal Council in form of taxes is sufficient to enable it to deliver services to the public?

a) Yes ☐

b) No ☐

If **NO**, Please give your reason(s):

.....
.....

7. What are the challenges that the Kinondoni municipal Council faces in its taxation process?

a) Tax evasion ☐

b) Tax avoidance ☐

c) Others(specify).....

.....

8. What are some of the solutions to the challenges in question (7) above?

.....

.....

SECTION C

(9) What is the relationship between taxation and local government performance?

.....

.....

.....

.....

(10) What is the impact of taxation on the service delivery by the local government?

.....

.....

(11) What are the types of taxes levied by the local government?

.....

.....

THANK YOU