



## GENERAL OVERVIEW OF LAND TAXES IN TANZANIA

*"It is in vain in a country whose great fund is land to hope to lay the public charge of the Government on anything else; there at last it will terminate. The merchant (do what you can) will not bear it, the labourer cannot, and therefore the landholder must: and whether he were best to do it by laying it directly where it will at last settle, or by letting it come to him by the sinking of his rents, ... let him consider."*

— John Locke, ["Some Considerations of the Lowering of Interest" \(1691\)](#)

Tax administration in Tanzania is undertaken by Tanzania Revenue Authority (TRA which falls under the Ministry of Finance. There are a variety of taxes in Tanzania, both national and local. The national taxes include income tax, Value Added Tax (VAT), Excise and Customs Duties, Stamp Duty, Capital Gains Tax and Corporation Tax. Local authority taxes in Tanzania include property tax, Business Licenses, Building permit fee, Development levy, Hotel levy among others. The property-related taxes administered in Tanzania include Land (Ground) rent, Stamp duty, Capital gains, and property tax (rates). Apart from the rates, the other taxes are collected by Tanzania Revenue Authority (TRA). The assessment of the tax payable is performed by the Valuation Division within the Ministry of Lands.

Property tax is levied at a flat rate on the property value by municipal or city councils. Applicable rate varies according to size, use and location of the property. Land rent on the other hand, just to differentiate for the purposes of better understanding and differentiating of the two is that Land rent is paid for the right to use and occupation of any parcel of land. It is charged to the holder of granted Rights of Occupancy throughout Tanzania. District Councils are responsible for enforcing and collection of land rent on behalf of the Ministry of Lands, Housing and Human Settlement Development (MLHHSD). Land rent is payable annually and there are new rates as of the year 2015. Unpaid land rent for a period of six (6) months after the due date attracts interest at the rate of 1 percent per month. Any person in Tanzania holding a right of occupancy is obliged to pay land rent. Essentially the rent is payable for use and occupation of any parcel of land granted under the Act. Section 33 (1) of the Land Act prescribes

that: *"The holder of a right of occupancy shall, subject to provisions of this section pay an annual rent for that right of occupancy in the manner provided for under the provisions of the provisions of the Public Finance Act"*



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Property rates in Tanzania are levied by local government councils where as Land rent payable is determined by the Commissioner at the MLHSD. The tax is based on the value of improvements, that is, buildings only. It is applied on all properties in both urban and rural areas. The tax payer is the rate able property owner or a tenant or occupier. According to the rating law, building or improvements on the land constitute a taxable object in Tanzania, while land is excluded from property taxation. Property tax is therefore levied on the market value

of only buildings or improvements. In order to ascertain the market value for taxation purposes the building value is assessed so as to establish the rate able value of the property, which excludes the value of land. Likewise the individual's tax liability should be based on the value of investment put on the parcel of land held. Thus the valuation of rate able property takes into account the value of buildings or improvements only.

The law excludes some buildings from property taxation like Property in the personal occupation of the President; Property used for public utility undertakings; Premises used primarily for public worship but excluding property used for residential or social purposes in connection with places of public worship; Public libraries and public museums; Cemeteries and crematoria; Civil and military aerodromes; Property appropriated for sporting purposes and that used solely for educational purposes; Railway infrastructure; Land for public utilities, public worship, crematorium and burial grounds, public libraries and museums, civil and military aerodromes, property occupied by diplomatic mission, properties in personal occupation of the president are exempted from tax. There are also ad hoc exemptions that may be granted by the responsible minister.

The property tax system punishes investments that improve the value of property. The Land Tax system punishes, if we're going to talk about punishment, property that is left idle. In the current era that we're in we need properties to become more and more productive over time. To have a system that punishes that is completely counterproductive. If we could go -particularly in areas where we had utilities in place, where we've made large public investments- we need to switch from a property tax to a land tax so that we don't reward idle low-productive properties and we don't punish people who invest in bettering their community. However as it stands, it is the law of the land that owners should pay Property Tax and Land Rent. Urban local government revenues, and in particular those classified as own revenues in Tanzania and other East African countries, are generally not sufficient enough to develop and supply adequate urban services to the region's fast growing urban population.



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**The author is a Senior Associate with ABC ATTORNEYS of IT Plaza 8<sup>th</sup> Floor, Dar-es-Salaam, Tanzania and an Arbitrator with the Tanzania Institute of Arbitration and Young International Arbitrators (YIAG)-London. For more articles please visit [www.abccattorneys.co.tz](http://www.abccattorneys.co.tz) or email the author at [info@abccattorneys.co.tz](mailto:info@abccattorneys.co.tz) or 0713055195. The article is also inspired by the report by UNhabitat on property tax in East africa**