

The context

Enlarging and strengthening the revenue base to meet the citizens' demand for quality public services by citizens is one of the priorities of the Government of Tanzania. This entails enhancing revenue sources especially for the local governments, as they are the ones targeted by the Local Government Reform Programme as the main vehicles for service delivery. Currently, LGAs collect less than 10 per cent of their budgets from own sources; the rest of the resources they utilise are provided by the Central Government.



Supporting the enhancement of revenue collection by LGAs is also one of SULGO's focus areas. To this end, SULGO provides support with:

- ▶ Bylaw making in order to create an enabling environment for the improved collection of revenue. This programme places emphasis on an equitable tax burden for taxpayers.
- ▶ The smoothening of business processes to ensure that LGAs' finance departments are efficient and the collection process is transparent and simple.
- ▶ Initiating tools for revenue management. This emphasizes the automation and the integration of processes related to revenue collection.

SULGO sponsors the iTAX system in order to equip LGAs with adapted tools to help them better execute revenue collections.

German Development Cooperation

The Support to Local Governance (SULGO) programme is a cooperation between the governments of the United Republic of Tanzania and the Federal Republic of Germany. It is implemented by the Prime Minister's Office – Regional Administration and Local Government (PMO–RALG) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the Federal Ministry for Economic Cooperation and Development.

The overall aim of the programme is to improve access to public services for citizens through stronger local governments. It has been implemented since 2008, with the current phase running since November 2010.

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All products can be downloaded from the following websites:

<http://www.sulgo.or.tz>

<http://www.pmoralg.go.tz>

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iTAX – an Integrated Revenue Management System

The Government of Tanzania places strong emphasis on enhancing revenue collection especially by the Local Government Authorities (LGAs). SULGO has supported this effort by developing iTAX, an integrated revenue management system adapted to the needs of LGAs. This system makes payment information readily available with a variety of channels through which payments can be made.

Tax base enlargement, assessment, billing and enforcement are all managed through iTAX. As a result, tax collection by LGAs is now more transparent and efficient.

Integration for efficiency

iTAX – or the integrated revenue management system – is a computer-based tool specifically designed for Local Government Authorities. It was developed over a period of two years (2011-2013) for adaptation in the local government context although it has been used by at the Tanzanian Revenue Authority with GIZ support since 1998. The TRA uses iTAX in the collection of income tax, corporate tax and VAT. For LGA purposes, iTAX has been designed to handle all types of local taxes and fees that they collect. It is now already in operation and is helping local governments to improve revenue collection and unlock additional revenue potential.

iTAX is user-friendly as the user gets to define the design, including whether to work in Kiswahili or English. iTAX makes daily work routines easier. It is also a highly reliable system because it is browser- and server-based and its functioning cannot be interrupted by a lack of connectivity. Data entry at the LGA level can, for instance, be done and payment receipts printed out even when the network is not available. Maintenance and upgrading is done centrally by the support service.

iTAX places the taxpayer at the centre of the system as the unique taxpayers' account system allows quick access to information on what has to be paid and by whom. The use of barcodes makes this information available at a click.



What iTAX offers

- ▶ It covers the collection of all local fees, rates, levies and taxes and the data (credit or debit) is stored in individual accounts.
- ▶ As a comprehensive management system, it covers all processes for tax calculation and collection including reports and statistics.
- ▶ It facilitates printouts, enquiries and statistics for every taxpayer, as needed.



- ▶ It can link to tax- and fee-related thematic maps by using the Geographical Information System (GIS).
- ▶ It generates tailored reports for the management to aid better steering of revenue collection.
- ▶ As it is fully owned by the Government of Tanzania, local governments are not required to pay license fees. This allows for full control and a high value to money ratio.
- ▶ It provides up-to-date information to the taxpayers concerning their status.
- ▶ It is convenient for taxpayers as it accommodates different payment modes.



The results

- ▶ iTAX has been introduced in 5 Local Government Authorities to demonstrate its capacities. During the fiscal year 2013/2014, the LGAs for the first time can collect revenues more efficiently on the basis of this new system.
- ▶ A backup and support will be installed at the national level at the Prime Minister's Office – Regional Administration and Local Government to ensure that the system will run smoothly. Further upgrades to assist LGAs will be developed from there. The help desk function of regional administration will be further strengthened.
- ▶ More LGAs have signalled their interest to also install iTAX in their administration.
- ▶ The necessary data exchange with the Tanzanian Revenue Authority and the Local Government accounting software EPICOR is ensured. This opens possibilities for cooperation between agencies. For instance piggy-backing on Personal Income Tax (PIT) and Corporate Income Tax (CIT) becomes a real option for LGA's to generate revenue at a minimum cost.



- ▶ iTAX provides up-to-date data on revenue collection. Detailed reports inform the Councilors (and the public in general) about the state of revenue collection and will become an important input for the Councils of LGAs when discussing tax policies. iTAX allows for forecasting that improves the development of local tax policies: regulate exemptions, abolish nuisances and promote fair taxation.