CHALLENGES THAT FACE IMPORT TARIFFS REVENUE COLLECTION IN ZANZIBAR

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A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF THE OPEN UNIVERSITY OF TANZANIA

2013

CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania a dissertation entitled: **The Challenges that Face Import Tariffs Revenue Collection in Zanzibar** in partial fulfilment of the requirements of the degree of Master of Business Administration of the Open University of Tanzania.

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Dr. Hamed R. H. Hikmany

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DECLARATION

I, Hawa Hussein Juma do hereby declare that this dissertation is my own original work and that it has not been presented and will not be presented to any academic or non- academic institution, and that to the best of my knowledge and understanding it does not contain any materials previously published or written by another academician except where due respect and reference clearly indicated in this dissertation.

……

Hawa Hussein Juma

……

Date

DEDICATION

This work is dedicated to my lovely children; Ali, Hussein and Zinduna for the love and patience which they showed me during all the times I have been concentrating to the completion of study.

ACKNOWLEDGEMENT

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ABSTRACT

This study aimed at analysing the challenges that face the trend of import tariff revenue collection in Zanzibar. Import tariff revenue is one among the sources of income of the Revolution Government of Zanzibar. It contributes an average of twenty percent of the total tax collected (20.6%) and the rest from other sources of income. This source of income is obtained from International trade (importation of goods). Where the importer must pay duties for the goods imported. However, some goods are not eligible for import tax (goods exempted duties). The analysis on this study is based on both of the secondary and primary sources of data from the Tax administration institutions (TRA and ZRB), as well as stakeholders views. Questionnaires were the main instrument used for the primary data collection from the Tax administration officials, importers, clearing and forwarding agents. Data collected is divided into qualitative and quantitative. The analysis revealed that the import tariff revenue collection has an effect on the total revenue collection in Zanzibar and it fluctuates each year. Tariff revenue collection faces the main challenge of "tax exemption". When the importation of goods increased, the revenue on importation increased too, but the tax exemption also increased each year which erodes overall collection. Tax exemption is on an average of 86.47% percent of the total import tariffs revenue collection. It appears that there is no corrective measure taken to reduce the exemption. Owing to this problem, the study recommended that the Government should review tax exemption laws and exercise monitoring of granted exemption. Use monitoring of exemption will detect the abuse and misuse which help to rectify or amend existing laws and regulations.

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LIST OF ABBREVIATION

ASEAN	Association of South East Asian Nations
AU	African Union
BoT	Bank of Tanzania
CET	Common External Tariff
CGE	Computed General Equilibrium
C.I.F	Cost Insurance and Freight
COMESA	Common Market for Eastern and Southern Africa
DC's	Developed Countries
EAC	East African Countries
EAPS	East Africa Partner States
ECOWAS	Economic Community of West African States
GDP	Gross Domestic Product
GTAP	Global Trade Analysis Project
IMF	International Monetary Fund
IFS	International Financial Statistics
LDC's	Least Developing Countries
MACEMP	Marine and Coastal Environmental Management Project
MFN	Most Favored Nation
MKUZA	Mkakati wa Kukuza Uchumi na Kupunguza Umasikini Zanzibar
MoFEA	Ministry of Finance and Economic Affairs
NTBs	Non – Tariff Bariers
NAMA	Non-Agricultural Market Access

NAFTA	North American Free Trade Agreement
OECD	Organization for Economic Co-operation and Development
PADEP	Participatory Agriculture and Development Empowerment Project
SADC	Southern African Development Community
SADCC	Southern African Development Coordination Conference
SAP	Social Adjustment Programme
TRA	Tanzania Revenue Authority
TPD	Transaction Price Database
UMVS	Used Motor vehicle Valuation System
URT	United Republic of Tanzania
VAT	Value-Added Tax
WTO	World Trade Organization
ZRB	Zanzibar Revenue Board

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background Information

1.1.1 Zanzibar Overview

Zanzibar archipelago comprises the islands of Unguja (also called Zanzibar) and Pemba with a number of islets adjacent thereto. It is part of the United Republic of Tanzania. The island of Zanzibar is the largest island in the east coast of Africa and is separated from the mainland of East Africa (Tanzania) by a channel and lies between latitudes 5° 40' and 6° 30' south; and longitude 39° east. It is about 85 km (53 miles) in length and 39 km (24 miles) in breadth at its broadest point. Its area is about 1660 square km (640 square miles).

The island of Pemba lies about 40 km (25 miles) NNE of Zanzibar between latitude 4° 80' south and longitude 39° 35' and 39° 50' east. It is separated from the main continent by a channel some 56 km (35 miles) wide. It is smaller than Zanzibar, being 67 km (42miles) long by 23 km (14 miles) wide (maximum) and having an area of 985 square km (380 square miles).

1.1.2 Population

Zanzibar had a population of 981,754 with a growth rate of 3.1 percent and a population density of 370 per square kilometers. Of the total population, 40 percent lived in urban area and the remaining 60 percent settled in rural areas. The outburst of population growth rate was mostly attributed to high fertility rate of 5.3. The projected population in 2005 was 1,072,000 (Population and Housing Census, 2002).

1.1.3 Administration

Zanzibar is part of the United Republic of Tanzania, but is semi-autonomous. It has its own Government, a legislative assembly known as the House of Representative, the Executive, headed by the President of Zanzibar and its own Judicial System. Zanzibar is divided into five administrative regions (three in Unguja and two in Pemba), 10 districts two in each region, 50 constituencies and 296 shehias.

1.1.4 The Zanzibar Economy

Since pre-colonial era, Zanzibar economy was basically dependant on agricultural production (mainly cloves) and trade. The cloves production alone was contributing more than 90% of the foreign earnings over the period from 1968 to 1978. The performance of the cloves production was encouraging, in terms of both good world prices and level of production. During the period, the prices increased from US$1,948 per ton to US$7,220. Although the price declined drastically to US$ 3,834 per ton in 1978/79, the decline was followed by the boom during 1981/82 with the price rising to US$ 9,067 per ton. The economy of Zanzibar started to shrink in 1984/85 when the production and world prices of cloves started to decline (Zanzibar State Trading Corporation, 2009).

Furthermore, from the late 1970's up to early 1980's, Zanzibar economy suffered from scarcity of basic commodities and consumer goods. Every sector of the economy was at a standstill. The economy as a whole was rather fragmented. The Revolutionary Government of Zanzibar reacted positively to revamp the economy and embarked on several economic reforms in mid 1980's.These include the

establishment of Private Investment Promotion and Protection Act (1986), Economic Recovery Programs, Zanzibar Investment Promotion Authority, Commission for Tourism, Free Economic Zones and Free Port Services. These reforms were geared towards stabilizing the economy and sustain its growth. This was the time when trade liberalization policy took its path to stimulate the worsening situation of the economy. Since then, several policy reforms in socioeconomic areas were instituted.

After the economic reforms that took place in 2005 -2009, the trend of the trade (import and export) improved although there were annual variations. According to Zanzibar Economic Survey Report (2005 – 2009), Bank of Tanzania Report (200 – 2009) and Tanzania Revenue Authority Report (2005 – 2009), import was higher during the year 2005, 2007 and 2009 compared to 2006 and 2008. The situation was caused by the fact that most products consumed in Zanzibar are imported outside country due to scarcity of domestic products.

The value of exports decreased from Tzs. million 30,189.2 in 2008 to million Tzs. 29,744.5 in 2009 due to the decrease of the cloves which is the main export followed by the Seaweed. In 2009, the total imports amounted to Million Tzs 120,882 compared to the exports which amounted to Tzs. million Tzs 29,744.5. See Table 1.1 and Figure 1.1.

Table 1.1 The trend of import and export trade in Zanzibar (Millions inTzs)

Year	2005	2006	2007	2008	2009
Imports	120,700.90	87,465.30	107,689.90	93,439.60	120,882.00
Exports	12,703.10	15,242.30	21,177.70	30,189.20	29,744.50

Source: **Zanzibar Economic Survey, 2009**

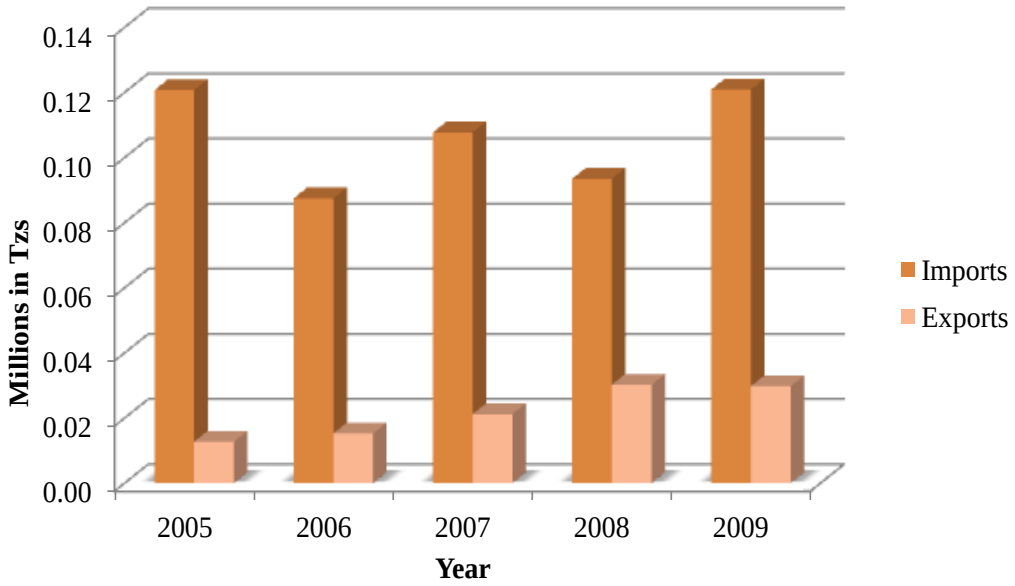

Figure 1.1: The trend of import and export trade

Source: **Zanzibar Economic Survey, 2009**

1.1.5 The Trend of Macroeconomic Situation in Zanzibar

With time, the economic structure of Zanzibar in terms of sectoral contribution to GDP has been changing. The structure of the economy and the path of macroeconomic indicators of an economy provide vital background information on the revenue generation potential of any given economy. Sound economic growth, high degree of financial deepening and the overall economic structure reflects the tax opportunity of the given economy.

The dominant sectors of the Zanzibar economy are the agricultural sector, trade, hotel and restaurants, public administration and other services. In terms of percentage of GDP, agricultural sector accounts for around 26.7 percent. The agricultural sector shows an increased each year (except in 2007), which is attributed to the increase of clove production, seaweeds and rubber (Zanzibar Economic

Survey, 2009 and BOT Report, 2009). This situation is the result of favourable weather condition and the agricultural programs pursued by the government, particularly the Marine and Coastal Environmental Management Project (MACEMP), PADEP and ASPD-S. The public administration constitutes 13.1 percent, while trade, hotels and restaurants comprise 16.2 percent. The relatively dominant trade sector in Zanzibar reflects that the country's fiscal position needs improvement.

The period between 2005-2009 recorded an increase of investments in hotels, restaurant industry and importation (Zanzibar Economic Survey, 2009). This reflects the fiscal position that depends on trade. The manufacturing sector is relatively small, contributing to around 4.5% of GDP, due to changing fashion, high production cost, decline in the production of clove oil and unreliable electricity supply. On the other hand, the Zanzibar economy has a relatively lower degree of non-monetization of the economy, accounting for less than 10.0 percent of GDP. Therefore, the macroeconomic data suggests that Zanzibar economy seems to have better *tax opportunities*. Table 1.2 shows the structure of the GDP in the Zanzibar economy.

During the period 2005-2009 Zanzibar recorded high but less stable real economic growth (See Table 1.3). Economic growth during the period fluctuated between 4.9% and 6.7 %. In 2005 and 2008, the economic growth showed a decline which was attributed by the rise of fuel prices coupled by declining world prices of clove exports and the global economic slowdown which adversely affected the services activity notably the tourism related sub-activities. Inflation during the period was

managed at single-digit level in 2005 (9.7%) but continued to be slightly volatile except in 2008, the inflation rate rose to 20.6%.

Table 1.2: Zanzibar contributions of sectors to GDP 2005 - 2009 in Percentage (%)

Sector	2005	2006	2007	2008	2009	Period average
Agriculture	23.4	29.5	27.4	30.7	30.8	26.7
Mining and Quarrying	0.8	0.8	0.8	0.9	1.0	1.3
Manufacturing	4.9	4.6	4.5	4.3	4.1	4.5
Electricity and Water	1.9	1.9	1.9	1.7	1.4	1.7
Construction	6.2	7.5	7.8	7.3	6.6	6.6
Trade, Hotels and Restaurant	17.5	16.5	17.4	16.1	15.6	16.2
Transport and Communication	8.0	6.8	6.9	8.0	11.0	8.1
Financial and Business Services	2.9	2.5	2.7	2.7	2.6	2.6
Public Administration and Other Services	14.8	10.9	10.5	10.0	9.4	13.1
Taxes on Products	12.6	12.2	13.4	12.3	12.1	12.7

Source: **Office of the Chief Government Statistician, Zanzibar (2010)**

The sharp increase was mainly driven by increases in the world food and oil prices. Low domestic food production also contributed to the increase in inflation during the year. It should thus be within the objectives of the Government to stabilize domestic food production and prices. Much as the growth in real GDP was sporadic, it was supportive of higher level of revenue generation potential.

Investment, defined in terms of capital formation, continue to exhibit upward trend since 2005. The average capital formation during the period is Tzs. 125,591.6 bill. The good performance in capital formation was mainly due to increased investment in infrastructure projects. Private sector investment concentrated on construction of tourist hotels while government investments were directed to economic and social infrastructure in line with the reforms currently taking place under MKUZA. In 2008, the capital formation shows the lower growth since 2007. This was mainly

attributed to completion of rehabilitation and construction of major roads and delayed foreign inflows for new projects.

Table 1.3: Zanzibar selected macroeconomic indicators 2005 - 2009

Indicator	**2005**	**2006**	**2007**	**2008**	**2009**
Real GDP Growth rate (in %)	4.9	6.0	6.4	5.3	6.7
Inflation (in %)	9.7	11.4	13.1	20.6	8.9
Exchange rate (Tshs/USD)	1,128	1,255	1,247	1,197	1,307
Merchandise Exports-fob (Mill.Tzs)	12,703.1	15,424.3	21,177.7	30,189.2	29,744.5
Merchandise Imports-CIF (Mill.Tzs)	120,700.9	87,465.3	107,689.9	93,439.6	120,882.0
Balance of Trade (Mill. Tzs)	-107,997.8	-72,,041.00	-86,512.2	-63,250.4	-91,137.5
Investment (Bill. Tzs) (Capital Formation)	76,178.00	101,323.00	129,429.0	145,151.0	175,877.0

Source: **Office of the Chief Government Statistician, Zanzibar (2010)**

Zanzibar's balance of trade has been in an invariably widening deficit through the period of 2005 – 2009. Imports of final consumer goods have been on a decline, while capital and intermediate goods had their shares to total import growing. The capital and intermediate goods accounted for 42.9 percent and 35.8 percent respectively of total imports in 2009. The capital goods were largely driven by transport equipment and construction materials (Bank of Tanzania Report, 2008/09). With the tax regime governing imports of capital and intermediate good, the shift in composition of imports portrays negative effects on revenue generation potential. The absolute fall in imports, amidst the changing composition of imports in favour of

the less taxed or untaxed products, mean that in the short run, less and less revenue generation was the feasible result (TRA Report 2005).

1.1.6 The Trend of Import Tariffs Collection in Zanzibar

The collection of import taxes during 2005-2009 showed an annual increase during 2005/2006 (See Table 1.4). Comparatively, the import taxes collection against estimate showed a decline in 2004/05, 2005/06 and 2007/08. While in 2006/07 and 2008/09, the collection of import taxes rose by 36.7 and 106.7 percent respectively. The actual collection of import taxes against estimate can be clearly summarized in the Figure 1.2. The contribution of import tariffs revenue in total tax revenue collection is shown on the Table 1.5. The contribution of import tariffs revenue in total revenue collection can be summarized in the Figure 1.3.

Table 1.4: Zanzibar import taxes estimated vs collection from 2005 – 2009

Year		Taxes			Total
		Import Duty (Tzs)	VAT on Import (Tzs)	Excise Duty Import (Tzs)	
2004/2005	Estimate	10,131,700,000	9,628,600,000	116,700,000	19,877,000,000
	Actual	5,895,776,640	5,767,405,459	191,778,800	11,854,960,899
2005/2006	Estimate	8,111,000,000	8,021,600,000	347,200,000	16,479,800,000
	Actual	5,704,286,610	5,270,055,875	427,612,449	11,401,954,934
2006/2007	Estimate	6,061,342,845	5,970,955,000	525,502,550	12,557,800,395
	Actual	8,590,724,261	7,106,180,513	1,469,967,829	17,166,872,604
2007/2008	Estimate	9,921,360,000	8,836,150,000	6,680,900,000	25,438,410,000
	Actual	10,974,346,633	9,616,513,242	1,543,337,693	22,134,197,568
2008/2009	Estimate	11,513,520,000	11,281,380,000	1,323,770,000	14,018,670,000
	Actual	14,043,051,174	13,224,269,170	1,715,604,703	28,982,925,048

Source: **Tanzania Revenue Authority 2009**

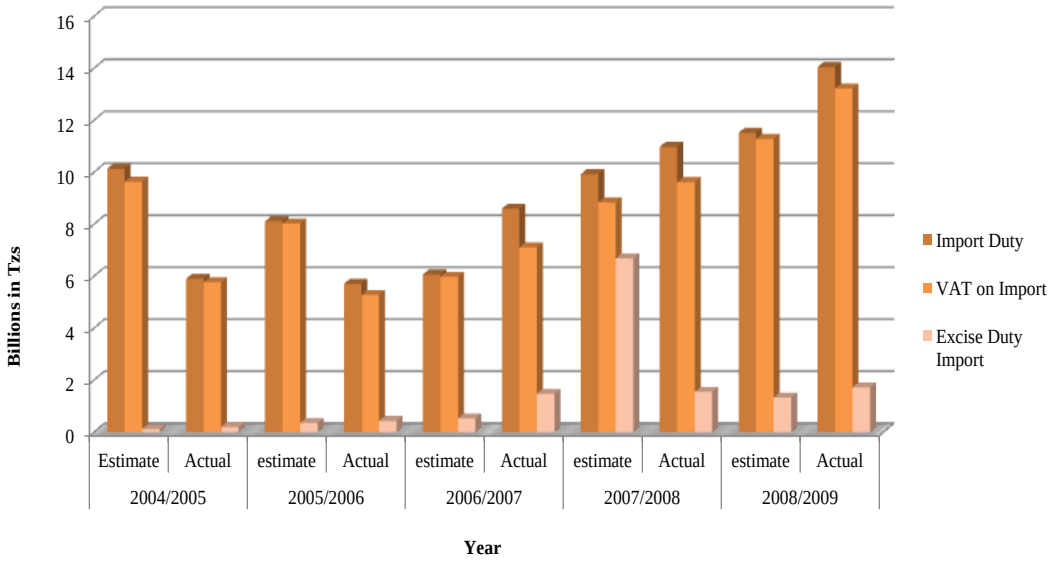

Figure 1.2: Zanzibar import taxes estimated vs collection
Source: **Tanzania Revenue Authority 2009**

Table 1.5: The contribution of import tariffs revenue in total tax revenue collection 2005-2009

Year	Import Tariffs Revenue (Tzs)	Total Tax Revenue (Tzs)	Import Tariffs Revenue Total Tax Revenue (%)
2004/2005	11,854,960,899	55,851,179,724	21%
2005/2006	11,401,954,943	63,749,964,862	18%
2006/2007	17,166,872,604	83,149,575,075	21%
2007/2008	22,134,197,568	103,155,142,148	21%
2008/2009	28,982,925,048	130219,019,651	22%

Source: **Tanzania Revenue Authority (TRA) and Ministry of Finance and Economical Affairs (MOFEA, 2009**

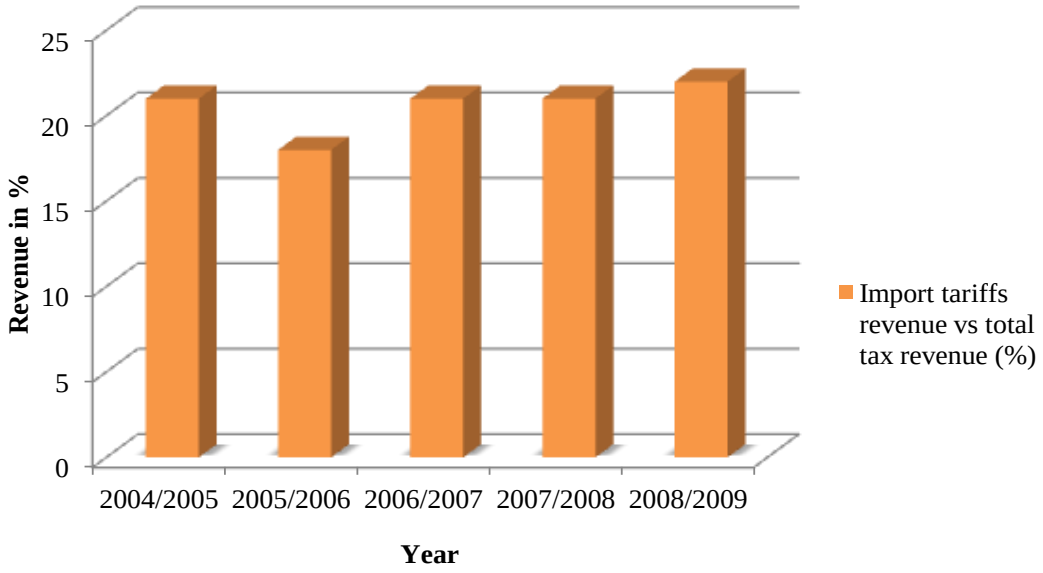

Figure 1. 3 Percentage of import tariff revenue vs tax revenue
***Source*: Based on table 1.5**

1.2 Statement of the Problem

The Import tariffs revenue (International Trade Revenue) is one among the sources of government revenue which contributes an average of twenty percent (20.6%). This source of income faces many challenges, for example; tax exemption and under declaration. The provision of generous exemptions often tends to erode the tax base which, in turn, affects total import tax revenue. Exemptions seem to have lowered the income elasticity of import duties through depressing tax-to-base elasticity. Peter Walkenhorst (2006) said, the overwhelming share of trade taxes is collected on imports. He cite an example that, in 2005, about 55 per cent of all incoming shipments entered CAR under the general customs regime, but these imports accounted for 83 per cent of all import tax revenues. In contrast, special trade

regimes that offered exemptions under regional trade agreements provided merely 17 per cent of revenues, although they accounted for 45 per cent of imports.

Hence, the existing exemptions led to a considerable loss of fiscal revenue. He continue to say, if all imports under special regimes would have generated the same fiscal yield as the average of imports under the general customs regime (i.e. 40.5 per cent), import tax receipts would have been 50 per cent higher. Alternatively, without exemptions, the same revenue could have been raised with border taxes that are a third lower than those actually in effect. These static calculations of lost revenue due to exemptions do not take the incentive effects of border taxes on trade flows into account.

These problems are occurring in many countries, and Zanzibar is no exception. Hence, this research paper will study the issue of tax exemption management, high import duties, and hidden taxes, the legal framework and its implementation (tax policy, laws & regulations). Specifically the study will investigate the problem of multiple taxation that resulted to trade diversion and causes the decline of import tariff revenue for the year 2004/2005, 2005/2006 and 2007/2008 and the issue of tax exemption.

1.3 Study Objectives

The objectives of this study are presented in two categories as follows;

1.3.1 General Objective

To identifying the possible reasons that tend to fluctuate the import tariffs revenue collection.

1.3.2 Specific Objectives

The specific objectives of the study were:

1. To study the trends of import tariffs revenue in the last five years (2005-2009).
2. To identify the possible reasons for such trends of import taxes revenue.
3. To propose policy perspectives and policy changes that may have an effect on raising import taxes revenue.
4. To identify cumbersome procedures caused by tax administrators that have a negative effect on import tax revenue in Zanzibar.

1.4 Research Questions

After the collection and analysis of data, the study aims to answer the following research questions respectively.

Research Questions

The researcher was guided by the following research questions:

1. What kinds of trends characterize the import tariffs revenue in Zanzibar in the period of 2005-2009?
2. What are the possible reasons/factors that have influenced the trends of the import tariffs revenue in Zanzibar?
3. Is there a conflict between Government policy (i.e. change of rates) and the need to raise revenue through import taxes?
4. Are there any administrative and cumbersome procedures, caused by the tax administrative machineries in Zanzibar that have direct or indirect effect on import taxes revenue in Zanzibar?

1.5 Significance of the Study

The study focuses on proposing way for enhancing the import taxes revenue collection in Zanzibar. This involves identifying the revenue trends and the possible reasons for such trends. The findings of the study will be beneficial to the tax administrators, policy makers and other related stakeholders. All concerned parties will be able to understand the scope of the problem and hence develop measures to be taken to address them. In addition, the study will add knowledge to students of the related subject or field, and serves as a stimulant for doing research on similar or related topics. The research findings will help the Government of Zanzibar to see the need of enhancing both human capacity and institution strengths in the area of tax administration.

1.6 Limitations of the Study

Due to time and financial constraints the researcher could not cover the broader area of the study. However, efforts were directed on the issue of tax exemption management, high import duties, hidden taxes, double taxation and the legal framework and its implementation (tax policy, laws & regulations). The other constraints relate to data sensitivity on taxes; sometimes permission was rejected and in other cases respondents refused to cooperate with the researcher. Even for those who agree to cooperate, they took long time to fill and deliver the questionnaires to the researcher.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents literature review and concept of the study. The aim of this chapter is to provide the relevant literature and concept in the field selected for research.

2.2 Conceptual Framework

This part of the report explains the concepts that are used in this study.

2.2.1 Import Tariffs

An import tariff or duty is a tax levied on imports. Historically it was used as part of an attempt to protect domestic businesses from competition from overseas firms. Today an import duty's primary role is usually purely to raise revenue. Tariffs fall into two categories, Specific tariffs and Ad valorem tariffs. *Specific tariffs* are levied as a fixed charge for each unit of a good imported (for example 300 Tshs per liter of alcohol). *Ad valorem tariffs* are levied as a proportion of the value of the imported goods. An example of an ad valorem is the 18 percent tariff the Tanzania Government placed on imported goods and services as the VAT on Imported goods.

A tariff raises the cost of the imported products relative to domestic products. The import tariff increases the price of imported products relative to the domestic produced products. The goal of this tariff is merely to protect the market share of locally produced goods. While the principal objective of most tariffs in developed

countries is to protect domestic producers and employees against foreign competition, in developing countries they aim is to raise the domestic revenue.

Import tariffs have been traditionally popular in Least Developing Countries (LDC's) including Zanzibar. Empirical research has shown that one third of their revenue came from this source. The report of the World Development Indicators (2001) and the report of the United Nation Development Program (2001) indicated that many developing countries such as Egypt, Venezuela and Pakistan, to mention a few rely on import tariffs for more than 10% of their central government revenue. India relies on import duties for more than 20% of its revenue from tariffs and Ethiopia contributed approximately 38 percent of its government revenues in 2006/07 (NBE, 2007/08), implying the importance of this source of revenue to the country (United Nation Development Program, 2009).

There is a simple explanation for the fact that developing countries, and especially poorer developing countries, tend to be heavily dependent on tariffs revenue to support their government budget. It is relatively easy to tax goods that are brought into the country at a border crossing, port or airport. By comparisons, most of other taxes (income taxes, payroll taxes or sales taxes) require an extensive tax collection system including administration and enforcement that can collect taxes from a large number of business or even large number of individuals scattered throughout the country.

Many studies (for example, Corzine, 2008, Peter Walkenhorst, 2006, Laird, Vanzetti and de Cordoba and others) show that tariffs may be actual the most efficient form of

tax for developing countries, since an alternative form of taxation would be very expensive to administer and enforce. In these countries switching from tariffs to other revenue sources would likely result in large economic losses.

2.2.2 Tanzania Tax Structure in International Trade (Import Tariffs)

The East Africa Partner States (EAPS) have adopted Common External Tariff that is applied throughout the region effective from 1st January, 2005. The process of harmonizing the external tariff has resulted into changes in tariff rates and even tariff codes in certain areas. The Customs and Excise Department administers all taxes on international trade. The taxes include Import Duty, Excise Duty and Value Added Tax (VAT) on imports.

2.2.2.1 Import Duty

Import duty is a tax levied on imported goods. The duty is usually calculated as an ad-valorem rate on C.I.F value of goods imported into the country, and is collected before goods leave the entry point into the country and/or bonded warehouses.

There are three applicable import duty rates: -

(i) 0% rate is applied for raw material, capital goods, and agricultural tractors. Pure breed animals, fertilizers, and medicine.

(ii) 10% rate for importation of semi-finished goods.

(iii) 25% rate for importation of finished final consumer goods.

However, there are some sensitive goods which attract more than 25% duty rate. These include rice, wheat grain, maize, maize flour, jute bags, used clothing, khanga,

kitenge, kikoi, linen of cotton and sugar. The objective is to protect the local industries in the partner states. The Harmonized Tariff System is used to classify goods for tax purposes as well as for trade statistics compilation. To encourage trade within EAPS member states, imports from EAPS are generally charged duties at lower rates compared to imports from none EAPS member states.

2.2.2.2 Excise Duty on Imports

Excise duty is levied on certain consumer goods on importation. The traditionally excisable goods are goods whose consumption is seen by the society as immoral i.e. beer and cigarettes, and goods whose consumption creates negative externalities to the society i.e. petroleum. In Tanzania apart from the traditional excisable goods, soft drinks and motor vehicles are excisable for revenue generation purposes. Excise duty is charged on specific or ad-valorem rate, and the tax base for the ad-valorem rate is the C.I.F value plus the import duty. The applicable ad-valorem excise duty rates are:

(i) 10% rate applicable to saloons and station wagon motor vehicles with engine capacity in excess of 2000cc.

(ii) 30% rate on importation of consumer luxuries and cosmetics.

2.2.2.3 VAT on Imports

The tax is imposed on scheduled imports into the mainland Tanzania at a single positive rate of 18%. The taxable value for VAT on imports is the CIF value plus customs duty, excise duty and any other import tax applicable.

2.2.3 Import Tariffs in Zanzibar

Import tariffs in Zanzibar comprise three main duties charged on goods and services that are imported at the entry point (i.e. Sea port, Airport or Land port/ Border

crossing). The duties are *import duty* (which is charged in ad valorem/percent on the value of the goods or services), *Value Added Tax* – VAT on import- which is also charged in percentage wise; and ***excise duty*** which is charged on specific rate per item/ unit. The three duties are also sometimes known as the international taxes. These duties are administered by Tanzania Revenue Authority – TRA- as being under Union matters. Therefore, in this research the term Import tariffs revenue encompasses revenue from import duties, excise duties and VAT on import.

2.3 Theoretical Background

To identify the challenges that face the import tariffs revenue collection, many articles were visited and the challenges were analyzed. What was found is that, import tariffs is a major source of revenue for most of the developing countries. The source has not been stable and similarly its contribution to the government revenue as found by some writers (for example, IMF 2005, Paul Brenton, Mombert Hoppe and Erik von Uexkull 2007 and Nathan Associates Inc. 2000).

In most of the developing countries, it has been identified that apart from what has been explained as the economic growth, there is slow growth and declining of revenue from the import tariffs (IMF 2005, Paul Brenton, Mombert Hoppe and Erik von Uexkull 2005). Some of the factors identified to that slow growth or sometimes declining of the revenue from this source are Trade Liberalization Policy, World Trade Organization Agreement, Regional Integration and Tariffs Reduction Policy, Trade Protectionism and cumbersome trade procedures, and tax exemptions which are all explained here below.

2.3.1 Trade Liberalization Policy and Average Tariffs Rate

Since the mid-1980s, many developing countries embarked on Social Adjustment Programme (SAP) which, among other measures, promoted wide-ranging trade policy reforms. In spite of the accumulated experience from these "experiments", debate continues to rage in the literature with respect to various questions associated with the design, implementation and impact of trade policy reforms. In the context of this debate, trade liberalization has generally been treated as any or a combination of the following three: import liberalization, a move towards neutrality in the structure of relative prices, and the substitution of less distorting for more distorting forms of interventions (T. Ademola Oyejide 2004). Generally trade liberalization has two closely inter-related component parts, i.e., import liberalization and export promotion. The former has taken the lead in the reforms associated with the shift to an outward-oriented development strategy in many African countries which has effect to the revenue collection.

The main objective of trade liberalization is to reduce and later to eliminate tariffs, subsidies and import quotas where Weisbrot and Baker (2002) came to identify that the reduction or elimination of tariffs in developing countries due to trade liberalization, has reduced the revenue from the tariffs. Vito Tanzi and Howell Zee (2001) see that reducing import tariffs rates as part of an overall program of trade liberalization is a major policy challenge currently facing many developing countries. Two concerns should be carefully addressed. First, tariff reduction should not lead to unintended changes in the relative rates of effective protection across sectors. Second, nominal tariff reductions are likely to entail short-term revenue loss.

Baunsgaard and Keen (2005) said that low-income countries, and particularly the least developed countries (LDCs), frequently lack adequate administrative capacity and a well functioning domestic tax system. They tend to rely heavily on trade taxes as sources of government revenue. Lowering or eliminating tariffs on trade with regional partners, therefore, can constitute a significant risk to a country's fiscal position.

Busse and Grossmann (2004) state the following statement "For example, estimates of the prospective impact of the Economic Partnership Agreement between the European Union and the Economic Community of West African States (ECOWAS) indicate that some of the participating African countries could lose more than 20 percent of their government revenues as a result of preferential tariff reductions".

Joweria M. Teera (2004) find that, the African countries that made the fastest progress on trade liberalization over the last 10 years saw a significant decrease in revenues from international trade taxes. But in some, including Morocco, Ghana, Tunisia and Senegal, this did not translate into higher deficits. However, Ocampo *et al.,* (1998) illustrated that trade liberalization in developing countries embraces modest benefits but a large and regressive distribution effect, as well as a negative effect on prices and productivity growth. Bird, R.M. and Zolt, E.M., (2003) insisted that developing countries face a difficult task in designing and implementing suitable tax systems. In practice, countries have often relied heavily on taxes on international trade, but this tax base is also becoming increasingly hard to implement in the face of pressures for trade liberalization.

Walkenhorst, Peter (2006, pg 6-7), state that Central African Republic (CAR) continues to rely heavily on trade taxes to finance the government budget. In 2006, 55 per cent of all tax revenues were expected to relate to cross-border transactions. Trade-specific taxes, such as export taxes, import duties, petrol taxes, and customs charges, thereby account for two-thirds of trade tax revenue, while the remaining third is derived from general taxes collected at the border, such as VAT and excises. The overwhelming share of trade taxes is collected on imports. In 2005, about 55 per cent of all incoming shipments entered CAR under the general customs regime; but these imports accounted for 83 per cent of all import tax revenues.

William and Kwasi (2008, pg. 6), state that on an annual basis, significant progress has been made in tariff reforms since the mid 1990s, particularly with further lowering of the level of tariff rates. However, the collection rates have remained low. This could mean that despite the upsurge in imports, revenues collected from import duties have not improved to match increases in imports since the latter part of the 1990s. Growth in real imports over the adjustment period averaged 32.4 percent, which far exceeded the 17.7 percent average growth in duty revenue.

2.3.2 World Trade Organization Agreements

World Trade Organization Agreements also been identified to have impact on the revenue that comes from the import tariffs. De Córdoba and David Vanzetti (2005), analyze various proposals put forward during the WTO negotiations on Non-Agricultural Market Access (NAMA), using a general equilibrium model -Global Trade Analysis Project (GTAP). They point out the implications in terms of changes

in imports, exports, output, employment and welfare gains for various countries and regions.

De Córdoba and David Vanzetti (2005) continue to say that the NAMA negotiations is an opportunity to address tariff and non-tariff barriers, but the later package text on NAMA leaves considerable uncertainty about the future direction of the negotiations. For example; it is said that "An agreement to reduce NAMA barriers could lead to significant gains for developing countries in exports, employment and economic efficiency," De Córdoba and David Vanzetti (2005). The writers also said that, "However, as this study shows, these gains will come with short term adjustment costs such as loss of employment and output in import-competing sectors and loss of government revenue" (2005, page 3).

De Córdoba and David Vanzetti (2006) make use of different scenarios based on three different tariff-cutting proposals: a Swiss "harmonizing" formula, the "WTO proposal" (proposed by former NAMA group chairman Pierre-Louis Girard) and a capping formula (uniform reduction, with a cap on tariffs at three times the national average applied rate). Each proposal is then subjected to three levels of tariff reduction: ambitious, moderate and flexible De Córdoba and David Vanzetti (2006, page 3).

The analysis shows that (De Córdoba and Vanzetti, 2006) the generally modest overall results conceal important changes in individual sectors. Some countries will gain in key sectors, but in other countries, some sectors will face important

adjustments. *"Moreover, the estimated tariff revenue losses could have a strong negative impact on government revenues in a number of countries,"* (De Córdoba and Vanzetti, 2006, pg. 4). De Córdoba and David Vanzetti (2005) continue to say that the most ambitious (Swiss) scenario modeled here results in a global reduction in tariff revenues of 50 per cent (see Table 4). In each case, the harmonizing Swiss formula leads to greater losses in revenue than the alternative WTO or linear Capped approaches. This applies at the three levels of ambition, and the pattern tends to hold across all regions, De Córdoba and David Vanzetti (2005, page. 29 - 30).

De Córdoba and David Vanzetti (2005) clearly conclude that the large falls are more significant in developing countries that are more dependent on tariffs as a source of revenue. The lowest income developing countries tend to have greatest dependence on tariffs as a source of revenue, De Córdoba and David Vanzetti (2005, page 31). Therefore, according to analysis made by De Córdoba and David Vanzetti (2005) through the general model with three scenario (Swiss scenario, WTO and linear Capped approaches) shows that Least Developing Countries has large falls of revenue because of more dependence of tariffs revenue.

Peter Walkenhorst (2006 pg. 310) said "For countries that have weak domestic tax administrations and rely heavily on trade taxes for government finances, lowering or eliminating tariffs on trade with regional partners can pose a significant fiscal risk." Sam Laird, Vanzetti and de Córdoba (2006, pg 7) say, the World Bank data indicate that the contribution of tariff revenues to total government revenues ranges greatly from virtually nothing in the European Union to over 76 per cent in Guinea.

Table 2.1: Initial and charge in tariff revenue under alternative scenarios

		Swiss			WTO			Capped		
	Revenue	Ambitious	Moderate	Flexible	Ambitious	Moderate	Flexible	Ambitious	Moderate	Flexible
Country	*$billion*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*%*
EU	27.1	-58	-58	-33	-56	-61	-50	-53	-53	-32
United State	20	-79	-79	-49	-79	-83	-72	-78	-77	-46
Japan	17.1	-45	-46	-30	-46	-48	-42	-44	-44	-24
Canada	3	-58	-58	-39	-55	-60	-52	-53	-53	-34
Rest of OECD	8	-47	-47	-28	-34	-41	-30	-33	-33	-13
High-income Asia	17.7	-55	-37	-30	-58	-31	-29	-53	-33	-30
China,including Hong Kong	32.5	-79	-70	-65	-81	-64	-61	-77	-67	-62
India	12.9	-61	-44	-30	-44	-7	-5	-40	-11	-8
Brazil	5.6	-56	-31	-13	-43	0	1	-39	-2	0
Mexico	6.8	-50	-26	-11	-39	-8	-7	-37	-8	-7
Bangladesh	1.7	1	1	1	1	2	2	1	2	1
Philippines	1.2	-32	-2	-1	-27	1	1	-23	1	-1
Malawi	0.1	5	5	3	5	3	2	5	2	2
Zambia	0.1	0	0	0	1	0	0	1	0	0
Bulgaria	0.5	-41	-22	-12	-34	-5	-4	-28	-6	-4
Rest of South Asia	2.5	-38	-20	-9	-18	3	2	-8	2	0
South-East Asia	14	-37	-14	-9	-33	-2	-2	-21	-4	-4
Central America and Carribean	3.6	-23	-8	-1	-19	3	3	-19	2	1
Andean Pact	4.8	-42	-26	-10	-29	-1	-1	-25	-2	-1
Argentina, Chile and Uruguay	3.3	-40	-19	-6	-29	0	1	-26	0	1
Middle East and North Africa	22	-32	-24	-16	-24	-5	-4	-20	-7	-5
Sub-Saharan Africa	10.6	-16	-8	-5	-16	-3	-2	-13	-2	-2
All other regions	15.2	-19	-10	-6	-17	-3	-3	-15	-4	-3
Developing countries	142.7	-44	-30	-23	-38	-15	-14	-34	-17	-15
World	230.2	-50	-40	-27	-45	-30	-27	-42	-30	-21

Source: GTAP database and simulations

Less extreme examples are Cameroon and India, where tariff revenues represent some 28 and 18 per cent of government revenues, respectively. Ten countries collect more than half their revenues from tariffs and 43 countries collect more than a quarter. In OECD countries, tariff revenues represent on average 1 per cent or less.

Tariff revenues are the product of tariffs and imports (Sam Laird, Vanzetti and de Córdoba 2006). Within the non-agricultural sector, that is excluding primary and processed agriculture and services, revenues amount to $171 billion. The major sectors contributing to global distortions are textiles and wearing apparel ($37 billion), motor vehicles ($21 billion), manufactured metal products ($32 billion) and chemicals, rubber and plastics ($22 billion). About half the revenue ($83 billion) in the non-agricultural sector is collected in developing countries. The European Union, Japan and the United States collect duties of $28 billion, $22 billion and $21 billion respectively, (Sam Laird, Vanzetti and de Córdoba 2006, pg 14).

According to Azharia, Salih and Marc MullerIn in the CGE model (2005, pg 8-9), the performed simulations for Sudan included reduction of import tariffs and activity tax by 50 percent and 100 percent. This complied with the World Trade Organization (WTO) regulations to reform tax policy. One critical tax policy issue in developing countries is the revenue implications of the tariff reduction given its high share in the public revenue. Given this situation, it would be imperative to look for alternatives for compensation of such budget revenue reduction. An increase in the direct tax was seen as a second best approach. As such, the model opted for estimating the expected increase in the direct taxes for offsetting the effect of the reduction of tariff revenue

to prevent deterioration of government revenue and of the balance of payment, Azharia cited by (Devarajan *et al.,* 1994). In the same text it is said that in 2000, Sudan import tariff and activity tax represented 24 percent and 16 percent of the total government income respectively. Reduction of import tariff and activity tax reduces government savings, which would negatively affect total investment.

2.3.3 Regional Integration and Tariffs Rate Reduction

During the late 60's and early 80's there emerged the formation of economic regional bodies termed as Regional Integration such as ASEAN for Asian countries and NAFTA for North American countries. This integration has not been formulated in Asia, North America and South America only but even in Africa they follow the fashion. In Africa emerged bodies like COMESA which is a Common Market for Eastern and Southern Africa, ECOWAS for West African Countries, SADCC and later on SADC for Southern African countries, the East Africa Community (EAC) which collapsed in 1977 and re-introduced in 1998 bringing back Kenya, United Republic of Tanzania and Uganda. Currently Rwanda and Burundi have joined mainly for economic purposes.

According to Goldstein and Ndung'u (2001 pg. 20) the aims of formulating these organization are first the establishment of a customs union, then the creation of a common market, subsequently a monetary union, and ultimately a political federation among the member states. Achieving these goals is predicated on progress in policy harmonization, macroeconomic stability, and development of infrastructure. The hope is that co-operation in these areas will open up investment and trade opportunities for local producers to enjoy economies of scale. Among the

agreement for this body to work properly is to establish Common External Tariffs (CET) for all member states.

The expected benefits from regional integration must be weighed against the costs stemming from the loss of tariff revenues. The delays accumulated so far largely result from differences in the economic development and industrialization, the success obtained in reaching macroeconomic stability and the varying degree of dependence on trade taxes. To compound these challenges, the political commitment to surrender national sovereignty when regional decisions are perceived to go against national interests has been limited. The dilemma has come up in the case of the loss in fiscal revenue, the risk of incurring trade deficits, and the removal of protection to infant industries.

Goldstein and Ndung'u (2001 pg. 21) quoted the speech of President Benjamin Mkapa of URT which state that "While I was undertaking reforms [in the tariff structure], government depended very heavily on imports for its revenues. If, suddenly, you tell me these have to go, where do I get a substitute source of revenue? We [the EAC members] may have had a common vision, but our starting points were different and we did not consult enough".

They continue to say (pg. 23 -24, table 9-11), although differences in tax classification make it difficult to reach a firm conclusion, Kenya relies more on import duties and value added/sales taxes on imports than the other countries. Kenya's tax effort in relation to economic activity is also higher. The case of Uganda — where trade taxes were trimmed from 42.2 per cent of total revenue in 1991-92 to

10.2 per cent in 1996-97 — illustrates a dramatic transition. Meanwhile, in Kenya, the trend is towards a stronger dependence on trade duties, whose share in total receipts has risen from 8.6 per cent in 1991-92 to 15.3 per cent in 1996-97. In addition to import duties, Tanzania introduced a 20 per cent VAT in 1997, but more than a quarter of total revenue still comes from international trade taxes. Reducing or eliminating VAT exemptions would help bring down trade taxes substantially.

M.A. Consulting Group (2007, pg. 21) state that when the EAC customs union regime was being negotiated, there was a general concern that it would lead to substantial revenues losses in most Partner States. It is now evident that the customs union had no negative impact on total tax revenues. Whereas there were initial cases of customs revenue losses, there have been revenue increases in all sources and in all the countries. Excise duties are major source of revenues for the member states, but have a potential to distort regional trade. The charges on some items often differ country by country and specification; for example cigarettes are charged on the basis of brand, length or local content. Under these circumstances the taxes tend to act as non-tariff barriers and distort tax regimes. This problem is recognized in the Community and the 11th Meeting of the Council of Ministers urged the Partner States to expedite the constitution of a task force of experts to harmonize the excise duty structures. It is important that this decision of the Council should be carried out without delay.

Lucio Castro, Kraus, De La Rocha (2004, pg 13) is of the opinion that Customs revenue is still significant but declining. The contribution of customs revenue to total revenue is around 10 percent. Tariff duties and VAT on imports are the most

important customs revenue source. In Kenya and Tanzania, suspended duties contribute minimally to customs revenue; excises are important, particularly in Kenya, (IMF country reports 2003).

Williamson (2003) noted that Ludwig Kuchne, who was a Prussian civil servant, wrote an essay showing *how net revenues are proportional to the area of the country imposing the tariffs*. Indeed the ratio of the boarder length to area correlates very well with the actual ratio of administrative cost to custom revenues. When a kernel regression is estimated implies that countries has to be larger than 2500 square miles in area to bring in positive revenues from tariffs, and had to be larger than 7500 square miles before net revenues were significant. For countries which have less than 2500 square miles, their revenues from import tariffs tend to be twisted with the slow growth characteristics, Williamson (2003, page 32 – 33).

Baunsgaard and Keen (2005, pg 305), said that low-income countries, and particularly the least developed countries (LDCs), frequently lack adequate administrative capacity and a well functioning domestic tax system. They tend to rely heavily on trade taxes as sources of government revenue lowering or eliminating tariffs on trade with regional partners therefore, can constitute a significant risk to a country's fiscal position. They give an example, of estimates of the prospective impact of the Economic Partnership Agreement between the European Union and the Economic Community of West African States (ECOWAS) indicating that some of the participating African countries could lose more than 20 percent of their government revenues as a result of preferential tariff reductions (Busse and Grossmann 2004).

Hoekman *et al* (2004) estimate the effect on world prices of a 50% reduction in tariffs for a sample of 267 commodities. The estimated world price effects are then used to estimate the impact on imports and welfare for 144 countries. The authors find that least developed countries (mostly SSA) actually experience a welfare loss if all WTO members reduce tariffs.

According to IMF paper (2005) trade tax revenue typically constitutes between one-quarter and one-third of total tax revenue in low- and middle-income countries, and only a negligible share in high income countries. Over the past 20 years, trade liberalization has been associated with a marked decline in trade tax revenue relative to GDP, in both developing and developed countries, and in all regions. The reduction is quite marked: amongst middle-income countries, for instance, trade tax revenues as a share of GDP fell by about one-third. This development is closely linked to an overall trend towards trade liberalization—proxies, for example, by a decline in collected import tariff rates—in all regions and income groups, particularly between the mid 1980s and the mid 1990s. The collected tariff rate has almost halved in all three income groups since the mid-1980s, with the largest absolute decline in the low income group. Collected tariff rates also fell in all geographic regions over this period, with the sharpest absolute declines in Asia and Sub-Saharan Africa (IMF paper (2005, pg 3-4).

The paper continue to explain that there are signs in these broad group averages that some poorer countries have been unable (or unwilling) to recover lost trade tax revenues through strengthened domestic taxation. Amongst low-income countries, total tax revenues as a percent of GDP have on average declined in parallel with

trade tax revenues. Middle income countries, on the other hand, have managed to maintain total tax revenues broadly unchanged, while in high income countries they have increased.

Khorana, Kimbugwe and Perdikis (2007) state that there is, however, negative total customs revenue effect; its total magnitude is US$ 8.12 million. But this is marginal, given that it consists of a small share of the total Ugandan trade. The main reason for revenue losses is that Uganda is a member of COMESA, IGAD and the AU, and since the preferential tariffs under each of these regional agreements are different, the importers are free to choose to import products under any regime. As a result, the Ugandan importers mostly declare their imports under the COMESA because the notified COMESA tariffs are lower than the EAC (Khorana, Kimbugwe and Perdikis (2007, pg. 15 – 16).

Khorana, Kimbugwe and Perdikis continue to say, this leads to customs fraud and revenue losses. In the long term, the revenue losses can be compensated by lowering tariffs under the different tariff regimes together with an eventual harmonization of the customs procedures across the various RIAs. This will also address the problem of informal trade, which is an important drawback of the present regime leading to revenue losses for the Ugandan government.

Products with the largest net trade effect are agricultural products; agro processed products; building materials; detergents; paper; tobacco; iron and steel; and, plastics. The tariff reduction simulations on a product category basis show that the highest net trade effect is in building materials (73.1 %) followed by agricultural products (9.1

%) and detergents (5.6 %). These product groups, therefore, comprise 87.8 % of the total net trade effect of all B product categories imported by Uganda under the EAC protocol from Kenya. The welfare and revenue losses are also the highest for these product groups" (Khorana, Kimbugwe and Perdikis, 2007, page 16).

Table 2.2: An overview of the total net trade and welfare effects of the phased Tariff Cuts (2005 - 2009)

Scenario II (US$)					
Product group	**Trade creation**	**Trade diversion**	**Trade effect**	**Welfare effect**	**Revenue effect**
Agricultural products	1,782,813.00	(367,912.00)	1,414,901.00	(121,148.00)	(1,396,435.00)
Manufactured food product	366,551.00	(194,383.00)	172,168.00	(23,678.00)	(268,077.00)
Tobacco products	513,104.00	(36,608.00)	476,496.00	(6,067.00)	(114,737.00)
Building materials	11,378,422.00	(35,183.00)	11,343,239.00	(411,473.00)	(4,184,511.00)
Detergent products	1,263,345.00	(391,890.00)	871,455.00	(78,192.00)	(904,558.00)
Plastic products	413,501.00	(251,470.00)	162,031.00	(21,743.00)	(389,325.00)
Wood products	171,759.00	(54,322.00)	117,437.00	(5,295.00)	(98,011.00)
Paper products	511,306.00	(32,663.00)	478,643.00	(29,976.00)	(330,280.00)
Textiles sectors	83,245.00	(61,100.00)	22,145.00	1,030.00	(50,887.00)
Textile manufactured prod	65,861.00	(58,675.00)	7,187.00	(4,684.00)	(65,752.00)
Iron and steel sector	742,911.00	(300,492.00)	442,419.00	(33,635.00)	(457,117.00)
Other manufactured produ	141,526.00	(125,145.00)	16,380.00	(4,213.00)	(134,229.00)
Total for all sectors	***17,434,343.00***	***1,909,843.00***	***15,524,501.00***	***(715,394.00)***	***(8,125,842.00)***

Source: **An assessment of the Trade and Welfare Effects for Uganda 2007, pg 16**

During the 1990's many individual developing countries have undertaken strong trade policy reforms that left them with low average tariffs. Rajapatirana (2000) in his empirical report "*The Economic Analysis of Tariffs Reforms in Egypt*" identify that most of the Developing Countries (DC's) have reduced their tariffs as one step towards the complete trade reforms. He mentioned some of the third world countries with their tariffs rates as Argentina which has an average tariff of 13.5 percent, Bolivia 5.8 percent, Chile 11percent, Malaysia 9.4 percent and Srilanka 12.5 percent.

But he also came to identify that many of the Egypt's neighbors have higher tariffs than Egypt. For example Tunisia has an average tariff of 33.6 percent while Morocco has an average tariff of 25% (based on a calendar-year average of the CIF. In fact the average tariff level for all IMF member countries is 14 percent (including both developed and developing countries). This low average tariff left these countries with small amount of revenue which directly come from the tariffs. The low average tariffs contributed much to the low growth of government revenue especially from imports goods.

A study by Oussama Kanaan (2000, pg 31) shows that contracting international trade eroded revenue and significantly changed its structure, with the share of import duties in total budgetary revenue falling to 11 percent in fiscal year 1979/80 (July 1979–June 1980) from 22 percent in 1969/70. The government was becoming increasingly dependent for revenues on transfers from public enterprises, whose profitability was being undermined by import shortages and rising operating costs.

Oussama Kanaan continues to say that while the tax ratio was gradually being eroded, trade taxes came to account for an increasing proportion of tax revenue. The liberalization of the trade and exchange system caused imports, and thus customs duties, to grow rapidly while revenue from domestic taxes—in particular from sales and income taxes—was shrinking.

Both the erosion of the total tax ratio and the increased weight of trade taxes in total revenue led the Tanzanian authorities to delay further reductions in tariff rates until

measures were put in place that improved tax and customs administration, reduced the scope of exemptions, and broadened the domestic tax base. Still, it is clear in retrospect that Tanzania has come a long way in liberalizing its trade regime over the past two decades, as reflected by the decline of its IMF trade restrictiveness index rating to 6 (moderate) from 10 (restrictive).

Meredith A. McIntyre (2005, pg 18), state that the "customs union is expected to result in revenue losses. The SMART simulations estimated that the full implementation of the EAC CET in Kenya would result in customs revenue losses of US$113.3 million. An earlier analysis by the World Bank (2003) estimated the revenue losses from the proposed three-band structure (0, 10, and 25) of approximately US$150 million for Kenya. The empirical evidence thus suggests there will be short-run revenue losses from the full implementation of the EAC customs union and policymakers have to design policy responses to recoup revenue losses. World Bank (2003) estimated that in Kenya customs exemptions amount to 22 percent of potential customs revenue, so to compensate for revenue losses, policymakers could streamline exemptions, widening the tax base and increasing revenues".

Laird, Vanzetti, and de Córdoba (2006 Pg 7), said that many developing countries are concerned that trade liberalization will have a significant adverse impact on government revenues because tariff revenues represent substantial contribution to public revenue. They continue to say that World Bank data indicate that the contribution of tariff revenues to total government revenues ranges greatly from virtually nothing in the European Union to over 76 per cent in Guinea cited by

(World Bank, 2003). Less extreme examples are Cameroon and India, where tariff revenues represent some 28 and 18 per cent of government revenues, respectively. Ten countries collect more than half their revenues from tariffs and 43 countries collect more than a quarter. In OECD countries, tariff revenues represent on average 1 per cent or less.

2.3.4 Trade Protectionism and Cumbersome Trade Procedures

Another significant feature of tariffs in trade is protectionism and cumbersome trade procedures. ***Trade Protectionism*** is the way that Government sets a policy for importation of the same goods that are produced in the country for the purpose of protecting domestic industry from foreign competition.

The Government set high tariffs rates for goods that restrict to enter into the country for the sake of protecting domestic industry which produce the same imported goods. *Cumbersome Trade Procedures* are the procedures that are adopted by the Government to discourage the importation of goods and services in the country. The Government sets the Non Tariffs Barriers (NTB's) for goods and services imported from outside the country. These NTB's are congestion at the port, customs and administrative procedures, cumbersome inspection requirements and police road blocks. These two mechanisms have direct effect to the trade volume or import value of the trade which results to the less revenue from the import tariffs.

Rajapatirana (2000) empirical report on tariffs reforms in Egypt noted that "tariffication of quantitative restriction has led to the higher tariffs rate but low revenue collection from the import duties" (pg 10). For the case of Egypt, the

empirical report stated that, these higher tariffs rates are above the maximum bound rate agreed with the WTO of 40 percent. For example tobacco, textiles and some motor vehicle with engine capacity larger than 1300cc carry tariff rates ranging from 54 percent to 100 percent. Alcoholic beverages are taxed at inordinately high rates ranging from 1200% on beer to 3000% on spirit for religious and social reasons.

Hellqvist (2002, pg 13) said that the complexity of international trade procedures makes it, however, very difficult to put exact figures on the monetary gains of trade facilitation. Various estimations have calculated the cost of cumbersome trade procedures to range between 2.5 - 15 percent of the value of traded goods. He continues to say that cost calculations above 10 percent must, however, be regarded as somewhat questionable. A rough calculation of the lower estimation (2.5 percent) on the value of global trade would result in a cost of approximately US$ 325,000,000,000. This amount gives a clear indication of the magnitude of the possible lost of trade to the importers. It is not possible to simply convert these costs *per se* into lost. Still, with modest claims from the importers on the costs, genuine importers or big importers find alternative place where the cost would be minimized. This will automatically affect the trade value of the destination.

Cumbersome trade procedures cannot only be measured in terms of money cost but also in other ways. Hellqvist (2002, pg 18) identified the following effects of cumbersome trade procedures: lack of transparency and predictability, time consuming, decrease business opportunities, distort customer value, distort the security of the trade, and decrease the money value of the importers by decreasing the profit margin.

Rajapatirana (2000) empirical report concludes that the cumulative effect of different standards is that of a non-tariffs barriers that can be expressed as a tariff equivalent. The delay in clearance of imported goods from customs according to Rajapatirana (2000) entails demurrage costs and finance charges to the importer. These belong to the class of restrictions that have been described as "Para-tariffs". They nevertheless have the protective effects as tariffs in the importation of goods which have direct effect on the revenue collected from importation.

Ahmad and Stern (1991) conducted an empirical study in Pakistan on the effectiveness and efficiency of tariffs. They come to realize that the scope of import revenue collection is quite circumscribed, not only by the items on the prohibited list, but also by the quotas and the duty free items that are permitted. The consequences of this pattern of prohibition, quotas and duty free items is that the number of goods which yield import revenues is limited and the level of statutory tariffs is higher that it might otherwise be and reduce both the amount of goods imported as well as the revenues from the import goods. They said that given the pattern of import in Pakistan, it is not a surprise that the major revenue earners are commodities in the raw materials and intermediate goods sectors.

Ahmad and Stern (1991) explained in their empirical study report that among the major arguments for declining of revenue from customs duties *is administrative and protective mechanisms* as identified by others in the previous pages of this research proposal. The protective argument should be subjected to very scrutiny, as to why industry in question is likely to show greater learning by doing than others. There is

no doubt that administrative consideration painting towards stem and has effect to the revenues collected from import tariffs.

Corzine (2008, pg 4) state that developing countries use import tariff escalation as a means of protecting their own agricultural processing industries. Most developing countries throughout Africa, Asia and Central and South America use some type of import tariff to protect their main staples (WTO, 2008). Jeniffer Mmasi and Simon Ihiga (2007, pg. 23) state that during the 2005/06 EAC and 2004 SADC NTBs consultations, it was found out that a number of NTBs exist which directly affect imports into Tanzania. Current (2007) consultations indicate that most of these NTBs still exist. The only area where progress has been made is on customs documentation through introduction of ASYCUDA++ at Dar es Salaam Port. However the problem still exists in other entry border points.

NTBs categorize imports under on the following clusters:

(a) Customs and administrative documentation procedures

Examples of NTBs under this cluster include varying systems for imports declaration and payment of applicable duty rates at entry points, limited customs working hours, and cumbersome inspection procedures used by TRISCAN18.

(b) Cumbersome inspection requirements

Various NTBs experienced under this cluster include repeated and long inspection queues during inspection of Gross Vehicle Mass and axle loads, faulty weighing equipment at some stations, cumbersome and costly quality inspection procedures.

(c) Police road blocks

While this is not cited as a very serious obstacle to cross-border EAC and SADC trade currently, police officers still stop commercial vehicles at various inter-country road blocks and at border crossings even where there is no proof that goods being transported are of suspicious nature (for example smuggled goods and drugs, etc).

(d) Congestion at Dar es Salaam Port

The use of old equipment like cranes used to offload cargo from delivery vessels has led to serious clogging at the port, lack of warehousing space, slow turnaround time of the vessels and consequently to exorbitant charges for deliveries to Dar es Salaam port and demurrage charges on cargo.

2.3.5 Tax Exemptions

Exemptions constitute one revenue expenditure area that not only erodes the taxable base of a tax system but also attracts abuse and generates avenues for tax evasion. Beneficiaries of exemption in Zanzibar are covered under the main tax laws, Investment Promotion Act, Export Processing Zones Act and the Free Ports Area. Judica Tarimo (September, 2010 on *The Guardian*), noted politicians said on tax exemptions that Government experts and mining company representatives are engaged in negotiations aimed at removing tax exemptions on imported fuel for the firms' operations in the country.

The Deputy Minister of Finance and Economic Affairs, Omar Yusuf Mzee disclosed that the negotiations started three months ago, but could not state when they would be concluded.

"The idea is to ensure that mining companies pay taxes on imported fuel like other people. And this is because factors that forced the government and mining companies to agree on tax exemptions on imported fuel no longer exist," said Mzee. Tax exemptions and relief have become increasingly contentious in Tanzania, with politicians criticizing it as occasioning losses amounting to billions of shillings in government revenue.

In a recent interview with this paper, Chadema presidential candidate, Dr Willbrod Slaa said the government was losing about 700bn/- monthly through tax exemptions. Dr. Haji Semboja of the University of Dar es Salaam (UDSM), commenting on tax exemptions in an interview with this paper recently, pointed out that one loophole draining billions in government revenues was tax exemption on imported fuel for mining companies.

Vito Tanzi and Howell Zee (2001) make it clear that, granting tax exemption is the one form of tax incentives to promote investment around the world, evidence suggests that their effectiveness in attracting incremental investments—above and beyond the level that would have been reached had no incentives been granted—is often questionable. As tax exemption can be abused by existing enterprises disguised as new ones through nominal reorganization, their revenue costs can be high.

Peter Walkenhorst (2006, 7) said, the overwhelming share of trade taxes is collected on imports. In 2005, about 55 per cent of all incoming shipments entered CAR under the general customs regime, but these imports accounted for 83 per cent of all import tax revenues. In contrast, special trade regimes that offered exemptions under

regional trade agreements, conventions and bilateral treaties, or other special arrangements provided merely 17 per cent of revenues, although they accounted for 45 per cent of imports. Hence, the existing exemptions led to a considerable loss of fiscal revenue. He continue to say, if all imports under special regimes would have generated the same fiscal yield as the average of imports under the general customs regime (i.e. 40.5 per cent), import tax receipts would have been 50 per cent higher. Alternatively, without exemptions, the same revenue could have been raised with border taxes that are a third lower than those actually in effect. These static calculations of lost revenue due to exemptions do not take the incentive effects of border taxes on trade flows into account.

Brenton, Hoppe and von Uexkull (2007, pg 8) said that Mauritius embarked in 2006 on the ambitious objective of becoming a duty free island by 2009. However, Mauritius had already implemented substantial reform of statutory tariff rates over the previous 6 years. The unweighted average tariff fell from more than 19 percent in 2000 to around 7 percent in 2005 (the weighted average tariff declined from almost 13 to just over 6 percent). However, these statutory rates mask the true level of protection due to the extensive granting of exemptions. Actual customs duties collected as a proportion of the value of imports amounted to 6 percent in 2000 and had fallen to 3.6 percent in 2006. In 2000 and each year through 2004 the value of customs duty exempted exceeded the amount collected. In 2000 the value of duty exemptions was 7.4 percent of the value of imports. The impact of the reform of tariffs has been primarily to diminish the value of these exemptions. Nevertheless, in 2005 exempted customs duties still amounted to 2.5 percent of the value of imports.

They also continue to say that excise duties now contribute more revenue than tariffs. The key excises are those on alcoholic products and tobacco, fuel and motor vehicles. The value of exemptions of excise duty is small relative to tariff exemptions, being about half in 2005. Nevertheless, the excise duty exemptions are highly concentrated with 72 percent relating to vehicles (duty exemptions for civil servants account for almost half of the vehicle duty exemptions).

The main source of revenue from imports is now the VAT, which accounts for over a half of revenues from trade compared, with around one third in 2000. This reflects both the increasing value of imports and increases in the rate of VAT from 10 to 15 percent (in two steps). Exemptions from VAT are also substantial, being around one third of the VAT actually collected on imports. There are also a number of products that are zero-rated for VAT (Source: calculation based on Information from Mauritius Customs).

William and Kwasi (2008, pg 39), said that in developing countries, tariff exemptions usually apply to state organizations, any organization linked to aid projects, international organizations, diplomatic groups, and expenditures financed by project aid. In most cases, exemptions are discretionary. As such their scope tends to increase over time. Exemptions make up a very important source of revenue loss. Consequently, trade reforms that reduce exemptions tend to increase revenue collections.

William and Kwasi (2008, pg 5 – 6) continue to say that the possible cause for the decline in the effective rate is the widespread use of exemptions despite substantial

growth in the total value of imports. Growth in imports is partially attributed to the removal of most direct quantitative restrictions on imports. Notably, the import licensing system was abolished in 1989, but the widespread use of exemptions created a gap in the government's tax base, both directly through legitimate imports of exempted goods and indirectly through the misuse of the exemptions offered. Available data indicate that total exempt imports constituted close to 40.1% of total imports in 1998. A little over 50% of such goods were exempted on the basis of the third schedule of the Customs and Excise Act, whilst the rest were exempt because of clearance through bonded warehouses and free zones (WTO, 2001).

They continue to say that on an annual basis, significant progress has been made in tariff reforms since the mid 1990s, particularly with further lowering of the level of tariff rates. However, the collection rates have remained low. This could mean that despite the upsurge in imports, revenues collected from import duties have not improved to match increases in imports since the latter part of the 1990s. Revenue leakages from duty evasion and wide use of exemptions could be a major cause of the low effective collection rates for some years.

Oussama Kanaan (2000, pg. 32) said that the erosion of the tax-to-GDP ratio could have been if the shift in income from the public sphere to farmers, small enterprises, and the informal sector had been accompanied by adequate improvements in tax and customs administration and by reductions in the scope of exemptions.

2.4 Conclusion

In this chapter different documents and publications have been reviewed that define and explain the import tariffs revenue and challenges that face collection. The review

shows that an import tariff is one among the sources of revenue of the government. The government uses this source of income sustenance and implementing socio-economic development programmes. Import tariffs face a major challenge of exemption. Tax exemption erodes the import tariffs revenue which reduces government's ability to undertake socio-economic programs. In Tanzania, tax exemption is also the major challenge that faces import tariffs revenue collection.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

The research on Challenges that Face Import Tariffs Revenue Collection in Zanzibar was conducted by using questionnaires. The process involved establishment of the scope and coverage of the study, institutional arrangements and annual reports from different institutions.

3.2 Research Design

Based on this study, both qualitative and quantitative approaches are used so as to get in-depth investigation and analysis as well as descriptive statistics. A quantitative approach is mostly used to gather data in a large sample while qualitative can be used in a small sample whereby an in- depth of study can be obtained through interview, observation, focus group and other instruments. In this study qualitative method of data collection is considered more subjective in understanding matters while quantitative approach is objective as argued by Ghauri and Grönhaug (2002).

However, some of the researchers argued that both quantitative and qualitative methods can be used in the data collection because they increase the value and justification of the research. Qualitative data will enable the researcher to gather data which focus on participants' attitudes and perceptions whilst quantitative data collection can be used to measure its frequencies (Cooper and Schindler, 2008). Hence both methods (quantitative and qualitative) were applied in this study.

3.3 Population and Sampling

The population of this study included business persons especially importers and clearing and forwarding agents, and officials from Zanzibar Revenue Board (ZRB) and Tanzania Revenue Authority (TRA). The sampling technique that was used for importers and clearing and forwarding agents is based on the registered and frequently visit to TRA, and for TRA and ZRB officials based on their duties assigned. Table no. 3.1 show the population and sample size.

Table 3.1: Population and sample size

Response	Population	Targeted	Rate (%)
Tanzania Revenue Board	160	80	50%
Zanzibar Revenue Board	130	55	42%
Clearing and forwarding agents and importers	110	70	63.64%
Total	**400**	**205**	**51.25**

Source: **Base on TRA and ZRB document**

3.4 Institutional Arrangements

The study covered mainly two institutions namely: the Zanzibar Revenue Board (ZRB) and Tanzania Revenue Authority (TRA). The reasons of involving these institutions were to obtain accurate data and information and sharing of experience for the collection of revenue. The second reason is that these are the only revenue authorities in Zanzibar and hence information obtained therein is official and within the law.

3.5 Annual Reports from different Institutions

Identification of the trend of import tariffs revenue collection for the study was based on the annual report from Zanzibar Revenue Board (ZRB), Tanzania Revenue

Authority (TRA), Ministry of Finance and Economic Affairs (MOFEA), Office of Chief Government Statistician (OCGS) and Bank of Tanzania (BOT). Main data collected from these reports are: annual collection, sources of revenue and reasons for increase and decrease of the collection. Several problems were encountered in the course of obtaining these reports for the study including timely delivery, availability of right people for consultations and some level of confidentiality that had to be maintained.

3.6 The Questionnaires

Two different sets of questionnaires were designed and distributed to institutions and business companies covered in the study. The first questionnaire was for the staffs of Tanzania Revenue Authority (TRA) and Zanzibar Revenue Board (ZRB). Questionnaires were directed to assist in the analysis of the increasing and decreasing of import tariffs revenue. The second questionnaire was for the Clearing and Forwarding Agents and Importers for the analysis of importation of goods and payment of duties.

3.7 Administration of the Questionnaires

Due to easy geographical proximity of the registered importers and clearing and forwarding agents who frequently visit TRA offices in Zanzibar, some questionnaires were physically handed over and some were left to TRA offices, for distribution. All questionnaires for the TRA and ZRB staffs were distributed to their relevant head offices.

3.8 Data Processing and Management

Software Development

For this study SPSS 16.0 (Statistical Package for Social Science version 16.0) was used to process data. During the research process 205 questionnaires were distributed to the targeted respondents (TRA officers, ZRB officers, clearing and forwarding agents and Importers). Only 150 questionnaires were received, about 73% of total targeted respondents. This result indicated a high response rate which indicates reliability of the study findings. Response rate of the research is shown in **Table number 3.2** below.

Table 3.2: Distribution of Questionnaires

Respondent	**Targeted respondent**	**Number of received questionnaire**	**Response rate (%)**
Tanzania Revenue Authority	80	75	96
Zanzibar Revenue Board	55	35	64
Importer and Clearing and forwarding agent	70	40	57
Total	**205**	**150**	**73**

Source: Base on the Researcher

Only 150 questionnaires out of 205 were received, about 73% of total targeted respondents. This is a substantive result which helps the researcher to analyze and infer a good recommendation. As we know that TRA, ZRB, clearing and forwarding agents and importers are the key sources deals with the tariffs revenue.

CHAPTER FOUR

4.0 FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of this study based on the analysis of the collected primary as well as secondary data and information. In the chapter a discussion will also be included whereby a comparison between study findings and other similar studies will be done.

4.2 The Trend that Characterized the Import Tariff Revenue in Zanzibar

The import tariffs revenue in Zanzibar is generally characterized by fluctuations from year to year. There is irregular increase or decrease trend in import tariffs revenue even for a period between three consecutive years as indicated in the Table 4.1.

Table 4.1: Total Import Tariffs Revenue Collection ('000" Tzs) 2005 – 2009

Year	**2004/2005**	**2005/2006**	**2006/2007**	**2007/2008**	**2008/2009**
Revenue	11,854,961	11,401,955	17,166,873	22,134,198	28,982,925

Source: **TRA and BOT 2009**

Table 4.1 shows total import tariffs revenue collection in Zanzibar for the period 2005 – 2009. As it can be seen from the table that in the mentioned period the revenue collection increased from Tzs. 11,854,961,000 in 2004/2005 to Tzs. 28,982,925,000 in 2008/2009, which is more than twice. However, the increase was not gradually from year to year since some of the years recorded less revenue than the reference year (2004/2005). To observe this clearly, percentage increase in the revenue from year to year was computed and presented in Table 4.2.

Table 4.2: Percentage Change in Total Import Tariff Revenue Collection 2005 - 2009

Year	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009
%tage change of import tariff revenue	-12.97	-3.82	50.56	28.94	30.94

Source: **Computed by researcher from TRA documents (2009)**

Table 4.2 makes it clear the trend of increase in total import tariffs revenue collection. As said earlier that the trend is not gradual and is generally characterized by fluctuations from year to year; see Figure 4.1 for further illustrations.

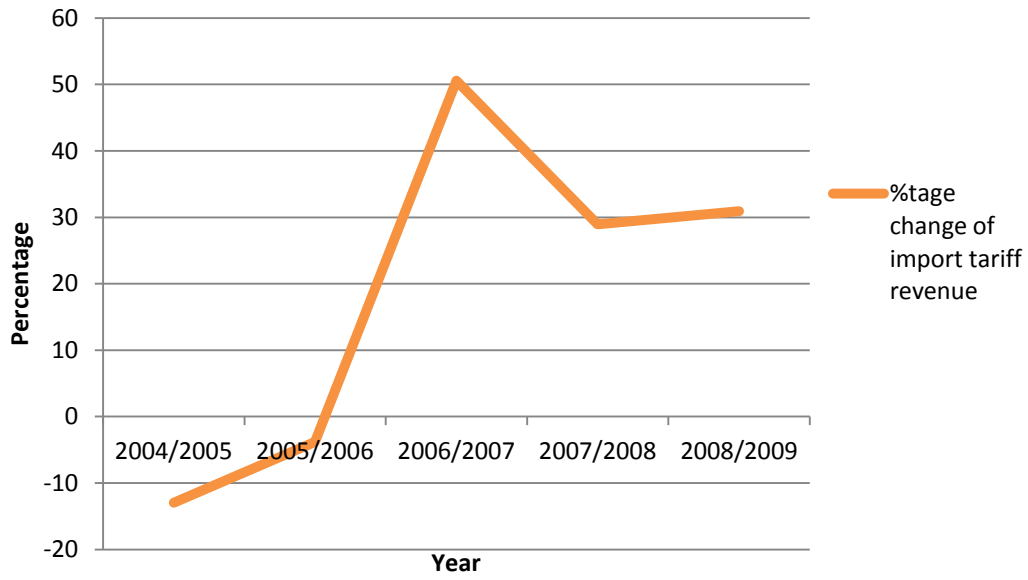

Figure 4.1: Percentage Change in Total Import Tariff Revenue Collection

4.3 Tax Exemption Management

One major weakness of the tax system is that it allows for numerous and generous exemptions. Most of these exemptions apply to indirect taxes (excise duties, import duties and VAT on importation). Nevertheless, exemptions also extend to direct

taxes. The discussion of exemptions is important since they have a significant impact on the effective tax base. The provision of generous exemptions often tends to erode the tax base which, in turn, affects total import tax revenue. Exemptions seem to have lowered the income elasticity of import duties through depressing tax-to-base elasticity.

The percentage of tax exemption to actual total tax revenue has been varying over the period. The percentage of tax exemption to actual total import tariffs revenue was at 80.54 percent of the total import tariffs revenue in the year 2004/2005. In 2005/2006 there was a slight decline up to 79.83 percent followed by a sharp increasing to 117.99 percent in the year 2006/2007. The following years (2007/2008 and 2008/2009) tax exemption to total import tariffs revenue declined to 81.07 and 72.91 percent respectively. Table 4.3 shows the tax exemption as a percentage of total import tariffs revenue.

Table 4.3: The Tax Exempted in Total Tariffs Revenue Collection from 2005 – 2009

Year	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009
Total import tariffs revenue collection	11,854,960,899.00	11,401,954,934.00	17,166,872,604.00	22,134,197,568.00	28,982,925,048.00
Tax exemption	9,548,000,000.00	9,102,614,079.00	20,255,710,975.00	17,943,380,000.00	21,131,680,000.00
%tage of exemption vs Total import tariffs revenue collection	80.54	79.83	117.99	81.07	72.91

Source: **Computed by researcher from Tanzania Revenue Authority documents (2009)**

Figure 4.2 and 4.3 shows a graphical presentation of the total import tariffs revenue collection and tax exemption, and percentage of tax exemption on total import tariffs revenue collection respectively.

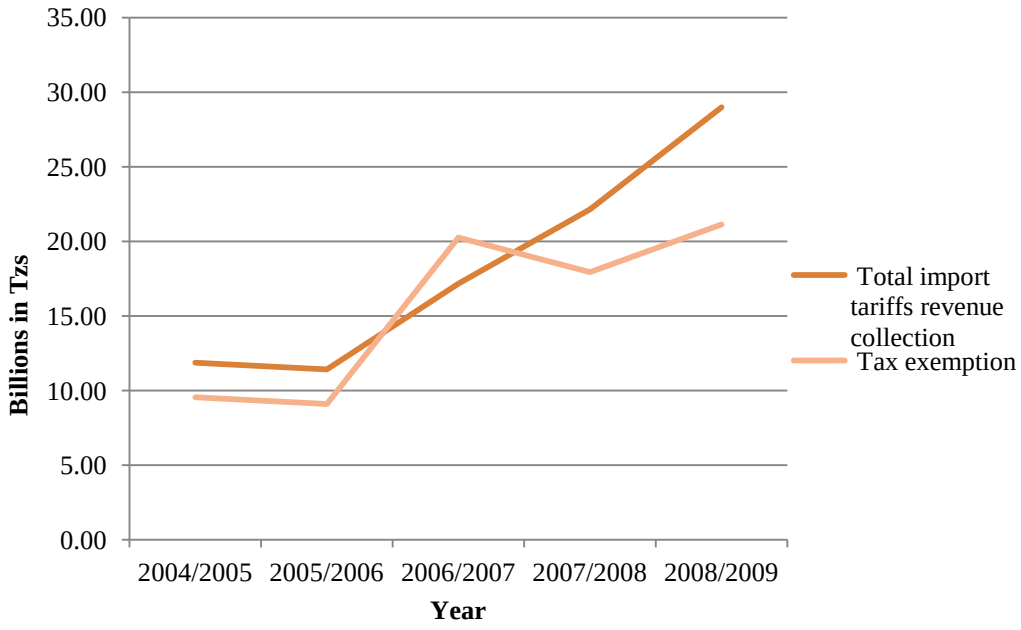

Figure 4.2: Total import tariff revenue and tax exemption

***Source*: Based on table 4.3**

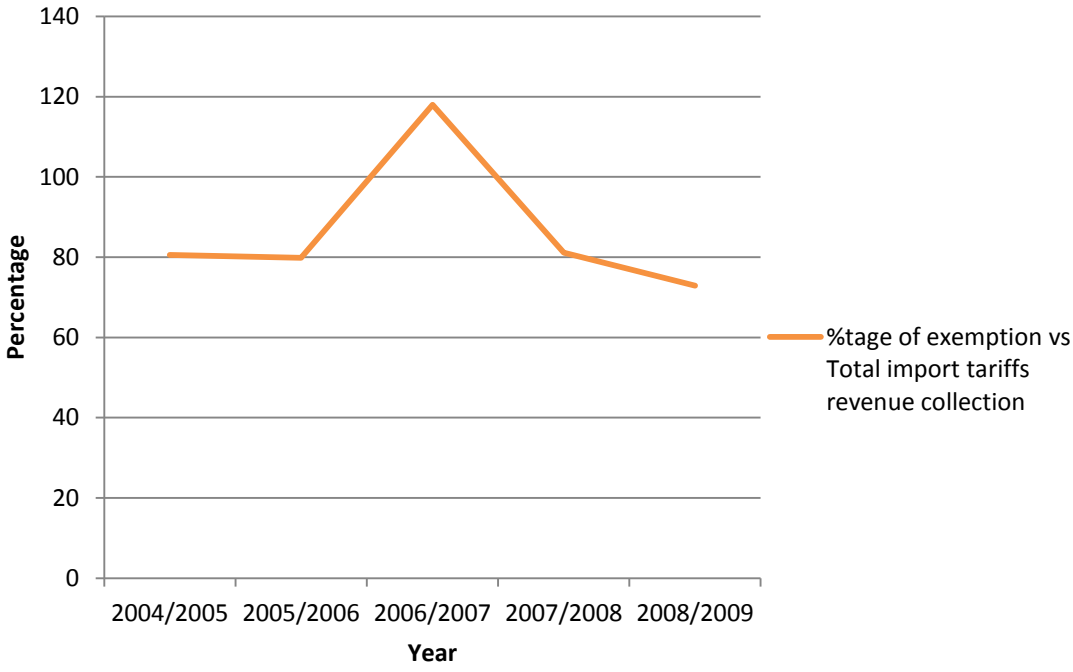

Figure 4.3: Percentage of exemption in total import tariffs revenue

***Source*: Based on table 4.3**

The total import tariffs revenue collection presented in Table 4.1 previously (page 57) excludes tax exemptions which when included in the total revenue give figures shown in Table 4.4.

Table 4.4: Total Import Revenue Collection including Exemptions ('000' Tzs)

Year	**2004/2005**	**2005/2006**	**2006/2007**	**2007/2008**	**2008/2009**
Total import tariff collection	11,854,961.00	11,401,955.00	17,166,873.00	22,134,198.00	28,982,925.00
Tax exemption	9,548,000.00	9,102,614.00	20,255,711.00	17,943,380.00	21,131,680.00
Total import tariff revenue collection	21,402,961.00	20,504,569.00	37,422,584.00	40,077,578.00	50,114,605.00

***Source:* MOFEA 2009 and TRA 2009**

From the table it can be observed that there is a slight decrease is from year 2004/2005 to 2005/2006 and then an increase from year 2005/2006 throughout to year 2008/2009. Similarly, the percentage change of the revenue is computed and presented in Table 4.5.

Table 4.5: Percentage Change in Total Tariffs Revenue Collection with Exemption 2005 - 2009

Year	**2004/2005**	**2005/2006**	**2006/2007**	**2007/2008**	**2008/2009**
%tage change in import tariffs revenue collection with exemption	10.5	-4.2	82.51	7.09	25.04

Source: **Calculated based on Table 4.4 above**

Although the percentages changes in Table 4.5 differs in values from those shown in Table 4.2, they have a comparative trend throughout the period 2005/2006 to 2008/2009. Figure 4.4 shows the trend which is depicted from the percentage changes displayed in Table 4.5.

The trends shown in Figure 4.1 and 4.3 depict a relationship between total import tariffs revenue and tax exemptions. Any one may expect that exemptions will depend on total tariffs revenue collection. To verify this technically, it is appropriate to run a regression analysis of total tariffs revenue on tax exemption. The result of this regression is displayed in Table 4.6.

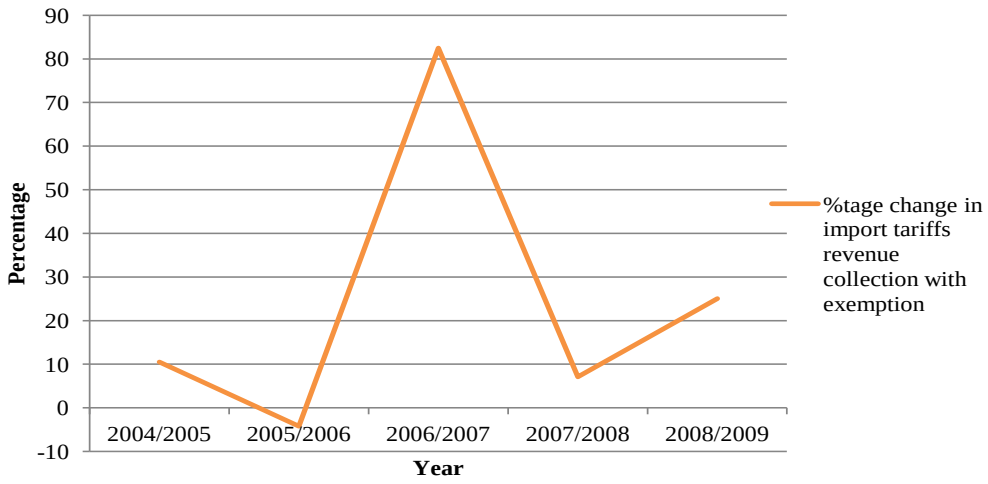

Figure 4.4: Percentage Change in Import Tariff Revenue with Exemption

***Source*: Based on table 4.5**

Table 4.6: Regression Analysis Between Tax Exemption and total Tariffs Revenue

Parameter		**Value**
Model	F-value	28.485
	Sig. (p-value)	0.013
	R-squared ($\mathbf{R^2}$)	0.905
Coefficients	Constant	801,851
	Total tariffs	0.436

Note: Dependent variable: Tax exemption

As expected that the regression model between total tariffs revenue and tax exemption is significant at 0.05 level based on F-values = 28.485 and p-value = 0.013 < 0.05. In addition to that, a high value of R^2 which is 0.905 signifies that about 90% of the variation in tax exemption is due to total tariffs revenue collection. Also, a unit increase in total tariffs revenue may results in 0.436 unit increase in tax exemptions. This statistical test is in accordance with usual expectation as noted earlier that if revenue collection increases due to high amount of imports similarly

the tax exemption is expected to increase with a comparative rate to that of total revenue.

4.4 The Possible Reasons/ Factors that have Influenced the Trends of the Import Tariffs Revenue in Zanzibar

Based on reviewed literature, a number of factors have been mentioned which, in one way or another, influence the trends of the import tariffs revenue in various countries. Some of these factors seem to persist in many countries including Zanzibar.

4.4.1 Political Atmosphere

Political atmosphere is one of the major factors which influence the whole economy of Zanzibar. Both Figure 4.1 and 4.3 show a remarkable decrease in import tariff revenue collections in the year 2005/2006. It is well known that it is in this year when Zanzibar had its general election. Many economic activities slowed down due to the nature and the way political campaigns for the election were conducted. Most of the times there were crisis between police and political parties which sometimes lead into fighting and hence destruction of properties. Apart from this factor, there are other factors which are found to have significant impact in the trend of import tariff revenue in Zanzibar.

4.4.2 Level of Tariff Charge

According to the responses of officers from tax management institutions, Zanzibar Revenue Board (ZRB) and Tanzania Revenue Authority (TRA), on the nature of import tariff revenue collected in Zanzibar, nearly three quarters of the respondents,

(74.8%) replied that the tariff charged on imported goods is high while the remaining 25.2% replied that it is low. On the other hand, the response from all importers and clearing and forwarding agents (which are 40 respondents → 100%) replied that the tariff charge is high. The nature or level of tariff charged on imported goods has a direct impact (that is decrease) on the amount of import of goods which in turn affect the tariff to be collected. Table 4.7 and Figure 4.5 explain in summary.

Table 4.7: Level of tariff Charged

	Frequency	Percent
High	89	74.8
Low	30	25.2
Total	**119**	**100**

Source: **Base on the respondents**

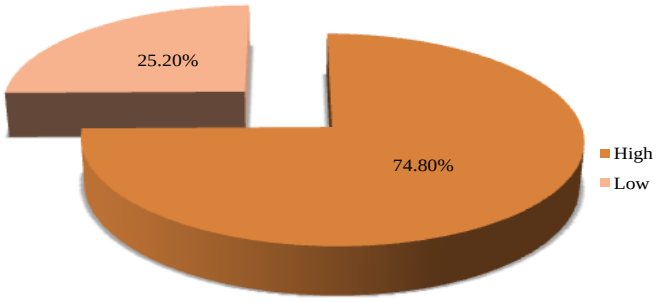

Figure 4.5: Level of tariff charged

Source: **Base on table 4.7**

As it is expected that large amount of imported goods will result in high collection of tariff from those imported goods. Accordingly, if there is a reduction of amount charged in the form of tariff or tax exemptions, the traders will be more attracted to import goods. A statistical test was performed between these two parameters, trend of importation of goods and level of tariff charged, to see if there is any association

between the two. The result of the test yield a Chi-square value = 8.66 with p-value = 0.003 as shown in Table 4.8.

Table 4.8: Distribution of Trend of Importation of Goods and Level of Tariff Charged

Level of tariff charged	Trend of importation of goods					
	Increase		Decrease		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
High	64	71.9	25	28.1	89	100
Low	24	100	0	0	24	100
Total	88	77.9	25	22.1	113	100

Chi-square vale = 8.66, p-value = 0.003

Source: **Calculation based onthe respondents**

Two useful information are derived from chi-square test are Chi-square value and p-value. Chi-square value measures the magnitude of the variation of one variable due to variation in the other variable while p-value measure the significance of the chi-square value itself. This means that the higher the chi-square value is the higher the association that exists between two variables under consideration. However, p-value has an important role of determining the significance of that association. Based on the data that is available, the test results confirm a significant association between trend of importation of goods and level of tariff.

This is clearly apparent from p-value = 0.003 which is less than 0.05, a desirable level of significance, thereby suggesting that the chi-square value of 8.66 is significant and hence showing significant association between trend of importation of goods and level of tariff.. Based on the result from the table it is clearly seen that

increasing importation of goods is associated more with low level of tariff charged than with high level, that volume of goods imported is increasingly proportional to revenue collected.

Table 4.9: Distribution of Reasons for Reducing Tariff Charged

	Frequency	**Percent**
Increase importation of goods	19	27.1
Increase business activities	13	18.6
Increase domestic revenue	27	38.6
Other problems	11	15.7
Total	**70**	**100**

Source: Based on the respondents

All respondents who replied that the level of tariff charged is high were asked on whether it is reasonable to reduce it or not. Out of 89 respondents, 78.7% of them replied that it is reasonable to reduce the tariff charged on imported goods. The reasons behind reduction of tariff charged on imported goods are presented in Table 4.9 and Figure 4.6.

Three main reasons were presented which have comparative distribution among respondents. About 38.6% of the respondents said that the reduction in tariff on imported goods will results in increasing domestic revenue and hence reducing poverty level among the community. In addition to that, 27.1% of respondents said that reduction in charged tariff will result in increasing importation of goods which in turn have impact on tariff itself as explained earlier. The third reason of reducing

charged tariff was increase in business activities which in turn increase Government revenue, 18.6% of the respondents support this notions.

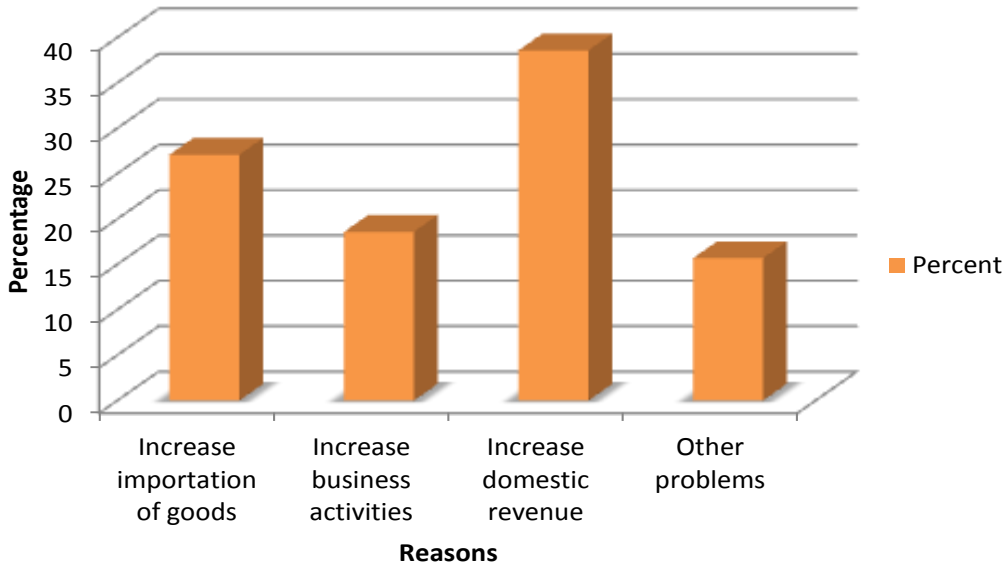

Figure 4.6: Reasons for reducing tariff charge

***Source*: Based on table 4.9**

Increasing importation of goods is likely to increase the tariff revenue collection. Hence, trend of importation of goods is considered as one of the determinants of the trend of tariff revenue collection. **Table 4.10** and **Figure 4.7** below present response of interviewed officers on the trend of importation of goods. As it is seen that more than three quarters (77.9%) of them said that the trend is increasing while the remaining 22.1% replied that the trend is decreasing.

Table 4.10: Trend of Importation of Goods

	Frequency	**Percent**
Increase	**88**	**77.9**
Decrease	**25**	**22.1**

Total	**113**	**100**

Source: **Based on the respondents**

Increasing trend of importation of goods is the result of, among other things, increasing trend of tax exemptions. Recalling the results from Table 4.3 and 4.4 it was shown that there is an increasing trend of total tariff revenue collection and also a high relationship between tariff revenue collection and tax exemption. Hence, increasing total tariff revenue collection implies increasing tax exemption. It is this increasing trend of tax exemption which leads to the reported increasing trend of importation of goods albeit uncorresponding total revenue collection.

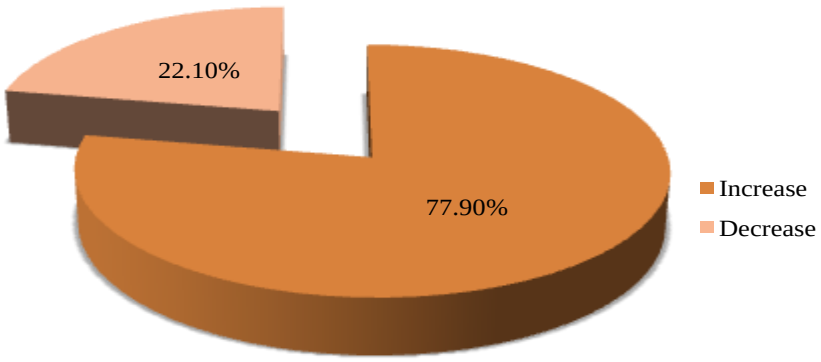

Figure 4.7: Trend of Importation of Goods

Source**: Based on table 4.1**

Based on the results of the responses from the interviewed officers, there are other reasons for increasing importation of goods apart from those verified by the data.

Table 4.11 and Figure 4.8 display distribution of reasons for increasing importation of goods based on responses from interviewed officers.

Table 4. 11: Distribution of Reasons for Increased Importation of Goods

	Frequency	Percent
High integrity of tax officers	12	12.8
Improve clearance customs facilities	32	34
Introduction of new system of clearance of imported goods	24	25.5
Other reasons	26	27.7
Total	**94**	**100**

Source: **Based on the respondents**

As the table shows that majority of the respondents mentioned that improved clearance customs facilities is one among the reasons for increasing importation of goods with 34.0% of respondents replied to this reason. Introduction of new system of clearance of imported goods was named as another reason for increasing importation of goods with 25.5% of respondents while only 12.8% of respondents said that the reason behind increasing importation of goods is high integrity of tax officers. The remaining proportion of officers replied to other reasons.

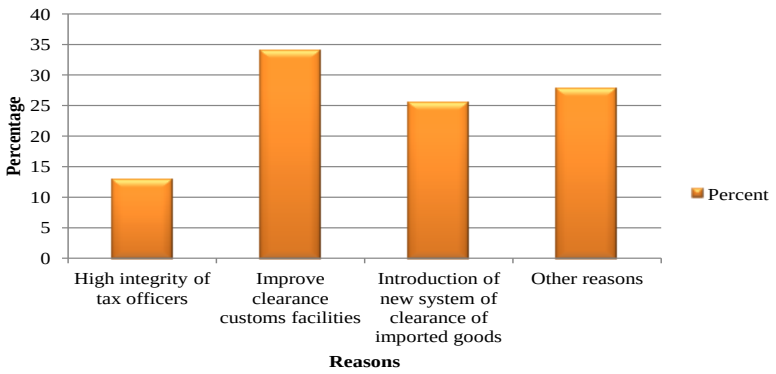

Figure 4.8: Reasons for increase of importation of goods

Source**: Based on table 4.11**

Further verification of tariff charged and importation goods found that it was necessary to seek clerification from tax offices with experience on the field of taxation. This exercise gave more useful result, in determining whether the trend is really increasing or decreasing. Table 4.12 illustrates the findings.

Table 4.12: Distribution of Response for Level of Tariff Charged by Working Experience of the Respondent

	Level of tariff charged					
	High		**Low**		**Total**	
Experience	**Frequency**	**Percentage**	**Frequency**	**Percentage**	**Frequency**	**Percentage**
Less than 4 years	9	60	6	40	15	100
5-8 years	12	40	18	60	30	100
9-12 years	27	100	0	0	27	100
13 years and above	41	87.2	6	12.8	47	100
Total	**89**	**74.8**	**30**	**25.2**	**119**	**100**

Chi-square value = 33.96, p-value =0.000

Source:**Calculation based on the respondents**

The Table shows the distribution of the responses for the level of tariff charged by working experience of the interviewed officers. The table is accompanied with a Chi-square test for association between the two parameters, a Chi-square value = 33.96 with p-value = 0.000. Based on these results it can be concluded that there is an association between the two and according to the scores from the Table 4.12. Majority of those with long experience reported that the level of tariff is high as compared to those with short-term experience. This implies that as the years go on

the level of tariff revenue collected is increasing. The same results have been proved earlier in this analysis.

Similar analysis was performed on the trend of importation of goods. Comparative results were obtained which show an association between experience and trend of importation of goods as shown in Table 4.13. The test resulted in a Chi-square value = 20.00 with p-value = 0.000. Again this indicates a significant association between these two parameters.

Table 4.13: Distribution of Responses for Trend of Importation of Goods by Working Experience of the Respondent

Experience	**Trend of importation of goods**					
	Increase		**Decrease**		**Total**	
	Frequency	**Percentage**	**Frequency**	**Percentage**	**Frequency**	**Percentage**
Less than 4 years	9	60	6	40	15	100
5-8 years	30	100	0	0	30	100
9-12 years	24	88.9	3	11.1	27	100
13 years and above	25	61	16	39	41	100
Total	88	77.9	25	22.1	113	100

Chi-square value =20.00, p- value = 0.000
Source: **Based on the respondents**

The result from this table shows slight dispersion with those shown in Table 4.13. In the case of trend of importation of goods, although there is association with experience but this association is not apparently clear in terms of officers with different experience. The table shows at all level of experiences, the responses are high on increasing trend than those on decreasing trend. This can be interpreted that

trend of imported goods is increasing steadily with a positive growth rate in each year so that even within a short term period there is no negative rate of increasing which was observed.

4.5 Problems which Lead to Low Import Tariff Revenue Collection

Beside those challenges which contribute to fluctuations in import tariff collection in Zanzibar, as discussed in section 4.2, there are a number of problems which have been mentioned to be the challenges to collect tariff revenue in Zanzibar. These major problems are explained hereunder:

4.5.1 Some Imported Goods do not Pass through the System (ASCUDA++)

Tanzania Revenue Authority (TRA) has put in place a system called ASCUDA++. This is a computerized system used mainly for controlling and documentation of logistics, clearing and forwarding activities. For the case of TRA, they use the system mainly for controlling and documenting imported goods which enter in the country through sea ports, airports, border stations and any other legal means of importation. The system has different tariffs for different goods imported. However, this system is not applicable for foodstuffs and petroleum products in Zanzibar. The following Table 4.14 shows the different tariff rates and different goods with different systems.

Table 4.14: Tariff Charge and Products

Product name	Tariff charge in the system	Tariff charge not in the system
Petroleum products		
Illuminating Kerosene (IK)	Tzs. 122 per litre	Tzs. 30 per litre
Gasoline regular (MSP)	Tzs. 135 per litre	Tzs. 30 per litre
Gasoline regular premium (MSP) Petrol	Tzs. 146 per litre	Tzs. 80 per litre

Foodstuffs		
Sugar	35%	12.50%
Rice	25%	12.50%
Wheat flour	25%	12.50%

***Source*: Based on Tanzania Revenue Authority (TRA) documents**

As can be seen in Table 4.14 the rate charged through the system is higher compared to the rate applicable for those goods which do not pass through the system. The reason behind why Zanzibar does not process foodstuffs and petroleum products is to minimize the cost of living for Zanzibari's. Therefore, some importers take this opportunity to hide goods imported to the country. This result in an underestimation of imported goods and badly the government lose its import revenue.

4.5.2 Self-assessments on Importation of Goods

Self assessment is the method according to law which empowers importers to assess themselves for all goods imported. The importer surrenders the supplier's invoice and or bill of lading which shows the value of goods imported that is, Cost, Insurance and Freight (C. I. F). The value is the base of charging taxes. Therefore, most of the times importers do not declare truly what they have imported leading to underestimation of the value of goods thereby reducing tax revenue.

4.5.3 Double Taxation

All goods imported in Zanzibar are eligible for duties, but not all goods imported are used in Zanzibar; some are transferred to Tanzania Mainland. Those goods transferred to Mainland especially motor vehicle are charged duties on importation. The valuation method used to charge duties is called Used Motor vehicle Valuation

System (UMVS). This is an electronic system which determines the value of all motor vehicles entered into Tanzania Mainland. The method identifies year of manufacture, capacity of a car and the value of the car according to worldwide market, but the method does not consider depreciation of the motor vehicle. This is the base of charging duties. However, this method is not used in Zanzibar. Zanzibar uses Depreciation Method or Book Value Method which determines depreciation of a car and then computing applicable duties.

According to these methods, UMVS determines high value of charging duties while Depreciation Method determines low value of charging duties. Therefore, Depreciation Method is not acceptable in Tanzania Mainland and all motor vehicle transferred to Tanzania Mainland are eligible to pay the difference on the duties according to UMVS valuation. That is why traders divert their imported motor vehicles to Tanzania Mainland and reduce volume of imported goods and import revenue.

4.5.4 Lack of Transparency

As mentioned earlier, all goods entering the country are charged duties based on the value mentioned on the supplier's invoice or Bill of Lading (BL) which shows Cost, Insurance and Freight (C.I.F). The customs officers have discretionary powers, which create uncertainty and unpredictability in the trade environment. Customs officials constantly uplift the value of the goods instead of using the C.I.F value provided or the supplier's invoice. Valuation of goods is usually the base on which

tariff and tax liabilities are calculated and an uplift result in a higher tax liability and creates the tendency of the importers to underestimate the value of the goods. It is the behavior of some custom officials that contributes to reduction in the collection of import duties.

4.5.5 Lack of Customs Warehouse and Inadequate Port Area

All goods imported into the country are subjected to examination and assessment. The examination process is conducted when the goods are delivered to the port. After the examination, the next step is valuation. The valuation method is conducted to determine the tax liability. Customs warehouse is a very important place to store imported goods. All goods imported are not required to stay for more than twenty one days (21 days) at the port area. However, ssometimes, goods stay for more than 21 days at the port hence are technically converted into uncleared goods “long stay goods”, “abandoned goods” or “ceased goods”. Such goods have to be transferred to the customs warehouse. Unfortunately, Zanzibar has no customs warehouse and hence all goods are remain at the port. This unfortunate circumstance causes difficulty in assessing imported goods due to congestion and obstruction. Movement between containers and in between bulk goods becomes tedious.

CHAPTER FIVE
5.0 CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter addresses findings raised in the study and highlights policy implications which may serve as a challenge to policy makers, researchers and the academic community.

5.2 Conclusion

5.2.1 The Trend of Import Tariffs Revenue

The import tariffs revenue in Zanzibar is generally characterized by fluctuations from year to year. Revenue collection increased from Tzs.11,854,961,000 in 2004/2005 to Tzs. 28,982,925,000 in 2008/2009, which is more than twice. The main goods imported are used motor cars and used electronic goods. Importation of used electronic goods leads to increase revenue on importation and the Government as well, but in terms of country's environment these goods normally are not in a good condition for usage (obsolete). The situation makes the country a dumping place for obsolete goods.

5.2.2 Tax Exemption

Based on the collected data in this study, it was found that there is a high proportion of tax exemption for the imported goods; hence the Zanzibar Government loses much of import tariff revenue. The percentage of tax exemption to actual total import tariffs revenue was at 80.54 percent in the year 2004/2005. In 2005/2006 there a was slight decline down to 79.83 percent followed by a sharp increase to 117.99 percent in the year 2006/2007. The following years (2007/2008 and 2008/2009) tax

exemption to total import tariffs revenue declined to 81.07 and 72.91 percent respectively.

Some importers who are granted exemption tend to abuse (misuse) the facility. In case of foodstuffs, the businessman use exempt facility to yield high profit in their business by sets a price including government tax to be paid by consumers. But in actual fact the importer did not pay tax and hence consumers add to their profit.

5.2.3 Political Atmosphere

There is uncertainty in the collection of revenue on importation. It is high risk for Government to depend on international trade. For a country to be stable it should depend on local taxes like VAT derived from well-established industries and functioning policies instead of depending on importation.

5.2.4 Level of Tariff Charge

Based on the findings of this study, nearly three quarters (74.8%) of the respondents (TRA and ZRB officers), replied that the tariff charged on imported goods is high and on the other hand, the response from all importers and clearing and forwarding agents (40 respondents → 100%) replied the same. The nature or level of tariff charged on imported goods has a direct impact on the amount of import of goods which in turn affect the tariff to be collected.

5.2.5 Some Imported Goods do not Pass through the System (ASCUDA++)

Based on findings, foodstuffs and petroleum products are not passed through the computerized system (ASCUDA++) hence leads some importers to take this opportunity to conceal goods imported.

5.2.6 Self-assessment on Imported Goods and Lack of Transparency

Self assessment is the method used to assess the value of goods imported. Normally importers by using this method under declare the value of the goods which is the base of charging duties. The customs officers have discretionary power to uplift the value of the goods imported because of lack of transparency which tend to under declare the true value of the goods imported. The TRA as a tax institution need to establish and maintain Transaction Price Database (TPD) for evaluation of imported goods.

5.2.7 Double Taxation

The TRA mainland makes valuation of motor vehicle through the system called Used Motor Vehicle Valuation System (UMVS) to determine the value to charge duties, while TRA Zanzibar used Depreciation Method. The results of these two methods are differing. UMVS determine high value of motor vehicle while Depreciation Method determines low value for considering depreciation of the motor vehicle. This issue should be discussed between two partners (Tanzania mainland and Tanzania Zanzibar) for a solution. Therefore, the transfer of goods from one part to another is not an importation is just a transfer which is not required to charge any duties concerning importation, the duties already paid at the point of entering goods in the country.

5.2.8 Lack of Customs Warehouse and Insufficient Port Area

Zanzibar port is insufficient to handle all goods entered to the country for customs clearance including examination and valuation of goods imported. Unfortunately,

Zanzibar has lack of customs warehouse for storage goods which are unclear (long stay goods), abandoned goods and ceased goods.

5.3 Recommendations

1. The Trend of Import Tariffs Revenue

The Government sets policies and laws for importation of used electronic goods by charging high rate on importation for those goods which are used for two years and above. This will help to protect people as well as country's environment.

2. Tax Exemption

The laws of granting exemption must be reviewed and emended by remove exemption on foodstuffs, and exempt only 50 percent (50%) of duties for those who entitled according to law to have exemption.

3. Political Atmosphere

Government should improve existing industries and installing new industries, also to have well established Block Management System (BMS) which used for monitoring and controlling domestic revenue generated from different business activities.

4. Level of Tariff Charge

It is right time for the Government to introduce a policy of Special Economic Zone (SEZ) so as to reduce tax with expectation that importation of goods will increase as well as business activities which in turn to increase import revenue and domestic revenue and hence reducing poverty level among the community.

5. Some Imported Goods do not Pass Through the System (ASCUDA++)

There is a need for TRA in Zanzibar to have a system to the sea ports, airports, border stations and any other legal means of importation which will monitor and control all importation of goods.

6. Self-assessment on Imported goods and Lack of Transparency

TRA as a tax institution need to establish and maintain Transaction Price Database (TPD) for evaluation of imported goods.

7. Double Taxation

Tanzania mainland and Tanzania Zanzibar, should agree to use only one system whether Depreciation method or Used Motor vehicle Valuation System (UMVS) on the valuation of imported motor vehicle.

8. Lack of Customs Warehouse and Inadequate Port Area

TRA must have to establish and accommodate customs warehouse and yards for accurate valuation and examination of all imported goods for establishment of tax liability.

5.4 Areas for Further Studies

The aim of the study was to examine and identify the challenges that face import tariffs revenue collection in Zanzibar. The study based mainly on the issue of tax exemption management, high import duties, hidden taxes, the legal framework and its implementation (tax policy, laws & regulations) and double taxation.

Because of lack of time and other resources the researcher could not cover broader area such as global financial and economic crisis during the time of the study. Other areas not covered include transparency in import tax collection leading to corruption, lack of improper import tax information system, the problem of the tax system to meet requirements of a market economy to ensure trade competitiveness and the fluctuation of the value currency. The researcher believes that further studies into these areas bring substantive results that will show reasons on fluctuation of the import tariff revenue collection thereby eroding the tax base. Not only that; these challenges will show whether the Government should continue to depend on this source of revenue or to diversify tax base.

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APPENDICES

APPENDIX 1: QUESTIONARE TO CLEARING AND FOWARDING AGENTS AND IMPORTERS

Introduction

This research is part of the requirements for my Masters degree of Business Administration in Finance of the Open University of Tanzania. Your Cooperation in answering questions below will be highly appreciated. I assure you that your views and opinions shall be treated with strict confidentially.

Instruction

Please fill the number in the box beside the appropriate answer.

1. Are you a clearing and forwarding agent? Yes = 1 ☐
   No = 2

2. Are you an importer? Yes = 1 ☐
   No = 2

3. How long have you been involved in this business?
   Less than 1 year 1
   1 – 3 years ..... 2 ☐
   4 – 6 years..... 3
   7 -- 9 years 4
   10 years and above 5

4. Are you paying any duties concerning importation? Yes = 1 ☐
   No = 2

Please, in question no.5, circle the appropriate answer(s).

5. If Yes, which duties are you paying?

   (i) Import duty

   (ii) Excise duty

   (iii) VAT on importation, and/or

   (iv) Any other duties, please specify below;

   .....

   .....

   .....

6. Have you faced any problem on paying duties? Yes = 1 ☐

   No = 2

Please, in question no.7, circle the appropriate answer

7. If Yes, which problems have you faced?

   (i) Some other importers or clearing agents enjoy tax exemption.

   (ii) Delaying the preparation of released document.

   (iii) Up-lift the value of the goods to be taxed, and/or

   (iv) Any other problem, please specify below;

   .....

   .....

   .....

8. Is the tax administration procedure to collect duties on import goods functioning well/not complicated? Yes = 1 ☐

   No = 2

Please, in question no.9, circle the appropriate answer

9. If No, what is the problem(s):

   (i) Long process and too bureaucracy to collect duties.

   (ii) Dishonest of tax officer(s).

   (iii) Delaying to release cargo from the port, and/or

   (iv) Any other problem(s), please specify below;

   .....

   .....

   .....

10. Are the tariffs used to charge on importation of goods are high or low?

   High = 1 ☐

   Low = 2

11. If High, do you think it is reasonable to reduce? Yes = 1 ☐

   No = 2

Please, in question no.12, circle the appropriate answer

12. If Yes, what is the reason(s) to reduce it:

   (i) To increase importation of goods.

   (ii) Increase revenue collected from importation.

   (iii) Increase business activities which cause increase government revenue, and/or

   (iv) Any other reason(s), please specify below

   .....

   .....

   .....

13. If Low, do you think is better to increase? Yes = 1 ☐

No = 2

Please, in question no.14, circle the appropriate answer

14. If Yes, what is the reason(s) to increase it:

(i) Increase revenue collected from importation of goods.

(ii) Reduce the importation of obsolete/out of standard goods.

(iii) Reduce the overloads of cargo from the custom, and/or

(iv) Any other reason(s), please specify below

.....

.....

.....

15. Does the importation of goods are increased or decreased? Increased = 1 ☐

Decreased = 2

Please, in question no.16 and 17, circle the appropriate answer

16. If increased, what is the reason(s):

(i) Tax procedure and administration is working efficiently and tax officers are honest.

(ii) No delaying of cargo released from customs.

(iii) No bureaucracy and too long procedure for clearing cargo and/or

(iv) Any other reason(s), please specify below

.....

.....

.....

17. If decreased, what is the reason(s):

    (i) Poor facilities for clearing goods from customs.

    (ii) Too long procedure and bureaucracy

    (iii) Decrease our value currency (increase inflation rate), and/or

    (iv) Any other reason(s), please specify below;

    .....

    .....

    .....

Thanks for your cooperation

APPENDIX 2: QUESTIONARE TO TANZANIA REVENUE AUTHORITY AND ZANZIBAR REVENUE BOARD STAFFS

Introduction

This research is part of the requirements for my Masters degree of Business Administration in Finance of the Open University of Tanzania. Your Cooperation in answering questions below will be highly appreciated. I assure you that your views and opinions shall be treated with strict confidentially.

Instruction

Please fill the number in the box beside the appropriate answer.

1. Are you working at Tanzania Revenue Authority or Zanzibar Revenue Board?

   TRA = 1

   ZRB = 2 ☐

2. How long have you been working in TRA or ZRB?

   (i) Less than 1 – 4 years = 1

   (ii) 5 – 8 years = 2 ☐

   (iii) 9 – 12 years = 3

   (iv) 13 years and above = 4

3. Are you working at collection department? Yes = 1 ☐

   No = 2

4. Which department are you working? .....

5. Do you face any problem on collecting duties on importation? Yes = 1 ☐

   No = 2

Please in question no.6 and 8, circle the appropriate answer(s)

6. If Yes, which problem(s)

   (i) Some taxpayers are tax exempted while others no.

   (ii) False declaration on the value of imported goods.

   (iii) Different tariffs on imported goods due to different Regional Integration (such as EAC, COMESA) and/or

   (iv) Any other problem(s), please specify below;

   .....

   .....

   .....

7. Is the tariff revenue collection declining? Yes = 1 ☐

   No = 2

8. If Yes, which reason(s):

   (i) Increasing tax exemption.

   (ii) Reduction of import tariffs on importation.

   (iii) Decline our value of Tshs. against foreign currency ($) (increase in inflation rate), and/or

   (iv) Any other reason(s), please specify below;

   .....

   .....

   .....

9. Is the tax administration procedure to collect duties on import goods functioning well/ not complicated? Yes = 1 No = 2 ☐

10. If No, which problem(s):

(i) The new system of ASCUDA++ is not well familiar to some staffs.

(ii) Some other goods are not passes through the system (ASCUDA++).

(iii) Self assessment leads the importer and/or agent to under declare the value of the goods imported, and/or

(iv) Any other problem(s), please specify below;

.....

.....

.....

11. Are the tariffs used to charge on importation are high or low?

High = 1 ☐

Low = 2

12. If High, do you think is reasonable to reduce? Yes = 1 ☐

No = 2

Please in question no.13, 14, 16, 18 and 19, circle the appropriate answer(s)

13. If Yes, which reason(s) to reduce it:

(i) Increase importation of goods.

(ii) Increase business activities.

(iii) Increase domestic revenue, and/or

(iv) Any other reason(s), please specify below;

.....

.....

.....

14. If No, which reason(s)

(i) Reduce import tariffs revenue collection.

(ii) Reduce government total revenue collection.

(iii) Increase the importation of obsolete goods, and/or

(iv) Any other reason(s), please specify below;

.....

.....

.....

15. If Low, do you think is better to increase? Yes = 1 ☐

No = 2

16. If Yes, which reason(s) to increase it:

(i) Increase import tariffs revenue.

(ii) Reduce the importation of obsolete goods

(iii) Increase government total collection, and/or

(iv) Any other reason(s), please specify below;

.....

.....

.....

17. Does the importation of goods are increased or decreased?

Increase = 1 ☐

Decrease = 2

18. If increased, which reason(s):

(i) High integrity of tax officers

(ii) Improve clearance customs facilities.

(iii) Introduction of new system of clearance of imported goods (ASCUDA ++), and/or

(iv) Any other reason(s), please specify below;

.....

.....

.....

19. If decreased, which reason(s):

(i) Decline our value currency against foreign currency ($)(increase inflation rate).

(ii) Poor facility for clearance of imported goods from customs.

(iii) Too long bureaucracy and dishonest of some staffs, and/or

(iv) Any other reason(s), please specify below;

.....

.....

.....

20. Any other comment(s) concerning on the revenue collection on importation of goods.

……

……

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……

Thanks for your cooperation